

# National Housing Trust Fund: Funding

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**T**he National Housing Trust Fund (HTF) is the first new federal housing resource in a generation exclusively targeted to help build, preserve, rehabilitate, and operate housing affordable to people with the lowest incomes. Since 2016, more than \$1.9 billion has been invested in the HTF. This is an important first step, but far more resources are necessary to meet the current need for affordable housing. NLIHC is committed to working with Congress and the Administration to expand the HTF to serve more families with the greatest needs.

## ABOUT THE HOUSING TRUST FUND

The HTF was established in July 2008 as part of the “Housing and Economic Recovery Act of 2008” (HERA). This law requires Fannie Mae and Freddie Mac to set aside 4.2 basis points of their volume of business each year for the national HTF and Capital Magnet Fund (CMF). The HTF is to receive 65% and the CMF 35%. The first \$174 million in HTF dollars were allocated to states in 2016.

The HTF is the only federal housing program exclusively focused on providing states with resources targeted to serve households with the clearest, most acute housing needs. The HTF can be used to address both rental housing and homeownership needs. By law, at least 90% of HTF dollars must be used for the production, preservation, rehabilitation, or operation of affordable rental housing. Up to 10% may be used to support homeownership activities for first-time homebuyers, such as producing, rehabilitating, or preserving owner-occupied housing, as well as providing down payment assistance, closing costs, and interest rate buydowns.

The HTF is the most highly targeted federal rental housing capital and homeownership program. By law, at least 75% of HTF dollars used to support

rental housing must serve extremely low-income households earning no more than 30% of the Area Median Income (AMI) or the federal poverty limit. All HTF dollars must benefit households with very low incomes earning no more than 50% of AMI. In comparison, most other federal housing programs can serve families up to 80% of AMI.

The HTF is designed to support local decision making and control. Because the HTF is administered by HUD as a block grant, each state has the flexibility to decide how to best use HTF resources to address its most pressing housing needs. States decide which developments to support.

Moreover, the HTF operates at no cost to the federal government because it is funded outside of the appropriations process. By statute, the initial source of funding for the HTF is a slight fee (0.042%) on Freddie Mac and Fannie Mae activity, 65% of which goes to the HTF.

## OPPORTUNITIES TO EXPAND THE HTF

**See also:** *Fannie Mae, Freddie Mac* and *Housing Finance Reform*

HERA expressly allows Congress to designate other “appropriations, transfers, or credits” to the HTF and CMF, in addition to the assessment on Fannie Mae and Freddie Mac. Securing permanent, dedicated sources of revenue for the HTF is one of NLIHC’s top priorities, whether through an infrastructure or economic recovery spending bill, housing finance reform, or other opportunities.

### The “Build Back Better Act”

Thanks to strong and effective advocacy the HoUsed campaign (see *The HoUsed Campaign*) and its congressional champions, the House-passed “Build Back Better Act” included more than \$150 billion in affordable housing investments, including \$15 billion for the

national Housing Trust Fund to build and preserve over 150,000 affordable, accessible homes for households with the lowest incomes.

At the time of publication, however, investments in the HTF and other HoUSed campaign priorities, including rental assistance and public housing preservation, are at risk after centrist Senator Joe Manchin (D-WV) announced in December 2021 that he would not vote for the House-approved bill. President Biden and congressional leaders are focused on enacting a scaled-back version of the economic recovery package that includes only those components that can garner the support of – and cost within the total amount approved by – all Senate Democrats.

### **Housing Finance Reform**

Housing finance reform provides an opportunity to increase resources for affordable housing solutions. The bipartisan Johnson-Crapo reform legislation of 2014 included a provision that would increase funding for the national HTF by applying a 10-basis point fee on guaranteed securities in a new mortgage insurance corporation that would replace Fannie Mae and Freddie Mac. If enacted, this would generate an estimated \$3.5 billion for the national HTF annually, making a significant contribution to ending homelessness and housing poverty in America without having to allocate additional appropriated dollars. The Johnson-Crapo bill's provision for a 10-basis point fee for affordable housing programs should be included in any housing finance reform legislation considered by Congress, although it is unclear whether there is enough political will to move comprehensive reforms forward.

### **Other Legislative Opportunities**

Several bills have been introduced to greatly expand the HTF.

**“Housing Is Infrastructure Act”:** Introduced by Representative Waters (D-CA), this bill provides \$45 billion in the HTF, alongside \$75 billion to fully address the capital needs to repair public housing, \$200 billion for rental assistance, and many other investments. This bill served as a

starting point for negotiations in the Build Back Better Act, which provides \$15 billion for the HTF, \$65 billion for public housing, and \$25 billion for rental assistance.

**“Ending Homelessness Act”:** Introduced by Representative Waters (D-CA), the bill proposes to make rental assistance universally available for every eligible household and provide \$1 billion annually to the HTF.

**“American Housing and Economic Mobility Act”:** This bill was introduced by Senators Warren (D-MA) Gillibrand (D-NY), Markey (D-MA), Sanders (I-VT), Hirono (D-HI), and Merkley (D-OR), along with Representatives Cleaver (D-MO), Lee (D-CA), Moore (D-WI), Khanna (D-CA), Norton (D-DC), Garcia (D-IL), Cohen (D-TN), Schakowsky (D-IL), Pressley (D-MA), and Bonamici (D-OR). If enacted, this ambitious proposal will help end housing poverty and homelessness in America by directly addressing the underlying cause of the affordable housing crisis – the severe shortage of affordable rental homes for people with the lowest incomes – through a robust investment of nearly \$45 billion annually in the national Housing Trust Fund. The bill also creates new incentives for local governments to reduce barriers that drive up the cost of housing, thereby encouraging the private sector to do more to address the housing needs of the middle class.

## **HOW ADVOCATES CAN TAKE ACTION**

Advocates should be actively engaged in the process of HTF implementation in their states to ensure that the initial rounds of funding are successful and urge their Members of Congress to cosponsor and enact the bills listed above.

## **FOR MORE INFORMATION**

National Housing Trust Fund: [www.NHTF.org](http://www.NHTF.org).