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Contact:

Samuel Gunter, Executive Director
919-433-6635, sgunter@nchousing.org

Teresa Mozur, Democracy Defenders Fund
(301) 375-0451, teresa@democracydefenders.org
Dan Jacobson, Jacobson Lawyers Group: dan@jacobsonlawyersgroup.com

HUD Hit With Lawsuit After Withholding Tens of Millions of Dollars in Housing Grants

The Department of Housing and Urban Development abruptly cut approximately \$56 million in funding and illegally altered its policies, putting thousands of families at risk of foreclosure

WASHINGTON, D.C. — Today, Democracy Defenders Fund and Jacobson Lawyers Group filed a federal lawsuit against the Department of Housing and Urban Development on behalf of 10 non-profit organizations that provide housing support services. The suit challenges HUD's abrupt cancellation of grant funding that longtime recipients had expected to receive, after months of delays and uncertainty. The delays and policy changes already forced organizations to overextend their budgets and incur uncompensated costs. The latest funding cuts will eliminate Americans' access to vital homebuyer education and foreclosure-prevention counseling, alongside critical support for renters and individuals experiencing homelessness.

The lawsuit follows the Trump administration's recent issuance of pocket rescissions cutting \$56 million in housing counseling funds, a move that directly jeopardizes the housing security of thousands of families facing foreclosure or eviction. The plaintiffs provide essential support for everyday Americans navigating financial crises, modifying mortgages or striving for homeownership. These federal cuts deal a blow to prospective homebuyers, renters and unhoused families who rely on counseling services to guide critical financial decisions. The abrupt funding cuts come as households face severe affordability pressures and a rising cost of living, making housing guidance essential. Without these support systems, vulnerable families face greater hurdles to maintaining housing stability, navigating mortgages and avoiding foreclosure.

Plaintiffs in the lawsuit include:

- The National Urban League
- Housing Action Illinois

- North Carolina Housing Coalition
- New Jersey Citizen Action
- Housing & Community Development Network of NJ
- National CAPACD
- Fair Housing Resource Center
- Southwest Fresno Community Development Corporation
- Somerville Community Corporation
- National Foundation for Debt Management

The suit highlights First Amendment violations as the administration targeted and canceled grants to penalize recipients for disfavored viewpoints and protected speech outside the program. The lawsuit also claims that HUD's actions violate federal law, ignore established regulations and arbitrarily reverse three decades of policy. Under the Administrative Procedure Act, the complaint asserts that HUD acted arbitrarily and capriciously by failing to explain its abrupt policy shift, disregarding reliance interests, and withholding congressionally mandated funds.

"The Trump administration's decision is as illegal as it is heartless," said **Tianna Mays, legal director at Democracy Defenders Fund**. "The president cannot unilaterally slash congressionally appropriated housing funds, putting thousands of vulnerable families at risk. We will fight this in court on behalf of every household in America that depends on these support services as the cost of living continues to rise."

"The government's effort to unilaterally cancel congressionally mandated funding is unlawful standing on its own," said **Daniel Jacobson, Founder of Jacobson Lawyers Group PLLC**. "But it is doubly unlawful because the White House made clear that it is cancelling this program because it does not like the views and speech of recipients of the funds, in blatant violation of the First Amendment."

"The White House effectively has admitted that this rescission was motivated, at least in part, by criticism of the administration's policies. That's not how our Constitution works," said **Marc H. Morial, National Urban League president and CEO**. "No president has the authority to retaliate against critics by blocking investments Congress has already approved — a violation made even egregious when the result is denying vital housing resources to struggling communities."

"The people hurt most by this pocket rescission are those who simply seek the American Dream — to own a home," said **Sharon K. Legenza, executive director of Housing Action Illinois**. "If these essential funds are withheld, local housing counseling agencies will not be able to provide critical financial literacy, rental, and homeownership education, making it even harder, especially in this economic climate, for families seeking guidance on some of the most complex, important financial decisions of their lives."

North Carolina Housing Coalition

3608 University Dr, Ste 201 • Durham, NC 27707
Phone 919.881.0707 • Fax 919.881.0350 • www.nchousing.org

"Local housing counseling agencies are on the front lines keeping families in their homes in the midst of financial crisis and preparing first-time homebuyers for homeownership," said **Samuel Gunter, executive director at the North Carolina Housing Coalition**. "Their work preserves and builds wealth for communities across the state. It is unacceptable that after more than a year of delay, the administration has chosen to defy congress and not release appropriated funds. It only harms North Carolina communities."

"At a time when many Americans across the country are struggling with housing affordability, the Trump Administration is continuing its attacks on our social safety net, this time targeting the nonprofit service providers and federal programming, including comprehensive housing counseling services, that provide a critical lifeline to those most in need," said **Dena Mottola Jaborska, Executive Director of New Jersey Citizen Action**.

"NJ families and residents are in the midst of a housing affordability crisis, and will be deeply harmed by the White House rescission of HUD-housing counseling dollars," said **Staci Berger, President and CEO of the Housing and Community Development Network of NJ**, the largest, funded HUD-certified housing counseling intermediary in the state. "We are pursuing this action to protect our neighbors and communities, so that they are able to access affordable, safe and stable housing using the wide array of HUD housing counseling services that Congress authorized."

"In 2026, this is exactly the wrong time to make it harder for homeowners in distress to get help. We must restore access to trusted, local housing counseling without further delay," said **Patricia Kidd, Executive Director of the Fair Housing Resource Center in Ohio**. "Families facing the loss of their homes cannot put their crises on hold while funding remains unresolved."

"At a time when people across the country are struggling with rising housing costs and an unprecedented affordability crisis, it is a direct attack on our democracy and its people to unilaterally decide to rescind funding for programs that help address the basic needs of communities across the country." **Seema Agnani, CEO, National CAPACD**

Read the full complaint [here](#).

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[Democracy Defenders Fund](#) brings together a nonpartisan team to work with national, state and local allies across the country to defend in real-time the foundations of our democracy.

[Jacobson Lawyers Group](#) is an elite group of former government attorneys helping clients overcome federal funding and regulatory challenges.

[The National Urban League](#) is a historic civil rights organization dedicated to economic empowerment in order to elevate the standard of living in historically underserved urban communities.

[Housing Action Illinois](#) has been leading the movement to end homelessness, address the shortage of affordable rental housing, and expand homeownership opportunities in Illinois for nearly 40 years.

[National CAPACD](#) is a coalition, intermediary, and the nation's leading organization in advancing community development and advocating against gentrification and displacement of Asian American and Pacific Islander communities.

The [North Carolina Housing Coalition](#) is North Carolina's leading advocacy and resource organization on affordable housing.

[The Housing and Community Development Network of NJ](#) is the statewide association of over 250 non-profit housing and community development corporations, individuals, professional organizations, and prominent New Jersey corporations that support the creation of housing choices and economic opportunities for low- and moderate-income community residents.

[New Jersey Citizen Action](#) is a statewide organization dedicated to advancing social, economic, and racial justice through advocacy and public empowerment.

[The Fair Housing Resource Center \(FHRC\)](#), Inc. is a non-profit organization that offers several housing programs that benefit residents of Lake, Geauga and Ashtabula County, Ohio.

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