



UNPRECEDENTED CHANGES

On March 26, 2026, HUD announced the availability of \$56.1 million in federal funding to support housing counseling services and training. Unlike all prior NOFOs, this one severely limits the activities and populations that can be served by these federal funds, despite the housing affordability crisis confronting Illinois and the nation.

Pre-purchase counseling is no longer a federal reimbursable activity and post-purchase counseling is only available for Housing Choice Voucher recipients, and FHA, VA, and Rural Development mortgage holders.

- Homeownership is a pathway to stability and wealth, but the process is complicated, resulting in millions of homebuyers, especially first-time purchasers, without the information they need to make sound financial decisions. HUD's own research shows that housing counseling is linked to longer homeownership tenure, reduced foreclosure risk, and lower rates of serious delinquency (HUD, Housing Counseling Works, 2023).
- Pre-purchase counseling is consistently the most provided service by housing counseling agencies; without HUD funds, much of this work may no longer be able to be offered, negatively affecting prospective homebuyers and communities at large.
- Post-purchase counseling, especially default and foreclosure counseling, annually helps thousands of households, regardless of mortgage type, save their homes.
- Because the NOFO's effective period is retroactive to October 1, 2025, housing counseling agencies won't be reimbursed by HUD for services they provided in good faith reliance on the consistent, historic federal funding for such activities.
- Rural areas and less resourced communities will especially be harmed because of these unprecedented changes.
- Under this new NOFO, rental housing counseling will focus on moving tenants with Housing Choice Vouchers, Project-Based Rental Assistance, and Public Housing out of those subsidized housing programs and into homeownership.
- Existing staff and planned activities and trainings are focused on supporting would-be homeowners, as well as educating communities about down payment assistance programs and helping residents apply for these resources. It takes time, planning, and resources to change direction and secure other funding to continue these activities or to retrain staff and create new plans for housing counseling activities with a different focus.

WHY IT MATTERS

Ultimately, housing counseling is about strong communities. Housing counselors play an important role in building thriving communities and supporting families and individuals by offering guidance on how to reach their home goals. Pre-purchase, rental, and post-purchase housing counseling are core components of this mission.

These NOFO limitations reduce access to trusted housing guidance for thousands of households, decreasing sustainable homeownership opportunities for many and increasing the risk of housing instability and homelessness in our communities.

HUD FY2025 Housing Counseling NOFO



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Limited eligibility for one-on-one counseling.

- The NOFO limits support to households currently receiving assistance through the HUD programs of Project-Based Rental Assistance, Housing Choice Vouchers, and Public Housing, severely curtailing the use and potential of housing counseling to help community members meet their housing needs.

Decreased investment in housing counseling training.

- Housing counselors need robust, high quality training opportunities to stay informed of a continually changing housing landscape. Despite this, funding for housing counseling trainings was cut almost in half and extended over a longer, 18 month period in this NOFO.

Connection to Executive Orders.

- The NOFO ties funding to compliance with Executive Orders directed at federal agencies, leaving nonprofit organizations unclear of their rights and responsibilities and how to ensure compliance.

Illinois Impact at a Glance

A survey of 42% of housing counseling agencies serving communities throughout Illinois reveals severe consequences because of the FY25 NOFO's unprecedented restrictions:

- **Services at risk:** 60% of standard housing counseling services already provided in good faith are now ineligible for federal reimbursement.
- **\$1 million+ shortfall:** Over the 18-month grant period, at least \$1 million in services may go unpaid (although this figure could be much higher), forcing agencies to scale back when communities need it most.
- **Dire workforce and services cuts looming:** 46% of agencies plan to lay off staff and reduce services, while an additional 42% are uncertain whether they can sustain current staffing or maintain existing counseling services.

SIMPLE SOLUTION: EXPAND ELIGIBLE ACTIVITIES

To address the problematic changes in this NOFO, we urge HUD to expand eligible activities to include pre- and post-purchase counseling for all individuals and households traditionally covered by these services, which is what Congress envisioned when passing funding for housing counseling, and to clarify how housing counseling agencies are expected to comply with the referenced Executive Orders. HUD can supplement the FAQ or use an addendum to expand activities for 2025 and 2026, as well as for FY 2027.

For more information, please contact David Young, Director of Capacity Building (david@housingactionil.org).