



A home is the *foundation.*

Housing and Economic Recovery Act of 2008, P.L. 110-289

Goals and Objectives

A Housing Trust Fund shall be established to provide grants to States to increase and preserve the supply of rental housing for extremely low- and very low-income families, including homeless families. It can also be used to increase homeownership for extremely low- and very-low income families.

Source of Funds

Sets aside an amount from Fannie Mae and Freddie Mac equal to 4.2 basis points for each dollar of unpaid principal balance of new business. Starting in FY2012, The HTF will receive 65% of such funds, the Capital Magnet Fund receives 35%. In FY2010-11, a percentage will fund the HTF, CMF, and Hope for Homeowners Program. In FY09, all the funding goes to the Hope for Homeowners program.

Eligible Activities

Grants may only be used for the production, preservation, rehabilitation and operation of rental housing for VLI and ELI households, or families with incomes at or below the poverty line.

Grants can also be used for the production, preservation and rehabilitation of homeownership housing, including assistance for down payments, closing costs, and interest rate buy-downs, for homeownership by VLI or

National Housing Trust Fund Proposal – 110th Congress

A National Housing Trust Fund shall be established to serve as a source of revenue for the production of new housing and the preservation or rehabilitation of existing housing that is affordable for low income people. The goal of the National Housing Trust Fund should be to produce, rehabilitate, and preserve 1,500,000 units of housing over the next 10 years.

Dedicated funding source options include:

- GSE related profits, 4.2 basis points of new business purchases of GSEs, debt or mortgage backed securities (MBS) issuance fee or MBS transfer fee.
- Reforming mortgage interest deduction.
- FHA/Ginnie Mae surplus.
- The funds used to capitalize the National Housing Trust Fund shall not be funds that are currently funding other federal housing programs.

The Trust Fund should be used for the production of new housing, preservation of existing federally-assisted housing, and rehabilitation of existing private market affordable housing. The Trust Fund should be primarily used for rental housing. We support allowing up to 25% of funds to be used for homeownership activities, so long as low income people are served. Funds can be used for both grants and loans. Cooperatives are eligible uses of Trust Fund dollars in all cases

Distribution

ELI households or first time homebuyers that meets the requirements of the HOME program.

Trust Fund assistance will be distributed 100% to the states, territories, and District of Columbia, by formula allocation. The Secretary of HUD must establish the formula within 12 months of the enactment of the bill (July 30, 2008), and it must include the following factors:

- The ratio of state's shortage of standard rental units both affordable and available to ELI renters to the aggregate such shortage in all states. (Priority given to this factor)
- The ratio of state's shortage of standard rental units both affordable and available to VLI renters to the aggregate such shortage in all states.
- The ratio of ELI households in a state living with incomplete kitchen or plumbing facilities, more than one person per room or paying more than 50% of their income towards rent to such households in all states.
- The ratio of VLI households in a state living with incomplete kitchen or plumbing facilities, more than one person per room or paying more than 50% of their income towards rent to such households in all states.
- The ratio of VLI households paying more than half their income towards their rent, compared to other states.

The sum calculated from the above factors shall be multiplied by the costs of construction in the state relative to the costs of construction in all states.

All funds allocated to states and territories, including the District of Columbia, based on formula. The State may designate a qualified instrumentality of the State to receive the funds.

Every state, and the District of Columbia, would receive at least \$3 million.

Rural Access to Funds

Requires that geographic diversity is one of the factors in determining the priority housing needs of the State.

as long as income-targeting requirements are met.

Trust Fund assistance should be distributed by formula allocation, based on criteria that assure distribution in proportion to the need for eligible housing, with 60% of Trust Fund assistance allocated to localities and 40% of Trust Fund assistance allocated to states.

The distribution of funds should ensure that every type of community - urban, rural and suburban - has access to funds and should encourage regional consortia. Grantees will distribute the funds to eligible entities prepared to conduct activities that are eligible for Trust Fund support.

If an eligible grantee declines to apply for Trust Fund assistance, an alternative application process should be established so that other entities in the jurisdiction can receive and distribute the Trust Fund dollars. If eligible entities in the jurisdiction do not qualify to receive all the Trust Fund dollars allocated to the jurisdiction that are unclaimed, the unclaimed funds should be used to provide bonus payments to jurisdictions that succeed in expediting development of Trust Fund units or reducing development costs through state or local laws, policies or procedures.

To ensure rural and non-entitlement areas access to Trust Fund assistance, at least 50% of the 40% to states must be used in rural areas (as defined in Title V of the Housing Act of 1949, as amended). In states where the rural population is greater than 20%, a proportionate amount must go to rural areas. In addition, entitlement areas that include rural areas must

*Selection Process and
Criteria*

The state allocation plan shall establish the process for the grantee to select eligible activities meeting the grantee's priority housing needs as well as criteria for selecting among the applicants.

The administering agency is to develop, make public, and seek public comment on the state allocation plan. The allocation plan must reflect priority housing needs in the state based on these factors:

- geographic diversity,
- the applicant's ability to obligate amounts and undertake funded activities in a timely manner,
- the extent to which rents are affordable in the proposed project,
- the duration of the affordable rents in the proposed project,
- the use of other funding sources in the proposed project, and
- the merits of an applicant's proposed eligible activity.

The state must also insure that rental housing developed with NHTF dollars benefit only extremely low and very low income families.

Finally the state must set performance goals, benchmarks, and timetables for carrying out purposes of the NHTF.

The state can use up to 10% of its grant amount for costs related to administering the program.

Eligible Recipients

Eligible recipients of grants from the states are organizations and agencies (for-profit and non-profit) that demonstrate:

- the experience and capacity to produce the kind of housing the program calls for by:
 1. its ability to own, construct, rehabilitate, manage, and operate an affordable multi-family rental housing development,
 2. proving their experience to design, construct, rehabilitate, or market affordable housing for homeownership, and

use Trust Fund assistance in proportion to identified need in those rural areas.

The allocation plan shall establish the process for the grantee to select eligible activities meeting the grantee's priority housing needs as well as criteria for selecting among the applicants. These criteria shall include the merits of the activity and how they meet the identified housing needs in the allocation plan, the ability to carry out the plan in a timely manner, development of mixed income housing, the amount of assistance leveraged by the applicant, the extent of employment and other economic opportunities for low income families in the area, and compliance with energy efficiency standards, among others.

State and local governments are required to make Trust Fund monies available through grants to eligible recipients. These recipients can be any organization, agency or other entity, including for-profits, nonprofits, faith-based organizations and units of government that have demonstrated the experience and the capacity to carry out the proposed Trust Fund activity.

- their ability to provide forms of assistance, such as down payments, closing costs, or interest rate buy-downs for purchasers.
- the financial capacity to undertake, comply, and manage the eligible activity.
- familiarity with federal, state, and local housing programs that will be used in conjunction with the grant.

Grantee Allocation Plan

The State must develop a plan for the distribution of grant amounts based on priority housing needs of the State. The allocation plan must include performance goals.

Public must be notified of the plan and given an opportunity to provide comments. The final plan must be published.

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Grant amounts may only be used for eligible activities that comply with the allocation plan of the state and are selected for funding.

Match

None.

The grantee must develop an allocation plan with certain application requirements and selection criteria for its eligible recipients. Application requirements include a description of the eligible activities to be conducted using such assistance and certification that income targeting and the affordable housing requirements, the Fair Housing Act and Section 504 of the Rehabilitation Act of 1973 prohibition of discrimination on the basis of disability will be met. The public shall be notified of the allocation planning process, be given the opportunity to make comments and be given a completed copy of the plan.

Match (monetary). States, localities, or non-profit organizations receiving Trust Fund assistance should match the federal funds in the following manner. If the entity uses state, local, or private resources for the match, it will receive two federal Trust Fund dollars for every dollar it provides. If an entity uses state- or locally-controlled federal dollars for the match, it will receive one Trust Fund dollar for every dollar of match it provides. This match requirement may be waived for jurisdictions that demonstrate fiscal distress. Revenue committed by a jurisdiction to a Trust Fund-assisted project to provide services to residents should qualify in the same manner as revenue committed to meet the acquisition, development or operating costs of a property.

Match (alternative). Jurisdictions that succeed in siting Trust Fund-assisted units in regions that are projected to have sharp rises in rental expenses and therefore gentrification with the potential for displacement or where a zoning variance or other waiver of regulatory barriers was required to site Trust Fund-assisted units in existing communities, should, in the following year, be eligible to receive Trust Fund

Income Targeting

At least 75% of the funds for rental housing must benefit extremely low income households (30% of area median income or less) or households with incomes below the federal poverty line. All funds must benefit very low income households (50% of area median income or less).

Affordable Housing

The “extent to which rents are affordable in the proposed project” is one of the factors that must be included in the state’s allocation plan. “Affordable” is not defined.

Operating Subsidy

Funds can be used for the operation of rental housing.

Economic Opportunity and Integration

assistance with a reduced match.

At least 75% of the Trust Fund dollars should be used for housing that is affordable for extremely low income households, that is, those with incomes under 30% of the higher of state or area median.

At least 30% of total Trust Fund dollars should be used for housing that is affordable to households with incomes at the equivalent of the federal Supplemental Security Income payment level or less.

No more than 25% of Trust Fund dollars can be used for low income households with incomes of 31% to 80% of the higher of state or area median provided these funds are restricted to housing production, preservation, or rehabilitation in low income neighborhoods.

In all cases, no one should pay more than 30% of their income for housing.

Projects funded through the Trust Fund should assure that any operating subsidy needed to make the housing affordable for a range of extremely low income people is provided. That could be by using Trust Fund assistance to underwrite the operating subsidy for new or rehabilitated units for one year, after which the operating subsidy funding should come from other sources.

New housing production and financing in urban and suburban areas should be done in a way that assures that extremely low income households are not isolated from economic opportunity, and that units are located in proximity to public transportation, services, economic opportunities, or contribute to comprehensive community revitalization. Thus, Trust Fund dollars should be utilized in conjunction with other funds to complete the financing for a new multifamily housing development, with the Trust Fund dollars supporting the construction of housing for extremely low income households. Units for extremely low income households should comprise no more than a minority of the total units in a project. Trust Fund applicants that propose small projects in low-poverty neighborhoods, rural communities, or that serve special populations may be able to assure

Green Housing

None.

economic integration with Trust Fund dollars alone.

Projects that keep costs lower by employing energy efficiency standards and other “green housing” principles will be preferred applicants for Trust Fund dollars.

Consistency with Other Federal Provisions

All Trust Fund assistance shall be considered federal financial assistance, for the purposes of Federal civil rights laws.

All Trust Fund dollars must be allocated and all housing funded with Trust Fund dollars must be built and operated in a manner that is consistent with other federal provisions including, but not limited to: tenant protections and tenant rights to participate in decision making about their homes; required public participation mechanisms such as the Consolidated Plan, the Qualified Allocation Plan and the Public Housing Agency Plan; Section 286 of the Cranston-Gonzalez National Affordable Housing Act (Davis-Bacon); and all fair housing laws and existing laws regarding accessibility in federally-assisted housing, including Section 504 of the 1973 Rehabilitation Act. All Trust Fund assistance shall be considered federal financial assistance. In addition, units not required to be accessible should meet basic visitability standards.

Compatibility with other housing programs

N/A

The use of Trust Fund funds should be flexible to ensure its compatibility with all federal housing programs.

Prohibited Use and Program Compliance

Funds cannot be used for political activities, lobbying, counseling, traveling and administrative expenses, or endorsements of a particular candidate or party.

Recipients of the grants from the states cannot use any of the funds for administrative costs.

If a state determines that a grant recipient has misused funds, that organization or agency has 12 months to reimburse the state for the amount it had been allocated.

If HUD determines that a state has failed to substantially comply with what is required, HUD can:

- reduce the amount of assistance to the state by an amount equal to the amount unused by the state up to that point,
- require the state to repay HUD any amount of the grant not used,
- limit the availability of

The bill includes prohibitions against any funds being used for administrative costs or expenses (except states and jurisdictions may use up to 10% for such costs), political activities, advocacy, lobbying, counseling, travel expenses, and preparation of or advice on tax returns. In addition, there is a requirement that grantees develop a system to ensure program compliance and require annual state fund use reports and authority for HUD to impose penalties on states that do not comply with requirements, including requiring states and grantees to reimburse misused funds.

assistance to the state to
activities or recipients not
affected by their failure to
comply, or

- terminate any assistance to
the state.

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