Council for Affordable and Rural Housing

Serving the Affordable Housing Needs of Rural America

May 15, 2026

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 2027 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 respectfully request that Rural Development (RD) approve a management fee increase for Fiscal Year (FY) 2027 that, at a minimum, aligns with the applicable Operating Cost Adjustment Factor (OCAF), the industry-standard adjustment published annually by the Department of Housing and Urban Development (HUD) to account for operating cost inflation in each state. CARH greatly appreciates RD's continued commitment to rural rental housing and recognizes the challenge of managing affordable rural housing has grown substantially, as property owners and management agents continue to absorb persistent increases in labor, insurance, utilities, maintenance, and compliance costs while remaining committed to serving some of the nation's most vulnerable residents. Following the absence of a management fee increase in FY 2026, these cumulative pressures have become more severe, making a minimum OCAF-based adjustment for FY 2027 both reasonable and necessary. An OCAF-aligned adjustment would help ensure that properties can continue operating sustainably while preserving their mission of providing safe, affordable housing to rural families.

Properties across the Section 515 portfolio have experienced sustained operating cost growth of approximately 9% per year in "Total O&M Expenses", with many regions facing even steeper increases, including roughly 11.2% in the South, 14.2% in the West, and 11.8% in the Midwest. These averages reflect sharp increases in specific cost categories that are essential to property operations. Over the last five fiscal years, average annual cost increases have included roughly 22.1% for property liability insurance, 18.1% for fidelity coverage insurance, 10.6% for legal expenses, 9.5% for site management payroll, 7.1% for health insurance benefits, and 6.6% for training. Bookkeeping and accounting costs have also moved sharply upward over that same period. These increases speak directly to the rising cost of the people, systems, protections, and oversight required to keep rural affordable housing safe, compliant, and financially sound. In this context, aligning FY 2027 management fees with the applicable OCAF represents a measured and appropriate response that would help properties maintain stable operations while continuing to serve rural residents effectively.

In addition to these pressures, CARH members report that the absence of a management fee increase in FY 2026 has already forced them to freeze or sharply limit hiring and salary adjustments for existing employees, even as expectations for property performance and compliance remain high. In many cases, regional and senior managers are now responsible for larger portfolios and greater workloads without corresponding increases in compensation, a dynamic that is unsustainable for long-term retention. Rising travel costs have compounded this strain, particularly in rural portfolios where regional managers must drive long distances or travel by air and rental car to provide adequate on-site supervision. Members report that fuel costs alone have risen dramatically in the last year, with some citing increases of more than 40 percent, and broader travel costs such as airfare, lodging, and rental cars have all escalated as well. These trends directly affect the cost of meeting regulatory oversight expectations in remote communities and underscore why a management fee adjustment is essential.

As referenced in CARH's September 19, 2025 letter to RD, owners and agents have relied on annual management fee increases as a critical component of responsible budgeting and operational planning, making the absence of an increase in FY 2026 especially challenging. For many participants in the portfolio, those annual adjustments have been an important way to help keep pace with rising costs and maintain operational stability. When no increase is provided, the gap between the real cost of management and the allowable fee widens further, making it more difficult to sustain quality management capacity in the RD portfolio. The practical effect is a growing challenge in attracting and retaining experienced management personnel, particularly when other sectors can offer compensation structures that better reflect market realities. That strain ultimately affects property operations and, in turn, the residents who depend on these communities for stable housing.

CARH understands that budgetary limitations and broader policy considerations may shape RD’s decision-making. We believe an OCAF-based increase for FY 2027 would be a reasonable and data-driven response to the sustained annual cost growth reflected in RD's own budget metrics and experienced by properties nationwide. CARH also respectfully requests that RD issue its FY 2027 management fee determination as early as possible so that owners and agents can budget, contract, and staff responsibly.

The public-private partnership that underpins RD’s housing programs depends on a sustainable operating environment for owners and management agents. Without that foundation, the long-term preservation of these properties and the well-being of the residents they serve are placed at greater risk. CARH appreciates RD’s consideration of this request and would welcome the opportunity to discuss constructive solutions that support the continued strength and preservation of the Section 515 portfolio.

Sincerely,

Colleen M. Fisher

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Executive Director