

Fact Sheet

Housing Trust Funds

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The Need for Affordable Housing

The United States is facing an affordable housing crisis. Maintaining housing options to meet a variety of incomes and mobility needs is a quality of livable communities but a challenge for many.

More than 19 million low-income households are **housing cost burdened**—meaning they pay more than 30 percent of their income toward housing.¹ These households represent nearly one of every six occupied housing units in the United States. Further, 30 percent of low-income, housing cost burdened households are ages 62 and over.²

According to the U.S. Department of Housing and Urban Development (HUD), there is a shortage of 10 million affordable rental units for low-income households.³ Given this acute shortage, policy solutions are necessary to help close this gap. **Housing trust funds** are one such solution, providing a flexible funding source for governments to support affordable housing.

What Are Housing Trust Funds?

Housing trust funds are publicly funded programs to expand or preserve affordable housing options and address critical housing needs for low-income people. They are funded through a wide variety of mechanisms, such as real estate transfer taxes, interest from real estate escrow accounts, document recording fees, and developer impact fees, as well as from general revenues. Funds pay for the construction, preservation, and rehabilitation of affordable housing. Potential beneficiaries of these funds include older adults on fixed incomes, people with disabilities, homeless people, and families at or below the federal poverty level.

Recipients of trust funds may be for-profit or nonprofit property developers such as housing authorities. This depends on the particular housing trust fund, however, as not all funds support both types of developer recipient. Further, some housing trust funds allow individual first-time home buyers and tenants to apply.

Federal Housing Trust Fund

HUD administers the federally funded **National Housing Trust Fund**, which provides grants to states with the intent of increasing and

Housing trust funds provide financing and technical assistance to support affordable housing. These trust funds serve housing needs of low-income families in nearly all states and over 400 localities. They benefit a range of residents, including older adults and individuals with disabilities.



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preserving the supply of rental housing as well as increasing homeownership for low-income families, including homeless families.⁴

HUD uses a formula to distribute funds to grantees. The formula calculation includes four need factors that consider both a given state’s amount of rental housing and the relative number of low-income renter households living in substandard, overcrowded, or unaffordable units.

States (as well as the District of Columbia and Puerto Rico) and state-designated agencies are eligible grantees to receive funds. Each state receives a minimum allocation of \$3 million, with at least 80 percent of funds for rental housing. Funds may be used for both new construction and rehabilitation.

The first set of allocations, totaling \$174 million, came in 2016, with 35 states and the District of Columbia receiving the minimum of \$3 million.⁵

State, County, and Local Trust Funds

In addition to the National Housing Trust Fund, state, county, and local governments have also established their own separate housing trust funds to promote a wide variety of housing initiatives. These funds may promote different housing objectives and receive different funding, such as from federal block grants.

According to analysis from the AARP Livability Index (<http://www.aarp.org/livability/index>), 46 states and the District of Columbia had statewide housing trust funds as of 2016 (figure 1). Four states created housing trust funds from 2015 to 2016. Additionally, 231 county and 190 local housing trust funds were in place as of 2016. State, county, and local trust funds added more than

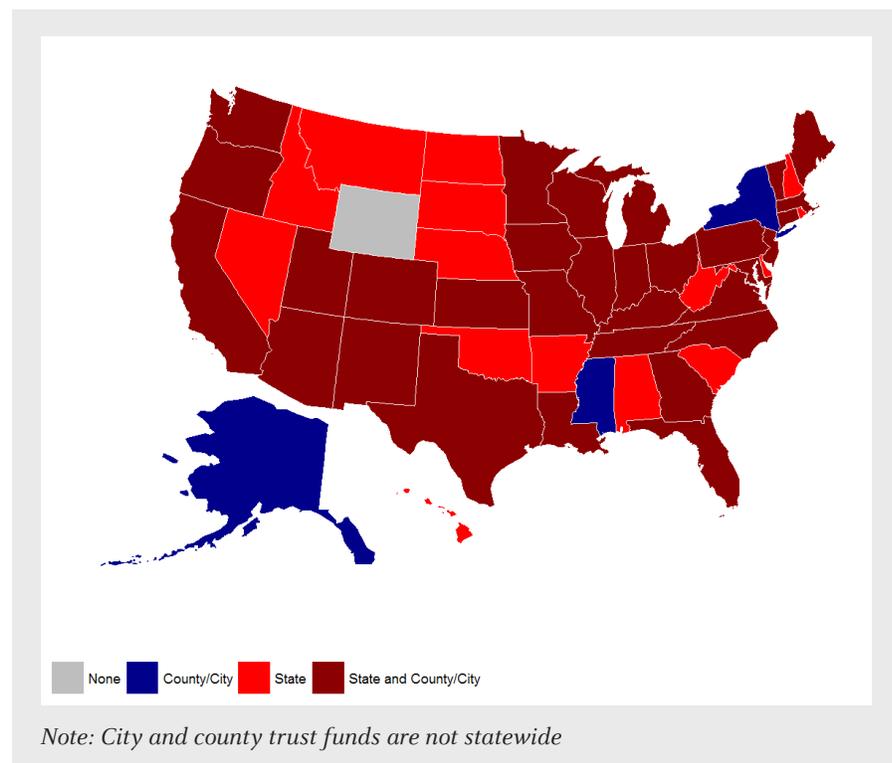
\$450 million in revenue between 2010 and 2012 according to the Center for Community Change.⁶

Disbursements may be either grants or loans, and funds are usually leveraged to increase their reach. However, given the large variance in revenue among funds, demand for affordable units may exceed what is available. A 2016 report by the Center for Community Change found that, while five states collected more than \$50 million each, another five had fiscal year 2015 revenues of less than \$1 million.⁷ Such variations show no apparent relation to population size or housing affordability burden.

Conclusion

More than 400 housing trust funds nationwide provide relief for a wide range of housing issues, including the need for affordable housing for older residents. The creation of the National Housing Trust Fund provides renewed focus, though current funding levels are largely minimal.

FIGURE 1
Housing Trust Fund Types by State



The need for affordable housing is significant, while the ability of federal, state, and local governments to serve that need is constrained. Closing the affordable-housing gap should be a top policy priority. Housing trust funds are one tool to help provide a policy-based solution. Sustained funding commensurate with need that does not compete with other housing programs would ensure the effectiveness of the national Housing Trust Fund in expanding and promoting affordable housing.

- 1 “Low-income” is considered less than or equal to 50 percent of the US Department of Housing and Urban Development Area Median Family Income
- 2 Comprehensive Housing Affordability Strategy (CHAS) tabulation of American Community Survey 2009–13, 5-year data. Available at <https://www.huduser.gov/portal/datasets/cp.html>
- 3 The National Housing Trust Fund defines extremely low-income as between 0 and 30 percent of area median income and very low-income as between 30 and 50 percent of area median income
- 4 Ibid.
- 5 Contributions to the federal HTF are from government-sponsored enterprises (GSEs) Fannie Mae and Freddie Mac. The Federal Housing Finance Agency (FHFA), which has oversight of the GSEs, suspended payments to the fund from 2008 until 2014.
- 6 Center for Community Change, *Opening Doors to Homes for All: 2016 Housing Trust Fund Survey Report*. Available at http://housingtrustfundproject.org/wp-content/uploads/2016/10/HTF_Survey-Report-2016-final.pdf
- 7 Ibid.

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