Housing Trust Fund FAQ

What is the Housing Trust Fund?

The Housing Trust Fund (HTF) is a unique federal program authorized by the Housing and Economic Recovery Act of 2008 (HERA) to increase and preserve the supply of housing for people with the lowest incomes, including families experiencing homelessness. HTF is not subject to appropriations; instead, HERA requires Fannie Mae and Freddie Mac (the GSEs) to transfer a modest percentage of their new business to finance the Housing Trust Fund as well as the Capital Magnet Fund (CMF).

Before making any contributions under HERA, Fannie Mae and Freddie Mac were placed in conservatorship and their conservator, the Federal Housing Finance Agency (FHFA), suspended contributions to HTF. In December 2014, FHFA announced that it was directing the GSEs to begin setting aside and allocating funds to HTF and CMF beginning in 2015. In 2016, the first $174 million in HTF dollars were allocated to states. The GSEs have since allocated to HTF $219 million in 2017, $267 million in 2018, and $245 million in 2019. Grantees, primarily state Housing Finance Agencies (HFAs), are committing these funds to HTF developments.

Whom does HTF serve?

By statute, all HTF 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 must be used to benefit extremely low-income families (with incomes not greater than 30 percent of AMI). According to regulations, however, if HTF receives less than $1 billion in a single year (as has been the case thus far) all HTF resources must be used to benefit extremely low-income families. State HTF spending on homeownership activities is limited to not more than 10 percent of total assistance provided.

Many grantees are targeting their first HTF funds to develop supportive housing in their states, including for persons experiencing homelessness, veterans, and formerly incarcerated persons.

How does HTF work?

HUD published an Interim Rule on January 30, 2015, establishing regulations governing HTF administration and the allocation formula for grant distribution to states. The regulations closely mirror those governing the HOME Investment Partnerships program. The regulations include guidance on eligible costs and activities, income targeting, siting and neighborhood standards, income determinations, project requirements, tenant and homeowner qualification requirements, program administration, and quality control provisions. HUD said it would consider public comment on the Interim Rule once funding is available and grantees gain experience administering the program, and is expected to begin this process in 2019.

HUD distributes formula-based grants to each state's designated entity. Each state's designated entity must use at least 80 percent of the funding for rental housing, no more than 10 percent for homeownership, and no more than 10 percent for administrative and planning costs. The state or state-designated entity receiving grant funds must establish an allocation plan.

HUD's allocation formula is based on four factors:

1) A state's relative shortage of rental housing available to extremely-low-income (ELI) families;
2) A state's relative shortage of rental housing available to very-low-income (VLI) families;
3) The relative number of ELI renter households living in substandard, overcrowded, or unaffordable units in a particular state; and
4) The relative number of VLI renter households living in substandard, overcrowded, or unaffordable units in a particular state.

In addition, each state's local cost of construction is factored into the formula.

The statute sets a minimum allocation of $3 million for each state. If total HTF funds are not sufficient to provide at least $3 million per state, HUD is charged with establishing an alternate formula through the federal rule-making process.

The Interim Rule states that HUD will publish a notice in the *Federal Register* announcing the availability of the allocations to states no more than 60 calendar days after HUD determines the formula amounts.

Eligible activities are defined as the production, preservation, and rehabilitation of rental housing and the production, preservation, and rehabilitation of housing for homeownership, including down payment assistance, closing cost assistance, and assistance for interest rate buy-downs. State grantees must use or commit all funds within two years of when the funds become available.

Who administers HTF?

HTF statute requires states to select a state agency, such as an HFA, to receive and administer HTF resources. A state may choose to be the HTF grantee to receive and administer its grant or it may choose a qualified state-designated entity to be the HTF grantee. Each grantee must submit a Consolidated Plan to be considered. In its first year, states were required by the HTF Interim Rule to notify HUD in writing of their intention to become HTF grantees and designate a state agency. More than three-quarters of state-designated agencies are state HFAs.

How is money allocated to the Housing Trust Fund?

On January 1, 2015, the GSEs started setting aside an amount equal to 4.2 basis points of each dollar of the unpaid balance of their total new business purchases. Sixty-five percent of this is allocated HUD to fund HTF while 35 percent will be transferred to CMF operated by Treasury.

What should Congress do to improve HTF?

Congress should support designated and sustainable funding for the state-administered HTF and prevent legislative efforts to transfer HTF funds to another program or prevent GSE contributions to HTF. Congress should also work to provide maximum flexibility for program administrators and limit federal regulations.