NHTF: The National Housing Trust Fund

NATIONAL HOUSING TRUST FUND
What Rural Advocates Should Know

The law creating the National Housing Trust Fund (NHTF) does not pay specific attention to rural areas. However, that doesn't mean rural advocates should pass on the NHTF.

This paper discusses three features of the NHTF law or regulations that rural advocates should know.

1. States must distribute their NHTF dollars geographically throughout the state based on "priority housing needs". There are public participation opportunities each year that rural advocates can use to influence how their state distributes the NHTF money it will receive in the upcoming year.

2. The income targeting provisions of the law recognize and adjust for the fact that household incomes in some rural areas are so low that there should be an alternative to the usual HUD income eligibility levels.

3. HUD's proposed regulations specifically allow NHTF money to be used with manufactured housing.

The NHTF Allocation Plan

Each state will decide how to distribute NHTF money among urban areas and rural areas. The law requires states to prepare an "Allocation Plan" every year. The Allocation Plan must show how the state will distribute the NHTF dollars it will receive in the upcoming year. NHTF must be distributed throughout the state based on the priority housing needs in the state's Consolidated Plan (ConPlan)[*].

The Allocation Plan must give priority to awarding NHTF money to projects based on six factors, one of which is geographic diversity, as reflected in the ConPlan.

Because HUD is tying the state NHTF Allocation Plan to the ConPlan and each year's Annual Action Plan update, the ConPlan public participation process must be followed.

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[*] A Consolidated Plan is a five-year plan states and many local governments must have in order to receive other federal funds distributed by formulas, such as Community Development Block Grants and HOME grants. Each year, an Annual Action Plan must be completed indicating how federal block grant monies, and any other funds expected to be available for housing activities, will be used in the upcoming year. A ConPlan presents the housing needs of renters and homeowners by income categories and population characteristics. Given the needs, the ConPlan indicates the priorities for addressing those needs. For more about the ConPlan, see NLIHC's *Advocates' Guide*.

Tips for Advocates

- *Find out which state agency is chosen to receive and administer the NHTF.*

- *If your governor or state legislature has not chosen a state agency yet, advocate for the one you think will be most responsive to the needs of rural extremely low income renters.*

- *Let that agency know that your organization is interested in being informed about and in participating in the process for planning where and how NHTF money will be used in your state.*

- *It will be important for rural advocates to learn how to influence the state ConPlan and Annual Action Plan each year in order to better ensure that NHTF money gets to the rural areas with the greatest rental housing needs of extremely low income people.*

- *Are rural areas included relative to their need when compared to urban areas?*

- *Is there a fair distribution among rural localities throughout the state based on the shortage of affordable rental homes for extremely low income people?*

- *Are NHTF dollars going to rural areas in the appropriate amounts and for the appropriate uses?*

- *Does the Allocation Plan comply with the regulations, particularly regarding affordability for extremely low income people?*

- *Are the public participation obligations truly met, or is the state just "going through the motions"?*

For more about how to influence how the state distributes NHTF dollars and how to take advantage of the Consolidated Plan public participation requirements, see the separate articles, "How Can I Influence Where The Money Goes?" and "Consolidated Plan Public Participation Requirements".

NHTF Focuses on Extremely Low Income or Poverty Level Households

The law requires that at least 90% of a state's NHTF money be used for rental housing.

It also requires that at least 75% of a state's NHTF money that is used for rental housing benefit extremely low income households or households with incomes below the federal poverty line, whichever is greater (according to the proposed regulations).

- Extremely low income (ELI) is less than 30% of the area median income (AMI).

- The use of the federal poverty level is purposely in the law because in some areas, especially rural areas, extremely low income is so low that many households desperately in need of affordable rental housing would not be eligible to benefit. For example, in rural counties in Illinois, ELI is $15,750 for a three-person household in 2014; the national poverty threshold is $18,552 for a three-person household in 2014.

The law limits to 25%, the amount of a state's NHTF dollars that may be used for rental housing activities benefiting very low income households.

- Generally, a very low income (VLI) household has income between 30% and 50% of AMI.

- However, in rural areas the NHTF law also considers households with incomes below the federal poverty line as very low income.

Manufactured Homes

NHTF money may be used to buy and/or rehabilitate a manufactured home, or to purchase the land on which a manufactured home sits.

The manufactured home must, at the time of project completion, be:

- Connected to permanent utility hook-ups; and,

- Located on land:

  - Owned by the homeowner; or,

  - For which the homeowner has a lease for a period that at least equals the length of time the home must remain affordable to an income-eligible household (minimum of 30 years).