

Housing Trust Fund

The Housing Trust Fund (Trust Fund) is a permanent federal fund authorized by the Housing and Economic Recovery Act of 2008 (HERA). It provides grants to States to increase and preserve the supply of rental housing for extremely low and very low-income families, including homeless families, and to increase homeownership for extremely low-income families and individuals.

Each state will decide whether its state Housing Finance Agency (HFA) or another state entity will receive these grants, which will be allocated to the states according to a HUD-developed needs-based formula, with a minimum state allocation of \$3 million. HUD released its proposed allocation formula proposed rule on December 4, 2009.

Eligible Trust Fund activities are production, preservation, rehabilitation, and operation of rental housing; and production, preservation, and rehabilitation of housing for homeownership, including down payment assistance, closing cost assistance, and assistance for interest-rate buy-downs. State spending on homeownership activities is limited to not more than 10 percent of total assistance provided.

All assistance must be used to benefit very low-income families (with incomes not greater than 50 percent of area median income (AMI)) and at least 75 percent of assistance received must be used to benefit extremely low-income families (with incomes not greater than 30 percent of AMI).

States may use up to 10 percent of their grants for administrative costs.

States must allocate their funds subject to state allocation plans made with an opportunity for public comment. Each state's allocation plan must reflect the state's priority housing needs based on 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 development, the duration of the affordable rents in the proposed development, the use of other funding sources in the proposed development, and the merits of an applicant's proposed eligible activity.

State grantees must use or commit all funds within two years of when they become available and must submit an annual report to the HUD Secretary describing the activities funded by the grants and compliance with established allocation plans.

HERA requires Fannie Mae and Freddie Mac to transfer a percentage of their new business revenue to finance the Trust Fund. Since enactment of HERA, Fannie Mae and Freddie Mac have been placed into conservatorship. Their conservator, the Federal Housing Finance Agency (FHFA), has directed the GSEs to suspend their contributions indefinitely because it has determined they are undercapitalized. To date, the Trust Fund has not received any funding. However, the President's FY 2011 Budget requests \$1 billion in funding and \$1.065 billion was included in the House-passed Jobs for Main Street Act. Advocates continue to search for a dedicated funding source.