

# National Housing Trust Fund: Funding

---

By Sarah Mickelson, Director of Public Policy, National Low Income Housing Coalition

The national Housing Trust Fund (HTF) is the first new federal housing resource in a generation, exclusively targeted to help build, preserve, rehabilitate, and operate housing affordable to people with the lowest incomes. In 2016, the first \$174 million in HTF dollars were allocated to states. This is an important first step, but far more resources are necessary to meet the need for affordable housing. NLIHC is committed to working with Congress and the administration to expand the HTF in order to serve more families with the greatest needs.

## ABOUT THE HOUSING TRUST FUND

The HTF was established in July 2008 as part of the Housing and Economic Recovery Act of 2008 (HERA). This law requires Fannie Mae and Freddie Mac to set aside 4.2 basis points of their volume of business each year for the national HTF and Capital Magnet Fund (CMF). The HTF is to receive 65% and the CMF 35%. The first \$174 million in HTF dollars were allocated to states in 2016.

The HTF is the only federal housing program exclusively focused on providing states with resources targeted to serve households with the clearest, most acute housing needs. The HTF can be used to address both rental housing and homeownership needs. By law, at least 90% of HTF dollars must be used for the production, preservation, rehabilitation, or operation of affordable rental housing. Up to 10% may be used to support homeownership activities for first-time homebuyers, such as producing, rehabilitating, or preserving owner-occupied housing, as well as providing down payment assistance, closing costs, and interest rate buydowns.

The HTF is the most highly targeted federal rental housing capital and homeownership program. By law, at least 75% of HTF dollars used to support rental housing must serve extremely low income (ELI) households earning no more than 30% of the Area Median Income (AMI) or the federal poverty limit. All HTF dollars must benefit households with

very low incomes earning no more than 50% of AMI. In comparison, most other federal housing programs can serve families up to 80% of AMI.

The HTF is designed to support local decision making and control. Because the HTF is administered by HUD as a block grant, each state has the flexibility to decide how to best use HTF resources to address its most pressing housing needs. States decide which developments to support.

Moreover, it operates at no cost to the federal government because the HTF is funded outside of the appropriations process. By statute, the initial source of funding for the HTF is a slight fee (0.042%) on Freddie Mac and Fannie Mae activity, 65% of which goes to the HTF.

## OPPORTUNITIES TO EXPAND THE HTF

**See also:** *Fannie Mae, Freddie Mac, and Housing Finance Reform: Mortgage Interest Deduction Reform*

The Housing and Economic Recovery Act of 2008 (HERA) expressly allows Congress to designate other “appropriations, transfers, or credits” to the HTF and CMF, in addition to the assessment on Fannie Mae and Freddie Mac. Securing permanent, dedicated sources of revenue for the HTF is one of NLIHC’s top priorities, whether through an infrastructure spending bill, housing finance reform, or mortgage interest deduction reforms.

**Infrastructure Bill.** President Trump has announced that a large-scale investment in infrastructure is a top priority for his administration. Policymakers from both sides of the aisle agree. To maximize this investment’s impact on long-term economic growth, NLIHC strongly believes that any infrastructure package should include resources to increase the supply of affordable housing for families with the lowest incomes, including an expansion of the HTF.

Investing in affordable housing infrastructure—through new construction and preservation—will bolster productivity and economic growth, provide long-term assets that connect low income families to communities of opportunity, support local

job creation and increased incomes, and create inclusive communities.

The connection between affordable housing and infrastructure is clear: like roads and bridges, affordable housing is a long-term asset that helps communities and families thrive. Without access to affordable housing, investments in transportation and infrastructure will fall short. Increasing the supply of affordable housing—especially in areas connected to good schools, well-paying jobs, healthcare, and transportation—helps families climb the economic ladder and leads to greater community development.

Research shows that the shortage of affordable housing in major metropolitan areas costs the American economy about \$2 trillion a year in lower wages and productivity. The lack of affordable housing acts as a barrier to entry, preventing lower-income households from moving to communities with more economic opportunities. Without the burden of higher housing costs, these families would be better able to move to areas with growing local economies where their wages and employment prospects may improve.

**Housing finance reform.** It is unclear whether there will be enough political will to move comprehensive reforms forward in the 115th Congress. The Trump administration, however, will likely have to address the issue in some way in 2017. Currently all of Fannie Mae and Freddie Mac's profits are swept into the Treasury each quarter, and their capital buffers will be reduced to zero by January 1, 2018. Even though Fannie and Freddie have now returned to the Treasury far more than they received in federal assistance during the housing collapse of 2008, the lack of capital buffers in 2018 will require them to need another draw from the Treasury when they next experience a down quarter. This could prompt the Federal Housing Finance Agency, which oversees Fannie Mae and Freddie Mac in conservatorship, to suspend payments to the HTF.

Housing finance reform provides an opportunity to increase resources for affordable housing solutions. The bipartisan Johnson-Crapo reform legislation of 2014 included a provision that would increase funding for the national HTF by applying a 10 basis point fee on guaranteed securities in a new mortgage insurance corporation that would replace Fannie and Freddie. If enacted, this would

generate an estimated \$3.5 billion for the national HTF annually, making a significant contribution to ending homelessness and housing poverty in America without having to allocate additional appropriated dollars. The Johnson-Crapo bill's provision for a 10 basis point fee for affordable housing programs should be included in any housing finance reform legislation considered by the next Congress.

### **Mortgage Interest Deduction (MID) Reform.**

While federal investments in affordable rental housing have a proven track record of reducing homelessness and housing poverty, these solutions are sorely underfunded. As a result, just 1 in 4 poor families that are eligible for rental housing assistance get the help they need. Meanwhile, half of all homeowners receive no tax benefit from the MID, and almost all of those who do have incomes over \$100,000. For our nation to fully address the affordable housing crisis for families with extremely low incomes, we must rebalance scarce resources to increase investment in proven solutions.

NLIHC's United for Homes campaign seeks to make modest reforms to the MID—a \$70 billion a year tax write-off that largely benefits America's highest income families—and reinvesting the savings in housing that serves families with the greatest, clearest, most pressing needs through solutions like the national HTF and rental assistance programs.

United for Homes proposes two simple reforms to the MID: (1) Reduce the amount of a mortgage eligible for the MID from \$1 million to the first \$500,000—impacting fewer than 6% of homeowners—and (2) convert the MID deduction into a nonrefundable 15% credit. All of the savings from MID reform should be reinvested in affordable rental housing for the lowest-income families.

These reforms would have zero costs to the federal government and would provide a tax break to an additional 15 million low and moderate income homeowners who currently do not benefit from the MID. This would generate \$241 billion in savings over ten years, which would be reinvested to address pressing affordable rental housing needs, including ending homelessness, helping veterans, seniors, families with children, and people with disabilities afford a home, as well as fighting the root causes of poverty. This reinvestment could support nearly four million jobs in addition to generating \$282 billion in local revenue and \$53 billion in local tax revenue.

## HOW ADVOCATES CAN TAKE ACTION

- Advocates should be actively engaged in the process of HTF implementation in their states to ensure that the first round of funding is successful.
- Second round of funding coming soon!

## ON HOUSING FINANCE REFORM

With respect to the potential housing finance reform proposals, advocates should urge their legislators to:

- Oppose any legislation that would eliminate or prohibit funding for the HTF.
- Support legislation that provides a robust source of funding for the HTF similar to the Johnson-Crapo bill.
- Support housing finance reform legislation that assures access to the market for all creditworthy borrowers, as well as assuring compliance with federal fair housing laws.
- Oppose efforts to recapitalize and release Fannie and Freddie from conservatorship before Congress passes comprehensive housing finance reform legislation.

## ON MORTGAGE INTEREST DEDUCTION REFORM

- Ask your representative to co-sponsor legislation to make modest reforms to the MID and generate significant new revenue to fund the HTF and other housing assistance for extremely low income renters.
- Educate the members of your Congressional Delegation on the benefits of MID reform and affordable housing solutions for the lowest income people.
- Endorse the United for Homes campaign! Secure other endorsers in your community.
- Urge local and state government officials to pass resolutions in support of the United for Homes proposal.
- Promote the UFH Campaign through social media.

## FOR MORE INFORMATION, GO TO:

[www.NHTF.org](http://www.NHTF.org)

[www.UnitedforHomes.org](http://www.UnitedforHomes.org)