

# NACEDA Policy Paper: National Housing Trust Fund

March 2007

## **Background**

*There are two bills which both need to be passed to in the 110<sup>th</sup> Congress address the need for a NEW source of funding for affordable housing, especially the needs of the extremely low income.*

- 1. The National Housing Trust Fund is an **ongoing, permanent, dedicated source of revenue** (\$5 billion/year) to meet the goal to **produce, rehabilitate, and preserve 1,500,000 units of housing over the next 10 years.***
- 2. A much smaller fund is the Affordable Housing Fund which is part of the GSE legislation to reform the regulation of government sponsored entities like Fannie Mae Freddie Mac.*

## **The National Housing Trust Fund Campaign Proposal for Legislation**

**What is it:** A campaign initiated by the National Low Income Housing Coalition to establish a new national housing program with **ongoing, permanent, dedicated and sufficient sources of revenue** to meet the goal to **produce, rehabilitate, and preserve 1,500,000 units of housing over the next 10 years.**

### **Purpose of the fund:**

- **The Trust Fund should be primarily used for rental housing.** We support allowing up to 25% of funds to be used for homeownership activities, so long as low income people are served. Funds can be used for both grants and loans.
- **Income targeting.** At the present time, NACEDA does not have a position on the percentages of funds that should be allocated to different levels of income.
- **Terms of affordability.** Housing funded through the Trust Fund should be required to **remain affordable for 50 years.**
- **Mixed-income and economic opportunity:** Units for extremely low income households should comprise no more than a minority of the total units in a project.

### **Affordable Housing Fund in the Government Sponsored Enterprises (GSEs) legislation:**

**What is it:** On March 9, 2007, Chairman Frank introduced H.R. 1427, the Federal Housing Finance Reform Act of 2007. The bill creates an “Affordable Housing Fund,” to be managed by the new GSE regulator. Funds are derived through contributions by Fannie Mae and Freddie Mac in amounts equal to 1.2 basis points on each GSE’s total outstanding mortgages (including both those held in portfolio and those securitized) each year from 2007 through 2011. 75% of these funds are used for affordable housing fund purposes, and 25% are allocated to the federal government, to keep the bill deficit neutral.

*Note: This information was compiled with assistance from the National Low Income Housing Coalition (NLIHC).*

# NACEDA Policy Paper: National Housing Trust Fund

*March 2007*

## **Purpose of the fund:**

- production and preservation of rental and owner occupied housing for extremely low and very low income households,
- increase investment in housing in low income areas and qualified census tracts
- Increase investment in economic and community development in underserved areas.

## **NACEDA Member Priorities:**

- Additional flexible subsidy for housing is needed, particularly given the cuts in HOME and CDBG funding the last few years.
- Establish the National Housing Trust Fund in the 110<sup>th</sup> Congress.

## **NACEDA Role & Policy Position**

NACEDA pledges support to national partners to establish a national housing trust fund.

*Note: This information was compiled with assistance from the National Low Income Housing Coalition (NLIHC).*