Housing Market Impact of Proposed HUD Budget Cuts & Term Limits

NEW YORK HOUSINGCONFERENCE

ANALYSIS OF GSE EXPOSURE AND NYC'S TOP LENDERS IN AREAS OF HIGHEST SECTION 8 CONCENTRATION

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President Trump's budget request[1] to Congress proposes to transform federal housing programs by block granting rental assistance programs to states, reducing funding by more than 40%, and establishing two-year term limits on federal housing aid for many households. These drastic changes would have a devastating impact on housing across the nation. This policy brief examines the proposal's severe consequences for tenants, landlords and lenders, as well as potential impacts on the Government Sponsored Enterprises' (GSE) exposure to HUD programs and the top lenders in neighborhoods with the highest Section 8 concentration in New York City.

HUD's Proposal for Budget Cuts, Block Grants & Term Limits

Nationwide, 4 million households[2] rely on the HUD-assisted rental programs President Trump proposes to combine into a new rental assistance block grant, which includes the Section 8 Housing Choice Voucher Programs (tenant- and project-based); Public Housing; and Section 202 and Section 811 housing for the elderly and disabled. The Administration's budget proposes to cut HUD funding by 44%, and cut rental assistance programs by over $30 billion. In FY2024, more than $8.7 billion was obligated to New York State for these programs aiding half a million households. The New York Housing Conference (NYHC) estimates under this proposal, New York would only receive about $4.8 billion to continue serving these households, a 46% funding cut.

Under federal housing programs, tenants pay 30% of their income towards rent, and the federal government pays the remainder, up to a HUD-determined Fair Market Rent (FMR). In New York, the average income for households receiving HUD assistance is about $22,000[3], enough to afford $550 in rent. However, FMR for a two-bedroom apartment in the New York Metro Area is $2,752[4]. The average HUD-assisted household would need to increase their income five-fold to afford that rent.

Proposed cuts to funding would put millions of HUD-assisted tenants at risk of losing their housing aid across the nation. It would also impact more than 34,000 landlords participating in New York City's tenant-based Section 8 programs and many additional landlords with project-based contracts with HUD and public housing agencies. The Section 8 project-based program provides funding to specific building units rather than to tenants directly. Owners enter into Housing Assistance Payment (HAP) contracts with HUD for up to 20 years initially with the option to renew. Building owners finance buildings and improvements with commercial multi-family mortgages against these HAP contracts. Lenders and investors have considered Section 8 project-based vouchers to be a stable source of funding to support an extremely low-income tenancy. They underwrite their loans and/or investments against that income.

The President's proposal would also limit federal housing aid to two years for households without an elderly or disabled household member to promote "self-sufficiency." In New York, up to 200,000 HUD-assisted households could be impacted by two-year term limits. It is not realistic to assume that many of these low-income households will increase their earnings five-fold, enough to afford market rent in two years. The average tenure for HUD-assisted housing is 10 years nationwide and 18 years in New York City.[5] With an affordable housing shortage throughout New York, low-income renters currently utilizing HUD assistance will struggle to find housing they can afford in the private market. In New York City, the vacancy rate is 1.4%, and only .39% for apartments renting under $1,100 per month. Most of the households subject to term limits are already employed, they just don't earn enough to afford market rents.

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[1] https://www.whitehouse.gov/omb/information-resources/budget/the-presidents-fy-2026-discretionary-budget-request/
[2] HUD Picture of Subsidized Households https://www.huduser.gov/portal/datasets/assthsg.html
[3] NYHC analysis of HUD Picture of Subsidized Households data. https://www.huduser.gov/portal/datasets/assthsg.html
[4] FAIR MARKET RENTS, Department of Housing and Urban Development. https://www.huduser.gov/portal/datasets/fmr.html
[5] NYHC analysis of HUD Picture of Subsidized Households data. https://www.huduser.gov/portal/datasets/assthsg.html

These households would likely become homeless after a prolonged eviction process, which will cost their landlords forgone rent. Rather than encouraging self-sufficiency, these families will be pushed into homelessness.

Term limits applied to project-based Section 8 abruptly upends federal HAP contract terms and puts the financial stability of those buildings at risk. Term limits make this housing temporary and transitional, contrary to what building owners and investors expect in long-term contracts. Such restrictions will negatively impact the value of their properties, their ability to borrow, and possibly their insurance rates. And going forward, lenders and/or investors will no longer be able to finance deals against that income—an important source of capital for affordable housing will dry up.

Similarly, public housing conversions through the Rental Assistance Demonstration (RAD) have borrowed against HUD rental assistance contracts to invest in capital repairs. In New York City, under the New York City Housing Authority's (NYCHA) Permanent Affordability Commitment Program (PACT)—New York's version of RAD—more than 39,000 apartments are in the process of or completed rehabilitation and conversion from public housing, with plans to reach a total of 62,000 apartments.

Cuts to HUD & Term Limits Will Result in Evictions

If HUD-assisted tenants lose their federal housing aid due to budget cuts or are term limited off of assistance, landlords will be forced to evict thousands of low-income renters, flooding housing courts and homeless shelters. Evictions have many negative outcomes on families—from impacting their health and disrupting school to hefty economic consequences.

Landlords participating in HUD programs will face significant financial consequences too. In New York City, evicting a tenant is a lengthy process that can take 12 months or more. Building owners will have to pay legal fees and experience a prolonged period without rental income. If a building has a significant number of tenants who have lost federal assistance or their building receives project-based assistance, the building's financial situation will be at risk, lacking income to pay for operating expenses including utilities, real estate taxes and debt service on their loan.

If many building owners cannot afford to pay debt service to a lender, it will put the lender's financial stability at risk as well. Budget cuts and term limits on HUD assistance pose a clear threat to building owners, lenders and investors.

HUD Cuts Puts Lenders At Risk and Undermine the GSEs

An increase in defaults on multi-family housing will impact GSEs under conservatorship and any plans to privatize them. It should be noted that the financial collapse that triggered the GSEs financial distress in 2008 originated in their privately financed single-family portfolios. Their multi-family loan guarantees went unscathed. However, in this case, proposed HUD budget cuts and term limits to assistance would impact the GSEs' multi-family portfolio. In 2024, FHFA required 50% of the GSEs' multifamily business to be "mission-driven," including loans on properties receiving Section 8 Housing Assistance Payments or properties converted through RAD.

From 2018 through 2023, the Government-Sponsored Enterprises (Fannie Mae and Freddie Mac) supported more than $49,563,000,000 in financing—through loan purchases and guarantees —for 238,634 multi-family units in properties across the U.S. participating in HUD's Section 8 and RAD programs.[6] The GSEs guaranteed $48 billion in loans for 220,336 units using Section 8 tenant-based and project-based vouchers and more than $1.5 billion covering 18,298 units in HUD's RAD program. These figures represent multi-family originations over a six-year period that are guaranteed by the GSEs and does not include Fannie Mae and Freddie Mac's existing multi-family portfolio stemming from loans prior to 2018, which is likely far greater than $50 billion.

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Federal Housing Finance Agency (FHFA) performance data, Duty to Serve 2023 Multifamily Dashboard: https://www.fhfa.gov/data/dashboard/dts/multifamily/2023

States with the highest levels of Fannie Mae- and Freddie Mac-backed originations of multi-family loans with HUD program financing were California ($7.9 billion), New York ($7.6 billion), Texas ($4.8 billion), Florida ($4.8 billion), New Jersey ($2.4 billion), Maryland ($2.1 billion), Virginia ($1.9 billion), Illinois ($1.8 billion), Colorado ($1.3 billion), Georgia ($1.3 billion), Pennsylvania ($1.3 billion), Massachusetts ($1 billion) and Tennessee ($1 billion). Right behind them are Arizona, Ohio, Michigan, Minnesota and North Carolina, which had between $750 million and $1 billion in net investment in GSE-backed multifamily loans with funding from HUD's Section 8 or RAD programs originated in this period.

While these states will be most severely impacted, all 50 states have multi-family properties with HUD rental assistance that are backed by the GSEs and will be undermined by proposed HUD policy changes.

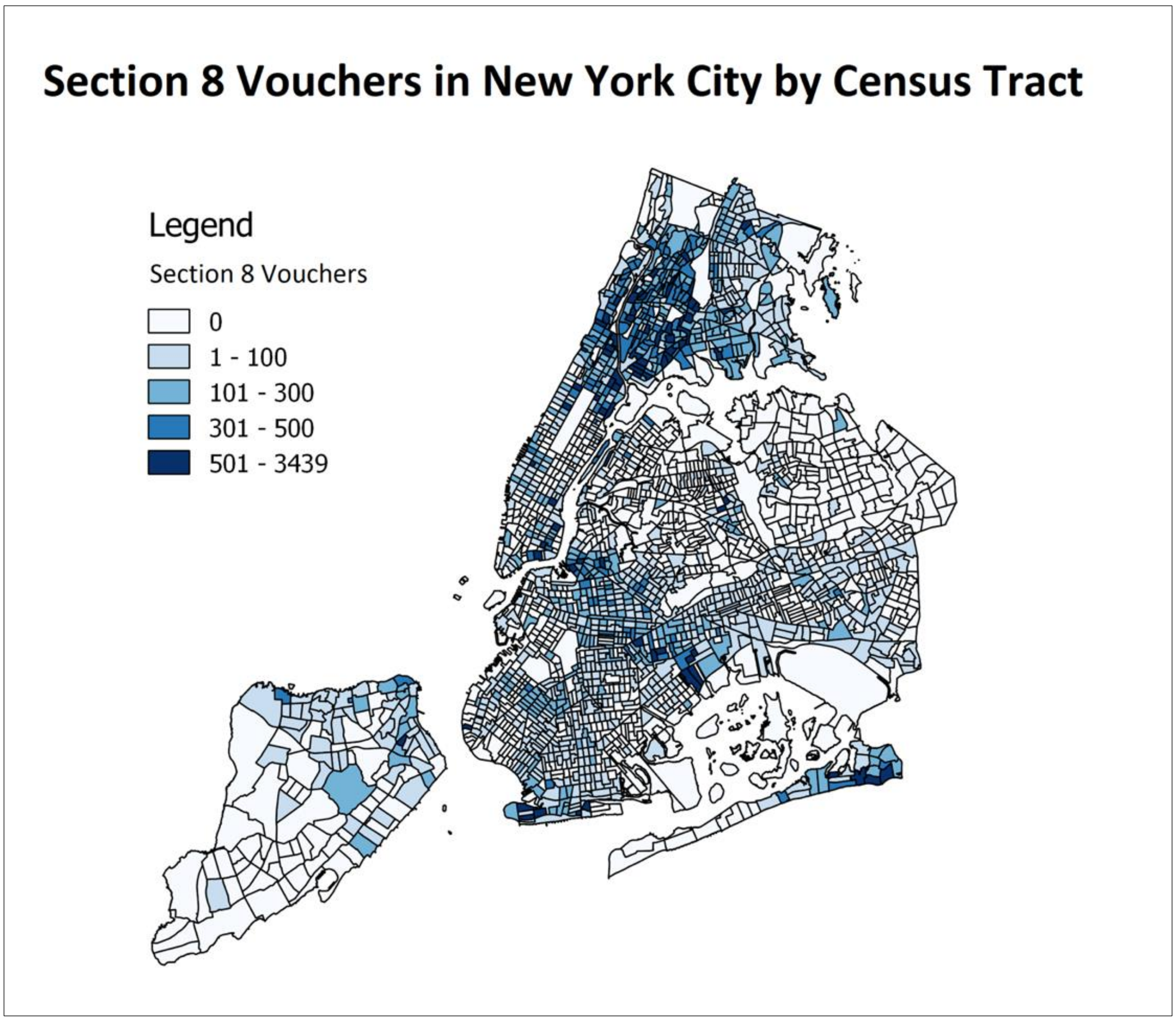
These multi-family loan purchases are securitized and packaged as Commercial Mortgage-Backed Securities (CMBS) issued by GSEs and mortgage payments are used to pay bonds backed by income from individual multi-family loans or pools of commercial mortgage loans. If these owners of these properties default due to a reduction in rental income, Fannie Mae or Freddie Mac will still have to make sure that the bond holders are paid. GSE-issued CMBS are held by investors globally, including as a prime instrument to satisfy tier one capital requirements for banks. Broad defaults on CMBS would not only endanger Fannie Mae and Freddie Mac but could potentially impact the broader global financial system. This would have immediate impacts on the GSEs' performance and could hinder the viability of affordable housing financing going forward, as the GSEs play a critical role as a liquidity provider to affordable housing— particularly Section 8.

FHFA Duty to Serve Multifamily Dashboard 2018-2023: Section 8 & RAD Units and Unpaid Balance by State						
State	Section 8 Units	Section 8 UPB	RAD Units	RAD UPB	Total Units	Total UPB
California	29,383	$7,546,100,000	3,383	$346,600,000	32,766	$7,892,700,000
New York	32,775	$6,808,800,000	7,569	$827,600,000	40,344	$7,636,400,000
Florida	18,158	$4,783,300,000	1,241	$60,900,000	19,399	$4,844,200,000
Texas	27,673	$4,769,100,000	1,545	$67,000,000	29,218	$4,836,100,000
New Jersey	14,948	$2,389,100,000	501	$47,000,000	15,449	$2,436,100,000
Maryland	7,447	$2,108,600,000	260	$15,600,000	7,707	$2,124,200,000
Virginia	11,836	$1,871,000,000	161	$9,000,000	11,997	$1,880,000,000
Illinois	15,920	$1,782,600,000	385	$10,200,000	16,305	$1,792,800,000
Georgia	8,989	$1,307,600,000	-	$0	8,989	$1,307,600,000
Colorado	5,520	$1,264,200,000	62	$4,200,000	5,582	$1,268,400,000
Pennsylvania	16,582	$1,259,000,000	87	$4,900,000	16,669	$1,263,900,000
Washington	3,422	$1,004,300,000	-	$0	3,422	$1,004,300,000
Massachusetts	4,337	$964,700,000	489	$32,900,000	4,826	$997,600,000
Tennessee	9,542	$936,900,000	605	$21,600,000	10,147	$958,500,000
Ohio	14,385	$944,200,000	243	$4,300,000	14,628	$948,500,000
Minnesota	4,948	$828,100,000	-	$0	4,948	$828,100,000
Michigan	10,663	$804,300,000	187	$5,000,000	10,850	$809,300,000
North Carolina	7,224	$702,500,000	1,122	$57,800,000	8,346	$760,300,000
Arizona	2,500	$753,800,000	100	$5,600,000	2,600	$759,400,000
Connecticut	3,711	$517,400,000	-	$0	3,711	$517,400,000
Missouri	6,098	$512,900,000	-	$0	6,098	$512,900,000
South Carolina	5,074	$480,700,000	-	$0	5,074	$480,700,000
Utah	1,643	$443,500,000	-	$0	1,643	$443,500,000
Indiana	4,657	$378,900,000	-	$0	4,657	$378,900,000
Nevada	1,534	$318,000,000	100	$2,100,000	1,634	$320,100,000
Oregon	1,325	$269,600,000	-	$0	1,325	$269,600,000
Louisiana	2,355	$231,400,000	-	$0	2,355	$231,400,000
New Mexico	984	$181,800,000	-	$0	984	$181,800,000
Hawaii	657	$167,800,000	-	$0	657	$167,800,000
Kansas	2,007	$156,800,000	-	$0	2,007	$156,800,000
Mississippi	1,998	$147,300,000	-	$0	1,998	$147,300,000
Iowa	1,728	$146,900,000	-	$0	1,728	$146,900,000
Rhode Island	1,060	$139,300,000	-	$0	1,060	$139,300,000
Alabama	2,748	$127,500,000	202	$7,200,000	2,950	$134,700,000
Kentucky	2,745	$133,200,000	-	$0	2,745	$133,200,000
Wisconsin	1,875	$129,800,000	-	$0	1,875	$129,800,000
Oklahoma	2,056	$121,200,000	-	$0	2,056	$121,200,000
Arkansas	2,373	$112,900,000	169	$4,200,000	2,542	$117,100,000
Nebraska	1,732	$106,600,000	-	$0	1,732	$106,600,000
Idaho	535	$91,500,000	-	$0	535	$91,500,000
Delaware	603	$74,000,000	-	$0	603	$74,000,000
West Virginia	1,653	$70,700,000	-	$0	1,653	$70,700,000
New Hampshire	402	$33,200,000	-	$0	402	$33,200,000
South Dakota	373	$22,700,000	-	$0	373	$22,700,000
Maine	94	$21,300,000	-	$0	94	$21,300,000
Montana	133	$16,300,000	-	$0	133	$16,300,000
Vermont	83	$15,200,000	-	$0	83	$15,200,000
North Dakota	224	$13,400,000	-	$0	224	$13,400,000
Alaska	128	$10,400,000	-	$0	128	$10,400,000
Wyoming	47	$8,900,000	-	$0	47	$8,900,000

NYC Neighborhoods At Risk

To better understand the risk of budget cuts and term limits in New York, New York Housing Conference examined which neighborhoods have the most Section 8 vouchers and found that almost 30% of vouchers are used in just 3% of the City's Census Tracts. Citywide there are roughly 206,000 vouchers—with the highest concentrations in the Lower East Side, Harlem, East Harlem, and Washington Heights in Manhattan; Melrose, Mott Haven, Longwood, Crotona Park East, University Heights and Belmont in the Bronx; Williamsburg, Brownsville, East New York, Brighton Beach and Coney Island in Brooklyn; and Far Rockway in Queens. These are the neighborhoods where cuts to Section 8 and term limits will have the largest impact upon residents, owners, lenders and investors. Below is a map showing Section 8 usage by Census Tract, including both tenant-based Housing Choice Vouchers and project-based.

In New York City, nearly 26,000 households live in buildings with fewer than 10 units[7], meaning cuts and term limits will also have a significant impact on small landlords in these neighborhoods.



Section 8 Vouchers in New York City by Census Tract

[7] The Use of Housing Choice Vouchers in New York City, NYU Furman Center, State of the City 2023. https://furmancenter.org/stateofthecity/view/the-use-of-housing-choice-vouchers-in-new-york-city#soc-content

NYC Lenders At Risk

Using data from the University Neighborhood Housing Program's (UNHP) Building Indicator Project (BIP), which compiles New York City multi-family building violation and lender information to assess building health and risks, NYHC evaluated lenders most at risk because of HUD cuts and term limits. NYHC analyzed Census Tracts with 500 or more Section 8 vouchers, which have an average of 772 vouchers. In these 74 Census Tracts,[8] there are in total 57,155 vouchers total and a corresponding 2,897 multifamily buildings and 135,473 units (1-4 unit housing was excluded from this analysis).

On average, 38% of the households in these Census Tracts use Section 8 to help pay rent.[9] These Census Tracts represent areas of highest risk for owners, their lenders and investors vulnerable to federal budget cuts and term limits.

This analysis represents the tip of the iceberg, as UNHP's BIP data shows only the most recent loan or agreement recorded for each building and it does not show all loans secured by a building. For example, a building in an affordable housing program might have an agreement with New York City's Department of Housing Preservation and Development (HPD) issued most recently, but that building will also very likely have a loan from a private lender, which would not show up in our analysis. And for private lenders with the last recorded loan in an affordable housing project, there is likely a public agency not showing up in our data. Approximately 36% of tenant-based vouchers are used in buildings that are also subsidized through another government-funded program.[10]

With greatest exposure in these Census Tracts are the City of New York, GSEs, private banks and the U.S. Department of Housing and Urban Development (HUD). The City of New York with loans from HPD, NYCHA (representing PACT projects) and the New York City Housing Development Corporation (HDC) have the greatest exposure with loans against 50,766 units. Loan guarantees from Fannie Mae and Freddie Mac totaled $3 billion in this dataset for 18,000 units, but FHFA's own data shows their exposure to be $7.6 billion across New York State in HUD-related loans covering 40,000 units over just a six-year period. Private lenders have significant exposure: JP Morgan Chase is the lender on 8,771 units, Flagstar / New York Community Bank is the lender on 5,927 units and the Community Preservation Corporation (CPC) hold loans against 5,042 units between their traditional lending, as well as their affiliate formed to acquire the most vulnerable buildings in the failed Signature Bank portfolio. Again, this is the *minimum* exposure for agencies and lenders listed. Actual

Top Lenders/Guarantors In Census Tracts with High Section 8 Concentration

Lender or Guarantor	Buildings	Units	Loan Value
City of New York (HPD, HDC, NYCHA)	787	50766	$6,178,310,633
GSEs (Fannie Mae, Freddie Mac)	221	18400	$3,053,520,859
Flagstar / New York Community Bank	197	5927	$1,284,911,851
Chase	322	8771	$1,009,909,960
CPC Signature JV	100	2937	$797,970,696
Citi	31	1899	$394,626,584
HUD	39	2796	$381,800,024
Santander Signature JV	71	1956	$374,193,729
CMBS, M&T (Wilmington)	23	1947	$359,559,613
Wells Fargo	27	1226	$262,663,870
Webster Bank	74	2150	$233,170,924
Santander	37	1540	$226,813,113
CPC	67	2105	$203,088,536
CMBS, Wells Fargo	15	424	$178,611,772
Capital One	50	1579	$172,150,494
Dime	28	782	$160,175,616
Flushing Savings	73	1828	$156,055,484
Citizens Bank	44	1104	$151,144,500
Rialto Capital	1	200	$144,160,000
Valley National	19	1116	$124,612,000
Deutsche Bank	4	1033	$120,149,900
Morgan Stanley	12	227	$117,715,000
TD	25	2237	$117,249,263
Metropolitan Commercial Bank	12	1847	$116,583,144
Orix Capital	5	607	$111,055,500
Wilmington Bank	6	552	$107,371,150
Merchants Bank of Indiana	4	724	$102,749,100

[8] We excluded three Census Tracts with no identified lenders in the UNHP data
[9] NYHC analysis of Census data
[10] The Use of Housing Choice Vouchers in New York City, NYU Furman Center, State of the City 2023. https://furmancenter.org/stateofthecity/view/the-use-of-housing-choice-vouchers-in-new-york-city#soc-content

exposure is much higher, especially for affordable housing buildings with a mix of government and private lenders.

The 2008 mortgage foreclosure crisis showed the nation how housing and the financial system are intertwined. New York City's financial crisis of the 1970s demonstrated how the decline of property values can lead building owners to cut their losses, divest in their buildings and hand keys back to a lender. The drastic cuts and term limits proposed by the Trump Administration will have significant and consequential impacts on New York City, the GSEs and private lenders. HUD is also at risk with $381 million in multi-family loans insured in areas of highest Section 8 concentration.

Financial Impact for the City of New York

The City of New York is severely at risk given the significant investment in affordable housing it has made through its housing finance programs in public-private partnerships via loans from HPD, HDC and NYCHA's PACT projects. As our limited lender data provides only a partial picture of risk, a broader look at City investments in housing can give a fuller sense of what's at stake for the City's finances.

Since 2015, the City has invested nearly $13 billion of capital funding in affordable housing to build and preserve affordable housing in conjunction with the federal Low Income Housing Tax Credit and HUD programs. The City has subsidized a significant portion of its housing in many of the same neighborhoods where Section 8 concentration is highest. Over the last eight years, New York City's public housing conversions have benefited from more than $13 billion in investment[11] by leveraging long-term rental assistance contracts with HUD. These projects, which recently financed extensive building system replacement and apartment upgrades through public-private partnerships, will be particularly at risk. They are typically structured to include private property management, private equity investors and a major bank lender.

Term limits and HUD cuts affecting City-financed buildings and public housing conversions will put a significant portion of these loans at financial risk. Widespread defaults can impact the City's bond rating, which can raise the City's cost of borrowing, impacting its overall budget and fiscal health.

Financial Impact on Private Banks Vulnerable to Multi-Family Risk

There are 25 commercial lenders that have more than $100 million in multi-family loans in the areas of highest Section 8 concentration. The top lenders with more than $1 billion each are Flagstar/New York Community Bank, JP Morgan Chase and the Community Preservation Corporation (CPC). Santander has more than $600 million when looking at both their direct loans and their Signature share. Citi, M&T and Wells Fargo have more than $250 million in loans.

Once again, this is likely a significant underestimate of exposure for private lenders, as most of the City's affordable housing projects will also have private loans. According to City estimates, $1 of rental income from HUD programs can generate $6 in private capital.

It is probable that cuts to Section 8 or term limits will result in devastating financial consequences for a bank with significant loans dependent on federal housing assistance. The failed Signature Bank's significant multi-family housing loan portfolio, shown across top lenders with nearly $1.2 billion in loans, is a stark reminder of the risk of bank failure.

In this data, there are 100 buildings, nearly 3,000 units, with $800 million in loans previously held by Signature acquired by Community Stabilization Partners (a joint venture between CPC and Related Fund Management), which purchased a 5% equity interest in Signature Bank's rent-stabilized loan portfolio, with the remaining 95% held by the FDIC as receiver. The buildings in our data represent a subset of the broader portfolio for which New York City Employees' Retirement System (NYCERS) acquired a 25% share,

[11] NYCHA Press Release: NYCHA and Partners Close on Financing for $593.7 Million PACT Project to Renovate the Homes of More Than 3,000 Residents at Northwest Bronx Scattered Sites. June 24, 2025. https://www.nyc.gov/site/nycha/about/press/pr-2025/pr-20250624.page

amounting to $60 million. In March, six foreclosure actions were taken against eight buildings in default. Loss of rent and term-limited tenancy will have a destabilizing impact on these buildings, some of which are already showing signs of stress.

Flagstar/NY Community Bank has nearly $1.3 billion in loans in these Census Tracts. It holds $32 billion in multi-family mortgages and about half are tied to rent-regulated assets. In its most recent annual report, the bank says the existing risk of impaired operating income at its multi-family housing in New York State “could have a material adverse effect on our financial condition and results of operations.” On top of the existing risk, the loss of thousands of housing vouchers while tenants are in place could be catastrophic.

Conclusion

Proposals to drastically reshape federal housing subsidies are already making lenders and investors concerned about affordable housing deals expected to close on financing in 2025. Projects underwritten with Section 8 vouchers are facing new scrutiny, given the President’s proposal and funding uncertainty. The threat to voucher revenue is a threat to private owners’ ability to access capital markets, and a threat to the capital markets’ willingness to support the housing stock. If Congress adopts the Administration's plans to shortchange states, while burdening them with local program administration and limiting assistance to temporary housing help, widespread homelessness, neighborhood disinvestment, multi-family mortgage defaults and banking instability are likely outcomes.