

HUD's FY2026 Continuum of Care Program Competition

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The Continuum of Care (CoC) program, administered by the U.S. Department of Housing and Urban Development (HUD), funds housing and services to assist people experiencing [homelessness](#). CoC funds are awarded through a competitive process announced in annual Notices of Funding Opportunity (NOFOs). CoC NOFOs set priorities that, in part, determine which grantees receive funding.

CoC NOFOS for FY2025 and FY2026 prioritized funding differently compared to previous years. In response to the FY2025 NOFO, some stakeholders [raised concerns](#) that grantees would be unable to maintain housing and services for their clients, prompting a lawsuit that resulted in the NOFO being [stayed](#) and ultimately [vacated](#). The [FY2026 Consolidated Appropriations Act](#) directed HUD to noncompetitively renew grants for FY2025.

The FY2026 NOFO, [initially released on June 1, 2026](#), and [modified on July 24, 2026](#), had the potential to similarly affect existing housing and services grants. A [lawsuit](#) challenging the FY2026 NOFO was filed on July 2, 2026. On August 7, 2026, [the court vacated the FY2026 NOFO](#) for violating the Administrative Procedure Act. As of the date of this Insight, HUD had not issued a new or modified NOFO.

This Insight describes the vacated FY2026 NOFO; for more information about the FY2025 NOFO, see [CRS Insight IN12626](#).

Among its changes, the FY2026 NOFO proposed to

- [reduce](#) the percentage of existing grants that can be renewed,
- direct [roughly 30% of funding](#) to new transitional housing and supportive services-only grants and [away from permanent housing](#),
- set [minimum and maximum levels of bonus funding](#) for new grants,
- implement [scoring criteria](#) to require client participation in treatment and recovery services, and
- allow HUD the [discretion to base awards](#) on factors outside the review and scoring process.

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CoC Program Background

CoC program grantees—nonprofit organizations, public housing authorities, governmental entities, and tribes—and other stakeholders in a [geographic area](#) establish planning bodies, also called Continuums of Care, to address homelessness in their communities. Together they submit a unified application for CoC funding. Under [statute](#) and [regulations](#), eligible housing and services interventions are the following:

- **Permanent Housing:**
 - *Rapid Rehousing (RR)*: Short- and medium-term rental assistance (up to 24 months) for homeless individuals and families. RR is considered permanent housing because residents may remain in the same unit after rental assistance ends. Residents are generally required to meet with a case manager at least monthly.
 - *Permanent Supportive Housing (PSH)*: Housing without a designated length of stay for homeless individuals with disabilities or families with a member who has a disability. Supportive services must be made available to help residents live independently.
- **Transitional Housing (TH)**: Housing for individuals and families for up to 24 months. [Supportive services](#) must be made available to residents through the duration of their residence. HUD has not funded new TH projects since [FY2012](#).
- **Supportive Services Only (SSO)**: Services not provided in conjunction with housing. Starting in [FY2013](#), new SSO projects have only been available for [coordinated entry/assessment](#), a system of intake and referral.

People living in RR and PSH are not considered “homeless” for purposes of HUD’s [point-in-time count of homelessness](#), while people living in TH are considered “homeless.”

FY2026 NOFO Compared to Prior Years

Grant Renewals

The large majority of CoC funds awarded in prior years funded grant renewals; in [FY2024](#), 88% of funds went to renew existing grants.

NOFOs from [FY2012](#) through FY2024 divided the CoC competition into two funding tiers to allow grantees to prioritize renewal projects. Within tier 1, CoCs could request renewal funding up to roughly 90% of their Annual Renewal Demand (ARD). [ARD](#) is generally the amount of funding CoCs need to renew all their grants for one year.

After the [FY2025 NOFO](#) made 30% of ARD available in tier 1, language in the [FY2026 appropriation](#) provided that HUD “shall select projects totaling not less than 60 percent of the [ARD]” for each applicant.

The FY2026 NOFO, if implemented, would have made [60% of ARD available within tier 1](#), the minimum required by the appropriations directive. Tier 2 funding would have been prioritized for new projects (as described in the next section), and likely would have been insufficient to fund remaining renewals [based on HUD’s selection process](#).

New Projects

Under NOFOs [prior to FY2025](#), new housing-related grants were available primarily for PSH and RR. In FY2026, \$1.3 billion (of \$4.04 billion in total funding) was proposed to be set aside for [new grant funding prioritized for TH and SSO projects](#).

CoCs qualify for new grant funding, in part, through the [CoC bonus](#). In prior years, CoCs could compete for CoC bonus funds up to a percentage of their final pro rata need (FPRN; the maximum amount available to a CoC). For example, in FY2024 the CoC bonus was [up to 12% of FPRN](#). (Not all CoCs qualify for bonus funding, and only the [highest scoring CoCs](#) generally receive funding for new grants.)

The FY2026 NOFO proposed to provide a CoC bonus of up to 15% of FPRN but, unlike prior NOFOs, it would have included [minimum and maximum dollar amounts](#) of bonus funding based on type of CoC. For most CoCs, the minimum proposed was \$500,000 and the maximum \$5 million, which would have raised potential bonus levels for 164 smaller CoCs and reduced them for 30 larger CoCs (out of [roughly 400 total CoCs](#)).

Priorities

The FY2026 NOFO [stated that](#) “CoCs should prioritize projects that promote self-sufficiency, increase employment income over government assistance, and promote treatment and recovery.”

Of the 200 points available in the competition, [up to 20](#) were proposed for providing treatment and recovery services and [up to 8](#) for requiring participation in supportive services. In FY2024, [up to 7 points](#) were available for leveraging health care resources, including access to treatment, but participation in treatment or services was not required according to the approach known as [housing first](#).

In FY2026, [up to 12 points](#) were proposed for applicants showing increased client income from employment only; in FY2024, applicants could also qualify for points based on increased client income from [non-employment sources](#).

HUD Discretion

The FY2026 NOFO stated that “HUD may exercise its discretion in deciding whether and how to issue an award” based on a range of factors outside the review and scoring process, [including](#) “reasonableness of the estimated costs to the government,” “readiness to conduct the proposed work,” “likelihood that the proposed project will result in the benefits expected,” a “preference for applicants with lower indirect costs,” a “broad range of recipients beyond current recipients,” and “geographic dispersion.” Previous NOFOs included requirements related to [indirect costs](#) and [geographic diversity](#) but did not reserve the right to make discretionary funding decisions on these bases.

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