



Council for Affordable and Rural Housing

Serving the Affordable Housing Needs of Rural America

September 19, 2025

Mr. George Kelly
Administrator
Rural Housing Service
U.S. Department of Agriculture
1400 Independence Avenue, SW
Room 5014, STOP 0701
Washington, DC 20250-0701

Re: Fiscal Year 2026 Management Fees

Dear Administrator Kelly:

On behalf of the Council for Affordable and Rural Housing (CARH) and our members who serve rural communities across the country, we write to express our deep concern regarding Rural Development's (RD) decision not to increase management fees for FY 2026. We recognize that this decision may have been influenced by factors beyond RD's direct control, and we appreciate the continued professionalism and dedication of RD staff in supporting our shared mission to preserve rural housing.

However, the impact of this decision on the ground is severe and growing. Management agents are facing unprecedented cost pressures, instability in the insurance markets, escalating utility and supply costs, and wage increases driven by inflation and labor market dynamics. These pressures are not theoretical; they are materially affecting owners and managers' ability to retain qualified staff, maintain compliance, and provide safe, decent housing to rural residents.

We also note that for each of the past ten years, RD has approved annual increases to management fees. These adjustments have been essential in helping owners and management agents keep pace with rising costs and maintain operational stability. The decision to not increase management fees in FY 2026 breaks with that precedent and comes at a time when the need for relief is more critical than ever. Owners and managers have come to rely on these annual increases as a predictable and necessary part of their financial planning. The absence of an increase this year will have immediate and compounding effects on staffing, compliance, and service delivery.

As we noted in previous correspondence, RD's management fee structure based on a per-unit model and not indexed to inflation has created a widening gap between actual operating costs and allowable compensation. This has led to a troubling exodus of experienced personnel to conventional housing sectors, where fees are more responsive to market realities. The result is a loss of institutional knowledge and operational efficiency at RD assisted properties, which ultimately affects residents.

We urge RD to recognize, as HUD recently did, that the standard Operating Cost Adjustment Factor (OCAF) is not always sufficient to address extraordinary increases in operating costs. As HUD explained in a recent announcement:

“In recent years, rising operating costs have meant that the standard OCAF has been insufficient for some projects experiencing extraordinary circumstances.”

If HUD recognizes that traditional adjustment mechanisms are insufficient under current conditions, RD’s decision to not increase management fees is especially troubling, given the unique vulnerabilities of rural housing providers. We believe a similar mechanism, whether through CPI indexing, a good-cause exception, or a regional adjustment could provide much needed relief and help preserve RD’s multifamily portfolio. At a minimum, RD should align annual management fee increases with OCAF, ensuring that owners and managers are not left behind amid escalating operating expenses.

We understand that budgetary constraints and broader policy directives may have influenced this year’s outcome. Nevertheless, we hope RD will consider this letter as both a reflection of industry concern and a resource in advocating for future adjustments. At a minimum, we urge RD to revisit the FY 2026 freeze or to put forward a clear path for adjustments in FY 2027 and beyond. We also think it is important to emphasize that timely notice is critical for owners and managers who must budget and staff responsibly. We respectfully request that RD issue its management fee determinations earlier for FY 2027 to allow for proper planning.

The public-private partnership that underpins RD’s housing programs depends on a sustainable operating environment for owners and management agents. Without it, the long-term viability of these properties and the well-being of the residents they serve is at risk.

We welcome the opportunity to discuss this matter further and stand ready to assist RD in exploring constructive solutions. Thank you for your continued engagement and support.

Sincerely,



Colleen M. Fisher
Executive Director

cc: Nick Tsimortos, Esq., Arnall Golden Gregory LLP