

HUD's Fair Housing Funding Roller Coaster Ride

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By Gwen Roy-Harrison



Over the past several months, the U.S. Department of Housing and Urban Development ("HUD") has initiated another significant development, this time involving the funding of private fair housing enforcement organizations.

In July 2026, HUD announced sweeping changes to its Fair Housing Initiatives Program ("FHIP"), which provides funding to private nonprofit organizations. These organizations investigate housing discrimination complaints, conduct testing, refer cases for enforcement, and provide education or outreach to consumers. Historically, HUD has distributed FHIP funding among more than 100 fair housing organizations throughout the country, often ranging from approximately \$75,000 to \$425,000. This system allowed smaller community-based organizations to operate local testing, enforcement, investigation, education, and outreach programs. These organizations collectively handle a substantial portion of housing discrimination complaints nationwide (often serving as the first point of contact for consumers who believe they have experienced housing discrimination).

Under HUD's proposed restructuring, approximately 80% of the funds appropriated by Congress would have been directed to a select few grant recipients rather than distributed through the traditional model. A coalition of 171 attorneys general collectively filed suit against HUD challenging the new funding criteria. According to recent court filings, the revised funding structure would have significantly reduced the number of organizations eligible to receive grants and potentially shifted resources away from many longstanding local and regional fair housing groups.

HUD's restructuring effort was recently paused when U.S. District Judge Myong Joun issued a decision blocking HUD's implementation of the funding overhaul. The Court concluded that HUD had not adequately explained the basis for the sweeping changes and ordered the agency to revert to the prior funding structure during the litigation. Importantly, the Court's ruling did not resolve the underlying dispute, and the broader legal challenge remained.

However, in early September 2026, HUD conceded. HUD will not seek to implement the new FHEO funding initiative; its previous announcement to change funding requirements is no longer in effect, and it will not seek to implement the revised funding criteria in the future. In response, the pending lawsuit was dismissed.

From a housing provider's perspective, the immediate practical impact may be more limited than some headlines suggest. The Fair Housing Act itself has not changed. The protected classes remain the same. The reasonable accommodation process remains the same. HUD, DOJ, state agencies, and private litigants retain their existing right to pursue individual claims. What is changing is the ongoing debate about how fair housing enforcement resources should be allocated and who should receive federal funding to support those efforts.