



NATIONAL HOUSING TRUST FUND

Homeowner Features

10% Cap on Homeowner Uses

The law creating the National Housing Trust Fund (NHTF) limits the amount of this resource that may be used for homeowner activities to 10% of the total amount of NHTF dollars distributed to a state in any year.

Eligible Homeowner Activities

NHTF money may be used to build, rehabilitate, or preserve housing for homeownership.

NHTF may also be used to help homeowners with down payment or closing cost assistance, and to make interest rate buy-downs.

HUD's proposed rule clarifies that homeowner assistance may be provided at one-to-four family residences, condominiums, cooperatives, and manufactured homes and lots or just a manufactured home lot.

An assisted home's value must not exceed 95% of the median purchase price for the area.

Income Targeting

The NHTF law targets homeowner assistance to "extremely low income" and "very low income" households.

- Extremely low income is less than 30% of the area median income (AMI).
- Very low income, generally, is income between 30% and 50% of AMI.
The NHTF law is different because for rural areas households with incomes below the federal poverty line may also be considered very low income.

However, the proposed regulations would have stricter income targeting.

- For the first year, the proposed regulations would require 100% of a state's NHTF grant that is used for homeowner activities to benefit extremely low income households or households with incomes below the national poverty level, whichever is greater.
- After the first year, the proposed regulations would require 75% of a state's NHTF grant that is used for homeowner activities to benefit extremely low income households or households with incomes below the national poverty level, whichever is greater.

A NHTF-assisted home must be occupied by an income-eligible household for at least 30 years.

Other Eligible Households Requirements

Homes must be bought by income-eligible households who:

- Have not owned a home in the previous three years (“first-time homebuyers”);
- Have had homeownership counseling; and,
- Will use the home as their principal residence.

Resale of Homeowner Housing

If homeowner housing is sold during the period that it is required to be occupied by an income-eligible household (a minimum of 30 years), then:

- The next owners must be NHTF-eligible.
- The sale price must provide the original owner a “fair return” (owner’s original investment plus capital improvements). The state or any local subgrantee must define “fair return”.
- The state or any local subgrantee must ensure the housing will remain affordable to a reasonable range of income-eligible homebuyers.

Lease-Purchase

The proposed rule would allow NHTF money to be used to enable a household to count their rent payments toward buying the home within 36 months.

Also, NHTF dollars may be used to buy an existing home with the intent to resell to a homebuyer through lease-purchase. If the unit is not sold within 42 months, the NHTF rent affordability provisions apply (see separate article, “Focused on Extremely Low Income Renters”).