

National Housing Trust Fund: Funding

By Sarah Saadian, Senior VP of Public Policy & Field Organizing

The National Housing Trust Fund (HTF) is the first new federal housing resource in a generation primarily targeted to help build, preserve, rehabilitate, and operate housing affordable to people with the lowest incomes. Since first receiving funding in 2016, more than \$3 billion has been invested in the HTF. This is an important first step, but with a national shortage of 7.3 million affordable, available homes for renters with the lowest incomes, far greater investments 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), of which the HTF receives 65% and the CMF receives the remaining 35%. The first \$174 million in HTF dollars were allocated to states in 2016.

The HTF is the only federal housing production program exclusively focused on providing states with resources targeted to serve households with the clearest, most acute housing needs. The HTF is a block grant program and 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% 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.

Since first receiving funding, the amount of money collected for the HTF has grown: in 2016, the HTF received \$174 million; in 2017, \$219 million; in 2018, \$267 million; in 2019, \$248 million; in 2020, \$323 million; in 2021, \$690 million; in 2022, \$740 million; in 2023, \$382 million; in 2024, \$214 million.

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 housing finance reform or other opportunities.

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 Crisis Response Act”: Introduced by Representative Waters (D-CA) and several other members of Congress, this bill provides \$15 billion in the HTF, alongside \$65 billion to fully address the capital needs to repair public hous-

ing, \$25 billion for rental assistance, and many other investments. This bill is similar to the housing title of the “Build Back Better Act” advanced by House Democrats in the 117th Congress.

“Ending Homelessness Act”: Introduced by Representative Waters (D-CA), Emanuel Cleaver (D-MO), and several other members of Congress, the bill would establish a universal housing voucher program, ban source of income discrimination, increase housing choice, and invest \$5 billion over 5 years in the national Housing Trust Fund.

“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 would also create 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 middle-income renters.

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 members of Congress to cosponsor and enact the bills listed above.

For More Information

NLIHC works to document the impact of HTF investments. Learn more about how states use HTF resources to invest in the construction, maintenance, and preservation of deeply affordable housing:

- Getting Started: First Homes Being Build with National Housing Trust Fund Awards: tinyurl.com/5etshszj.
- Supplemental Update to Getting Started: tinyurl.com/36a2nmz2.
- The National Housing Trust Fund: An Overview of 2017 State Projects: tinyurl.com/3ae5nrwa.
- The National Housing Trust Fund: An Overview of 2018 State Projects: tinyurl.com/ys8jkzd9.

Learn more about the National Housing Trust Fund: www.nhtf.org.