



# NHTF • The National Housing Trust Fund

## Homeowner Features

### 10% Cap on Homeowner Uses

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

§1338(c)(10)(A) statute  
§93.200(a)(1) regulations

### 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.

§1338(c)(7)(B)

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

The land may be owned in fee simple or the homeowner may have a 99-year ground lease. For Community Land Trusts, the ground lease must be for at least 50 years.

§93.2 and 304(b)

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

§1338(c)(7)(B)(ii)  
§93.305(a)

### Eligible Households Requirements

Homes must be bought by income-eligible households who:

- Are income eligible (see "Income Targeting" next page)
- 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.

§1338(c)(7)(B)(i) and (iv)  
§93.304(d)

## **Income Targeting**

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

§1338(c)(7)(B)(i)(I)

- 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.

However, the interim regulations would have stricter income targeting.

HUD’s interim regulations require that at least 75% of a state’s total NHTF allocation (whether used for rental or homeowner housing) benefit extremely low income households or households with income below the federal poverty level (whichever is greater). No more than 25% of a state’s NHTF allocation may benefit very low income households.

The interim rule also introduces a \$1 billion threshold. For years when there is less than \$1 billion in the NHTF, 100% of a state’s NHTF allocation must benefit households with incomes below 30% of AMI or the federal poverty level.

§93.250

## **Period of Affordability**

NHTF-assisted homeowner housing must remain affordable to income-eligible households for a minimum of 30 years (with some exceptions in cases of a state’s or local subgrantee’s “recapture” provisions described on the next page).

§93.304(e)

## **Manufactured Homes**

NHTF may be used to buy and/or rehabilitate a manufactured housing unit, and to buy the land the manufactured home sits on.

At project completion the manufactured home must be:

- Connected to permanent utility hook ups; and
- Be Located on land that is either;
  - Owned by the unit owner, or
  - For which the homeowner has a lease that is at least as long as the length of time the home must remain affordable to an income-eligible household (a minimum of 30 years).

§93.200(a)(3)

## Lease-Purchase

The interim rule allows 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 by a state or local subgrantee to buy an existing property with the intent to resell to a homebuyer through lease-purchase program.

If the property is not sold within 42 months, the NHTF rent affordability provisions apply. (see separate article, "Focused on Extremely Low Income Renters").

§93.304(h)

## Resale and Recapture Provisions

The statute requires states and local subgrantees to have the same resale provisions that are in the HOME program statute if a NHTF-assisted homeowner unit is sold or otherwise no longer meets the definition of "affordable housing" before the end of the minimum 30-year affordability period. The interim regulation adds a second option, a recapture provision to ensure that the state or local subgrantee recoups some or all of its initial NHTF investment.

§1338(c)(7)(B)(iii)

If the resale option is selected, then the next owner must be NHTF-eligible, and the sale price must provide the original owner with a fair return. The state or local subgrantee determines "fair return."

§93.305(b)(1)

If the recapture option is selected, the state or local subgrantee may recapture the entire amount of NHTF assistance, or reduce the amount of NHTF assistance to be recaptured based on how long owner has owned and occupied the house in relation to the length of the affordability period.

If the recapture option is used, the affordability period may be based on the amount of original NHTF assistance:

- 30 years if NHTF assistance is more than \$50,000
- 20 years if NHTF assistance is less than \$50,000 but more than \$30,000
- 10 years if NHTF assistance is less than \$30,000

§93.305(b)(2)