



December 6, 2024

Dear Executive Director,

The purpose of this letter is to reiterate the goal of managing your Housing Choice Voucher (HCV) Program within your budget and to communicate the following information to public housing agencies (PHAs) administering the HCV Program:

- The status of current program funding, including Housing Assistance Payments (HAP) and Administrative Fee (AF) disbursements for January 2025.
- HUD's projections for calendar year (CY) 2025 renewal funding, including projected HAP and AF proration for the HCV Program and Mainstream Vouchers.
- CY 2025 (and 2026) PHA HCV Budget Forecasting and Planning.
- Voucher Management System (VMS) Costs and Leasing Reporting Deadlines.

A. Current status of CY2025 Housing Choice Voucher Program (HCV) Program Funding:

The Department is currently operating under the Continuing Resolution (CR) H.R. 9747 – *Continuing Appropriations and Extensions Act, 2025*, which is effective through December 20, 2024. The CR provided enough funding to cover January 2025's HAP and AF obligations and disbursements for the HCV Program and Mainstream Vouchers. Your PHA can expect timely disbursements for January 2025 as follows:

- January 2025 HAP obligations at 99.5% proration of CY 2024 eligibility,
- January 2025 AF obligations at 91% proration of estimated CY 2024 eligibility, and
- For PHAs administering Mainstream Vouchers, both HAP and AF for January 2025 has been obligated at 100% and 91%, respectively.

B. CY2025 Estimated HAP and Administrative Fee Prorations:

The Department has evaluated CY 2025 funding scenarios under the draft [Senate](#) and [House](#) bills that were passed by their respective committees. Based on HUD's most recent projections, **the draft Senate fiscal year (FY) 2025 bill would provide funding at an estimated 97.5% HAP proration** and estimated 93.3% AF proration. **The draft House bill provides an estimated 88.59% HAP proration** with an estimated 100% AF proration. (Although the House bill proposes a slightly lower amount for AF compared to the Senate's, it yields a higher proration because the proposed HAP funding is significantly lower and will support fewer vouchers and would therefore represent more AF funding per voucher.)

As always, the proration levels described above apply to all PHAs, and were calculated by estimating the full HCV program renewal need for CY 2025 and comparing the program renewal need to the available funding as proposed by the Senate and House Bills. To estimate the program renewal

need, HUD considered HAP costs reported in the Voucher Management System (VMS) through September 2024 extrapolated through December 2024, adjusted for first time renewals and applied a national average inflation factor (4.44%). However, the local inflation factors that will be used to calculate each individual PHA's CY 2025 eligibility may significantly differ from the national average.

HUD anticipates that the non-MTW PHAs CY 2025 renewal eligibility for the HCV Program, Mainstream Vouchers and the Emergency Housing Voucher (EHV) Program will be based on actual and eligible HAP costs incurred and reported in VMS during CY 2024. For MTW Expansion PHAs and MTW Initial PHAs, renewals will be based on the MTW Operations Notice, Appropriations Act language and individual contracts.

C. CY2025 PHA HCV Budget Forecasting and Planning:

There is a great deal of uncertainty about when Congress will complete the final FY25 appropriations bill or what final HCV program funding levels will be for calendar year 2025. For various reasons, however, HCV HAP funding in fiscal year (FY) 2025 is likely to be very tight, and it is possible that PHAs will receive less than 100% of their HCV HAP renewal formula eligibility in 2025. Accordingly, PHAs should manage their programs prudently to mitigate against potential program shortfalls. For instance, PHAs should evaluate whether their voucher **payment standards** are set at a level appropriate to local market conditions and whether they could be reduced while still enabling families to successfully lease units.

PHAs' preliminary local CY 2025 inflation factors have been entered into the [Two-Year Forecasting Tool \(TYT\)](#), and the default HAP proration factor has been set to 97.5%, the Senate bill level. PHAs should use the TYT to analyze spending and leasing decisions under various funding scenarios (by adjusting the proration in Cell H6), including how those decisions affect the program in future years, notably 2026. The TYT can be accessed from the [HCV Program Utilization Tools](#) section of www.hud.gov/hcv.

Your Field Office representative will reach out to you to discuss the status of your program, including tentative voucher issuance scenarios. These discussions allow PHAs to share any actions taken or planned to address challenges in the financial management or other operational program issues. Please note that your PHA can request a local or regional panel call with their field office to discuss their TYT HAP projections and utilization strategies for implementation through FY 2025.

Considering the uncertainty surrounding FY25 appropriations and the risk of HCV shortfalls in 2025, HUD will be evaluating PHA budget and leasing utilization in coming months and reaching out to PHAs if HUD's projections indicate a significant risk of shortfall. HUD strongly urges PHAs to closely monitor their own budgets and spending, and to take proactive actions to reduce shortfall risks if their projections indicate that the risks are significant.

D. VMS Costs and Leasing Review Period and Reporting Deadlines:

As a reminder, PHAs should begin reviewing the completeness and accuracy of their CY 2023 and CY 2024 costs and leasing data reported in VMS at this time. The deadline for entering November 2024 costs and leasing data in VMS, and CY 2023 prior-months corrections is **December 23, 2024**.

Adjustments made to the CY 2023 data after December 23, 2024, will not be applied to the CYE 2024 reconciliation.

The deadline to enter December 2024 costs and leasing data in VMS, and any prior month adjustments to CY 2024 is **January 22, 2025**. This deadline will not be extended. Consequently, it is critical that your VMS reporting staff prioritize responding to any FMC Financial Analyst follow-up questions and concerns, including rejected Prior Months Corrections (PMCs), as quickly and expeditiously as possible during the CYE 2024 validation process.

VMS Reporting Deadlines*	Reporting Requirement in VMS:
December 4 - 23, 2024	a. November 2024 VMS costs and leasing data
	b. CY 2023 Prior Months Corrections
January 4 - 22, 2025	a. December 2024 VMS costs and leasing data
	b. CY 2024 VMS adjustments

***HUD encourages PHAs to begin making the necessary VMS submissions and corrections before the December 23, 2024, and January 22, 2025, deadlines to expedite CYE cash reconciliations and 2025 renewal funding allocations.**

Should you have any questions please reach out to your FMC Financial Analyst for any HCV Program funding related inquiries.

Sincerely,



Danielle Bastarache
Deputy Assistant Secretary
Office of Public Housing and Voucher
Programs