NHTF: The National Housing Trust Fund

NATIONAL HOUSING TRUST FUND
Focused On Extremely Low Income Renters

Rental Housing – 90% of the NHTF Money

The law that created the National Housing Trust Fund (NHTF) requires that at least 90% of a state's NHTF money be used for activities that produce, preserve, rehabilitate, or operate rental housing. Up to 10% of a state's NHTF dollars may be used for homeowner activities.

Extremely Low Income Household Benefit – 75% of the Rental Housing NHTF Money

The law 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). ELI in Chicago is $19,550 for a three-person household in 2014.
- The income level is adjusted for household size.
- 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. For example, in Biloxi, Mississippi, ELI is $14,050 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.

HUD's proposed regulations are more targeted than the law for the first year of the program, requiring 100% of a state's NHTF money used for rental housing to benefit households with incomes below 30% of AMI or the federal poverty level. After the first year, HUD will notify states if the extremely low income targeting amount must be greater than 75%.

The Rent Might Not Be Affordable for an Extremely Low Income Household

Maximum Rent Tenants Pay

A basic element of housing policy is "the Brooke rule" which considers housing affordable only when assisted households use no more than 30% of their income for rent and utilities.

Unfortunately, the NHTF law and proposed rule do not cap resident rent and utility payments at 30% of their income.

Instead, the proposed rule would set the maximum rent (including utilities) that a household pays at a fixed amount equal to 30% of 30% of the area median income, or at 30% of the poverty level, whichever is greater. HUD acknowledges that some tenants will be rent-burdened (pay more than 30% of their income for rent and utilities).

For example, in 2011 Supplemental Security Income (SSI) was the only income for 10.4% of the extremely low income population. SSI income then was just 16% of the national median income. Therefore, even NHTF housing will not be affordable to many of those with the greatest need, unless the maximum rent rule is changed or unless an SSI household also receives a scarce voucher.

HUD thinks that a fixed rent is necessary for property owners and their lenders to predict future revenues from tenant rent payments.

> ***Tip for Advocates***
> *Advocates should remember, according to the NHTF law, the extent to which NHTF housing is affordable to extremely low income households is one factor a state or any local subgrantee must consider when awarding NHTF dollars to a proposed project* (see separate article, "How Can I Influence Where The National Housing Trust Fund Money Goes?").

Utility Allowances

States or any local subgrantees must establish monthly utility allowances for situations where tenants pay their own utility bills.

For households paying their own utility bills, their rent should not be greater than the maximum allowed by the regulation – minus the monthly utility allowance.

> ***Tip for Advocates***
> *Advocates should monitor utility allowances to ensure that they reflect any recent changes in utility costs.*

How Long Will NHTF-Assisted Housing Remain Affordable?

The proposed regulation would require rental and homeowner housing to be affordable for at least 30 years. States and any local subgrantees could establish longer affordability periods.

> ***Tips for Advocates***
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> *Advocates should convince their state or local subgrantee to set an affordability period of at least 50 years.*
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> *Remember, according to the NHTF law, how long NHTF rental housing will be affordable to extremely low income households is one factor a state or local government must consider when awarding NHTF dollars to a proposed project* (see separate article, "How Can I Influence Where The National Housing Trust Fund Money Goes?").