



NHTF • The National Housing Trust Fund

What is the National Housing Trust Fund?

The National Housing Trust Fund (NHTF) is a permanent federal program with dedicated sources of funding not subject to the annual appropriations process. The NHTF was enacted as part of the Housing and Economic Recovery Act of 2008 (HERA).

The primary purposes of the NHTF is to increase and preserve the supply of rental housing for extremely low income (ELI) households (earning less than 30% of area median income (AMI)).

How is the NHTF funded?

The NHTF is to be funded with dedicated sources of revenue.

HERA requires an annual assessment of 4.2 basis points of the volume of business of Freddie Mac and Fannie Mae, 65% of which is to go to the NHTF. When Fannie and Freddie were taken into conservatorship by the Federal Housing Finance Administration (FHFA) in September 2008, their obligation to fund the NHTF was suspended.

Fortunately, FHFA Director Mel Watt announced he was lifting the suspension on December 11, 2014 and directed Fannie and Freddie to begin setting aside funds in

2015 and make them available by March 1, 2016.

How can NHTF dollars be used?

The statute requires that at least 90% of the funds be used for the production, preservation, rehabilitation, or operation of rental housing. Up to 10% can be used for homeownership activities that include constructing, rehabilitating, or preserving housing for first-time homebuyers, as well as providing down payment and closing cost assistance.

Who is served by the NHTF?

The NHTF statute requires that at least 75% of the funds for rental housing benefit extremely low income (ELI) households or households with incomes below the federal poverty line. Up to 25% of the funds for rental housing may benefit very low income (VLI) households (earning less than 50% of area median income). All homeowner activities must benefit ELI or VLI households.

However, HUD's interim rule requires that 100% NHTF funds benefit ELI households if there is less than \$1 billion in the NHTF.

How is NHTF money distributed and administered?

The NHTF statute requires money to be distributed as block grants to states by formula, developed by HUD. 75% of the weight of that formula has been given to two factors that reflect the shortage of rental housing that is affordable and available to extremely low income households, and that reflect the extent to which extremely low income renter households are paying more than half of their income for rent and utilities.

The statute also requires states to select a state agency (such as a housing finance agency or a housing department) to receive and administer NHTF resources.

Each state must prepare an annual Allocation Plan showing how it will distribute NHTF resources based on its priority housing needs. The Allocation Plan must be inserted as a component of a state's Consolidated Plan that requires public input.

HUD Secretary Julián Castro anticipates that states will receive their NHTF allocations by summer 2016.

The statute prohibits the use of NHTF dollars for political activities, lobbying, counseling, and traveling, or for endorsements of a particular candidate or party.

Key differences between the NHTF and the HOME Investment Partnerships Program (HOME)

- **Income Targeting:** NHTF is more deeply targeted than HOME when it comes to rental housing. Under the NHTF, 75% of funds for rental housing must benefit ELI households (those earning less than 30% of AMI), while under the HOME program, 90% of rental units must benefit households with incomes at or below 60% of AMI.
- **Eligible Activities:** The NHTF is primarily a rental housing program. At least 90% of the funds must go towards 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. If a state or local government uses all of its HOME money for homeownership, it could devote 100% of its HOME resources toward households with income at 80% AMI.
- **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. HOME receives funding through annual appropriations.