

STAKEHOLDER ANNOUNCEMENT

Rural Housing Service - Multifamily Housing Multifamily Housing Owners and Property Managers 2026 Proposed Budget Requirements

Washington DC, September 09, 2025 – USDA and the Rural Housing Service have a responsibility to be good stewards of taxpayer dollars and ensure that every dollar spent goes to serve the people. The Department is carefully reviewing all funding resources that are available for Multifamily Housing programs and the tenants it serves. As we embark on the proposed 2026 budget cycle, we are asking our partners, owners, and borrowers to thoroughly review your project budgets. When developing your budgets, be mindful of maximizing all cost savings measures, reducing waste, and providing our tenants with a safe and decent place to call home without putting additional pressures on the American taxpayers.

The Agency requires each borrower to submit a proposed project operating budget as a planning document of a project's financial operations for the upcoming operational year. For guidance on rent and utility allowances and the requirements of housing project budgets, refer to Handbook 2-3560 (HB 2), Chapter 4, [Section 4](#) and [Chapter 7](#); and 7 CFR [3560.205](#) and [3560.303](#).

Your budget projections regarding income, expenses, and vacancies must be realistic given the housing project's history, current circumstances, and market conditions. **All expenses in your budget projection must show a clear benefit to the residents of the property without inflating overall operating costs.**

Per [Exhibit 4-3](#), the timeline for submission of a complete budget package is:

- **At least 90 days prior** to the start of the housing project's fiscal year, if a rent or utility allowance change is needed.
- **At least 60 days prior** to the start of the housing project's fiscal year, if no rent or utility allowance change is needed.

All proposed operating budgets shall include the following items in order to be a complete package, per [Exhibit 4-1](#):

1. [Form RD 3560-7](#) completed per the instructions. For projects with eight units or more, this form must be submitted through MINC.

An operating budget for the fiscal year includes a budget narrative providing a description of the budget and highlights important elements to aid the Servicing Official in their review of the budget, to include:

- A brief description of the project and key indicators of its overall status.
- A statement of project compliance including any outstanding monitoring findings (can be found on your MINC Task Calendar) and the progress in addressing the problems.
- An explanation of projected capital expenditures and reserve withdrawals, including accessibility items from the Transition Plan for the upcoming year and capital needs for the next three years.
- A description of the project's overall financial status and important factors contributing to the changes. (vacancy, workout plan status, debt deferrals, servicing efforts). Borrowers must document that the operating expenses included in the budget accurately reflect reasonable and

necessary costs to operate the housing project in a manner consistent with the objectives of the loan. Generally, expenses charged to project operations, whether for management agent services or other expenses, must be reasonable, typical, necessary and show a clear benefit to the residents of the property. Services and expenses charged to the property must show value added and be for authorized purposes.

- Any other information necessary to justify the proposed rent or utility allowance charge request.
2. Borrowers should submit utility allowance documentation per HB 2, [14 \(C\)](#) and [3560.202](#).
 3. Provide a copy of [Handbook Letter 203](#), if proposing rent or utility allowance change. At the same time the borrower submits the initial Notice (Handbook Letter 203) to RD, the borrower will send or deliver notices to each tenant and must also post this notice/ letter in common areas frequented by the tenants. For Agency servicing official contact information, please select the address and email for the region the property is located in.
 4. If the property needs an increase to the Replacement Reserve deposit, an Agency approved Capital Needs Assessment (CNA) is required to document future capital needs. A review of the current CNA should be performed in conjunction with budget review as capital expenditures may potentially lower estimated operating. Please note that Replacement Reserve increases are limited by comparable rents for the area.
 5. Any additional documentation or comments the borrower believes is necessary to justify the proposed rent, utility allowance or expenses.

If the existing Management Certification is expiring at the end of the current fiscal year or has expired, a new Management Certification must be executed and submitted to RD for approval. **The Management fee for 2026 remains unchanged from 2025 and can be found at HB 2, Chapter 3, Attachment 3-F.**

If your property is a HUD Section 8/515 property, HUD staff will notify both RD and the owner of the new HUD contract rents. The owner should confirm with the Servicing Official this information was received and obtain it if not received.

As a note, Service Coordination is an eligible expenditure for properties in this budget cycle. A service coordinator's role is to connect residents to services available from other sources in the community. Properties wishing to add service coordination in their budgets should consider the needs of the property residents and the potential services available.

Thank you for your continued cooperation in preparing proposed operating budgets and submitting them in a timely manner. If you have questions, please contact the servicing Specialist assigned to the project. A listing of assigned servicing Specialist can be found on our website at [MFH Property Assignments by Region](#).

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**Karissa Stiers Acting Deputy Administrator
Field Operations Division Director Multifamily Housing
Rural Housing Service Rural Development**

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