

Housing and Urban Development (HUD) Explained

Housing Trust Fund

The Basics

The **National Housing Trust Fund (HTF)** provides funding to states to build, rehabilitate, and preserve housing. A state may choose to be the grantee to receive and administer its funds or it can designate a qualified entity as grantee. A grantee can fund projects through subgrantees, such as a unit of local government, or directly fund projects itself. Qualified recipients can include both nonprofit and for-profit organizations.

The Housing Trust Fund was established under Title I of the *Housing and Economic Recovery Act of 2008*¹ and is authorized by the *Federal Housing Enterprises Safety and Soundness Act of 1992*.² HUD, authorized by Congress through the *Housing and Urban Development Act of 1965* administers the Housing Trust Fund program within its Community Planning and Development Department.

Currently, the HTF is funded by Fannie Mae and Freddie Mac who are required by statute to allocate a small percentage (.042%) of every dollar of mortgage debt they purchase each year as long as they are considered by their regulator to be in good financial health.

Fund Standards

HTF funds can be used for several forms of assistance, including:

- “The production, preservation, and rehabilitation of affordable rental housing and affordable housing for first-time homebuyers through the acquisition (including assistance to homebuyers), new construction, reconstruction, or rehabilitation of nonluxury housing with suitable amenities, including real property acquisition, site improvements, conversion, demolition, and other expenses, including financing costs, relocation expenses of any displaced persons, families, businesses, or organizations; for operating costs of HTF-assisted rental housing; and for reasonable administrative and planning costs.”³
- “As equity investments, interest-bearing loans or advances, non-interest-bearing loans or advances, interest subsidies consistent with the purposes of this part, deferred payment loans, grants, or other forms of assistance that HUD determines to be consistent with the purposes of this part. Each grantee has the right to establish the terms of assistance, subject to the requirements of this part.”⁴

¹ Section 1338

² 12 U.S.C.4658. Regulations for the program are found at 24 CFR part 93.

³ 24 CFR 93.200

⁴ 24 CFR 93.200(b)

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- Grantees can use HTF funds for the development of one or more units in a multifamily project, subject to HTF eligibility requirements and guidelines for calculating cost⁵:
- HTF Funds may be used for the new construction of public housing with the *Choice Neighborhoods* program, new public housing units receiving *LIHTC* and/or the rehabilitation of public housing being converted through the *Rental Assistance Demonstration (RAD)* program.⁶

Homeownership

- HTF-assisted housing must meet affordability requirements for at least 30 years and is subject to resale or recapture requirements to ensure that subsequent buyers are income-eligible.⁷
- In addition, to preserve affordability of HTF-funded housing, “a grantee may use additional HTF funds to acquire the housing through a purchase option, right of first refusal, or other preemptive right before foreclosure, or to acquire the housing at the foreclosure sale, undertake any necessary rehabilitation, and provide assistance to another first-time homebuyer. The housing must be sold to a new eligible homebuyer in accordance with the requirements of the HTF program. Additional HTF funds may not be used if the mortgage in default was funded with HTF funds.”⁸

Fund Allocation

- At least 80 percent of funds must be used for rental housing while up to 10 percent can be used for homeownership activities and up to 10 percent for administrative costs
- If the Housing Trust Fund receives less than \$1 billion in a fiscal year, 100 percent of those funds must benefit extremely low-income families or those with incomes below the poverty line. If the HTF receives more than \$1 billion, at least 75 percent of funds must benefit extremely low-income families and the rest must benefit very low-income families.

⁵ 24 CFR 93.200(c)

⁶ 24 CFR 93.203

⁷ 24 CFR 93.304

⁸ 24 CFR 93.304(k)

Tenants Rights and Eligibility

The Federal Housing Enterprises Safety and Soundness Act of 1992 lays out⁹ tenant protections and selection requirements for HTF assisted rental housing:

- An owner may not terminate the tenancy or refuse to renew the lease of a tenant of HTF fund-assisted rental housing, except for serious or repeated lease violations, violation of law, or other good cause (not including an increase in the tenant's income).
- When selecting tenants, an owner must follow affirmative marketing requirements.
- A landlord must adopt and follow selection policies that limit the housing to income-eligible families and do not discriminate on the basis of source of income.

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⁹ 24 CFR 93.303(c)