



June 1, 2021

MEMORANDUM

TO: NCSHA Members

FR: NCSHA's Policy and Government Affairs Team

RE: NCSHA's Analysis of the Administration's FY 2022 Budget Request

Executive Summary

On May 28, the Biden Administration released its \$6 trillion Fiscal Year (FY) 2022 Budget request, outlining its fiscal priorities. The Budget provides the largest increase in federal spending in decades, including increased investments in housing.

The Budget provides \$1.5 trillion for non-defense discretionary spending, an increase of 16 percent, and \$753 billion in defense spending, an increase of 1.7 percent, from the FY 2021 funding amounts, respectively. The Biden Administration proposes to raise taxes on corporations and high earners to offset the increased spending.

The Administration seeks \$68.7 billion for the U.S. Department of Housing and Urban Development (HUD) and \$27.8 billion for the U.S. Department of Agriculture (USDA), an increase of \$9 billion (15 percent) and \$3.6 billion (16 percent) over the FY 2021 enacted levels, respectively. The Administration has proposed a significant increase in HOME, new "opportunity" Housing Credit authority, creation of a new for-sale housing production tax credit, reinstatement of the Federal Financing Bank (FFB) Risk-Sharing initiative, a new down payment assistance program, as well as new investments for rehabilitation and modernization to further climate resilience and energy efficiency.

The budget request follows the Biden Administration's [outline of its discretionary spending proposal](#). NCSHA's analysis of the Budget's housing proposals follows.

HUD Program Funding Highlights

The Administration's FY 2022 Budget requests \$68.7 billion for HUD programs, \$9 billion or 15 percent above the FY 2021 enacted level.

The Administration has proposed an increase in HOME, a new down payment assistance program, new investments for rehabilitation and modernization to further climate resilience and energy efficiency, and a reinstatement of the Federal Financing Bank (FFB) Risk-Sharing initiative.

HUD Program Funding Details

HOME: The Budget proposes \$1.85 billion for the HOME program, an increase of \$500 million, or 37 percent, from the FY 2021 enacted level of \$1.35 billion. This includes a \$100 million set-aside for a new down payment assistance program, the FirstHOME Downpayment Assistance initiative, to provide funding to States and insular areas.

The Administration proposes to remove appropriations language suspending the Participating Jurisdiction (PJ) qualification threshold for years in which the appropriated HOME level is below \$1.5 billion.

The Budget proposes extending the suspension of the 24-month commitment deadline and to continue to allow unused set-aside funds for Community Housing Development Organizations (CHDO) to be returned to the PJ after two years. It also proposes to allow all remaining no-year CHDO funds to be allocated via the HOME formula rather than through competition as required in 24 CFR § 92.452 and §92.453.

Housing Choice Vouchers: The Budget proposes \$30.4 billion for the voucher program, an increase of \$4.6 billion to assist an additional 200,000 families, with a focus on those who are experiencing homelessness or fleeing domestic violence.

The Budget proposes \$25 billion, a \$1.9 billion increase, for Contract Renewals (HAP); \$2.8 billion, a \$631 million increase, in Administrative Fees; \$100 million, a \$16 million decrease, for tenant protection vouchers (TPVs); \$491 million for a new Mobility Services program; and \$1.6 billion for new Incremental Vouchers to serve 200,000 additional families, including those who are homeless or fleeing from domestic violence. Out of the \$25 billion for Contract Renewals, HUD has requested \$50 million for the Rental Assistance Demonstration program.

In addition to proposing \$508 million, a \$194 million increase, for Section 8 Mainstream Renewals, HUD has requested authority to establish a set-aside of up to \$10 million for funding adjustments to public housing agencies that face shortfalls that would require them to terminate families or have experienced a significant increase in Mainstream renewal costs due to unforeseen circumstances.

The Budget also proposes \$300 million in competitive grants to pay for efficiency upgrades in public housing.

The Budget proposes no new funding for HUD-Veterans Affairs Supportive Housing (VASH) vouchers or the Tribal HUD-VASH program as previously appropriated funds remain available for carryover.

Self-Sufficiency Programs: The FY 2022 Budget proposes \$175 million, an increase of \$20 million, for Self-Sufficiency programs. This includes \$120 million for the Family Self-Sufficiency program, \$20 million for the Jobs Plus Initiative, and \$35 million for the Resident Opportunity and Self-Sufficiency program.

Section 8 Project-Based Rental Assistance (PBRA): The Budget proposes \$14 billion, a \$595 million increase, for Project-Based Rental Assistance (PBRA). Of that total, \$13.455 billion is for renewing expiring Section 8 project-based contracts, \$50 million for the Rental Assistance Demonstration program, \$160 million for Moderate Rehabilitation and Single Room Occupancy renewal programs, \$30 million for Budget-Based Rent Increases, and up to \$10 million to support tenant capacity building activities under Section 514.

The Budget request also includes \$355 million for performance-based contract administrators' (PBCA) administrative fees, an increase of \$5 million. \$25 million of residual funding from the Housing Certificate Fund is anticipated to be used to supplement costs for this line item. HUD's Congressional Justification notes that this Budget assumes the extension of current agreements this fiscal year, though savings may be ultimately realized through completion of pending procurements.

Homeless Assistance Grants: The Budget proposes \$3.5 billion, an increase of \$500 million, for Homeless Assistance Grants. This request includes \$2.8 billion for the Continuum of Care Program, \$290 million for Emergency Solutions Grants, and \$7 million for Homeless Management Information Systems, data analysis, and technical assistance through the National Homeless Data Analysis Project.

Community Development Block Grants (CDBG): The Budget requests \$3.8 billion for the Community Development Block Grant (CDBG) program, an increase of \$295 million.

The proposed \$295 million increase is set aside for geographically targeted, transformational projects that aim to revitalize deteriorating neighborhoods and reverse legacies of historic underfunding. These funds would be distributed to CDBG grantees using a formula to be determined by the Secretary of HUD.

Section 202 Housing for the Elderly: The Budget provides \$928 million, a \$73 million increase, for Section 202 housing. This amount includes \$700 million to renew contracts, \$125 million to support service coordinators, \$100 million in new capital advances, and \$3 million for property inspections and related administrative costs.

Section 811 Housing for Persons with Disabilities: The Budget requests \$272 million, an increase of \$45 million, for Section 811 housing. This includes \$190 million for Project Rental Assistance Contracts, Project Assistance Contracts, and State Project Rental Assistance renewals and amendments; \$80 million for capital advance and project rental assistance; and \$2 million for inspections and related administrative costs.

Housing Opportunities for Persons with AIDS (HOPWA): The Budget proposes \$450 million for HOPWA, \$20 million above FY 2021. The Budget proposes not to prioritize renewals in its competition to allow for developing new and innovative models to address disease trends and ensuring states that do not meet population or demographic requirements qualify as a HOPWA formula jurisdiction still receive fair access to its funds.

Rental Assistance Demonstration: The Budget requests \$100 million for HUD's Rental Assistance Demonstration (RAD), to be evenly split between the TBRA and PBRA accounts.

Green and Resilient Retrofit: The FY 2022 Budget proposes \$250 million for a new Green and Resilient Retrofit Program to provide funding to rehabilitate assisted multifamily properties to be more energy efficient, healthier, and more resilient to extreme weather events. This new program is modeled after the Green Retrofit Program under the American Recovery and Reinvestment Act of 2009.

Lead Hazard and Healthy Homes: The FY 2022 Budget proposes \$400 million for the Office of Lead Hazard Control and Healthy Homes program, a \$40 million increase. The Budget includes \$5 million for radon testing and mitigation in public housing units.

Eviction Prevention Demonstration: The Budget proposes \$20 million for FY 2022 to continue the Eviction Prevention Demonstration program, which provides competitive grants to non-profit or governmental entities for no-cost legal assistance to low-income renters at risk of eviction. This program, which is administered through the Office of Policy Development & Research, was first funded in the 2021 Consolidated Appropriations Act at \$20 million.

Housing Counseling: The Budget proposes \$65.9 million for Housing Counseling, an increase of over \$10 million from FY 2021. Of the total requested, \$61.4 million is for grants to housing counseling agencies, HFAs, and housing counseling intermediaries. The remaining \$4.5 million is for administrative expenses.

Ginnie Mae: The Budget requests \$900 billion in commitment authority for FY 2022 for Ginnie Mae, which is \$400 billion lower than the FY 2021 enacted level. While Ginnie Mae experienced record growth in 2020, with more than \$749 billion in mortgage-backed securities (MBS) issuances, the Administration's Budget projects a lower but historically elevated MBS issuance level of \$616 billion in 2022. The Budget requests \$40.4 million in spending authority from offsetting collections (\$181 million) for Ginnie Mae salaries and expenses.

FHA-HFA Multifamily Loan Risk-Sharing Program: The budget requests new authority for Ginnie Mae to securitize affordable multifamily loans made by Housing Finance Agencies (HFAs) and insured under the FHA’s 542(c) Risk-Sharing program. As in interim measure, HUD has proposed reinstating the HUD-Treasury Federal Financing Bank (FFB) Initiative to provide “Ginnie-like” financing for HFA Risk-Sharing loans that will sunset after three years. The proposed Ginnie Mae securitization authority would provide a permanent source of low-cost capital for these affordable housing loans once FFB financing expires.

Federal Housing Administration (FHA) Single-Family Insurance Program: The Budget requests \$400 billion in loan authority for FHA’s Mutual Mortgage Insurance Fund (MMIF), which supports FHA’s single-family “forward” and home equity conversion mortgage (HECM) “reverse” mortgages.

The Budget requests \$30 million for a temporary expansion of the Good Neighbor Next Door (GNND) Program, which enables law enforcement officers, teachers, firefighters, and emergency medical technicians to purchase HUD-owned homes at a discount, and for the new Home Equity Accelerator Loan (HEAL) Pilot, which will test new loan products to lower barriers to homeownership for first-generation and/or low-wealth first-time homebuyers. These two programs are intended to assist FHA in equitably strengthening communities by providing affordable housing to people that serve those neighborhoods and expanding access to credit. The Administration estimates that FHA will insure \$247 billion in single-family forward mortgages in FY 2022, and \$15.9 billion in HECMs. It also is projecting insuring \$1.2 billion in HEAL pilot loans.

The Administration’s Budget also requests \$180 million for the MMIF Program account. This includes \$150 million in administrative expenses to support a range of FHA functions, such as loan underwriting, claims processing, and risk monitoring. Additionally, the Budget provides \$30 million in credit subsidy for the new HEAL pilot and a temporary expansion of the GNND Program.

FHA Multifamily/ Title I Manufactured Housing and Property Improvement Loan Programs: The Budget requests a limitation of \$30 billion on loan guarantees for FHA’s General Insurance and Special Risk Insurance (GI/SRI) fund, which finances FHA’s affordable multifamily activity, manufactured housing loans originated through FHA’s Title I program, and health care facility loan insurance programs.

USDA Rural Housing Program Funding Highlights

The Biden Administration is requesting \$27.8 billion for USDA’s FY 2022 budget, a 16 percent increase over the FY 2021 enacted budget. While much of the increase in the budget request is reserved for initiatives such as climate conservation and technological improvements and research on farmland, many rural housing programs run by the Rural Housing Service would also be increased.

Section 521 Rural Rental Assistance and Section 542 Voucher Program: The Budget would combine appropriations for Section 521 rural rental assistance and the Section 542 voucher program, requesting a combined \$1.495 billion for both programs. Of the total amount, \$1.45 billion, a 3 percent increase, is reserved for renewals of existing rental assistance contracts under the Section 521 rental assistance program. The remaining \$45 million is marked for the Section 542 rural housing voucher program, a nearly 13 percent increase.

Multifamily Housing Revitalization: The multifamily housing revitalization program account would receive a total of \$68 million; \$40 million would be used for additional Section 542 vouchers that could be used by residents residing in Section 515 properties where the program loan has been prepaid, while the remaining \$28 million would be used for preservation and revitalization demonstration program for Section 514, 515, and 516 properties.

Section 538 Multifamily Loan Guarantee: The Budget requests level funding for the Section 538 multifamily loan guarantee program at \$230 million.

Section 515 Direct Rental Housing: The Budget requests level funding for the Section 515 direct rental housing program at \$40 million.

Section 502: The Section 502 single-family direct loan program would be funded at \$1.5 billion, a 50 percent increase of \$500 million. The Section 502 single-family unsubsidized guaranteed loan program would receive a 25 percent increase to \$30 billion.

Other Budget Proposals Relevant to Housing

Housing Credit: The Budget proposes creating a new type of Housing Credit authority, termed “Opportunity Housing Credit Dollar Amounts” (OHCDAs). OHCDAs would have a separate credit ceiling from traditional Housing Credits, set at 118 percent of the aggregate amount of traditional Housing Credit volume cap each year for five years—2022 through 2026. The Budget does not include an increase in traditional Housing Credit volume cap.

OHCDAs would be used primarily in “Census Tracts of Opportunity,” which include Census tracts that are in one or more Difficult Development Area (DDA) or have low poverty or other advantages as defined by the Treasury Secretary. The budget does not provide detail on what is meant by “primarily,” so it is unclear the extent to which OHCDAs might be used outside of Census Tracts of Opportunity.

The Budget maintains that states would receive OHCDAs authority on a per capita basis, but with a different per capita amount applied to each state. The formula would be determined by the Treasury Secretary, in consultation with HUD, and would provide higher amounts to states with higher construction and operating costs, larger populations living in DDAs, or higher percentages of rent-burdened households.

The Budget also proposes to increase the DDA basis boost from 30 percent to 50 percent for 9 percent traditional Housing Credit developments and OHCDAs. The change to the DDA basis boost would be permanent.

Neighborhood Homes Investment Credit: The Budget proposes that Congress pass legislation establishing the Neighborhood Home Investment Credit (NHIC) to promote new construction or substantial rehabilitation of affordable, owner-occupied housing located in distressed neighborhoods. This credit is substantially similar to the credit established under the Neighborhood Homes Investment Act (NHIA; S.98/H.R. 2143), passage of which is one of NCSHA's legislative priorities.

The NHIC would allow project sponsors to claim a credit to cover the difference between the costs to rehabilitate a home in a distressed neighborhood, or build a new home on an empty lot, and the price for which the home is sold. As with the Housing Credit, the program would be overseen by the Treasury Department, which would allocate credit authority to each state. Each state would be required to designate a single agency to award the credits, and each agency would be expected to develop a Qualifying Allocation Plan (QAP) for their NHIC programs.

The Budget proposes that Treasury award a total of \$2 billion in NHIC authority to the states in FY 2022, with the allocation amount indexed for inflation for FYs 2023-2031. The Administration projects that this will support the development or rehabilitation of nearly 500,000 affordable single-family homes.

New Markets Tax Credit: The Budget proposes that the New Markets Tax Credit (NMTC) be made permanent. The NMTC is currently set to expire at the end of 2025.

National Flood Insurance Program (NFIP): The Administration's Budget indicates that the Federal Emergency Management Agency (FEMA) will continue with its plan to update premiums for policyholders based on its new rating system for flood risk so that premiums reflect the actual risk to the policyholders' property. The Budget proposes that Congress establish a means-tested assistance program that would subsidize NFIP premiums for low-income households and increase funding for flood-mitigation assistance grant resources to NFIP participating communities and policyholders who are eligible for means-tested assistance.