

THE HFA INSTITUTE 2025

Housing Trust Fund (HTF) Essentials

January 13, 2025

- 2:45 pm – 3:45 pm
- 4:15 pm – 5:15 pm



National Council of
State Housing Agencies



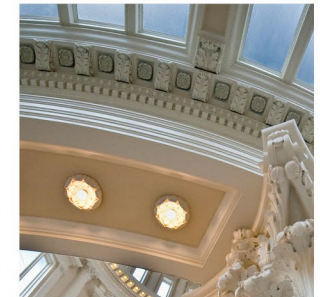
**MRBs and
Other Federal
Homeownership
Programs**
JANUARY 15 – 17



Housing Credit
JANUARY 14 – 16



**Section 8 and
Other Federally
Assisted
Multifamily
Housing**
JANUARY 15 – 17



**HOME and
Housing Trust
Fund**
JANUARY 12 – 14



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Housing Trust Fund (HTF) Overview



HTF is a non-appropriated source of funding for affordable housing production that complements existing Federal, State, and local housing programs



Aims to increase and preserve the supply of decent, safe, and affordable housing for extremely low-income (ELI) and very low-income (VLI) households including homeless families, with primary attention to rental housing



Provides a new source of funds granted to States

Distribution of Assistance

Grantee distributes HTF funds according to the its assessment of the priority housing needs



Must prepare an HTF Allocation Plan in alignment with Consolidated Plan and Annual Action Plan



Can fund projects in two ways:

Directly

Subgranting

Strategic Plan

- Must include in Consolidated Plan under active development or amend existing
- Must be reflected in eCon Planning Suite screens in IDIS:
 - SP-10 *Geographic Priorities*
 - SP-25 *Priority Needs*
 - SP-30 *Influence of Market Conditions*
 - SP-35 *Anticipated Resources*
 - SP-45 *Goals*

Annual Action Plan

- Must include in Annual Action Plan under active development or amend existing
- Must be reflected in eCon Planning Suite screens in IDIS:
 - AP-20 *Annual Goals and Objectives*
 - AP-25 *Allocation Priorities*
 - AP-30 *Method of Distribution*
 - AP-50 *Geographic Distribution*
 - AP-55 *Affordable Housing*
 - AP-65 *Homeless and Other Special Needs Activities*
 - AP-75 *Barriers to Affordable Housing*
 - AP-85 *Other Actions*

HTF Allocation Plan Requirements

- The allocation plan must describe if the State will distribute HTF funds through grants to subgrantees or select applications submitted by eligible recipients or both
- If selecting applications submitted by eligible recipients, the HTF allocation plan must include:
 - Application selection criteria including required priority funding factors
 - Eligibility requirements for recipients
- Note: if using subgrantee – State must indicate that in the AP-90 screen

Application Selection Criteria

There are several required priority funding factors:

- Geographic diversity
- Applicant's ability to enter into a commitment of HTF funds in a timely manner
- Applicant's ability to undertake eligible activities in a timely manner
- For rental housing, the extent to which the project has Federal, State or local project-based rental assistance so rents are affordable to ELI households

Application Selection Criteria

Additional required priority funding factors:

- For rental housing, the duration of the units' affordability period
- The merits of the application in meeting the State's priority housing needs
- The extent to which application makes use of non-federal funding sources (i.e., leverage)

Grantee Responsibilities

- Grantee is responsible for the day-to-day operation of the HTF program to ensure funds are used in compliance with the program requirements
 - The use of subgrantees or contractors does not relieve the grantee of its responsibility
- Performance of contractors and subrecipients must be evaluated on an annual basis
 - Grantees must establish a risk-based system for monitoring
 - If performance issues arise, the grantee is responsible for taking appropriate action to address the problem
- Grantee is required to have written policies and procedures
- Written agreements must be executed for all commitments of HTF

Grantees using Subgrantees for HTF

Grantees using a Subgrant for HTF will need to execute a written agreement with Subgrantee specifying the HTF \$

Subgrantee cannot commit funds until both the Grantee and Subgrantee's allocation plans are approved

Grantee and Subgrantee will need to coordinate the allocation plan specifics to ensure that they have a consistent approach and do not conflict with each other

- Subgrantee can exceed State's requirements such as higher housing goals or stricter property standards/codes

Grantee and Subgrantee must work together to track compliance with the commitment and expenditure requirements as well as performance metrics

HTF Accounts

- HTF grantees are required to establish a separate HTF local interest-bearing account or a subsidiary account within its general fund
 - The local HTF account will include fund disbursements, program income, and any HTF repayments
- HTF funding requirements:
 - HTF not committed within 24 months will be recaptured by HUD
 - HTF not expended within 5 years after the execution of the HUD funding agreement will be recaptured
 - HTF will be subject to recapture for non-compliance; other actions include a freeze on future withdrawals or removal from HTF allocations or suspension

Written Agreements



Must be entered into before any HTF funds are committed or disbursed in IDIS



Must be in place for subgrantees and eligible recipients



Required content vary by organization type – refer to 93.404(c) for lists of required provisions



Grantee is required to have written policies and procedures for evaluating risk of activities along with systems to monitor



The written agreement is a key document to establish requirements and may also link subgrantees and recipients to policies and procedures

Other Federal Requirements

- Title VI of the Civil Rights Act of 1964, the Fair Housing Act
- Affirmative Marketing
- Lead Based Paint - Lead Safe Housing Rule (LSHR)
- URA – applies for displacement, relocation, and acquisition
- Conflict of Interest
- No Davis-Bacon labor rates or Section 104(d)
- VAWA
- Environmental
- Site and Neighborhood Standards (New Construction)

Environmental Provisions

Same as Part 50/58 process:

- HTF Environmental Provisions
Coastal Barrier Resources System
- Coastal Zone Management
- Explosives and Hazards
- Endangered Species (informal consultation)
- Wild and Scenic Rivers
- Sole Source Aquifers

Not the same as Part 50/58 process:

- Historic Preservation
- Farmlands
- Airport Zones
- Floodplains
- Wetlands
- Contamination
- Noise
- Safe Drinking Water

Program Features

< 30%

HTF beneficiaries must have incomes less than the greater of the ELI limit – at or below 30% AMI – and the poverty line

< 10%

Up to 10% of each annual grant may be spent on administrative and planning costs

> 80%

At least 80% of each annual grant must be spent on rental housing

< 10%

Up to 10% of each annual grant may be spent for homeownership (direct assistance or rehab/construction)

< 30%

Up to 30% of each annual grant can be utilized to provide operating assistance

Eligible Activities: General

Production, preservation, and rehabilitation of affordable rental housing and affordable housing for first-time homebuyers through:

- Acquisition
- New construction
- Reconstruction
- Rehabilitation of nonluxury housing, including site improvements, conversion, demolition



Ineligible Activities

HTF-assisted project terminated before completion

- Voluntarily or involuntarily

HTF-assisted project that does not meet the requirements for affordable housing for the duration of the affordability period

Grantee must repay HTF funds invested

HUD will instruct the grantee to either repay the funds to the HTF Treasury account or the local account

Forms of Assistance

- Equity investments
- Interest-bearing loans or advances
- Non-interest-bearing loans or advances
- Interest subsidies consistent with the purposes of the HTF program
- Deferred payment loans, or grants
- Other forms of assistance that HUD determines to be consistent with the purposes of the HTF program
- Grantee establishes the terms of assistance, subject to HTF requirements



Underwriting and Subsidy Layering

Before committing funds to a project, the grantee:

- Must adopt underwriting and subsidy layering guidelines
- Must evaluate the project in accordance with guidelines to determine a reasonable level of profit or return on recipient's investment
- Must not invest any more HTF funds, alone or in combination with other governmental assistance, than is necessary to provide quality affordable housing that is financially viable for a reasonable period (at minimum, the period of affordability in §93.302 or §93.304)
- Will not provide a profit or return on the recipient's investment that exceeds the grantee's established standards for the size, type, and complexity of the project

Multi-Unit Projects

- Only actual HTF eligible development costs of the assisted units may be paid with HTF program funds
- Non-comparable assisted and non-assisted units
 - Actual costs determined by cost allocation
- Comparable assisted and non-assisted units
 - Actual cost of the HTF-assisted units determined by proration



HTF-Specific Requirements

Under § 91.320(k)(5) the HTF allocation plan must include the State's maximum per-unit development subsidy limits as described in § 93.300(a)

- State must establish limits annually that are:
 - Reasonable
 - Based on actual costs of developing non-luxury housing in the area
 - Adjusted for number of bedrooms
 - Adjusted for geographic location of project and include them in the HTF allocation plan
- State can establish HTF specific limits or adopt limits utilized by other federal housing programs such as HOME, LIHTC, or PIH
- See FAQ on HUD Exchange <https://www.hudexchange.info/faqs/2766/how-should-states-establish-maximum-per-unit-development-subsidy-amounts/>

Modest Housing



Housing for acquisition must qualify as modest

The purchase price cannot exceed 95 percent of the median purchase price for either new construction or existing housing in standard condition



HUD provides limits for both newly constructed units and existing housing; annual limits are posted at <https://www.hudexchange.info/resource/4982/housing-trust-fund-homeownership-value-limits/>

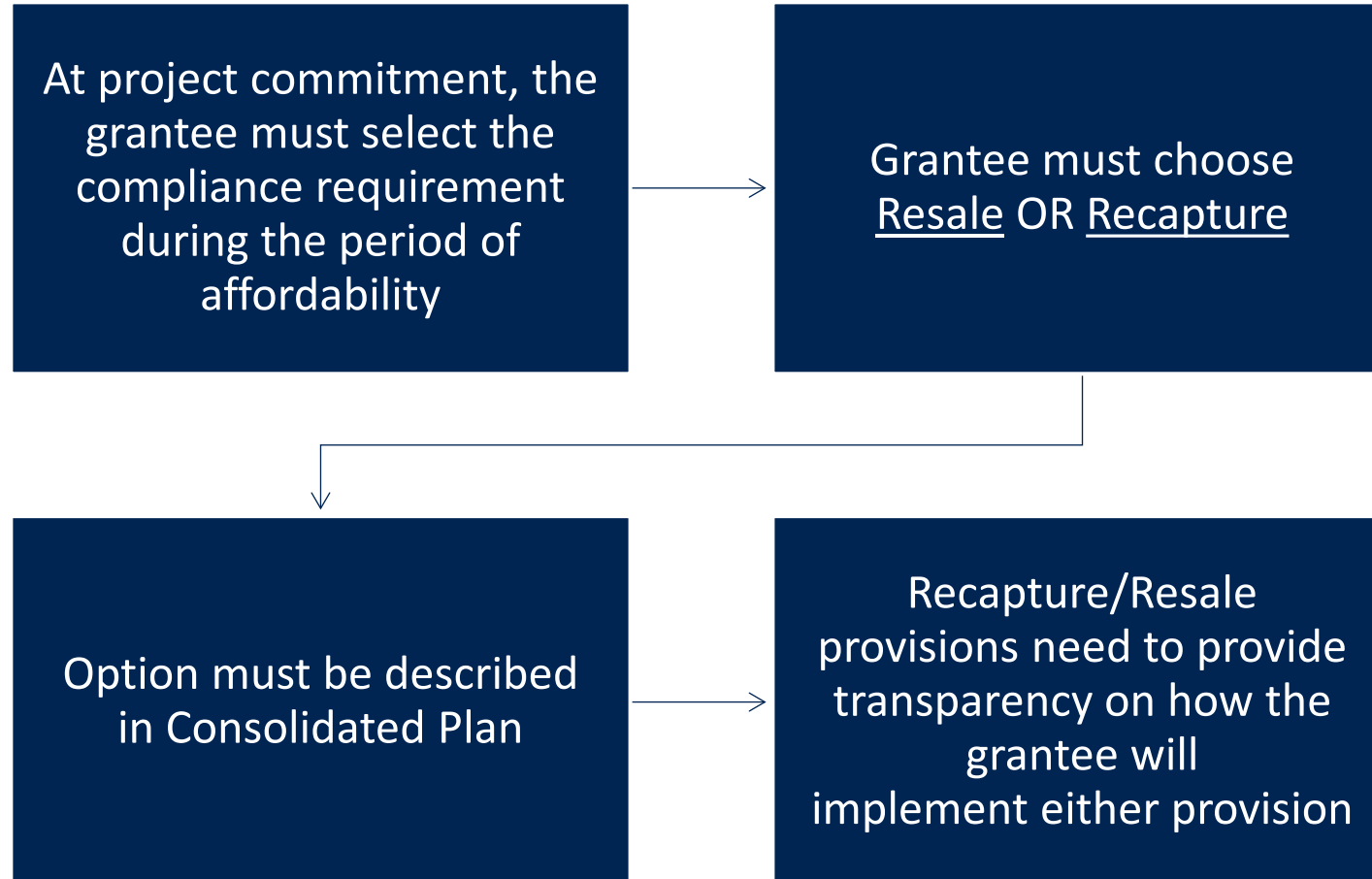


Grantees may choose to complete a local study of aggregate sales data as outlined at 93.305(a)(2) and submit for HUD review as a part of their consolidated plan and action plan

Affordability Period

- HTF units must remain affordable for a minimum of 30 years
- Grantees may impose longer periods of affordability
- The affordability period is not tied to the term of the loan for the HTF assistance
- Affordability restrictions must be enforced through the use of a deed restriction or land covenant restricting the use of the property during the HTF affordability period and ensuring occupancy and affordability requirements

Recapture/Resale



Cost Certification and Audit Requirements



HTF requires a cost certification performed by a certified public accountant for each project assisted with HTF funds



Written agreement with recipient must specify that an annual audit must be performed on each HTF project



Recipient must submit audits beginning the first year following the cost certification and with the final annual audit occurring the last year of the affordability period

Homeownership Housing

- Projects include new construction, acquisition/rehab, or direct assistance to homebuyers
- Limited to first-time homebuyers
- Must use as principal residence
- Housing counseling is required before purchase



HTF-Specific Requirements

Affordable Homeownership Limits:

- Maximum purchase price/after rehab value limits
- HUD posts these limits annually for HOME & HTF
- If the State will provide HTF funds to assist first-time homebuyers and will not use the limits provided by HUD, it must determine its own limits in accordance with § 93.305(a)(2)
 - State must include limits it determines in its HTF allocation plan

New Construction Standards



Must meet the Section 504 Accessibility and Fair Housing Act standards



Energy Efficiency standards as defined by Section 109 of the Cranston Gonzalez National Affordable Housing Act must be satisfied



Projects located in areas at risk of impact from disasters such as earthquakes, hurricanes, flooding, and wildfires are required to adopt appropriate disaster mitigations standards to address the risks(s)



Contracts and construction documents must provide adequate detail so that inspections can be done to document compliance

Rehabilitation Standards



Grantees must establish HTF rehabilitation standards



Standards must define life threatening deficiencies to be addressed prior to occupancy



Remaining useful life for all major systems must be at least equal to the affordability period or ensure adequate reserves to handle replacements



Projects with 26 or more units total must complete a capital needs assessment



Units constructed prior to 1978 need to comply with the Lead Safe Housing Rule requirements at 24 CFR Part 35

Ongoing Property Standards: Rental

HTF grantees must establish ongoing property standards to be enforced throughout the affordability period

Standards must ensure:

- The units remain decent, safe, and sanitary
- Units are free from health and safety defects
- Lead based paint requirements at 24 CFR Part 35 are met
- Ongoing property inspections must be completed within 12 months of project completion and at least once every three years thereafter until the completion of the affordability period

Rental Housing Requirements

- Tenant selection requirements
 - Waiting lists in chronological order of application
 - Can be targeted to specific populations
 - Must be included in written agreement and HTF Allocation Plan/Con Plan
 - Preferences cannot violate nondiscrimination requirements
- Must have written lease between tenant and owner
- Owner may not terminate tenancy or refuse to renew the lease for HTF units except for serious or repeated violation of the lease terms

Additional Rent Requirements

- Grantees must establish an initial rent schedule and utility schedule prior to committing HTF dollars
- Grantees must review and approve proposed rent and utility schedules annually
- Rents cannot exceed the maximum HTF rent limits minus tenant paid utilities
- Leases may not include any prohibited clauses 93.303(b)(1-9)

Income Determinations

- Grantee must determine that each family occupying an HTF-assisted unit is income-eligible by determining the family's annual income per 24 CFR 93.151
- Annual income definition – For eligibility determination grantee must use:
 - Annual income as defined at 24 CFR 5.609; or
 - Adjusted gross income as defined for purposes of reporting under the IRS Form 1040
- One definition per program and rental housing project

Income Determinations – cont'd

- Subsequent Annual Income Determinations, 24 CFR 93.151(d)
 - Examine at least 2 months of source documents (e.g., wage statement, interest statement, unemployment compensation statement); or
 - Written Statement and Certification from family; or
 - Written Statement from government program administrator
- * Homebuyers – Only Source Documents

Over-Income Tenants

- Annual income re-certification may determine current tenants are over-income but tenants will not be required to move
- HTF units occupied by over income tenants will be considered in temporary non-compliance until it can be corrected
- Property owners/managers are expected to make corrections to the unit mix, when possible, to bring the units back into compliance
- The corrective action is based on whether the unit has been designated as a fixed or floating unit

Maintaining Unit Mix

Fixed Units

- Fixed units keep their unit designation throughout the affordability period
- Over income tenants in a fixed unit will have their rent raised to 30% of their adjusted household income at lease renewal

Floating Units

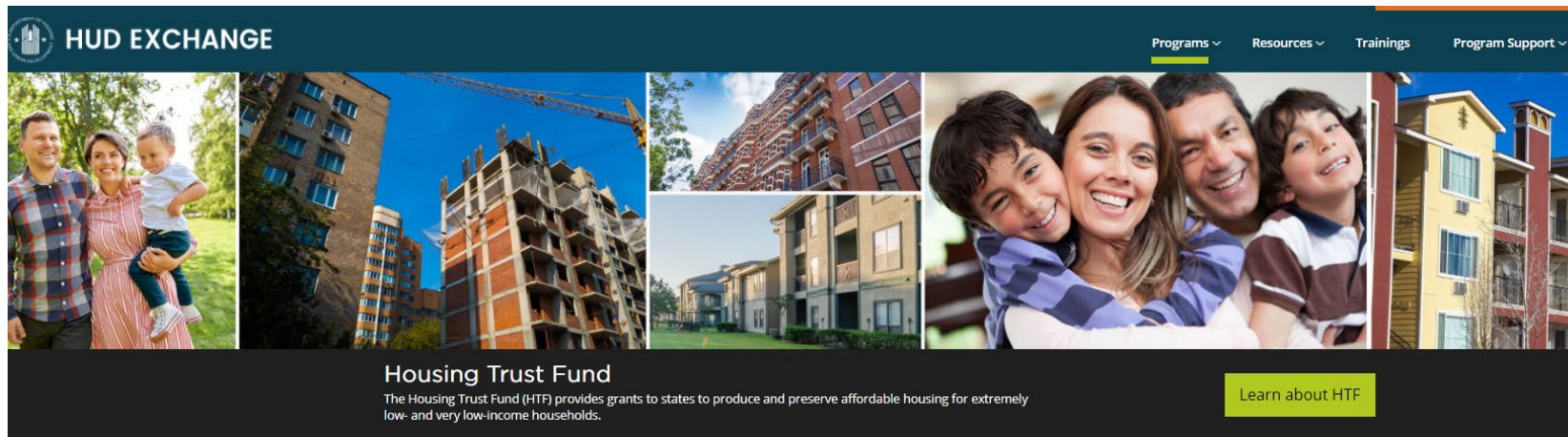
- Floating units allow the property manager to redesignate units within the property to maintain compliance with the required unit mix and affordability requirements
- Over income tenants in a floating fixed unit will have their rent raised to 30% of their adjusted household income or area market rents (whichever is lower) at lease renewal

Rent Limitations

- HUD will publish the HTF rent limits annually based on number of bedrooms
- Maximum rent limits include the tenant paid rent along with all tenant paid utilities
 - Extremely Low-Income rent limits (30% and below)
 - Very Low-Income rent limits (50% and below)
- Maximum rent for HTF units in combination with project-based subsidies can go up to the maximum Federal or State rental subsidy limits if the tenant pays no more than 30% of their adjusted household income

Resources

<https://www.hudexchange.info/programs/htf/>



The screenshot shows the HUD EXCHANGE website header for the Housing Trust Fund. The header includes the HUD EXCHANGE logo, navigation links for Programs, Resources, Trainings, and Program Support, and a large banner image featuring a family, a building under construction, and a completed apartment building. Below the banner, the text reads: "Housing Trust Fund. The Housing Trust Fund (HTF) provides grants to states to produce and preserve affordable housing for extremely low- and very low-income households." A "Learn about HTF" button is located in the bottom right corner of the banner area.

Home > Programs > HTF: Housing Trust Fund



Policy Guidance

- [HTF COVID-19 Guidance](#)
- [HTF Laws and Regulations](#)
- [HTF CPD Notices](#)
- [HTF FAQs](#)



Limits & Allocations

- [Homeownership Value Limits](#)
- [Income Limits](#)
- [Rent Limits](#)
- [HTF Formula Allocations](#)



Reports

- [HTF Deadline Compliance Status Reports](#)
- [HTF Open Activities Reports](#)
- [HTF Vacant Units Reports](#)



Reporting Systems

- [IDIS: Integrated Disbursement and Information System](#)
- [eCon Planning Suite \(Consolidated Plan\)](#)

Questions?