

**COMMUNITY PLANNING AND DEVELOPMENT  
HOUSING TRUST FUND  
2011 Summary Statement and Initiatives  
(Dollars in Thousands)**

HOUSING TRUST FUND	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2009 Appropriation .....	...	...	...	...	...	...
2010 Appropriation/Request .....	...	...	...	...	...	...
2011 Request .....	<u>\$1,000,000</u>	...	...	<u>\$1,000,000</u>	<u>\$1,000,000</u>	<u>\$20,000</u>
Program Improvements/Offsets .....	+1,000,000	...	...	+1,000,000	+1,000,000	+20,000

NOTE: The 2010 Budget also proposed mandatory appropriations of \$1 billion for the Housing Trust Fund, fully offset within the Budget. The Administration remains committed to funding the Housing Trust Fund and continues to work with Congress to capitalize the fund in 2010. No offset has yet to be identified in 2010. The 2011 Budget proposes \$1 billion to support the Housing Trust Fund.

**Summary Statement**

**National Affordable Housing Trust Fund**

The Housing Trust Fund, a Presidential initiative, was established by the Housing and Economic Recovery Act of 2008 (Pub. L. 110-289). The purpose of the Housing Trust Fund is to provide grants to States: 1) to increase and preserve the supply of rental housing for extremely low- and very low-income families, including homeless families; and 2) to increase homeownership for extremely low- and very low-income families, limited to no more than 10 percent of each formula allocation. The authorizing statute provided a dedicated source of funding for the Housing Trust Fund through annual assessments on the government-sponsored enterprises, Fannie Mae and Freddie Mac; however these assessments have been suspended due to the housing and foreclosure crisis.

The 2011 Budget proposes to restore funding for the Housing Trust Fund through legislation directing \$1 billion to finance the development, rehabilitation, and preservation of affordable housing for very low-income residents.

**Program Description and Activities**

The Housing and Economic Recovery Act of 2008 directs the Secretary of Housing and Urban Development to establish and manage a Housing Trust Fund, which could be funded with amounts allocated from Fannie Mae and Freddie Mac and any amounts as are or may be appropriated, transferred, or credited to such Housing Trust Fund under any other provisions of law.

The purpose of the Housing Trust Fund under this section is to provide grants to States: 1) to increase and preserve the supply of rental housing for extremely low- and very low-income families, including homeless families; and 2) to increase homeownership for extremely low- and very low-income families.

Grant amounts allocated to a State or State designated entity under the Housing Trust Fund are eligible for use, or for commitment for use, only for assistance for: 1) the production, preservation, and rehabilitation of rental housing, and for operating costs, and 2) the production, preservation, and rehabilitation of housing for homeownership, including such forms as down payment assistance, closing cost assistance, and assistance for interest rate buy-downs.

On December 4, 2009, the Department published in the *Federal Register* a proposed rule that would codify the regulations for the Housing Trust Fund in a new part 93 of title 24 of the Code of Federal Regulations. Further, the proposed rule would codify the formula for grant allocations under the Housing Trust Fund. A future rule making will propose the requirements and procedures governing operation of the Housing Trust Fund.

- DISTRIBUTION TO STATES BY NEEDS-BASED FORMULA

In General. The Housing and Economic Recovery Act of 2008 required the Secretary to establish a formula to distribute amounts made available to each State to provide affordable housing to extremely low- and very low-income households. The factors which determine the allocation of the formula in the December 4, 2009, proposed rule incorporate the statutory factors cited below.

Basis for Formula. The formula shall include the following:

- (i) The ratio of the shortage of standard rental units both affordable and available to extremely low-income renter households in the State to the aggregate shortage of standard rental units both affordable and available to extremely low-income renter households in all the States.
- (ii) The ratio of the shortage of standard rental units both affordable and available to very low-income renter households in the State to the aggregate shortage of standard rental units both affordable and available to very low-income renter households in all the States.
- (iii) The ratio of extremely low-income renter households in the State living with either: (a) incomplete kitchen or plumbing facilities, (b) more than 1 person per room, or (c) paying more than 50 percent of income for housing costs, to the aggregate number of extremely low-income renter households living with either (d) incomplete kitchen or plumbing facilities, (e) more than 1 person per room, or (f) paying more than 50 percent of income for housing costs in all the States.
- (iv) The ratio of very low-income renter households in the State paying more than 50 percent of income on rent relative to the aggregate number of very low-income renter households paying more than 50 percent of income on rent in all the States.
- (v) The resulting sum calculated from the factors described in clauses (i) through (iv) shall be multiplied by the relative cost of construction in the State.

- ALLOCATION OF GRANT AMOUNTS

Not later than 60 days after the date that the Secretary determines the formula amounts, the Secretary shall publish in the *Federal Register* that funds are available.

- MINIMUM STATE ALLOCATIONS \$3,000,000.

- ALLOCATION PLANS REQUIRED

In General. States or State-designated entities receiving grants under the Housing Trust Fund are required to establish allocation plans. Such plans shall: (a) set forth a plan for the distribution of grant amounts received by the State or State designated entity for such year; (b) be based on priority housing needs, as determined by the State or State designated; and (c) include performance goals. The allocation plans will include a description of the eligible activities to be conducted using such assistance.

Eligible Activities. Grant amounts allocated to a State or State designated entity shall be eligible for use, or for commitment for use, only for assistance for:

- (a) the production, preservation, and rehabilitation of rental housing and for operating costs, except that not less than 75 percent of such grant amounts shall be used for the benefit only of extremely low-income families or families with incomes at or below the poverty line, and not more than 25 percent for the benefit only of very low-income families; and
- (b) the production, preservation, and rehabilitation of housing for homeownership, including such forms as down payment assistance, closing cost assistance, and assistance for interest rate buy-downs, that:
  - (i) is available for purchase only for use as a principal residence by families that qualify both as extremely low- and very low-income families; and first-time homebuyers;
  - (ii) has the same maximum initial purchase price as the HOME program;
  - (iii) is subject to the same resale restrictions as HOME; and
  - (iv) is made available for purchase only by homebuyers who have, before purchase, completed a program of independent financial education and counseling from an eligible organization.

- ELIGIBLE RECIPIENTS.

Grant amounts allocated to a State or State designated entity may be provided only to a recipient that is an organization, agency, or other entity (including a for-profit entity or a non-profit entity) that:

- (a) has demonstrated experience and capacity, as evidenced by its ability to:
  - (i) own, construct or rehabilitate, manage, and operate an affordable multifamily rental housing development;
  - (ii) design, construct or rehabilitate, and market affordable housing for homeownership; or
  - (iii) provide forms of assistance, such as down payments, closing costs, or interest rate buy-downs for purchasers;
- (b) demonstrates the ability and financial capacity to undertake, comply, and manage the eligible activity; and
- (c) demonstrates its familiarity with the requirements of any other Federal, State, or local housing program that will be used in conjunction with such grant amounts to ensure compliance with all applicable requirements and regulations of such programs.

- LIMITATIONS ON USE

Maximum Amount for Homeownership Activities. Of the aggregate amount allocated to a State or State designated entity, not more than 10 percent shall be used for homeownership activities.

Deadline for Commitment or Use. Grant amounts allocated to a State or State designated entity under this subsection shall be used or committed for use within 2 years of the date that such grant amounts are made available to the State or State designated entity. The Secretary shall recapture any such amounts not so used or committed for use and reallocate such amounts under this subsection in the first year after such recapture.

Administrative Costs. Limit the amount of any grant amounts for a year that may be used by the State or State designated entity for administrative costs of carrying out the program, including home ownership counseling, to a percentage of such grant amounts of the State or State designated entity for such year, which may not exceed 10 percent.

- ACCOUNTABILITY OF RECIPIENTS AND GRANTEEES

- RECIPIENTS

Tracking of Funds. The Secretary will:

- (i) require each State or State designated entity to develop and maintain a system to ensure that each recipient of assistance uses such amounts in accordance with this section, the regulations issued under this section, and any requirements or conditions under which such amounts were provided; and
    - (ii) establish minimum requirements for agreements between the State or State designated entity and recipients, regarding assistance, which shall include appropriate periodic financial and project reporting, record retention, and audit requirements for the duration of the assistance to the recipient.

- GRANTEES

- Report. The Secretary will require each State or State designated entity to submit a report to the Secretary that describes the activities funded during such year with such grant amounts; and the manner in which the State or State designated entity complied during such year with any allocation plan.
    - REGULATIONS. The Secretary will issue regulations to carry out this program.

**COMMUNITY PLANNING AND DEVELOPMENT  
HOUSING TRUST FUND  
Summary of Resources by Program  
(Dollars in Thousands)**

<b><u>Budget Activity</u></b>	<b><u>2009 Budget Authority</u></b>	<b><u>2008 Carryover Into 2009</u></b>	<b><u>2009 Total Resources</u></b>	<b><u>2009 Obligations</u></b>	<b><u>2010 Budget Authority/ Request</u></b>	<b><u>2009 Carryover Into 2010</u></b>	<b><u>2010 Total Resources</u></b>	<b><u>2011 Request</u></b>
Formula Grants .....	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>\$1,000,000</u>
Total .....	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	1,000,000
<b><u>FTE</u></b>	<b><u>2009 Actual</u></b>	<b><u>2010 Estimate</u></b>	<b><u>2011 Estimate</u></b>					
Headquarters .....	<u>...</u>	<u>...</u>	<u>3</u>					
Field .....	<u>...</u>	<u>...</u>	<u>15</u>					
Total .....	<u>...</u>	<u>...</u>	<u>18</u>					

**COMMUNITY PLANNING AND DEVELOPMENT  
HOUSING TRUST FUND  
Program Offsets  
(Dollars in Thousands)**

<b>Formula Grants</b>	<u><b>Amount</b></u>
2009 Appropriation .....	...
2010 Appropriation/Request .....	...
2011 Request .....	<u>\$1,000,000</u>
Program Improvements/Offsets .....	+1,000,000

**COMMUNITY PLANNING AND DEVELOPMENT  
HOUSING TRUST FUND  
Justification of Proposed Changes in Appropriations Language**

**Explanation of Changes**

The Housing Trust Fund was established by the Housing and Economic Recovery Act of 2008 (HERA), with a dedicated mandatory funding stream from assessments on Fannie Mae and Freddie Mac. However, the Federal Housing Finance Agency has indefinitely suspended these assessments now that the government-sponsored enterprises are in conservatorship. The fiscal year 2011 Budget proposes to restore funding for the Housing Trust Fund through legislation directing \$1 billion to finance the development, rehabilitation, and preservation of affordable housing for very low-income residents. No discretionary appropriations language is required for this program.

**COMMUNITY PLANNING AND DEVELOPMENT**  
**HOUSING TRUST FUND**  
**Crosswalk of 2009 Availability**  
**(Dollars in Thousands)**

<u>Budget Activity</u>	<u>2009 Enacted</u>	<u>Supplemental/ Rescission</u>	<u>Approved Reprogrammings</u>	<u>Transfers</u>	<u>Carryover</u>	<u>Total 2009 Resources</u>
Formula Grants .....	...	...	...	...	...	...
Total .....	...	...	...	...	...	...

**COMMUNITY PLANNING AND DEVELOPMENT  
HOUSING TRUST FUND  
Crosswalk of 2010 Changes  
(Dollars in Thousands)**

<u>Budget Activity</u>	<u>2010 President's Budget Request</u>	<u>Congressional Appropriations Action on 2010 Request</u>	<u>2010 Supplemental/ Rescission</u>	<u>Reprogrammings</u>	<u>Carryover</u>	<u>Total 2010 Resources</u>
Formula Grants .....	...	...	...	...	...	...
Total .....	...	...	...	...	...	...