

National Housing Trust Fund

Urge Congress to:

- Cosponsor S. 489 and H.R. 1477, which would use profits from the sale of warrants to capitalize the NHTF.
- Support dedicated funding for the NHTF in any new framework for U.S. housing finance included in the Administration's white paper.
- Support reform of the regressive mortgage interest deduction by turning the deduction into a new mortgage credit that will benefit middle and low income households, and direct savings into the NHTF.
- Support the President's FY12 budget request for \$1 billion for the NHTF.
- Oppose any legislation that would eliminate the NHTF, including H.R. 2441.

Background:

The National Housing Trust Fund is a permanent federal program with dedicated sources of funding not subject to the annual appropriations process.

The purposes of the NHTF are to:

- Increase and preserve the supply of rental housing for extremely low income households (ELI households with incomes of 30% of area median or less) and very low income households (VLI households with incomes of 50% of area median or less), including homeless households, and
- Increase homeownership for ELI and VLI households.

HUD released proposed rules for the NHTF in December and is expected to release final NHTF rules in summer or fall of 2011. The NHTF regulations are set to be released after HUD finishes the HOME program regulations, a process that has only just begun.

By statute, the NHTF is to be funded with dedicated sources of revenue. Initial funding sources identified were contributions from the Government Sponsored Enterprises (GSEs), Freddie Mac and Fannie Mae. The statute also provides that the NHTF can be funded by other dedicated sources of revenue, such as any appropriations, transfers, or credits that Congress may designate in the future. However, the NHTF Campaign, a group of national advocates that worked to enact the NHTF, expects the NHTF to be funded with dedicated revenues generated outside of the current appropriations process. The NHTF should never compete with existing HUD programs funded by appropriations.

The Campaign's long term goal is to identify sources of dedicated funding that will result in an annual distribution of \$15 billion. The overall funding goal for the NHTF is \$150 billion over 10 years to support the development of 1.5 million homes.

Unfortunately, Fannie and Freddie were taken over by the Federal Housing Finance Administration in September 2008 when they ran into financial trouble due to the foreclosure crisis. At that time their contributions to the NHTF were suspended and remain so.

Advocates are currently seeking dedicated funding for the NHTF, including through these vehicles:

Profits from Sale of TARP Warrants. Senator Jack Reed (D-RI) has introduced S. 489 and Representative Elijah Cummings (D-MD) has introduced H.R. 1477 to direct profits from the sale of warrants by the Treasury into the NHTF. Senator Reed requested warrants be included in the Emergency Economic Stability Act of 2008, which established the Troubled Asset Relief Program (TARP).

In exchange for federal TARP funds that kept banks from failing, banks gave the Treasury warrants. A warrant is the right to purchase one share of stock at a specified price. Treasury has begun to sell these stocks as the economy strengthens, bringing proceeds back to the federal government. As stock prices increase, so do revenues from the sale of these warrants. So far, the sale of these warrants has yielded more than \$8 billion. These proceeds are in addition to the loans made through TARP, and are seen as a way for the public to benefit from the U.S. bankrolling the recovery of financial institutions.

Housing Finance Reform. The Obama Administration released its proposal for the future of housing finance on February 11. The proposal calls for a dedicated funding source to address housing needs that the market cannot meet, including rental housing for the lowest income families. The proposal named the National Housing Trust Fund as an example of how to do that. Congress is expected take up housing finance reform this year. NLIHC is urging members of the House Financial Services Committee to include funding for NHTF in their housing finance reform proposals.

Reform of the Mortgage Interest Deduction (MID). By making this tax benefit a credit instead of a deduction and by lowering the maximum dollar amount of mortgages that it can be applied to, significant savings could be realized, some of which could fund the NHTF. NLIHC is urging members of the Joint Select Committee on Deficit Reduction to consider this proposal to fund the NHTF in any reforms they plan to the MID.

President's Budget Request. The President requested \$1 billion for the NHTF in his FY12 budget. This expenditure would be on the mandatory side of the federal budget; thus, the expenditure is not HUD appropriations. This request is distinct from the potential funding to come from housing finance reform.

Attack on the NHTF

Representative Edward Royce (R-CA) introduced H.R. 2441, the Housing Trust Fund Elimination Act of 2011 on July 7. The bill has two co-sponsors. The House Committee on Financial Services Subcommittee on Capital Markets and Government Sponsored Enterprises marked up and voted the bill out of subcommittee with a party line vote. Advocates should strongly object to the full Committee marking up H.R. 2441 and to any additional Representatives cosponsoring the bill.