The Virgin Islands Consortium

Even Small New Federal Housing Allocations Are Being Touched by HUD’s Action Against VIHFA

HUD’s FY2026 Housing Trust Fund notice allocates $70,897.89 to the Virgin Islands but explicitly makes the award subject to VIHFA’s suspension, showing how the federal action continues to affect new housing funding, even at a modest scale in the USVI.

Federal / **Published On September 05, 2026 06:57 AM /**

Staff Consortium September 05, 2026

VIHFA officials appear before the Senate Budget Committee in August 2026, where lawmakers questioned the authority over HUD’s federal suspension and its potential impact on funding. By. ODR.

A new federal housing allocation worth just $70,897.89 has provided another indication of how the U.S. Department of Housing and Urban Development's suspension of the V.I. Housing Finance Authority continues to affect new federal funding actions involving the territory.

HUD on Thursday published its fiscal year 2026 Housing Trust Fund allocations, distributing approximately $255.5 million nationwide for affordable housing programs. The Virgin Islands was assigned $70,897.89 under the formula.

The amount itself is modest and should not be interpreted as a reduction imposed because of the suspension. Other U.S. territories also received comparatively small formula allocations: Guam was assigned $78,883.01, the Northern Mariana Islands $34,790.51 and American Samoa $10,755.74. Puerto Rico received approximately $902,616.

What distinguishes the Virgin Islands allocation is a footnote HUD placed directly beside it.

"The allocation to the Virgin Islands of the United States is made subject to the suspension of the Virgin Islands Housing Finance Authority," HUD states. The department further says that despite notifying the Government of the Virgin Islands of the award, it "reserves all rights and remedies available under applicable statutes and regulations."

The notice does not say the $70,897.89 has been canceled, withdrawn or forfeited, nor does it explain whether or under what circumstances the territory will be permitted to access the money. HUD still identifies the amount as the Virgin Islands' fiscal year 2026 allocation and refers to the notice as a notification of award.

The significance instead lies in HUD expressly carrying the VIHFA suspension into a new federal housing allocation issued more than six weeks after the agency was barred from future federal transactions.

Suspension Continues to Follow New Funding

HUD suspended VIHFA on July 20 while a federal investigation proceeds, citing allegations of financial mismanagement, inadequate fraud controls, false certifications, improper payments and years of slow disaster-recovery spending.

The department said VIHFA had received approximately $1.9 billion in HUD disaster-recovery funding following Hurricanes Irma and Maria but had spent less than one-third of the money. HUD also pointed to the federal conviction of former VIHFA Chief Operating Officer Darin Richardson and findings concerning weaknesses in the authority's fraud-risk controls.

The suspension applies to VIHFA's participation in future federal procurement and nonprocurement transactions and extends throughout the executive branch of the federal government, according to HUD's suspension notice previously reviewed by the Consortium.

Governor Albert Bryan Jr. has challenged HUD’s action as an overreach and said the administration would appeal. The governor has also emphasized that previously obligated CDBG-DR and CDBG-Mitigation funds remain available and that ongoing projects supported by already-authorized funding can continue.

That distinction between existing obligations and future transactions has been central to understanding the practical effect of the suspension.

Thursday’s Housing Trust Fund notice provides a new example. The $70,897.89 award is not a previously obligated recovery allocation dating to the aftermath of the 2017 hurricanes. It is a new fiscal year 2026 funding action, and HUD has specifically attached the existing VIHFA suspension to it.

Small Award, Broader Significance

The Housing Trust Fund was established to increase and preserve rental housing for extremely low-income and very-low-income households and to support homeownership for qualifying low-income families.

Funding comes through annual contributions tied to mortgage purchases by Fannie Mae and Freddie Mac and is distributed by HUD using a federal formula. For fiscal year 2026, HUD allocated $255,516,650.92 among states, the District of Columbia, Puerto Rico and the U.S. territories.

The Virgin Islands received no Housing Trust Fund allocation in fiscal year 2025 because it declined that year’s grant allocation. HUD’s 2025 notice listed the territory, along with American Samoa, Guam and the Northern Mariana Islands, at zero for that reason.

The 2026 notice therefore marks a return to an allocation for the territory, but one accompanied by an explicit warning that the award remains subject to the federal suspension.

By itself, the $70,897.89 allocation represents only a small amount of money and does not establish how HUD will handle every future grant or funding opportunity involving the Virgin Islands. It does, however, provide concrete evidence that the suspension remains active in HUD’s treatment of new awards rather than existing only as an unresolved administrative dispute.

Other effects have already surfaced locally.

The V.I. Department of Agriculture disclosed in August that a proposed St. Thomas abattoir project seeking approximately $2 million through the CDBG-Mitigation program had reached the environmental-review stage when the HUD suspension halted access to funding through VIHFA. Agriculture officials subsequently began pursuing alternative funding sources.

The V.I. Water and Power Authority has similarly said that already-authorized projects were not immediately disrupted but warned that a proposed battery-backup project awaiting authorization and the use of CDBG-DR money for certain local matching requirements could face risks if the suspension continues.

And when Congress enacted the 21st Century ROAD to Housing Act in July, expanding a range of federal tools for affordable housing construction, homeownership, repairs and disaster recovery, the new law did not override HUD’s action against VIHFA. Any future benefit to the territory from programs requiring new federal awards could therefore depend in part on how the suspension is resolved.

VIHFA Has Said it Is Working to Address HUD's Findings

Following the July action, VIHFA said it was reviewing HUD’s findings, strengthening internal controls and compliance procedures, and preparing additional documentation for federal officials.

The authority said it had already taken corrective steps and would work to minimize disruption to employees, partners and ongoing projects while responding to the federal government. The Bryan administration has maintained that existing disaster-recovery work should continue while the dispute over future federal participation is addressed.

The new Housing Trust Fund notice does not indicate whether HUD’s position toward VIHFA has softened since then.

Instead, the department has formally recognized a new Virgin Islands housing allocation while simultaneously making clear that the award does not escape the suspension now hanging over the territory’s principal administrator of federal housing and disaster-recovery funds.