

Financial Services Committee Passes Affordable Housing Trust Fund

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Washington, DC - The House Financial Services Committee today passed H.R. 2895, the National Affordable Housing Trust Fund Act of 2007, by a vote of 45 to 23. The National Affordable Housing Trust Fund will be the largest expansion in federal housing programs in decades, with a goal of producing, rehabilitating and preserving 1.5 million housing units over the next 10 years. The bill as amended will initially allocate between \$800 million and \$1 billion annually directly to states and local communities, without increasing government spending or the federal deficit.

“The National Affordable Housing Trust Fund is a critical step forward toward a historic moment in affordable housing. As the affordable housing crisis in this country continues to worsen after years of neglect, we must move quickly to get the federal government back in the affordable housing production business,” said Rep. Maxine Waters, Chairwoman of the Housing and Community Opportunity Subcommittee.

“The growing shortage of affordable housing is one of the most serious social and economic problems facing our country. Given our severely constrained fiscal realities, we are today doing the best we can to address this – creating a low income housing trust fund that will be paid for in ways that do not draw from federal tax revenues,” said Chairman Barney Frank.

Summary of the National Affordable Housing Trust Fund Act

Funding of the Trust Fund: The goal of the Trust Fund is to construct, rehabilitate, and preserve 1,500,000 units of housing over the next 10 years. The bill seeks to accomplish this with funding from the proposed GSE Affordable Housing Fund (H.R. 1427), FHA savings that result from the enactment of the Expanding American Homeownership Act (HR 1852), and any other sources of funds subsequently identified.

Formula under the Trust Fund: 60% of monies will go to participating local jurisdictions and 40% to states, Indian Tribes and insular areas. A proportionate amount of funds to States must go to rural areas in each State. If the total amount available in any year is less than \$2 billion, there is a \$750,000 minimum funding threshold for local jurisdictions.

Targeting under the Trust Fund: All Trust Fund monies must be used for low income families (below 80% of state or local median income), except that this income ceiling is reduced to 60% of local median income if annual funding in any year is less than \$2 billion. At least 75% of funds must go to extremely low-income families (below 30% of median income or below the

national poverty level). At least 30% of funds must go to families with incomes below the SSI income limit. In addition, at least 10% of funds must go to families with incomes over 50% of the local area median income.

Eligible Recipients of Trust Fund Monies: States, participating local jurisdictions, and insular areas are required to make Trust Fund grants to eligible recipients, which can be any organization, agency, or other entity, including for-profits, nonprofits, and faith-based organizations, that have demonstrated the experience and the capacity to carry out the proposed Trust Fund activity. HUD allocates grants to Indian tribes by competition.

Eligible Uses of Trust Fund Monies: The bill would allow Trust Fund monies for construction, rehabilitation, acquisition, preservation incentives (including for manufactured housing and community land trusts) and operating assistance to facilitate affordability. Funds may be used for both rental housing that is affordable and for down payment and closing cost assistance by first time homebuyers.

Prohibited Uses: The bill includes prohibitions against any funds being used for administrative costs or expenses, political activities, advocacy, lobbying, counseling, travel expenses, and preparation of or advice on tax returns. In addition there is a requirement that grantee develop systems to ensure program compliance, and require annual state fund use reports, and authority for HUD to impose penalties on states that do not comply with requirements, including requiring states and grantees to reimburse misused funds.

Matching Requirements of the Trust Fund: The bill requires a match for Trust Fund dollars equal to 12.5% if provided from state, local and private resources or 25% if provided from federal sources. Up to 33% of this match may be provided through binding commitments to provide services for residents. The match may be reduced or waived where a zoning variance or other waiver of regulatory barriers was required to site Trust Fund-assisted housing.