



NHTF • The National Housing Trust Fund

May 12, 2015

The Honorable Harold Rogers
Chairman
Committee on Appropriations
United States House of Representatives
Washington, DC

The Honorable Nita Lowey
Ranking Member
Committee on Appropriations
United States House of Representatives
Washington, DC

Dear Chairman Rogers and Ranking Member Lowey,

On behalf of the more than 7,000 organizations from every Congressional District that endorse the National Housing Trust Fund, I object strenuously to the action taken by the House THUD Appropriations Subcommittee to defund the National Housing Trust Fund (NHTF). I urge the full Committee to reverse this action when you consider the THUD bill on May 13.

The THUD FY16 Appropriations bill, passed by the Subcommittee on April 29, takes all the 2016 funding for the NHTF and uses it to make up for a new cut to the HOME program. I understand that some Members of the Subcommittee think this is an appropriate action, because both the NHTF and HOME are block grants and they support affordable housing. This indicates a lack of knowledge about the two programs. They differ in at least four important ways.

1. **Dedicated funding.** The funding for the NHTF is a dedicated source of revenue on the mandatory side of the federal budget, and as such, is not subject to annual appropriations. Funding for the NHTF is based on an assessment of 4.2 basis points of the annual volume of business of Fannie Mae and Freddie Mac. This is a reliable, predictable stream of funding that is supposed to be separate from HUD appropriations. It is not subject to sequestration.

As an appropriated program, HOME has suffered deep cuts in recent years, including cuts dictated by sequestration. Its FY15 appropriation of \$900 million is less than half of the FY10 appropriation. The Appropriations Committee should not be managing the sequester cuts to HUD programs by raiding mandatory funds that have a dedicated purpose.

2. **Income Targeting.** The NHTF is the only federal program that provides new money specifically to expand the supply of rental housing that is affordable for extremely low income households. Until the annual amount available to the NHTF reaches \$1 billion, 100% of the NHTF must benefit extremely low income households, those with incomes at or below 30% of the area median. Nationwide, there is a shortage of 7.1 million rental housing units that are available and affordable for extremely low income families. In most of the country, extremely low income is less than the federal poverty level. The shortage of rental housing that extremely low income households can afford is the primary cause of homelessness in the United States.

HOME can be used for a much broader range of incomes and can go as high as households with incomes up to 80% of the area median. Ninety percent of funds that are used for rental housing are to be used for households with incomes at or below 60% of the area median, and 20% of the units in a project of five or more HOME-funded units are to be for households with incomes at or below 50% of the area median.

3. **Eligible activities.** The NHTF is primarily a rental housing program. At least 90% of the funds must be used for production, preservation, rehabilitation, and operation of rental housing. Up to 10% can be used for a range of home ownership activities.

HOME has a wider range of uses and there are no limits on how much can be used for homeownership or rental housing. HOME has supported 1.2 million physical units since 1992, 39% of which have been rental housing.

4. **Grantees.** Both the NHTF and HOME are block grants administered by HUD. The NHTF is a block grant solely to states. The funds are distributed based on a formula that is defined in the statute and is based primarily on the shortage of rental housing that is affordable to extremely low income households in each state.

HOME is distributed to both states (40%) and cities and counties (60%). The formula for distribution is based on a variety of factors that include vacancy rates, housing quality and age, and the poverty population.

I am aware that the Subcommittee was under severe constraints, which unfortunately is inherent in all appropriations work since the enactment of the Budget Control Act and the advent of sequestration. However, the solution should not be to resort to budget gimmicks such as raiding the NHTF to make up for lost appropriated funds. The solution is for Congress to lift the caps imposed by sequestration and properly fund all discretionary programs.

I urge the Committee to reject the use of the NHTF dedicated revenue to make up for lost appropriations. Further, I urge the Committee to pass a THUD appropriations bill that rejects the imposition of arbitrary and harmful caps on the programs under your jurisdiction.

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The rationale that the Subcommittee had to resort to raiding the NHTF because of budget constraints does not explain the clause in the THUD bill that prohibits Congress from directing funds from other sources to the NHTF. I urge you to delete that clause under any circumstances.

Thank you for your consideration of our concerns.

Sincerely,

A handwritten signature in blue ink that reads "Sheila Crowley". The signature is written in a cursive, flowing style.

Sheila Crowley
President and CEO
National Low Income Housing Coalition