



NHTF • The National Housing Trust Fund

Focused On Extremely Low Income Renters

Rental Housing – 90% of the NHTF Money

The law that created the National Housing Trust Fund (NHTF) requires that at least 90% of a state's NHTF money be used for activities that produce, preserve, rehabilitate, or operate rental housing. Up to 10% of a state's NHTF dollars may be used for homeowner activities.

§1338(c)(7) and §1338(c)(10)(A)

Extremely Low Income Household Benefit – 75% of the Rental Housing NHTF Money

The law also requires that at least 75% of a state's NHTF money that is used for rental housing benefit extremely low income households or households with incomes below the federal poverty line (whichever is greater, according to the interim regulations).

§1338(c)(7)(A)

- Extremely low income (ELI) is less than 30% of the area median income (AMI). ELI in Chicago is \$20,550 for a three-person household in 2015.
- The income level is adjusted for household size.

The law limits to 25%, the amount of a state's NHTF dollars that may be used for rental housing activities benefiting very low income households.

§1338(c)(7)

- Generally, a very low income (VLI) household has income between 30% and 50% of AMI.

HUD's interim regulations require that at least 75% of a state's total NHTF allocation (whether used for rental or homeowner housing) benefit extremely low income households or households with income below the federal poverty level (whichever is greater).

No more than 25% of a state's NHTF allocation may benefit very low income households.

The interim rule introduces a \$1 billion threshold. For years when there is less than \$1 billion in the NHTF, 100% of a state's NHTF allocation must benefit households with incomes below 30% of AMI or the federal poverty level.

§93.250

Will The Rent Be Affordable?, *see next page*

The Rent Might Not Be Affordable for an Extremely Low Income Household

Maximum Rent Tenants Pay

A basic element of housing policy is “the Brooke rule” which considers housing affordable only when assisted households use no more than 30% of their income for rent and utilities.

Unfortunately, the NHTF law and interim rule do not cap resident rent and utility payments at 30% of their income.

Instead, the interim rule sets the maximum rent (including utilities) that a household pays at a fixed amount equal to 30% of 30% of the area median income, or at 30% of the poverty level, whichever is greater.

§93.302(b)

In the preamble to the proposed rule, HUD acknowledges that some tenants will be rent-burdened (pay more than 30% of their income for rent and utilities).

HUD thinks that a fixed rent is necessary for property owners and their lenders to budget for future revenues from the stream of fixed, known tenant rent payments.

In 2015, Supplemental Security Income (SSI) income is only 18.7% of the national median income. (In 2011, SSI was the only income for 10.4% of the extremely low income population.) Therefore, even NHTF housing will not be affordable to many of those with the greatest need, unless the maximum rent rule is changed or unless an SSI household also receives a scarce voucher.

Tip for Advocates

Advocates should remember, according to the NHTF law, the extent to which NHTF housing is affordable to extremely low income households is one factor a state or any local subgrantee must consider when awarding NHTF dollars to a proposed project

(see separate article, “How Can I Influence Where The National Housing Trust Fund Money Goes?”).

§1338(g)(2)(D)(iii)

Utility Allowances

States or any local subgrantees must establish monthly utility allowances for situations where tenants pay their own utility bills.

For households paying their own utility bills, their rent should not be greater than the maximum allowed by the regulation – minus the monthly utility allowance.

States or any local subgrantees must annually review and approve rents proposed by owners.

§93.302(c)

Tip for Advocates

Advocates should monitor utility allowances to ensure that they reflect any recent changes in utility costs.

How Long Will NHTF-Assisted Housing Remain Affordable?

The interim regulation requires rental and homeowner housing to be affordable for at least 30 years. States and any local subgrantees could establish longer affordability periods.

§93.302(d)

Tips for Advocates

Advocates should convince their state or local subgrantee to set an affordability period of at least 50 years.

Remember, according to the NHTF law, how long NHTF rental housing will be affordable to extremely low income households is one factor a state or local government must consider when awarding NHTF dollars to a proposed project.

(see separate article, "How Can I Influence Where The National Housing Trust Fund Money Goes?")

§1338(g)(2)(D)(iv)