



National Association of Housing and Redevelopment Officials

630 I Street NW, Washington DC 20001-3736
Phone: (202) 289-3500 Toll Free: (877) 866-2476 Fax: (202) 289-4961

September 8, 2026

U.S. Department of Housing and Urban Development
Office of the Chief Financial Officer
451 7th Street SW
Washington, DC 20410-0500

Re: "60-Day Notice of Proposed Information Collection: Recipient Financial Reporting for Grant Programs"
[Docket No. FR-7093-N-06]

To Whom It May Concern:

On behalf of the National Association of Housing and Redevelopment Officials (NAHRO), I offer the following comments in opposition to HUD's proposed rule, "60-Day Notice of Proposed Information Collection: Recipient Financial Reporting for Grant Programs" [FR-7093-N-06].

NAHRO, which was established in 1933, is a membership organization of 26,000 housing and community development providers and professionals throughout the United States. NAHRO members create and manage affordable housing for low- and middle-income families and support vibrant communities that enhance the quality of life for all. NAHRO members administer more than 3 million homes for more than 8 million people.

1. Background

For decades, housing agencies have received U.S. Department of Housing and Urban Development (HUD) grants and corresponding oversight from various mechanisms. Recently, HUD pursued adding yet another oversight mechanism, the HUD Unified Grant System (HUGS). This new platform will be used for poorly-defined oversight and unspecified efforts to find potential additional efficiency. It follows a 9-agency demonstration, about which HUD has published no information. There has been no information published about the HUGS platform either—there are neither sample questions nor a sample interface to review for comment.

2. General Comments

NAHRO opposes the proposal to implement this new system because it will be costly and burdensome while yielding little benefit and duplicating HUD's existing systems at the expense of taxpayer dollars. HUD is currently stretched past capacity in their efforts to update and improve existing technology systems. NAHRO has the following comments about this wasteful proposed system.

1. PHAs are already subject to rigorous oversight and perform well.

The Public Housing Assessment System (PHAS) is HUD's standardized performance framework for

Sean Gilbert, PHM, SPHM, NCC, NAHRO Fellow, President; **Ivory Mathews**, Senior Vice President; **Marsha Parham-Green, CME, CPHM, CSI-HQS**, Vice President - Budget & Administration; **Joe Grisson, NCC**, Vice President - Commissioners; **Taryl Bonds**, Vice President - Community Revitalization & Development; **Angie Garcia-Nguyen**, Vice President - Housing; **Lisa Baker**, Vice President - International Research and Global Exchange; **Beverly Banks**, Vice President - Member Services; **Diane Cohen, CME, NCC**, Vice President - Professional Development; **Mark Thiele, C-PHM, CME, CMVO, NCC**, Chief Executive Officer

e-mail: nahro@nahro.org

website: www.nahro.org

evaluating how effectively Public Housing Agencies (PHAs) manage and operate their public housing programs. PHAS uses a combination of objective, data-driven indicators to measure financial health, physical property conditions, management practices, and resident services, including financial audits, REAC physical inspections, management and occupancy reviews, and capital fund reporting. These components generate a composite score that places agencies into performance designations such as high performer, standard performer, or troubled, helping HUD identify both strong stewards and agencies that may need technical assistance or corrective action. By relying on consistent metrics, third-party inspections, and publicly reported scores, PHAS increases transparency and accountability, allowing HUD, residents, and policymakers to clearly see how well an agency is performing and how effectively it is safeguarding federal resources. This system not only deters waste, fraud, and abuse but also demonstrates that the vast majority of PHAs are responsibly managing housing and delivering results for their communities, even in the face of limited funding.

In PHAS, PHAs are scored along four metrics: the physical state of the project through the National Standards for the Physical Inspection of Real Estate (NSPIRE), the financial health of the project, management of the project, and compliance with capital fund requirements. The interim PHAS rule has been in effect since 2011. At times, HUD has considered updating the regulation.

PHAs receive a score from HUD through PHAS. This score is derived from the sum of the four metrics within PHAS. Agencies designated as high performers get additional benefits, including being subject to fewer regulations and being assigned preference when applying for certain grants. Those that are substandard receive additional oversight from HUD and must work to improve their scores. Troubled housing agencies are provided 2 years to improve to a passing score.

According to the most recent PHAS data published by HUD, most PHAs perform well. 62% percent of PHAs received a high or standard performer designation, with 34% designated as a high performer and 28% designated as a standard performer. All substandard designations combine to only 15% of PHAs, meaning that these agencies received a substandard score in one of the four metrics. Only 3% are troubled, the lowest rating. The PHAS protocol does not apply to Moving to Work (MTW) and Rental Assistance Demonstration (RAD) projects, which do not receive a rating. Nineteen percent of agencies fall into one of these categories and are not included in the PHAS data.

2. *HUD already has all of the relevant information it needs for meaningful oversight from existing sources. Forcing PHAs to submit these data twice is a waste of time, resources, and taxpayer dollars.*

HUD already collects grant data from the following sources:

- Public Housing Assessment System,
- Annual Audited Financial Statements (AFS),
- HUD 50058 submissions,
- Agency policies and plans,
- Integrated Disbursement and Information System (IDIS) drawdowns,
- Self-Sufficiency program performance metrics
- eLOCCS drawdowns, and
- Participating Jurisdictions' (PJs) assessments of grant recipients' reports.

Every PHA and nonprofit receives an AFS each year, and these results are submitted to HUD. Auditors

gather, assess, and document every item PHAs will have to submit to HUD via HUGS. Then, each of these reports is submitted to HUD electronically.

HUD clearly does not have the capacity to use the information at its disposal, and there has been nothing that the Department has provided to indicate that it would have the capacity to adequately and appropriately monitor HUGS. Therefore, HUD should review and utilize the information it already collects from agencies rather than spending additional funding and capacity to require agencies to submit duplicative documentation that the Department already has access to.

3. *Complying with the proposed system will be possible but a major burden for PHAs.*

HUGS will be burdensome for agencies to comply with and will require increased capacity and staffing. Each agency is different and has developed financial management systems to meet their community's needs, provide their board with adequate information, and comply with existing HUD oversight mechanisms. For large agencies with many expenses, PHAs will require a full-time equivalent position be dedicated to the ongoing reporting duties HUD will create. However, funding from the Department and Congress would make hiring that position next to impossible.

As a plurality of all housing agencies in the country are small, most of these small agencies have small staff sizes as well. Many rural communities are served by a staff composed of an executive director and a dedicated maintenance employee. This means that the person who needs to meet with the community, manage waitlists, conduct rent calculations, manage the physical quality of the property, and comply with the existing oversight mechanisms like PHAS, SEMAP, and NSPIRE will now have another time-consuming task to complete.

Both large and small agencies who will now need to invest additional time and resources into this new, duplicative requirement are underfunded. Currently, the Public Housing Operating Fund proration level is below 83%. Further evidence that this underfunding is having negative operational impacts is the growing backlog of unmet operating fund shortfall, which NAHRO estimates to be nearing \$600 million nationally. Recipients of other grants continue facing pressure to stretch each dollar and are focused on doing so. In this resource-constrained environment, agencies cannot reallocate precious staffing to a superfluous program.

Agencies plan to comply with this via their software and information technology systems; however, very few are currently equipped to do so. Currently, NAHRO has only heard of one software system that has a parallel invoice system, though this has not been used to report all the documentation HUD plans to request. Grantees bear the cost of the IT systems having new capabilities added. These are the same systems currently under pressure to build systems to allow agencies to comply with HOTMA sections 102 and 104 reporting beginning in four months' time.

Once grantees have paid for internal capacity and outsourced technology to assist them, they will need training. HUD will have to produce guidance, and both housers and their partners will have to take time away from the vital business of operating and developing housing to receive training on a wasteful new HUD system.

As we have seen from other HUD IT efforts, there is little reason to believe HUD would offer a free, workable system to agencies that would successfully integrate into their current IT systems. This all but ensures agencies will need to expend scarce resources on this duplicative and wasteful initiative. As HUD

already has all of the information they are trying to acquire with HUGS through other reporting systems that PHAs will still need to report, this raises significant concerns of wasting scarce resources that could be better used.

4. Building and utilizing the proposed system will be a significant burden for HUD as well.

HUD has struggled to create new systems in the past and is proposing another costly technological undertaking. In order to implement the Housing Opportunity Through Modernization Act of 2016 (HOTMA), HUD attempted to pivot from IMS/PIC to a new Housing Information Portal (HIP) system. HUD was not successful. Now, HUD has decided to utilize IMS/PIC to perform functions it is not capable of and plans to ask agencies to submit data in a manner that will systematically produce widespread errors. At the same time HUD failed to build HIP, and spent considerable taxpayer dollars in doing so, it attempted to pivot between reporting platforms for submitting Section 3 data. This transition took years and resulted in PHAs storing data and watching for system developments so they could turn in the required data. These shifts were not projected to take as long as they did, so HUD should anticipate taking more time than planned if the Department moves forward with implementing HUGS. This lengthy, expensive undertaking is not necessary—HUD has existing systems by which agencies submit the data HUD hopes to collect via HUGS. Creating this new system represents waste of taxpayers' money.

Even if HUD had a stellar track record of technological innovation, this new project will be done in an environment with fewer staff than recent years and a hefty, incomplete policy agenda. Currently, HUD is implementing or will soon implement the following initiatives:

- The Office of Management and Budget's proposed rule, Regulation of Federal Financial Assistance, which will require HUD staff to manually review all grant awards and all requests to attend conferences;
- An enforcement date for sections 102 and 104 of HOTMA of January 1, 2027, a law passed ten years ago;
- A compliance date of February 1, 2027 for NSPIRE-V;
- The first NSPIRE inspections for public housing and PBRA properties with final UPCS inspections just before converting to NSPIRE;
- Onboarding and support for new REAC Technical Assistance Center contractors;
- The Build America, Buy America Act;
- New Build America, Buy America Act waiver procedures;
- Procedures regarding the SAVE system;
- Mixed immigration status families proposed rule feedback and final rule;
- Term limit and work requirement proposed rule and conducting stakeholder outreach regarding resident self-sufficiency;
- Housing Choice Voucher Housing Assistance Payment shortfalls;
- Public Housing Operating Fund shortfalls;
- The Public Housing Assessment System (PHAS);
- The Section Eight Management Assessment Platform (SEMAP);
- Ongoing efforts to revise return to a 30-day notice for termination due to nonpayment of rent;
- New Public Housing Operating Fund certifications and fighting ongoing litigation from CY 2026 award certification language; and
- Ongoing litigation surrounding Continuum of Care awards.

All of this is in addition to implementing recently passed provisions in the *21st Century ROAD to Housing Act*, which will require considerable effort on HUD's end moving forward.

HUD should not add an expensive and duplicative technology project to this list.

5. *HUD must delay implementation and provide adequate time to prepare because HUD's secrecy surrounding the demonstration has made it impossible for agencies to anticipate specific requirements or learn best practices.*

Recently, HUD has rushed to implement the public housing financial reporting requirements referred to as cash management. Agencies have been left scrambling to adapt to requirements in HUD's guidance that conflict with statute and regulation. Adding a second layer of unnecessary urgency would further waste dollars by forcing agencies to dedicate time and staffing to this at the expense of the housing their communities need.

3. Specific Comments

NAHRO has the following comments on specific language included in the proposed rule.

1. *HUD has not published adequate information for grantees to provide specific feedback.*

HUD has used 9 agencies to pilot a grant system that will apply to thousands of grant recipients across diverse geographies and grant purposes. After measuring an inadequately-sized sample of grantees, HUD did not publish a report, a draft module, or data about the outcomes of the demonstration. The lack of transparency HUD has exhibited has made it impossible for agencies to provide constructive feedback or prepare for the new requirements. For an agency who believes there to be more waste, fraud, and abuse than exists, HUD has exhibited a concerning lack of transparency.

2. *HUD should not pursue HUGS further.*

NAHRO does not believe that HUD should continue to pursue developing HUGS. However, if it does, it should take the following steps to ensure a more workable implementation.

- a. *This rule should not apply to public housing agencies*—HUGS requirements should not apply to public housing agencies because they are subject to annual contributions contracts.
- b. *Understand that this system will require far more time than the 1.5 hours HUD anticipates*—HUD must prepare for the fact that the time estimates included in the notice are far too low. Agencies have a wide variety of systems in place, but none are already doing exactly what is required to comply with HUGS.
- c. *HUGS must be prospective, not retrospective*—It will not be possible for agencies to scan and upload the sheer volume of documentation for past quarters. It must only be applied prospectively to avoid wasting immense staff time.
- d. *HUGS must have an adequate lead-in period*—Beginning in 2027 is not possible. Agencies must have time to create systems and policies, discuss with their boards and communities, and train staff.
- e. *HUD must define its purposes more clearly and state specifically how information will be used*—Agencies generally view this demonstration as an attempted intimidation tactic. Continuing its trend of demanding more granular data without clearly explaining its purpose is not transparent

and straightforward governance.

In addition to the need for greater transparency, HUD should also consider agencies' privacy and cybersecurity as well as the limitation of current tools. HUD is asking for more data than the humans it employs have attempted to use. If HUD is indeed planning to have Artificial Intelligence (AI) use this raw data, it must put guidelines in place first. Artificial intelligence, particularly large language models (LLMs), frequently hallucinate. One research study notes ". . . that factual legal hallucinations are widespread in the LLMs that [the researchers] study—OpenAI's ChatGPT 4, OpenAI's ChatGPT 3.5, Google's PaLM 2, and Meta's Llama 2—on the bulk of the legal knowledge tasks that [the researchers] profile."¹ Additionally, ". . . LLMs systematically overestimate their confidence relative to their actual rate of hallucination." Another study notes that "[h]allucination in Large Language Models (LLMs) remains one of the most pressing challenges in the safe and trustworthy deployment of generative AI systems."² While prompt design may reduce the rate of hallucinations, some hallucinations will persist due to inherent model biases and training artifacts.

HUD must be careful about using HUGS' output for funding or oversight decisions or providing it with data that could be used to compromise agencies' cybersecurity. To think that one office within one federal agency can find more insights than an industry of industrious public servants is misguided.

4. Conclusion

Instead of this unnecessary new burden, HUD should review the data it already collects and exhibit the thriftiness and resourcefulness HUD grantees exhibit in using current processes to find waste, fraud, and abuse.

Thank you for the opportunity to comment on this notice.

Sincerely,



Andrew Van Horn, NAHRO Policy and Research Advisor

¹ Dahl, Matthew, et. al., "Large Legal Fictions: Profiling Legal Hallucinations in Large Language Models," <https://academic.oup.com/jla/article/16/1/64/7699227#s29>.

² Anh-Hoang, Dang, et. al., "Survey and analysis of hallucinations in large language models: attribution to prompting strategies or model behavior," <https://pmc.ncbi.nlm.nih.gov/articles/PMC12518350/>.