

## National Housing Trust Fund *February 2010*

### **Overview**

On July 30, 2008, the Housing and Economic Recovery Act of 2008 was signed into law, establishing a National Housing Trust Fund, among other housing-related provisions. The goal of the Trust Fund is to provide ongoing, permanent, dedicated, and sufficient sources of revenue to build, rehabilitate, and preserve 1.5 million units of housing for the lowest-income families over the next 10 years.

In the midst of the current economic situation, safe housing that is affordable to low-income households is a critical component to preventing and ending homelessness. The National Housing Trust Fund targets people who have extremely low incomes, a group made up largely of renters who have the greatest incidence of housing problems. There is currently no federal program that produces housing affordable for these poorest families. The National Housing Trust Fund will fill this gap and begin to help those who need assistance the most.

According to the legislation, at least 90 percent of Trust Fund resources must be used for the production, preservation, rehabilitation, or operation of rental housing. Up to 10 percent can be used for the following homeownership activities for first-time homebuyers: production, preservation, rehabilitation, down payment assistance, closing cost assistance, and assistance for interest rate buy-downs. At least 75 percent of the funds for rental housing must benefit extremely low income households (30 percent of area median income or less) or households with incomes below the Federal poverty line. All funds must benefit very low income households (50 percent of area median income or less).

Funding for the National Housing Trust Fund is to come from a “mandatory” budget allocation, which means it will be automatically funded without being subject to the annual appropriations process. Since the Trust Fund has been declared mandatory, it will not compete with the other HUD programs for funding in the appropriations process.

Initially, the funding for capitalization of the National Housing Trust Fund was to come from contributions by Freddie Mac and Fannie Mae. Now that these two programs have been taken over by the Federal Housing Finance Administration, a new source of funding must be created. The President and Congress are currently working to identify a new stream of funding to be dedicated to the Trust Fund.

### **Current Status**

The Administration’s FY 2011 budget proposed a \$1 billion mandatory allocation for the initial capitalization of the Trust Fund. Last year, Congress included a similar proposal in the budget resolution, but also determined that, in line with budget rules, an offset must be authorized for the \$1 billion allocation.

In December 2009, the House passed a “jobs” bill that includes \$1.065 billion to capitalize the Trust Fund and fund project-based vouchers to be coupled with capital grants for Trust Fund projects. The Senate “jobs” bill did not include an allocation for the Trust Fund.

### **Recommendation**

The Alliance strongly urges Congress to provide a \$1 billion mandatory allocation for the National Housing Trust Fund and identify additional funding sources to reach its goal of creating 1.5 million affordable housing units over the next 10 years.