



# Current HOTMA Deadline, HUD Deregulation, and Budget Cuts Reviewed

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## HOTMA's Positive Effects on the LIHTC Industry and Key Implementation Deadlines

While the Housing Opportunity Through Modernization Act (HOTMA) introduces regulatory changes that require adjustment, it also benefits the Low-Income Housing Tax Credit (LIHTC) industry. As implementation progresses, stakeholders may find that HOTMA's updates streamline processes, improve efficiency, and expand housing accessibility. However, understanding the key deadlines is crucial for ensuring compliance.

### Implementation Deadline Overview

HUD initially set the HOTMA compliance deadline for January 1, 2024, but due to technical challenges, including issues with HUD's TRACs 203A software and necessary form updates, the deadline was extended to January 1, 2025. As 2024 progressed, further delays led HUD to push the compliance deadline to **July 1, 2025**. While this is the latest official deadline, some state agencies have different degrees of readiness. be sure to check with your state agency for real-time updates and requirements.

### Streamlining Income and Asset Calculations

One of HOTMA's key improvements is its modernization of income and asset calculations. By updating how financial eligibility is determined, HOTMA eliminates outdated requirements, reducing paperwork and administrative burdens. This simplification allows LIHTC managers to make faster, more accurate determinations, ultimately helping residents access affordable housing more efficiently.

### Reducing Compliance Complexity

Previously, compliance with HUD's regulations required navigating multiple overlapping rules that could be confusing for housing providers. HOTMA consolidates and clarifies many of these requirements, making it easier for LIHTC operators to maintain compliance without excessive bureaucratic obstacles. The revised guidelines promote consistency, benefiting both housing agencies and tenants.



## **Increasing Accessibility for Low-Income Households**

HOTMA's reforms enhance housing accessibility by modernizing qualification standards and making the system more responsive to the financial realities of low-income families. By adjusting asset limitations and streamlining verification processes, HOTMA helps ensure that eligible individuals can more easily secure housing without unnecessary delays.

## **Encouraging Operational Efficiency**

With less red tape and more refined regulatory guidelines, LIHTC professionals can allocate their resources more effectively. Whether it's time saved on paperwork or reduced administrative costs, HOTMA's changes allow agencies to focus on the core mission of providing quality, affordable housing rather than being overwhelmed by compliance hurdles.

## **Supporting Long-Term Stability in Affordable Housing**

By modernizing procedures and improving clarity, HOTMA contributes to the long-term sustainability of affordable housing programs. With clearer rules and more efficient management practices, LIHTC properties can operate more smoothly, ensuring that low-income tenants receive stable housing support.

## **Looking Forward**

Despite the initial challenges in adapting to new regulations, HOTMA's implementation stands to strengthen the LIHTC industry in meaningful ways. Its modernization efforts create a more efficient, accessible, and sustainable framework for affordable housing, ensuring that stakeholders can navigate these changes successfully.

## **HUD Deregulation Plans and Their Impact on LIHTC Properties**

The U.S. Department of Housing and Urban Development (HUD) plays a crucial role in shaping affordable housing policies, including regulations surrounding the Low-Income Housing Tax Credit (LIHTC) program. LIHTC is one of the most significant tools for developing affordable housing in the United States, providing tax incentives to developers who build or rehabilitate housing for low-income tenants.



## Understanding HUD Deregulation Plans

HUD's deregulation efforts typically aim to reduce bureaucratic hurdles, streamline processes, and encourage private sector participation in affordable housing development. These plans may involve relaxing compliance requirements, modifying funding allocations, or reducing oversight on LIHTC properties. While deregulation can foster efficiency and innovation, it also raises concerns about maintaining affordability and tenant protections.

## Potential Effects on LIHTC Properties

**Increased Private Investment** – Deregulation may attract more private investors to LIHTC projects by reducing administrative burdens and making the program more financially appealing. This is good news for our investor and syndicator partners.

**Changes in Compliance Standards** – Developers and property managers may experience fewer restrictions, potentially altering tenant eligibility criteria and rent-setting mechanisms.

**Risk of Reduced Oversight** – While deregulation can enhance efficiency, it may also lead to weaker enforcement of affordability requirements, potentially impacting low-income tenants.

**Flexibility in Development** – Developers may have greater freedom in designing LIHTC projects, allowing for innovative approaches to affordable housing.

## Conclusion

HUD's deregulation plans could reshape the LIHTC landscape, offering both opportunities and challenges. While increased investment and flexibility may benefit developers, maintaining affordability and tenant protections remains a critical concern. Policymakers and stakeholders must carefully balance deregulation efforts to ensure that LIHTC properties continue to serve their intended purpose—providing stable, affordable housing for low-income families.

## The Impact of LIHTC Amid Proposed HUD Budget Cuts: Challenges & Opportunities

The Low-Income Housing Tax Credit (LIHTC) has played a vital role in making affordable housing accessible nationwide. While the proposed reductions to the Department of Housing and Urban Development (HUD) budget introduce challenges, they also present an opportunity to rethink how housing initiatives can evolve to become more efficient, community-driven, and adaptable.



## LIHTC: A Steady Force in Housing Development

LIHTC has successfully funded millions of affordable housing units by drawing private investments into development projects. Even with budget adjustments, LIHTC remains a proven, adaptable tool that states, local governments, and developers can optimize to maintain momentum in the affordable housing sector.

### Navigating HUD Budget Changes

The proposed cuts reduce HUD's budget from **\$77 billion to \$43.5 billion**, leading to shifts in federal funding strategies. While this means programs like the **Community Development Block Grant (CDBG)** and **HOME Investment Partnerships Program** could face reductions, it also encourages local and private sector partners to seek new solutions and strategies for housing stability.

### Positive Opportunities Amid Change

**Enhanced Private Investment** – With greater reliance on LIHTC, private sector involvement can grow, leading to **stronger, more sustainable funding models**.

**Innovative State and Local Initiatives** – Governments at all levels may develop **new financing strategies**, leveraging tools like housing bonds, land trusts, and tax incentives to complement LIHTC.

**Flexible Development Approaches** – Developers could explore creative ways to design housing projects that fit specific community needs more effectively.

### A Future-Focused Approach

Though federal housing programs are evolving, LIHTC remains a strong pillar of affordable housing, capable of adapting to financial shifts. This moment calls for collaboration and ingenuity, where states, communities, and private investors work together to create resilient, self-sustaining, affordable housing solutions.

By focusing on LIHTC's strengths and fostering innovative funding partnerships, stakeholders can continue to expand affordable housing access, ensuring that progress remains steady even amid budgetary changes.



*Mike has over 25 years of experience in a diverse array of multifamily disciplines including conventional, LIHTC, Bond, and R.D. and HUD-financed properties. His experience and achievements in property management include creating, developing, and directing 2 brand-new property management subsidiaries. Mike has most recently been helping developers and property management companies stay in compliance with State agencies and with file reviews to meet new HOTMA requirements.*

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