

Overview

Homelessness in the United States is largely the result of an affordable housing crisis which has escalated over the past twenty years. People who become homeless have extremely low incomes, on average about 13 percent of the area median household income, and they struggle to afford housing.¹ Congress should address homelessness and respond to the country's affordable housing crisis by enacting the National Affordable Housing Trust Fund Act of 2007, H.R. 2895/S. 2523.

The National Affordable Housing Trust Fund Act would establish a dedicated source of revenue to build, rehabilitate, and preserve housing for the lowest income households with a goal of creating 1.5 million affordable homes over the next 10 years. It will complement the more than 600 state and local housing trust funds across the country.

U.S. Affordable Housing Crisis

In 1970, before widespread homelessness existed, there was a surplus of 300,000 affordable housing units available to poor people.² Currently there is a nationwide shortage of approximately 2.8 million affordable rental units for extremely low income household—households making 30 percent or below of the area median income. Nationwide, 71 percent of those households are spending more than half of their incomes for housing or reside in severely substandard living situations.³ Extreme cost burden causes many people to lose their housing. Tonight nearly a million people will face homelessness.

Targeting People Experiencing Homelessness

Money from the Trust Fund would be highly targeted to the lowest income households which represent the majority of homeless people who on average make about \$400 per month.⁴ The bill requires that at least 75 percent of the funding must go to households below 30 percent of area median income, and at least 30 percent must go to households whose income, like the majority of homeless peoples' incomes, qualify them for Supplemental Security Income (SSI).

Sources of Funding

The Trust Fund's purpose is to provide an ongoing, permanent, and dedicated source of revenue, not taking funding from other scarce and overburdened federal housing programs or relying on an annual appropriation.

As of August 2007, two sources of revenue, which would provide an estimated \$750 million in the first year, have been identified and advocates are working to acquire additional sources of funding with the goal of reaching \$5 billion a year over 10 years. The two current sources are (1) a certain percentage of the profits of Fannie Mae and Freddie Mac and (2) surplus revenue from the Federal Housing Administration (FHA).

Program Requirements

Funding from the Trust Fund would be distributed to local jurisdictions and states (60 percent), Indian Tribes and insular areas (40 percent), and then allocated through a competitive grant program to eligible

¹ Homelessness: Programs and the People They Serve: Findings of the National Survey of Homeless Assistance Providers and Clients: Summary. December 1999. Interagency Council on the Homeless.

² Daskal, Jennifer. "In Search of Shelter: The Growing Shortage of Affordable Rental Housing." June 1998. Paper.

³ National Low Income Housing Coalition (NLIHC). 2006. *Out of Reach*.

⁴ Interagency Council on the Homeless.

applicants. Any entity with experience and capacity to carry out the mission of the Trust Fund would be eligible to apply for those funds including nonprofit, for profit, and faith based organizations.

The Trust Fund is expected to be used primarily for rental housing. Funds could be used for the construction, rehabilitation, acquisition, and preservation of safe affordable housing and for up to 12 months of project based rental assistance. The money could also be used for payment or closing costs for first time homebuyers and to subsidize a development's operating costs. The bill prohibits the use of funds for administrative costs, political activity, advocacy, and support services. The Department of Housing and Urban Development (HUD) would require that states report on uses of funds annually.

Applicants that use state, local, or private resources for the match, will receive two federal Trust Fund dollars for every dollar it provides. If an entity uses federal sources for the match, it will have to provide one dollar of match for every dollar of Trust Fund resources. Services provided to residents of a Trust Fund-assisted project qualify as a portion of matching funds.

Preventing and Ending Homelessness

The National Affordable Housing Trust Fund Act of 2007, H.R. 2895/S. 2523 will be an effective tool for preventing and ending homelessness. Almost all of the Trust Fund resources are dedicated to people with incomes similar to those of people who become homeless. The majority of the people who enter the homeless system have experienced some sort of crisis that causes them to lose their housing because of the added burden from paying a disproportionate amount of their income on rent. They just need an affordable place to live to remain stably housed. The Trust Fund will encourage the creation of permanent housing for homeless people and those at risk of homelessness, including permanent housing linked to supportive services—a proven strategy for ending homelessness for people with disabilities.

Developing additional units of affordable housing has proven to bring more money and jobs into neighborhoods. This prevents and end homelessness by increasing people's earnings which assists them with cost-burdened housing. In fact, the initial impact of a National Housing Trust Fund would be to create 184,300 jobs and generate \$5 billion in wages across the nation.⁵

Bill Status

H.R. 2895, lead by House Committee on Financial Services Chair Barney Frank (D-MA), passed the U.S. House of Representatives on October 10, 2007 by a strong bipartisan vote of 264-148. The Senate version, S. 2523, lead by Senators John Kerry (D-MA) and Olympia Snowe (R- ME) was introduced on December 19. Other original co-sponsors of the bill include Bernie Sanders (I-VT), Pete Domenici (R-NM), Charles Schumer (D-NY), Susan Collins (R-ME), Ted Kennedy (D-MA), and Jack Reed (D-RI). The Senate bill is very similar to the House version. The bill has been referred to the Senate Banking Committee that is chaired by Senator Chris Dodd (D-CT).

Advocate for a Larger Federal Investment in Affordable Housing

In an effort to move the National Affordable Housing Trust Fund Act of 2007 forward in the Senate as quickly as possible by demonstrating that it has strong bipartisan support, please ask your Senators to co-sponsor S. 2523.

Demonstrate to Congressional offices your community's success in using federal funding to permanently house homeless families and individuals. Describe the local need for affordable housing and call on Members of Congress to work to establish a National Affordable Housing Trust Fund by enacting H.R. 2895/S. 2523.

⁵ Brooks, M. (2001). *Home sweet home: Why America needs a National Housing Trust Fund*. Washington, D.C.: Center for Community Change.

