



A home is the
foundation.

REPORT TO THE FIELD

Funding the National Housing Trust Fund
Through Mortgage Interest Deduction Reform

July 24 & 25, 2012

National Housing Trust Fund

- Established as a provision of the Housing and Economic Recovery Act of 2008 (HERA).
- Initial funding was to be contributions from Fannie Mae and Freddie Mac, but financial collapse of 2008 intervened.
- Top priority of NHTF campaign since then has been to find other dedicated sources of revenue, on mandatory side of budget, not subject to appropriations.

Refresher on NHTF

- Basic purpose is to expand supply of rental housing that is affordable for extremely low income (ELI) and very low income (VLI) households.
 - At least 90% of funds must be used for rental housing.
 - At least 75% of funds must benefit ELI households and up to 25% of funds can benefit VLI households.
 - Proposed regulations would use all funds for ELI households in first year.
- Block grant to states using formula based on need.
- Eligible uses for rental housing are production, preservation, rehabilitation and operation.

Funding Source History

- First NHTF proposal in 1993 used savings from proposed MID reform.
- Bills introduced in 2000, 2001, 2003, and 2005 would use excess reserve from FHA Mutual Mortgage Insurance Fund.
- Bills introduced in 2007 and 2008 had funding source as contributions from Fannie Mae and Freddie Mac.
- Since Fannie/Freddie taken into conservatorship, other funding sources considered have been Ginnie Mae, TARP, proceeds from sale of TARP warrants, and offset in general tax bill of \$1 billion.
- Goal of NHTF Campaign is to secure enough funding to expand rental housing affordable for ELI households by 3.5 million over 10 years.

The Shortage

- NLIHC analysis of American Community Survey data shows there were 9.8 million ELI renter households in 2010 and only 5.5 million units renting at prices they could afford, for an absolute gap of 4.3 million units.
- Because higher income households rent some of the units that ELI households could afford, the gap of affordable and available units is 6.8 million.

Grounds for Support

Funding the NHTF at \$300 billion over 10 years would expand the supply of rental homes affordable to ELI renter households by 3.5 million units.

CALIFORNIA

SHORTAGE OF UNITS AFFORDABLE & AVAILABLE
TO ELI RENTER HOUSEHOLDS

910,063

ANNUAL NHTF ALLOCATION AMOUNT
(ROUNDED)

\$5,323,800,000

INCREASED SUPPLY OF UNITS AFFORDABLE & AVAILABLE
FOR ELI RENTER HOUSEHOLDS *OVER TEN YEARS**

621,110

NEW YORK

SHORTAGE OF UNITS AFFORDABLE & AVAILABLE
TO ELI RENTER HOUSEHOLDS

610,879

ANNUAL NHTF ALLOCATION AMOUNT
(ROUNDED)

\$3,627,200,000

INCREASED SUPPLY OF UNITS AFFORDABLE & AVAILABLE
FOR ELI RENTER HOUSEHOLDS *OVER TEN YEARS**

423,180

TEXAS

SHORTAGE OF UNITS AFFORDABLE & AVAILABLE
TO ELI RENTER HOUSEHOLDS

523,137

ANNUAL NHTF ALLOCATION AMOUNT
(ROUNDED)

\$1,751,500,000

INCREASED SUPPLY OF UNITS AFFORDABLE & AVAILABLE
FOR ELI RENTER HOUSEHOLDS *OVER TEN YEARS**

204,350

FLORIDA

SHORTAGE OF UNITS AFFORDABLE & AVAILABLE
TO ELI RENTER HOUSEHOLDS

347,609

ANNUAL NHTF ALLOCATION AMOUNT
(ROUNDED)

\$1,502,000,000

INCREASED SUPPLY OF UNITS AFFORDABLE & AVAILABLE
FOR ELI RENTER HOUSEHOLDS *OVER TEN YEARS**

175,240

Source: 2006-2008 CHAS Data; NLIHC tabulations of 2010 American Community Survey Public Use Microdata Sample (PUMS) housing file.

*Increased supply of units is an estimate calculated using a total estimated cost of construction, rehab, preservation and/or operation of a rental unit of \$85,714.29.

Mortgage Interest Deduction Reform

National Housing Trust Fund Campaign Position:

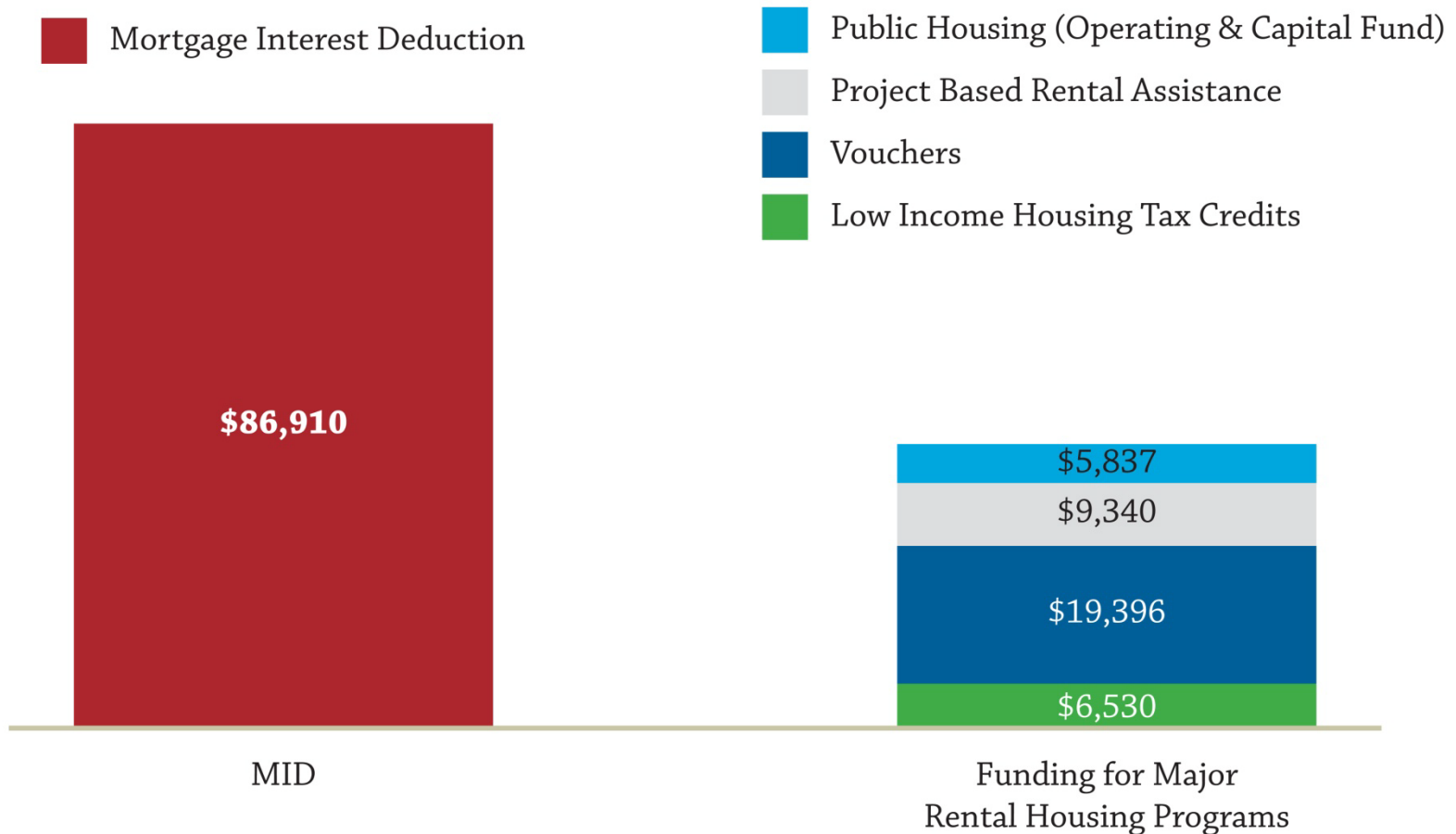
- Any savings generated from MID reform should go in whole or in part to fund the NHTF.
- The method to reform MID developed by NLIHC is an appropriate reform policy because it would provide greater benefits for low and moderate income homeowners, in addition to generating savings for the NHTF.

Federal Housing Tax Expenditures

- The federal tax expenditure budget for FY13 is \$1.01 trillion. \$198 billion, almost one-fifth, will subsidize homeownership through the mortgage interest deduction, property tax deduction, exclusion of capital gains, and exclusion of imputed rent. The largest, MID, will cost \$101 billion in FY13.
- MID is ripe for reform for deficit reduction. Challenge is to capture savings from reform for other housing purposes.

FY12 MID vs. Major Rental Housing Programs

Figures in millions



Ellison Bill on MID

- Lower cap on the size of mortgage for which interest paid can be claimed for tax break from \$1 million to \$500,000.
- Eliminate separate tax break for interest on home equity loans of up to \$100,000, but allow home equity loans under \$500,000 cap. Allow interest on mortgages for second homes under \$500,000 cap.
- Make mortgages for cooperatives eligible.
- Convert tax deduction to 20% non-refundable tax credit.
- Phase in over five years.

Ellison Bill on NHTF

- Credit revenue accrued to Treasury as a result of MID reform to NHTF. Amount will be determined by score at time of enactment by Treasury.
- Mandatory spending.
- Some policy changes to NHTF statute related to manufactured homes and public housing.
- Other policy changes under consideration.

Impact of MID Reform on Homeowners

Data based on 20% credit under current law

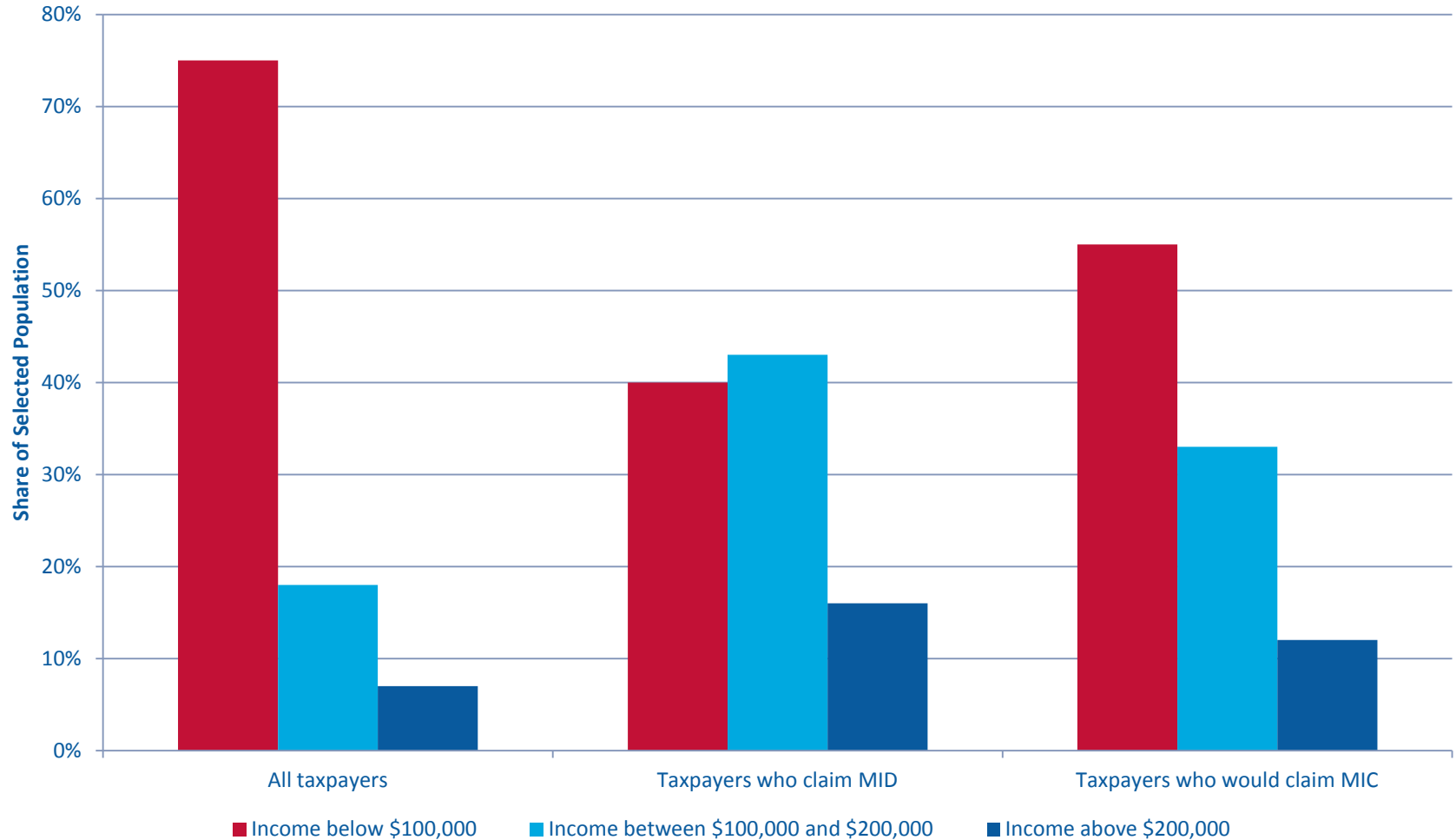
- Tax benefit will not be limited to homeowners who itemize.
- Expands the number of homeowners who get a tax break from paying mortgage interest from 42.8 million to 60.1 million, 92% of whom have incomes of \$100,000 or less (68% of homeowners with mortgages have incomes of \$100,000 or less).
- Homeowners with incomes above \$150,000 who currently claim the MID (14% of homeowners with mortgages) will see an average tax increase of 2.5% or less.
- Impact on homeowners with incomes between \$100,000 and \$150,000 will vary based on size of mortgage and tax filing status (single, married, HOH).

www.nhtf.org 

Updated August 6, 2012

Redistribution of Homeowner Tax Benefits

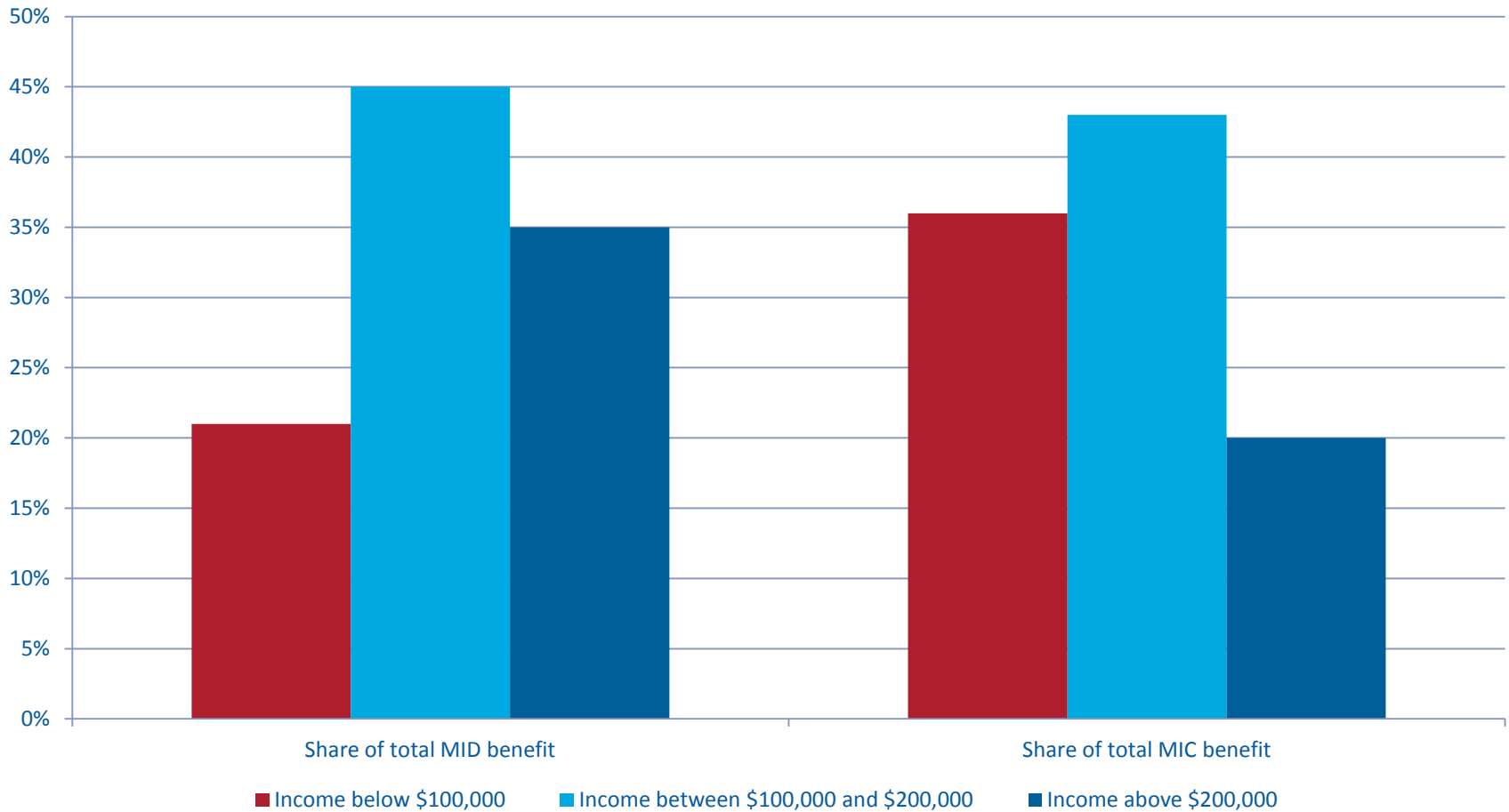
**Share of Taxpayers Who Claim Mortgage Interest Deduction vs.
Share Who Could Claim Benefit Under Proposed Reform
(data based on 20% credit under current law, 2015)**



Updated August 6, 2012

Share of Benefit

**Share of Mortgage Interest Deduction Benefit by Income vs.
Share of Benefit Under Proposed Reform by Income
(data based on 20% credit under current law, 2015)**



Updated August 6, 2012

Savings Produced from Reform

A 20% credit based on current law will generate an estimated \$277 billion over 10 years.

Action Steps

- Organizations need to endorse proposal to create revenue for NHTF from MID reform, and encourage organizations in your networks to endorse as well. Endorse proposal here:

<http://nlihc.org/issues/nhtf/revenue4nhtf>

- Educate yourself about what MID reform really means to be able to debate effectively those who oppose reform.
- Ask your Representative to co-sponsor Ellison bill.
- Follow up on all action alerts from NHTF campaign.

Contact Me

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