Housing to End Homelessness

How the National Housing Trust Fund Will Help

Increasing access to affordable housing is the centerpiece of the national strategy to end homelessness in America as outlined in *Opening Doors*. However, the nation's severe shortage of affordable housing, especially for the lowest-income Americans, continues to limit this access. By catalyzing significantly more affordable housing development across the country, the National Housing Trust Fund could change all of that.

Overview:

- The National Housing Trust Fund (HTF) became law on July 30, 2008 as part of the Housing and Economic Recovery Act of 2008. Beginning in 2015, Fannie Mae and Freddie Mac must deposit a portion of the unpaid principal balance of new mortgages issued during the year into the HTF.

- The program aims to distribute dedicated funds, funds not subject to Congressional appropriations process cuts, "to increase and preserve the supply of decent, safe, sanitary, and affordable housing with primary attention to rental housing for extremely low-income and very low-income households, including homeless families."

- Money from the HTF is distributed to states in block grants based on a need-based formula.

- Each state must submit to HUD an "HTF Allocation Plan" which identifies its priority housing needs and describes how HTF funds will be distributed within the state. States must solicit public participation and comment on HTF Allocation Plans.

- While HTF dollars are already targeted to extremely low-income renter households, the current Interim Rule allows states to choose to target those funds to specific subpopulations, such as people experiencing homelessness. Advocates, service providers and government leaders can all play a role in making sure that their state's HTF Allocation Plan includes this type of targeting.

What States Can Do to Make the Housing Trust Fund Work for People Experiencing Homelessness

- Select an HTF administration agency with a history of assisting individuals and families experiencing homelessness.

- Target at least 25% of HTF dollars to those experiencing homelessness in the state Allocation Plan public participation process as allowed by Interim Rule 24 CFR 91.320(k)(5)(vii).

- Through other scoring incentives and outreach, encourage the submission of housing project applications that explicitly benefit people experiencing homelessness.

States May Use HTF Resources For:

- Financing new construction or rehabilitation of affordable housing.

- Operating costs for affordable rental housing (no more than 1/3 of total state HTF grant).

- Homeownership activities including rehabilitation, new construction, or first time homebuyer assistance such as down payments and closing costs, however no more than 10% of a state's HTF grant may be used for such activities.

- At least 80% of a state grant must be used for rental housing.

How States Allocate Housing Trust Fund Resources

Every state must choose a state agency, such as a housing finance agency, to receive HTF money and administer the program. HUD provides a list of designated state departments and agencies on the National Housing Trust Fund Grantees: State Agencies and State-Designated Entities webpage. This list will be updated as HUD receives notifications from states regarding which agency will administer its HTF program.

States and their subgrantees, which may include local governments, allocate HTF dollars to eligible recipients to carry out specific projects. Each state HTF Allocation Plan must describe the requirements that recipients must meet when applying for HTF. Applicants may be nonprofits, for-profits, or public entities, including public housing authorities. States may use 10% of their HTF grant for administrative and planning costs.

In years when HTF funding is less than $1 billion, the HTF interim rule requires 100% of HTF funds to benefit extremely low-income households (those earning less than 30% of area median income) or households with income below the poverty level (whichever is greater). In years in which more than $1 billion is available for HTF, up to 25% of HTF funds can be used for very low-income households and the remaining 75% must be used for extremely low-income households. There is no specific targeting of HTF funds to homeless individuals or families under federal law, but many households experiencing homelessness will fall within the stated income categories. HTF-funded housing must be affordable for at least 30 years under the current, interim rules.

Development of State Allocation Plans

HTF law requires states to prepare an Allocation Plan every year that explains how the state will distribute funds in the upcoming year according to the state's assessment of priority housing needs as identified in the state's Consolidated Plan.

When preparing an Allocation Plan, states must notify the public that the plan will be drafted and consider public comment. The public participation requirements of the Consolidated Plan regulations must be followed when a HTF Allocation Plan is being prepared. This process provides an opportunity for service providers, government agencies and advocates to comment on how HTF dollars should be used.

The HTF interim rule also requires states to describe in their Allocation Plan the criteria they will use in selecting applications from recipients. In addition, the rule requires the Allocation Plan to give priority to awarding money to projects based on six factors, one of which is the "merit" of an application in meeting the housing needs of a jurisdiction. An emphasis on meeting the needs of those experiencing homelessness, for example, might help to give "merit" to an application.

The Interim Rule for HTF published in January, 2015, specifically allows states to limit the beneficiaries or give preferences to a particular segment of the extremely low or very low-income population, such as people experiencing homelessness – but only if this is described in the Allocation Plan and Consolidated Plan.