

March 16, 2010

NCH Public Policy Recommendations **National Housing Trust Fund**

RECOMMENDATIONS

Seek additional dedicated funding sources for the National Housing Trust Fund (NHTF) to finance the production, rehabilitation, and preservation of affordable housing units for low and very-low income people.

U.S. Representatives – Encourage Speaker of the House Nancy Pelosi (D-CA) to make providing an initial funding of \$1 billion for the National Housing Trust Fund a priority.

U.S. Senators – Urge Senate Majority Leader Harry Reid and Minority Leader Mitch McConnell to give immediate attention to enactment of legislation to provide \$1.065 billion for the NHTF (\$1 billion to capitalize the NHTF and \$65 million for project-based vouchers to couple with NHTF capital grants) at the soonest possible date.

ISSUE STATUS

In July 2008, President Bush signed into law the American Housing Rescue and Foreclosure Prevention Act, an omnibus housing measure primarily aimed at stemming the tide of foreclosures. That Act included provisions from the stand-alone National Housing Trust Fund Act, previously passed by the House, to create a National Housing Trust Fund directed at meeting the shortage of low-income rental apartments. Though the Act specified that funds for the Trust Fund would come from contributions from Freddie Mac and Fannie Mae, those contributions have temporarily been suspended until further notice until those entities regain financial stability.

President Obama's FY2010 budget proposal provides for \$1 billion in dedicated non-discretionary funds for the National Housing Trust Fund.

The current vehicle identified by the National Low Income Housing Coalition to pass the initial funding of the Trust fund is the American Workers, State, and Business Relief Act of 2010, a companion bill to H.R. 4213, the Tax Extenders Act of 2009, which passed the House in December 2009.

WHY THIS MATTERS

- Housing is a basic human need necessary for survival. Housing also provides persons with stability that helps adults to hold steady jobs and children to succeed in school.
- Across the country, there is an affordable housing crisis. There is not one single Congressional district that has enough rental housing that is affordable and available to extremely low income families, those making 30 percent or below of area median income.
- There are 9 million renter households with incomes below 30 percent of the median in their area and only 6.2 million homes that rent at prices they can afford. This is the only income group for whom there is an absolute shortage of housing nationwide.
- Consequently, 71 percent of these households must spend over half of their income for housing. The people in this income group make up the low wage workforce that the rest of us rely on, as well seniors and people with disabilities.
- It is this condition of scarcity of a basic human need that causes homelessness to continue unabated.
- There is no federal housing production program today that builds housing for this income group.

- Given the huge demand for affordable housing for this population, if profits could be made supplying it, someone would have figured out how to do so by now. There is no market solution; government intervention is what it will take to solve this problem.
- A national affordable housing trust fund is the best answer we have in a time of huge federal deficits and resulting restrictions on federal discretionary spending.
- A national affordable housing trust fund would also have the economic benefit of creating jobs in the building sector, which is struggling as new housing starts to plummet.

BACKGROUND

A National Housing Trust Fund (NHTF) is a program for collecting and distributing dedicated funds—funds that are determined by formula and are not subject to the annual Congressional appropriations process—for the purpose of increasing and preserving the supply of rental housing and to increase homeownership for extremely low income and very low income families. This is the first new federal housing production program since the HOME program was created in 1990 and the first new production program specifically targeted to extremely low income households since the Section 8 program was created in 1974.

The NHTF was signed into law by President Bush as part of an omnibus housing measure in August 2008. The legislation directs the U.S. Department of Housing and Urban Development (HUD) to create and manage the Trust Fund. The first dedicated source of funding will be a small amount of the new business generated by the government-sponsored mortgage companies Fannie Mae and Freddie Mac. In the future, Congress can identify and transfer money from other sources into the NHTF.

At least 90% of the funds available for the NHTF must be used for the production, preservation, rehabilitation, or operation of rental housing; of that, 75% must benefit extremely low income households, and all funds must benefit very low income households.

For the first three year of the Trust Fund's existence, a percentage of those funds (100% in FY09, 50% in FY10, and 25% in FY11) will be diverted to a reserve fund to cover losses that the Federal Housing Administration might incur through a mortgage refinancing program. Therefore, there will be no funds available for the NHTF until FY10.

For further information on the public policy recommendations of the National Coalition for the Homeless, contact the NCH public policy staff at info@nationalhomeless.org or 202.462.4822, or visit www.nationalhomeless.org.