The Housing Trust Fund: An Overview

Updated September 8, 2026

Congressional Research Service
https://crsreports.congress.gov
R40781

Summary

The Housing Trust Fund (HTF) was established by the Housing and Economic Recovery Act of 2008 (HERA, P.L. 110-289) to provide funds to states to use for affordable housing activities, with a primary focus on the production, preservation, and rehabilitation of rental housing for extremely low-income households. It is administered by the Department of Housing and Urban Development (HUD) and is funded through contributions from two government-sponsored enterprises, Fannie Mae and Freddie Mac, rather than through appropriations. Fannie Mae and Freddie Mac purchase mortgages made by private lenders and sell mortgage-backed securities to investors, providing investors with a guarantee of timely payments of principal and interest in exchange for a guarantee fee. Their contributions to the HTF come from their earnings.

The HTF provides funding for formula-based grants to states to use for affordable housing activities. By statute, most of the funding must be used for rental housing; states can use up to 10% of their grants for certain homeownership activities (and up to 10% for administrative expenses). Furthermore, all the funds must benefit very low- or extremely low-income households, and at least 75% of the funds used for rental housing must benefit extremely low-income households (defined as households with incomes that do not exceed 30% of area median income) or households with incomes no greater than the federal poverty line. HTF funding is commonly layered with other housing subsidies—such as project-based Section 8 Housing Choice Vouchers—to meet these affordability requirements.

In September 2008, due to concerns about their financial status, Fannie Mae and Freddie Mac entered voluntary conservatorship overseen by their regulator, the Federal Housing Finance Agency (FHFA). Shortly thereafter, FHFA exercised its authority to suspend Fannie Mae's and Freddie Mac's contributions to the HTF in light of their financial position at the time. This suspension took effect before Fannie Mae and Freddie Mac had made any contributions to the HTF, and it continued for several years. In late 2014, FHFA directed Fannie Mae and Freddie Mac to begin setting aside contributions for the HTF during 2015. Those first funds were transferred to HUD early in 2016, and HUD made the first HTF allocations to states later that year. As of the cover date of this report, Fannie Mae's and Freddie Mac's contributions to the HTF have continued in every year since.

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Introduction

The Housing Trust Fund (HTF), administered by the Department of Housing and Urban Development (HUD), provides formula funds to states to use for certain affordable housing activities. The HTF was established by the Housing and Economic Recovery Act of 2008 (HERA, P.L. 110-289), which contained a wide range of housing-related provisions.[1] Some of the key features of the HTF include the following:

- It is intended to be primarily a *rental housing production* program. Most funds must be used to produce, preserve, rehabilitate, or (up to a limit) operate rental housing, while a limited amount can be used to support homeownership for certain first-time homebuyers.
- A majority of funds must be used to benefit *extremely low-income households*, and all funds must be used for extremely low- or very low-income households.
- Rather than being funded through appropriations, the HTF (along with the Capital Magnet Fund, another affordable housing fund established by HERA) is *funded through contributions from two government-sponsored enterprises (GSEs)*, Fannie Mae and Freddie Mac.

As used in this report, the term "extremely low-income" means households with incomes no higher than 30% of area median income, "very low-income" means households with incomes no higher than 50% of area median income, and "low-income" means households with incomes no higher than 80% of area median income.

This report provides background on the HTF, including its funding mechanism and key programmatic features.

Background on the Housing Trust Fund's Creation

Many states and localities across the nation have created housing trust funds, which provide dedicated sources of state or local funding for affordable housing activities. Revenue for housing trust funds may be sourced from annual appropriations but is more commonly sourced from a dedicated funding stream such as an earmarked tax. For example, various types of real estate transaction fees are a common source of funding for state or local trust funds.[2] According to the National Low Income Housing Coalition, an advocacy group, over 850 state, city, and county housing trust funds have been established in 49 states across the nation.[3]

For several years prior to the establishment of the federal Housing Trust Fund in 2008, a coalition of low-income housing advocacy organizations led by the National Low Income Housing Coalition advocated for the establishment of an affordable housing trust fund at the national level. (**Appendix A** provides a brief overview of earlier legislative proposals to create a national housing trust fund.) Advocates wanted a national housing trust fund to be capitalized with new resources devoted to affordable housing activities, rather than resources diverted from other federal affordable housing programs. A dedicated source of funding would allow the program to

[1] For more information on the Housing and Economic Recovery Act, see archived CRS Report RL34623, *Housing and Economic Recovery Act of 2008*.

[2] National Low Income Housing Coalition, *State & Local Housing Trust Fund*, June 26, 2025, https://nlihc.org/resource/now-available-2025-state-local-housing-trust-fund-report.

[3] See the National Low Income Housing Coalition's "State & Local Housing Trust Fund Project" website: https://nlihc.org/housing-trust-fund-project.

avoid the uncertainties of the annual appropriations process and would mean that the program would not be in competition with other housing priorities for discretionary appropriations.

In arguing for the need for the HTF, advocates noted—and continue to note—that there is a persistent shortage of rental housing that is affordable and available to those with the lowest incomes.[4] As of 2023, for every 100 extremely low-income renters, 38 physically adequate housing units were both affordable and available to that population.[5] They argue that there is a particular need for funding targeted specifically to the production of rental housing units for extremely low-income renter households.[6] Much federal housing assistance funding is largely aimed at making existing housing more affordable to low-income households, such as by providing rental assistance, rather than producing or rehabilitating additional housing units that are affordable to low-income households.[7] Current funding for these federal rental assistance programs is not sufficient to serve all eligible households, however, and the majority of eligible households do not receive assistance.[8] While some federal programs do support the production of new affordable housing—including the Low Income Housing Tax Credit and the HOME Investment Partnerships Program—these programs may not always reach those who are extremely low-income (rather than low- or very low-income). Furthermore, in the case of flexible funding like HOME, the production of rental housing may compete with other eligible uses of the funds.

While housing advocates argue for the need for a national housing trust fund, there has also been opposition to the concept of a national housing trust fund in general and the Housing Trust Fund as established by HERA in particular. Among other criticisms, some argue that the HTF is duplicative of other federal affordable housing programs, and HOME in particular, because the activities that it funds are also eligible uses of other sources of federal funds.[9] Some also argue that any funding for affordable rental housing activities should go through the regular appropriations process, thereby giving Congress the oversight opportunities that the appropriations process provides.[10]

In July 2008, the Housing and Economic Recovery Act (HERA, P.L. 110-289) was enacted. Among other things, it established the Housing Trust Fund, administered by the Department of

[4] For example, see pages 2-3 of the written testimony of Sheila Crowley, then-President of the National Low Income Housing Coalition, at a May 25, 2011, hearing before the Subcommittee on Capital Markets and Government Sponsored Enterprises of the House Financial Services Committee, http://financialservices.house.gov/uploadedfiles/052511crowley.pdf.

[5] U.S. Department of Housing and Urban Development, *Worst Case Housing Needs 2025 Report to Congress,* p. 36, https://www.huduser.gov/portal/publications/Worst-Case-Housing-Needs-2025-Report-to-Congress.html. Units are considered to be *available* to households at a certain income level if they are currently occupied by a household with an income at or below that level or if they are vacant. Units that are affordable to lower-income households, but currently occupied by higher-income households, are not considered to be available to lower-income households.

[6] For example, see page 4 of the written testimony of Sheila Crowley, then-President of the National Low Income Housing Coalition, at a May 25, 2011, hearing before the Subcommittee on Capital Markets and Government Sponsored Enterprises of the House Financial Services Committee, http://financialservices.house.gov/uploadedfiles/052511crowley.pdf.

[7] See CRS Report RL34591, *Overview of Federal Housing Assistance Programs and Policy* for a discussion of the evolution of federal housing programs and descriptions of current programs.

[8] Center on Budget and Policy Priorities, *3 in 4 Low-Income Renters Needing Rental Assistance Do Not Receive It*, updated July 2021, https://www.cbpp.org/research/housing/three-out-of-four-low-income-at-risk-renters-do-not-receive-federal-rental-assistance.

[9] For example, see Andy Winkler*, The Housing Trust Fund and Capital Magnet Fund: A Primer*, American Action Forum, February 24, 2015, https://www.americanactionforum.org/research/the-housing-trust-fund-and-capital-magnet-fund-a-primer/.

[10] Ibid.

Housing and Urban Development,[11] and the Capital Magnet Fund (CMF), administered by the Department of the Treasury's Community Development Financial Institutions (CDFI) Fund.[12] (See the text box below for a brief description of the CMF and how it differs from the HTF.) Both programs were to be funded through annual contributions from Fannie Mae and Freddie Mac. However, as discussed in more detail later in the "Funding Mechanism" section of this report and **Appendix B**, these contributions were suspended for several years beginning shortly after HERA was enacted. Fannie Mae and Freddie Mac were directed to begin setting aside contributions for the HTF and CMF starting in 2015, and the HTF received its first funding in 2016.

HUD initially published a proposed rule governing the allocation formula for the HTF on December 4, 2009,[13] and a proposed rule governing program requirements on October 29, 2010.[14] On January 30, 2015, HUD published an interim rule governing both the HTF formula and program requirements.[15] It also indicated that it would seek public comment on the interim rule after the HTF received funding and grantees had experience administering the program.[16] In April 2021, HUD published a request for public comment seeking feedback on the interim rule as well as posing certain additional questions.[17] As of the cover date of this report, the 2015 interim rule remains in effect with some technical amendments to implement overarching HUD policies such as the National Standards for the Physical Inspection of Real Estate (NSPIRE) protocols and the Housing Opportunity Through Modernization Act of 2016.

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[11] HERA established the Housing Trust Fund by amending the Federal Housing Enterprises Financial Safety and Soundness Act of 1992. The program is codified at 12 U.S.C. §4568. The GSE allocations to the Housing Trust Fund and the Capital Magnet Fund are codified at 12 U.S.C. §4567.

[12] For more information on the CDFI Fund, see CRS Report R42770, *Community Development Financial Institutions (CDFI) Fund: Programs and Policy Issues* or the CDFI Fund website at https://www.cdfifund.gov/programs-training/Programs/cmf/Pages/default.aspx.

[13] U.S. Department of Housing and Urban Development, "Housing Trust Fund; Allocation Formula; Proposed Rule," 74 *Federal Register* 63938-63942, December 4, 2009.

[14] U.S. Department of Housing and Urban Development, "Housing Trust Fund; Proposed Rule," 75 *Federal Register* 66978-67009, October 29, 2010. This proposed rule would have created a new Subpart N to Part 92 of Title 24 of the Code of Federal Regulations. Part 92 of Title 24 contains the regulations governing HUD's Home Investment Partnerships Program.

[15] U.S. Department of Housing and Urban Development, "Housing Trust Fund; Interim Rule," 80 *Federal Register* 5200-5244, January 30, 2015. The interim rule creates a new Part 93 to Title 24 of the Code of Federal Regulations, rather than putting the regulations in a new Subpart N of Part 92 as proposed in the proposed program rule.

[16] 80 *Federal Register* 5200.

[17] U.S. Department of Housing and Urban Development, "Housing Trust Fund: Request for Public Comment on Prior Interim Rule," 86 *Federal Register* 21984-21985, April 26, 2021, https://www.federalregister.gov/documents/2021/04/26/2021-08529/housing-trust-fund-request-for-public-comment-on-prior-interim-rule.

Capital Magnet Fund

Through the Capital Magnet Fund (CMF), Treasury's Community Development Financial Institutions (CDFI) Fund provides competitive funding to CDFIs or qualified nonprofit organizations that have the development or management of affordable housing as a principal purpose. The CMF is intended to leverage private capital and support for investment in housing primarily for low-, very low-, and extremely low-income households. While the HTF and the CMF share a similar purpose—expanding the supply of affordable housing for lower-income households—and both are funded through contributions from Fannie Mae and Freddie Mac, there are several differences between the two programs. Among other things, these differences include the following:

- **How the funds are distributed**: The HTF provides funds to states via formula, while the CMF provides competitive funds to eligible CDFIs or nonprofits.
- **The income groups they target:** All HTF funds must benefit *extremely low- or very low-income* households, while the CMF must *primarily* benefit households that are *low-, very low-, or extremely low-income*.
- **The degree to which they focus on rental housing or homeownership**: At least 80% of HTF funds must be used for rental housing; CMF funds can be used for rental or owner-occupied housing, with no specific amount required to be spent on one or the other.

For more information on the CMF, see the CDFI Fund website at https://www.cdfifund.gov/programs-training/Programs/cmf/Pages/default.aspx.

HTF Funding

Funding Mechanism

Both the HTF and the CMF are funded through contributions from Fannie Mae and Freddie Mac rather than through appropriations.[18] Fannie Mae and Freddie Mac are government-sponsored enterprises (GSEs) that were chartered by Congress to provide liquidity in the mortgage market. They do not originate mortgages, but rather purchase mortgages that meet certain standards, issue mortgage-backed securities, and provide a guarantee (in exchange for a fee) that investors in the securities will receive timely payment of principal and interest even if borrowers become delinquent on the underlying mortgages.[19]

Contributions to the HTF and the CMF are based on a percentage of the GSE's earnings. Each year, HERA requires Fannie Mae and Freddie Mac to set aside 4.2 basis points (0.042%) for each dollar of the unpaid principal balance of their new business purchases (basically, 0.042% of the dollar amount of mortgages that they purchase, or 42 cents for every $1,000 of the unpaid principal balance of mortgages they purchase). Of that amount, 65% is provided to HUD for the HTF, and 35% is provided to Treasury for the CMF.[20] Fannie Mae and Freddie Mac are prohibited from passing the costs of the contributions on to mortgage lenders.[21]

The first allocations to the HTF were not made until 2016 due to the Federal Housing Finance Agency (FHFA) temporarily suspending the GSE's contributions beginning in 2008. HERA

[18] The statute provides for potential future discretionary appropriations to the HTF by Congress; see 12 U.S.C. §4568(a)(1): "any amounts as are or may be appropriated, transferred, or credited to such Housing Trust Fund under any other provisions of law."

[19] For more information on Fannie Mae and Freddie Mac and the role that they play in the mortgage market, see CRS Report R42995, *An Overview of the Housing Finance System in the United States*.

[20] 12 U.S.C. §4567(e). By statute, the first 25% of the annual contributions was to be diverted to pay for any ongoing costs of the Hope for Homeowners program, a temporary foreclosure prevention program that began in 2008 and ended in 2011. No funds have been diverted for that purpose since 2017 (from funds set aside in 2016).

[21] See 12 U.S.C. §4567(c) and Federal Housing Finance Agency, "Housing Trust Fund," 79 *Federal Register* 74595-74597, December 16, 2014.

requires FHFA, Fannie Mae's and Freddie Mac's regulator, to suspend the GSEs' contributions to the affordable housing funds if it finds that making those contributions would (1) contribute to a GSE's financial instability, (2) cause a GSE to be classified as undercapitalized, or (3) prevent a GSE from successfully completing a capital restoration plan.[22] In September 2008, a little over a month after HERA was enacted, Fannie Mae's and Freddie Mac's financial condition was deteriorating as the financial crisis unfolded. They agreed to enter voluntary conservatorship, and FHFA took control of the companies from their stockholders and management. (They remain in conservatorship as of the cover date of this report.[23]) Shortly after Fannie Mae and Freddie Mac entered conservatorship, FHFA exercised its authority to suspend the contributions to the HTF and the CMF before any contributions had been made.

At the end of 2014, after the GSEs' financial positions had improved, FHFA directed Fannie Mae and Freddie Mac to begin making contributions.[24] Fannie Mae and Freddie Mac began setting funds aside in 2015 and the first funds were transferred to the HTF in 2016. As of the cover date of this report, they have made contributions in every year since. For more details on the suspension and ultimate beginning of the contributions, see **Appendix B**.

The Congressional Budget Office and the Office of Management and Budget have different views regarding the budgetary impact of the GSEs' contributions to the HTF and the CMF. The Congressional Budget Office views the GSEs as "effectively part of the federal government" while they are under conservatorship and therefore views GSE contributions to the HTF and CMF as intragovernmental transfers.[25] Under this view, HTF and CMF outlays to grantees are expenditures of federal resources and add to the budget deficit.[26] In contrast, the Office of Management and Budget treats the GSEs as nongovernmental entities for budgetary purposes and therefore views GSE contributions to the HTF and CMF as income to the government.[27] Under this view, the budgetary impact of HTF and CMF outlays would be offset by the GSEs' contributions.

[22] 12 U.S.C. §4567(b). In FHFA's letters to Fannie Mae and Freddie Mac directing them to begin the contributions, financial stability was assessed based on whether the GSEs required a draw from the U.S. Department of the Treasury and the amount the GSEs had paid in dividends to the Treasury. These letters are available at https://www.fhfa.gov/news/statement/fhfa-statement-on-the-housing-trust-fund-and-capital-magnet-fund. The latter two findings (§4567(b)(2) and (3)) are currently inapplicable, as FHFA has suspended capital classifications for the GSEs during conservatorship. For more information, see https://www.fhfa.gov/supervision/fannie-mae-and-freddie-mac/capital-requirements.

[23] As of the cover date of this report, Fannie Mae and Freddie Mac remain in conservatorship and subject to agreements with Treasury (which have been amended multiple times over the years). Under these agreements, Treasury provided financial support to both Fannie Mae and Freddie Mac, and Fannie Mae and Freddie Mac paid dividends to Treasury in exchange for that support. Neither Fannie nor Freddie has required additional support from Treasury for several years. For more information on the conservatorship and support that Fannie Mae and Freddie Mac have received from Treasury, see CRS Report R44525, *Fannie Mae and Freddie Mac in Conservatorship: Frequently Asked Questions*.

[24] FHFA's letters to Fannie Mae and Freddie Mac directing them to begin the contributions, and its justification for lifting the suspension, are available at https://www.fhfa.gov/news/statement/fhfa-statement-on-the-housing-trust-fund-and-capital-magnet-fund.

[25] David Torregrosa, *Accounting for Fannie Mae and Freddie Mac in the Federal Budget*, Congressional Budget Office, September 2018, https://www.cbo.gov/publication/54475.

[26] Mitchell Remy, *How the Housing Trust Fund and Capital Magnet Fund Support Affordable Housing*, Congressional Budget Office, 2022, pp. 5-7, https://www.cbo.gov/publication/58427.

[27] David Torregrosa, *Accounting for Fannie Mae and Freddie Mac in the Federal Budget*, Congressional Budget Office, September 2018, https://www.cbo.gov/publication/54475.

HTF Formula

On an annual basis, the GSE contributions designated for the Housing Trust Fund are transferred to HUD, which administers the program. Through the HTF, HUD provides formula grants to the 50 states, the District of Columbia (DC), Puerto Rico, and four insular areas: American Samoa, Guam, the Northern Mariana Islands, and the U.S. Virgin Islands. HUD allocates funding to the insular areas based on the ratio of renter households in each insular area to the total number of renter households in the 50 states, DC, Puerto Rico, and the insular areas.[28] The balance of funds remaining after determining formula allocations for the insular areas are allocated among the 50 states, DC, and Puerto Rico by a separate formula. By statute, this formula is based on four factors, which HUD weights to prioritize the housing needs of extremely low-income households:[29]

- the ratio of the shortage of standard rental units affordable and available to *extremely low-income* renter households in a given state to the aggregate shortage of such rental units in all states (weighted at 0.5);
- the ratio of the shortage of standard rental units affordable and available to *very low-income* renter households in a given state to the aggregate shortage of such rental units in all states (weighted at 0.125);
- the ratio of *extremely low-income* renter households living with incomplete kitchen or plumbing facilities, more than one person per room, or spending more than 50% of income on housing costs in a given state to the aggregate number of such households in all states (weighted at 0.25); and
- the ratio of *very low-income* renter households spending more than 50% of income on rent in a given state to the aggregate number of such households in all states (weighted at 0.125).

For each of the 50 states, DC, and Puerto Rico, the sum of these weighted ratios is multiplied by the relative cost of construction in the jurisdiction, compared to the national average cost of construction.[30] This adjusted ratio equals the proportion of available funding that each state, DC, and Puerto Rico is eligible to receive by formula.

The statute specifies that each of the 50 states and DC are to receive a minimum annual grant of $3 million.[31] If any of the 50 states or DC would receive less than $3 million by formula, HUD increases the allocation to that state (or DC) to $3 million, and allocations to all other recipients (including insular areas and Puerto Rico) are reduced on a pro rata basis. In its interim rule, HUD stated that, in the event that HTF funding in a given year is not sufficient to award each state and DC a minimum grant amount of $3 million, HUD will publish an alternative method for allocating the funds in the *Federal Register* with an opportunity for public comment.[32] States and DC may receive allocations of less than $3 million to correct for overallocations in prior years.[33]

The minimum grant amount does not apply to the four insular areas or Puerto Rico. Insular areas, which are not guaranteed a minimum allocation of $3 million, have declined HTF allocations in

[28] 24 C.F.R. §93.50(c).

[29] 80 *Federal Register* 5206 and 24 C.F.R. §93.50(d)(2)(ii).

[30] The cost of construction is based on private sector data from RSMeans; see 80 *Federal Register* 5207.

[31] 12 U.S.C. §4568(c)(4)(C).

[32] 80 *Federal Register* 5207 and 24 C.F.R. §93.52(b).

[33] U.S. Government Accountability Office, *Affordable Housing: Improvements Needed in HUD's Oversight of the Housing Trust Fund Program*, GAO-23-105370, August 2023, p. 7, https://www.gao.gov/products/gao-23-105370.

some years due to the allocation being inadequate to support the administrative and regulatory obligations of the program.

Annual HTF Funding and FY2026 Allocations

Since the GSEs first set aside contributions for the HTF during 2015, allocations to the HTF have fluctuated based on several considerations.[34] In 2016 and 2017, 25% of GSE contributions were diverted to Treasury's Hope for Homeowners program, a temporary foreclosure prevention program.[35] In subsequent years, no funds have been diverted to this program, leaving a larger pool of funds to be divided between the HTF and the CMF. Because the GSE contributions are based on their new business purchases, allocations to the HTF can also fluctuate from year to year based on their activities and market conditions. For example, increases in GSE contributions in 2021 and 2022 reflected an increase in the dollar amount of mortgages that Fannie Mae and Freddie Mac had purchased in 2020 and 2021, relative to other years.[36] Monetary policy actions at the outset of the COVID-19 pandemic in early 2020 lowered mortgage interest rates, leading to an increased number of mortgages purchased and refinanced.[37]

Final HTF allocations made by HUD to grantees differ in amount from the GSE contributions due to sequestration and reallocations. After the GSE contributions are disbursed to HUD for the HTF, a percentage is sequestered for one fiscal year by the Office of Management and Budget in accordance with the Balanced Budget and Emergency Deficit Control Act of 1985 (P.L. 99-177).[38] Therefore, in a given fiscal year, the HTF receives a contribution from the GSEs, subtracts a percentage due to sequestration, and then adds the sequestered amount from the prior fiscal year (if applicable). Additionally, HUD recaptures funds from grantees that decline funding or do not meet program requirements, and reallocates those funds. Each fiscal year, HUD publishes the amount of HTF funding available to be distributed to grantees in an allocation notice in the *Federal Register*; this notice includes sequestration adjustments and reallocation of recaptured funds.

Table 1 shows GSE contributions to the HTF and HUD allocations to grantees in each year from 2016 through 2026.

[34] GSE set-asides are announced by Fannie Mae and Freddie Mac separately through SEC filings (10-K Annual Reports), typically in February of each year.

[35] This was statutorily required by 12 U.S.C. §4567(e). The program sunset in 2011.

[36] Fannie Mae reported new business purchases of $1.4 trillion in 2020, compared to about $667 billion in 2019. See *Fannie Mae 2020 Form 10-K*, p. 223, https://www.fanniemae.com/media/38271/display and *Fannie Mae 2019 Form 10-K*, pp. 65-66, https://www.fanniemae.com/sites/g/files/koqyhd191/files/migrated-files/resources/file/ir/pdf/quarterly-annual-results/2019/q42019.pdf. Similarly, Freddie Mac reported $1.2 trillion in new business purchases in 2020, compared to about $529 billion in 2019. See *Freddie Mac 2020 Form 10-K*, p. 148, http://www.freddiemac.com/investors/financials/pdf/10k_021121.pdf and *Freddie Mac 2019 Form 10-K*, p. 130, http://www.freddiemac.com/investors/financials/pdf/10k_021320.pdf.

[37] Mitchell Remy, *How the Housing Trust Fund and Capital Magnet Fund Support Affordable Housing*, Congressional Budget Office, 2022, pp. 3-4, https://www.cbo.gov/publication/58427.

[38] Sequestration under P.L. 99-177 (BBEDCA 251A sequestration) applies to non-exempt direct spending. The authority for this sequestration was extended through 2031 by the Infrastructure Investment and Jobs Act (P.L. 117-58) and through 2032 for non-Medicare by the Further Consolidated Appropriations Act, 2026 (P.L. 119-75). The amount of the sequestration is published in reports to Congress each fiscal year. From FY2021 through FY2031, the sequestration percentage for the Housing Trust Fund is 5.7%. For more information on sequestration, see CRS Report R48880, *The Annual Mandatory Spending Sequester Through FY2033*.

Table 1. Housing Trust Fund (HTF) Allocations by Fiscal Year

(amounts in millions of dollars)

Fiscal Year	GSE Contributions to the HTF	HUD Allocations to Grantees
2016	$186.3	$173.6
2017	$221.8	$219.2
2018	$269.1	$266.8
2019	$244.9	$247.7
2020	$326.5	$322.6
2021	$710.8	$692.9
2022	$739.8	$748.9
2023	$354.3	$382.4
2024	$195.9	$214.1
2025	$216.4	$223.0
2026	$238.4	$255.5

Source: Created by CRS based on data from Fannie Mae and Freddie Mac 10-K annual reports, SF-133 reports on budget execution and budgetary resources, and *Federal Register* notices.

Notes: GSE contributions are based on activity from the prior calendar year. For example, contributions for FY2016 are based on business purchases made in CY2015. HUD allocations to grantees include sequestration adjustments under P.L. 99-177 (BBEDCA 251A sequestration) and reallocation of recaptured funds.

HUD announced the 2026 HTF allocations in September 2026.[39] State allocation amounts are shown in **Table 2**. Several state grantees received close to the $3 million minimum allocation: four states and the District of Columbia were allocated exactly $3 million and 22 states were allocated exactly $3,311,933.19. California received the highest allocation, at $28.2 million, followed by New York at $18.0 million.

State allocations from the HTF in previous years are available on HUD's website.[40]

Table 2. FY2026 HTF Allocations to States

(dollars in millions)

State	Allocation
Alabama	3.00
Alaska	3.31
Arizona	3.97
Arkansas	3.00
California	28.23
Colorado	3.88

[39] Allocations have been published in the *Federal Register* between April and July in all previous years.

[40] State allocations for formula grants administered by HUD's Office of Community Planning and Development from FY2003 to FY2024 are available on the HUD Exchange website at https://www.hudexchange.info/grantees/allocations-awards/. FY2025 allocations are available on the HUD website at https://www.hud.gov/sites/dfiles/CPD/documents/FY2025-Formula-Allocations-All-Grantees.xlsx. FY2026 allocations are available on the HUD website at https://www.hud.gov/hud-partners/community-budget-26.

State	Allocation
Connecticut	3.37
Delaware	3.00
District of Columbia	3.00
Florida	10.90
Georgia	5.78
Hawaii	3.31
Idaho	3.00
Illinois	8.07
Indiana	3.70
Iowa	3.31
Kansas	3.31
Kentucky	3.31
Louisiana	3.31
Maine	3.31
Maryland	3.91
Massachusetts	5.52
Michigan	5.05
Minnesota	3.50
Mississippi	3.31
Missouri	3.65
Montana	3.31
Nebraska	3.31
Nevada	3.31
New Hampshire	3.31
New Jersey	7.44
New Mexico	3.31
New York	17.99
North Carolina	5.64
North Dakota	3.31
Ohio	5.51
Oklahoma	3.31
Oregon	3.67
Pennsylvania	7.12
Rhode Island	3.31
South Carolina	3.31
South Dakota	3.31
Tennessee	3.80

State	Allocation
Texas	12.10
Utah	3.31
Vermont	3.31
Virginia	4.95
Washington	5.13
West Virginia	3.31
Wisconsin	3.69
Wyoming	3.31
Puerto Rico	0.90
American Samoa	0.01
Guam	0.08
Northern Marianas	0.03
Virgin Islands[a]	0.07
Total	**255.52**

Source: Department of Housing and Urban Development, "Housing Trust Fund: Fiscal Year 2026 Allocation Notice," 91 *Federal Register* 56897, September 4, 2026.

a. The FY2026 HTF allocation to the U.S. Virgin Islands was made subject to the suspension of the Virgin Islands Housing Finance Authority. For more information, see the letter "Notice of Immediate Suspension Pending Investigation" dated July 20, 2026, available on HUD's website at https://www.hud.gov/news/hud-no-26-054.

Program Requirements

States and territories designate an entity to administer their HTF allocations, such as a housing finance agency, housing and community development agency, or another "qualified instrumentality of the state."[41] The state-designated entity can administer the grant itself, or it can allow subgrantees to administer some or all the funds. Subgrantees can be state agencies or units of local government that receive other HUD block grant funds and have submitted Consolidated Plans to HUD.[42]

Grantees (the state-designated entities that administer the funds) and any subgrantees must submit plans to HUD that describe how they will distribute HTF funds, including both geographic priorities and any priority housing needs they plan to address with the funds. These plans are discussed in more detail in the "Planning" section.

Grantees and subgrantees ultimately provide funds to recipients, which are for-profit or nonprofit entities that receive HTF funds as owners or developers of affordable housing. Grantees may provide funds to recipients in the form of grants, equity investments, and interest-bearing or non-

[41] The definition of a "state-designated entity" is at 24 C.F.R. §93.2. HTF grantee contact information is available at https://www.hudexchange.info/grantees/contacts/ (on the left sidebar, select state, then check the box for HTF).

[42] HUD requires states and local jurisdictions to submit a Consolidated Plan in order to receive funds from its block grant programs, such as the Community Development Block Grant (CDBG) program and the HOME Investment Partnerships Program. The Consolidated Plan describes a jurisdiction's affordable housing needs and explains how HUD funds and other resources will help address those needs. For more information on HUD's Consolidated Planning process, see CRS Report R48073, *HUD's Consolidated Planning Process: An Overview*.

interest-bearing loans or advances.[43] Recipients of HTF funding must have relevant experience. More specifically, an organization receiving funding for a rental housing project must have experience owning, constructing, rehabilitating, managing, or operating affordable multifamily rental projects. An organization receiving funding for homeownership activities is required to have experience in designing, constructing, rehabilitating, or marketing affordable homeownership housing, or in providing assistance with down payments, closing costs, or interest rate subsidies. Recipients also have to demonstrate general financial experience and expertise and familiarity with the requirements of any related federal, state, or local housing programs that will be used in conjunction with grants from the HTF.[44] Public Housing Agencies (PHAs) that otherwise qualify are eligible to receive HTF funds as recipients.

Eligible Uses of Funding

Grantees must use 80% of their HTF funds to pay for eligible rental housing project costs. Grantees may use up to 10% of their allocations to pay for certain homebuyer activities, and up to 10% for administrative purposes.[45] Eligible project costs include the following:[46]

- Development hard costs: costs associated with the construction and rehabilitation of affordable housing, including cost of demolition, utility connections, and site improvements.
- Refinancing costs: costs to refinance existing debt secured by rental housing units that are being rehabilitated with HTF funds.
- Acquisition costs: costs of acquiring improved or unimproved real property, including acquisition by homebuyers.
- Related soft costs: costs such as professional planning and auditing services, associated financing and development fees, impact fees, information services such as affirmative marketing, funding an initial operating deficit reserve, and staff and overhead costs of the grantee.
- Operating cost assistance and operating cost assistance reserves: the ongoing costs of operating rental housing, such as paying for utilities, maintenance, insurance, or other similar expenses.
- Relocation costs: relocation payments and other relocation assistance to persons displaced by the project.
- Costs relating to payment of loans: payment of principal and interest for loans used for eligible costs.

Housing assisted with HTF funds must meet certain property standards that address various requirements related to housing quality, accessibility, and energy efficiency, among other things. Different standards apply depending on whether HTF funds are used to construct, rehabilitate, or acquire housing, and, in some cases, whether the funds are used for rental or owner-occupied housing.[47] HTF-assisted housing must be permanent housing; transitional housing is not an eligible use. Manufactured housing units must be connected to a permanent utility hook-up and

[43] 24 C.F.R. §93.200.

[44] These requirements are included in the definition of "recipient" at 24 C.F.R. §93.2.

[45] 24 C.F.R. §93.200(a)(1), 24 C.F.R. §93.202(a).

[46] 24 C.F.R. §93.201.

[47] 24 C.F.R. §93.301.

located on land that the unit owner either owns or leases for a period at least equal to the applicable period of affordability.

Rental Housing Activities

At least 80% of a state's HTF grant must be used for the production, preservation, rehabilitation, or operation of rental housing. A state grantee may use no more than one-third of its annual grant for operating assistance.[48] Only HTF-assisted units for which project-based assistance from another program is not available may receive HTF-funded operating assistance. The amount of operating assistance a unit can receive is based on the deficit remaining after the monthly rent payment for the unit is applied to the unit's share of monthly operating costs, as determined by the underwriting of the project and specified in a written agreement between the grantee and the recipient.

The one-third cap on operating assistance is not statutory, and some housing advocates have argued that the cap should be raised. HUD has taken the position that "the use of HTF funds for operating assistance could very quickly consume each State's annual grant," thereby limiting the use of HTF funds for the program's primary purpose: the production, preservation, and rehabilitation of affordable housing supply.[49]

HTF funds may also be used for new construction of public housing units in conjunction with the Choice Neighborhoods program or the Low-Income Housing Tax Credit (LIHTC) program.[50] Newly constructed public housing units must replace units removed from the public housing agency's inventory and must receive Public Housing Operating Fund assistance. HTF may also be used for the rehabilitation of existing public housing units as part of the Choice Neighborhood program, LIHTC, or the Rental Assistance Demonstration (RAD) program.[51]

Owner-Occupied Housing Activities

Up to 10% of a state's HTF grant may be used for the production, rehabilitation, or acquisition of owner-occupied housing. [52] This may include down payment assistance, closing cost assistance, and interest-rate buy-downs. Homebuyers must be a first-time homebuyer, complete a pre-purchase financial counseling requirement, and use the home as a principal residence.[53] According to HUD's National Production Reports, no grantee has used HTF funds to assist an owner-occupied housing unit as of December 2024.[54] In addition to the 10% expenditure cap, owner-occupied housing is an unlikely use of HTF funds due to the difficulties income-eligible households may experience in obtaining a mortgage.[55]

[48] 24 C.F.R. §93.200(a)(1).

[49] See 80 *Federal Register* 5210.

[50] 24 C.F.R. §93.203.

[51] 24 C.F.R. §93.203(a)(2).

[52] 12 U.S.C. §4568(a)(7)(B) and 24 C.F.R. §93.200.

[53] 12 U.S.C. 4568(7)(B).

[54] The National Production Reports are available online at https://www.hudexchange.info/programs/htf/htf-national-production-reports/.

[55] U.S. Government Accountability Office, *Affordable Housing: Improvements Needed in HUD's Oversight of the Housing Trust Fund Program*, GAO-23-105370, August 2023, p. 23, https://www.gao.gov/products/gao-23-105370.

Restrictions on Eligible Activities

Certain activities are explicitly ineligible for HTF funds. No more than 10% of a state's HTF grant may be used for the cost of administering the programs funded by the grant; using funds for other administrative costs of the grantee or funding recipient is prohibited. By statute, money from the HTF cannot be used for political activities, advocacy, lobbying, counseling services,[56] travel expenses, or preparing or providing advice on tax returns.[57] HUD's interim rule specifies additional activities that are ineligible uses of HTF funds, including costs incurred before HTF funds are committed to the project.[58]

Income Targeting

HTF funds must, by statute, benefit households with incomes below certain limits. These limits are based either on percentages of HUD Area Median Family Income (HAMFI)[59] or on the federal poverty line.[60] Under the HTF program, households with incomes below 30% of HAMFI are considered "extremely low-income" (ELI), and households with incomes greater than 30% of HAMFI, but less than 50% of HAMFI, are considered "very low-income" (VLI).[61] By statute, of the funds that are used for rental housing, at least 75% must be used to benefit either ELI households or households with incomes at or below the poverty line, whichever limit is greater.[62] In general, the remaining funds may be used to benefit VLI households.

By regulation, the effective income limits for the HTF are the greater of the ELI limit or the federal poverty line. In its interim rule, HUD requires that *all* HTF funds must benefit ELI households or households with incomes at or below the poverty line in years when the total amount of HTF funds available for allocation is less than $1 billion.[63] Annual HTF funding has not exceeded $1 billion as of the cover date of this report.

The HTF income limit is based on the federal poverty line, and greater than the ELI limit, in approximately 69% of counties.[64] Federal poverty guidelines do not apply to the four insular areas

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[56] The costs of housing counseling for HTF-assisted households can be considered an eligible administrative expense under 24 C.F.R. §93.202(c).

[57] 12 U.S.C. §4568(c)(10)(D).

[58] 24 C.F.R. §93.204.

[59] The geographic areas for HAMFIs are metropolitan areas and non-metropolitan counties. HAMFI is based on median household income as reported by the American Community Survey, with several adjustments related to household size, inflation, and area rental housing costs, relative to incomes. Additional adjustments limit how much HAMFIs may change year-over-year, and set HAMFIs no lower than the state non-metropolitan median family income (or the national non-metro median in states without non-metropolitan counties).

[60] The federal poverty line is defined in Section 673 of the Omnibus Budget Reconciliation Act of 1981. The federal poverty line for a given year is determined by the U.S. Department of Health and Human services and published in the *Federal Register*. For 2026, see U.S. Department of Health and Human Services, Office of the Secretary, "Annual Update of the HHS Poverty Guidelines," 91 *Federal Register* 1797, January 15, 2026.

[61] 12 U.S.C. §§4568(f)(1) and 4568(f)(6).

[62] The federal poverty line does not apply to the four insular areas or Puerto Rico, so the HTF income limits in these areas are set at 30% of HAMFI.

[63] 24 C.F.R. §93.250.

[64] CRS comparison of 2026 HTF four-person income limits (available at U.S. Department of Housing and Urban Development, Office of Policy Development and Research, "Housing Trust Fund (HTF) Income Limits," https://www.huduser.gov/portal/datasets/HTF-Income-limits.html), 60% of 2026 50% of HAMFI VLI limits (available at U.S. Department of Housing and Urban Development, Office of Policy Development and Research, "HUD Income Limits," https://www.huduser.gov/portal/datasets/il.html), and the 2026 HHS poverty guidelines (available at U.S. (continued...)

or Puerto Rico, and so the ELI limit is always used in these areas. HUD publishes the dollar amounts of the income limits by area on its website.[65] These income limits generally align with those used for the Section 8 program, with some exceptions.[66]

Affordability

HTF-assisted housing must meet a number of requirements to be considered affordable.[67] Among other things, these requirements include maximum rents that can be charged for HTF-assisted rental units and affordability periods for all HTF-assisted units.

Maximum Rent

HUD's interim rule specifies a maximum rent (including utilities) for HTF-assisted rental housing units. For ELI households, rents in HTF-assisted units cannot exceed the greater of (1) 30% of the income of a household that is making 30% of area median income, or (2) 30% of the federal poverty line.[68] For VLI households, rents cannot exceed 30% of the income of a household that is making 50% of area median income.[69] HUD annually publishes the dollar amounts of rent limits by area.[70] As noted previously, ELI households have incomes at or below the greater of 30% of area median income or the federal poverty line, and VLI households have incomes at or below 50% of area median income. Therefore, maximum rents for HTF units are effectively 30% of the maximum eligible income for the unit. HTF funds may be used to assist a subset of units in a mixed-income project, on a prorated basis.[71]

Some housing advocates have argued that rents in HTF-assisted units should be limited to no more than 30% of tenants' *actual* incomes, similar to other federal programs such as public housing as Section 8 rental assistance.[72] These advocates point out that all households except those that earn the maximum eligible income for an HTF-assisted unit will pay more than 30% of their household income toward the maximum rent of that unit.

Department of Health and Human Services, Office of the Secretary, "Annual Update of the HHS Poverty Guidelines," 91 *Federal Register* 1797, January 15, 2026).

[65] The HTF income limits are available at https://www.hudexchange.info/programs/htf/htf-income-limits/.

[66] The HTF income limits can differ from the Section 8 income limits in certain ways. Several years after the passage of the law that established the HTF, the Consolidated Appropriations Act, 2014 (P.L. 113-76) amended the definition of "extremely low-income" for the purposes of certain other federal housing assistance programs to mean families with incomes that do not exceed the higher of 30% of HAMFI or the federal poverty line, up to 50% of HAMFI (42 U.S.C. §1437a(b)(2)(C)). HTF income limits are set at the greater of 30% of HAMFI or the federal poverty line in years where available funding is less than $1 billion. Therefore, HTF income limits may exceed 50% of HAMFI if the federal poverty line is higher. This results in higher HTF income limits in some areas relative to Section 8 ELI limits, particularly for larger families. Additionally, Section 8 ELI limits are set equal to the Section 8 50% VLI limits for all areas in Puerto Rico. This same policy does not apply to HTF income limits, resulting in lower HTF income limits than Section 8 ELI limits for places in Puerto Rico. The HTF income limits appear to follow the other adjustments permitted at 42 U.S.C. §1437a(b)(2), including provisions related to "prevailing levels of construction costs" and "unusually high or low family incomes."

[67] See 24 C.F.R. §93.302 and §93.304.

[68] Under the most commonly used definition of "housing affordability," housing is considered to be affordable if a household is paying no more than 30% of its income on rent.

[69] 24 C.F.R. §93.302(b).

[70] The HTF rent limits are available at https://www.hudexchange.info/programs/htf/htf-rent-limits/.

[71] 24 C.F.R. 93.200(c).

[72] For example, see Libby O'Neill, "The National Housing Trust Fund," in *Advocates' Guide 2026*, p. 5, https://nlihc.org/explore-issues/publications-research/advocates-guide.

In response, HUD notes that "subsidizing the development and operations of rental units targeted to ELI households can be extremely challenging." Income-based rents could be more variable, complicating underwriting. Rents capped at 30% of an ELI tenant's actual household income may also fall short of covering the housing's operating costs, requiring an additional continuing subsidy. HTF funds can be used for operating assistance to make up this difference, but HUD places a cap on the percentage of funds that can be used for that purpose so as to use funds primarily for housing production.[73] Furthermore, HTF funding may not be consistently available due to fluctuating GSE contributions. Therefore, HUD believes that fixed rents (rather than variable rents based on tenants' actual incomes) are necessary for the purposes of underwriting and financing rental developments using HTF funds.[74] Many tenants of HTF-assisted units pay an income-based rent in practice due to the frequent pairing of HTF funding with rental assistance through other programs.

Affordability Periods

HTF-assisted housing must remain affordable for a specified period of time. HTF-assisted rental housing must remain affordable for 30 years. HTF-assisted owner-occupied housing must remain affordable for 10, 20, or 30 years, depending on whether "resale" or "recapture" provisions are used and the amount of HTF assistance provided to the unit.[75] Grantees can choose to impose a longer affordability period.[76]

Planning

HERA requires states or the state-designated entities that administer grants from the HTF to develop allocation plans describing how the grant money will be distributed. The allocation plan is part of the Consolidated Plan and Annual Action Plan that grantees must submit in order to receive certain other HUD block grant funds (such as HOME and CDBG).[77] Grantees' allocation plans must describe the state's priority housing needs and how it plans to distribute HTF funds, and they must include performance goals. The states and state-designated entities are to make their allocation plans available for public comment and consider any public comments they receive. Subgrantees that receive HTF funds from the state must submit their own allocation plans.

Grantees and subgrantees that will directly select applications submitted by eligible recipients must describe selection criteria that include several required funding priorities, such as the extent to which the project has federal, state, or local project-based rental assistance.[78] Grantee allocation plans must also establish a maximum per-unit subsidy limit for housing assisted with

[73] 75 *Federal Register* 66982-66983.

[74] 80 *Federal Register* 5215.

[75] 24 C.F.R. §§93.304(e), 93.305(b). Resale provisions specify that if the HTF-assisted household no longer occupies the home as a principal residence during a specified affordability period, the house will be offered for sale to another income-eligible household. Recapture provisions specify that if the HTF-assisted household no longer occupies the home as a principal residence during a specified affordability period, the grantee is able to recapture some or all of the HTF funds that were provided.

[76] 24 C.F.R. §93.302(d).

[77] For more information on the Consolidated Plan and Annual Action Plan, see HUD's website at https://www.hudexchange.info/programs/consolidated-plan/. For more information on HUD's Consolidated Planning process, see CRS Report R48073, *HUD's Consolidated Planning Process: An Overview*.

[78] 24 C.F.R. §91.320(k)(5)(i). See also U.S. Department of Housing and Urban Development, "Guidance for Grantees on Submitting Housing Trust Fund (HTF) Allocation Plans," Notice: CPD-18-08, May 31, 2018.

HTF funds and describe any planned preferences given to a particular segment to the ELI or VLI population.[79]

By statute, grantees must commit HTF funds within two years of when HUD executes the grant agreement and funds become available to the grantee.[80] Additionally, by regulation, grantees must spend HTF funds within five years of when HUD executes the grant agreement.[81] Grant agreements are only executed after HUD reviews and approves grantee annual action plans, so deadlines vary by grantee and award year.[82] Any funds that are not committed or spent within the time provided will be recaptured by HUD and reallocated. According to a Government Accountability Office report, as of 2023 HUD had reallocated funds under this authority 20 times and waived the five-year expenditure deadline once.[83]

Oversight

Both grantees and HUD have certain oversight responsibilities for HTF funds. The states or state-designated entities that receive grants from the HTF are responsible for overseeing the proper use of the funds and obtaining reimbursement from recipients for improperly used funds. Future HTF grants are to be reduced by the amount of any improperly used HTF funds—that is, funds that are used in projects that do not meet HTF requirements or are not completed—unless the improperly used funds are repaid to the grantee by the recipient. Grantees must conduct inspections of HTF-assisted properties at the time of project completion and must conduct inspections of HTF-assisted rental housing periodically thereafter. Grantees are also subject to recordkeeping and other requirements. In addition, grantees are responsible for monitoring the compliance of subgrantees. Grantees and subgrantees are required to submit annual performance reports to HUD describing how HTF funds were used and the extent to which they complied with the allocation plans.[84]

HUD is to review grantees' performance on at least an annual basis.[85] If grantees are not complying with HTF requirements, and fail to come into compliance, HUD can take certain actions, such as requiring the grantee to submit plans detailing how it will correct the issue.[86] In cases of substantial noncompliance, HUD can take additional actions, including preventing the grantee from withdrawing HTF funding, restricting its activities, or terminating its HTF assistance entirely. HUD must comply with requirements related to providing notice and an opportunity for a hearing before taking these actions.[87]

Application of Selected Cross-Cutting Requirements

HTF projects are subject to environmental review by regulation. Unlike some other HUD grants for housing projects, the HTF's authorizing statute, HERA, did not include an environmental

[79] 24 C.F.R. §91.320(k)(5).

[80] 12 U.S.C. §4568(c)(10)(B).

[81] 24 C.F.R. §93.400.

[82] See U.S. Department of Housing and Urban Development, "Commitment and Expenditure Deadline Requirements for the Housing Trust Fund (HTF) Program," Notice CPD-18-12, October 3, 2018.

[83] U.S. Government Accountability Office, *Affordable Housing: Improvements Needed in HUD's Oversight of the Housing Trust Fund Program*, GAO-23-105370, August 2023, p. 44, https://www.gao.gov/products/gao-23-105370.

[84] 24 C.F.R. §91.520.

[85] 24 C.F.R. §93.451.

[86] 24 C.F.R. §93.452.

[87] 24 C.F.R. §93.453.

review provision directing the implementation of the National Environmental Policy Act of 1969 (NEPA). Consequently, HUD developed HTF Environmental Provisions under the HTF property standards at 24 C.F.R. Section 93.301(f).[88] Grantees, or administering subgrantees, are responsible for ensuring that projects funded by HTF meet these property standards, including the environmental provisions. Receipt of funds from the HTF does *not* trigger Davis-Bacon prevailing wage laws, as HERA did not include prevailing wage provisions and is not a Davis-Bacon related act.[89]

Uses of HTF Funds

Beginning in January 2021, HUD has published National Production Reports with information on funding committed and spent, units completed, leveraging, beneficiary characteristics, and subsidy layering.[90] As of the cover date of this report, National Production Reports were available through December 2024. According to these reports, as of December 2024, $650 million of HTF funds had contributed to 4,716 completed units of new construction rental housing, $254 million had contributed to 2,775 completed units of rehabilitated rental housing, and $3 million had contributed to 28 completed units of acquired rental housing. Over 99% of these completed HTF-assisted units were occupied by renters earning less than 30% of HAMFI at the time of initial occupancy. No HTF funds had contributed to homebuyer activities as of December 2024. As a share of all HTF funds disbursed as of December 2024, approximately 6% contributed to the combination of administrative and rental operating costs.[91]

HTF is rarely the sole funding source for a housing project. The National Production Report for December 2024 reports that, since the outset of the program, for every $1.00 in HTF contributions to a completed project, there have been $9.81 contributed by other funding sources for a leveraging ratio of 9.81:1. (These data are voluntarily reported by grantees and may be under-reported.) This leveraging ratio partially reflects mixed income projects where only a subset of units in a project are HTF-assisted units.[92] Other funding sources for projects containing HTF-assisted units include LIHTC, private financing, state and local programs, and other federal funding sources.[93] According to HUD data on projects completed between 2017 and 2024, 70% of HTF-assisted rental units were completed in LIHTC projects.[94]

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[88] U.S. Department of Housing and Urban Development, Community Planning and Development, "Requirements for Housing Trust Fund Environmental Provisions," Notice CPD-16-14, August 8, 2016, https://www.hud.gov/sites/documents/16-14cpdn.pdf.

[89] For more information on Davis-Bacon related acts, see CRS In Focus IF11927, *Federally Funded Construction and the Payment of Locally Prevailing Wages*.

[90] The HTF National Production Reports are available on HUD's website at https://www.hudexchange.info/programs/htf/htf-national-production-reports/. HUD has also published certain reports related to monitoring grantees' activities under the HTF, including reports on compliance with certain deadlines, open activities reports, and vacant unit reports.

[91] CRS calculation of the percentage difference between total amounts disbursed ($1,718,803,570) and total amounts disbursed to "projects" ($1,614,433,359) per HUD's December 31, 2024, HTF National Production Report. The latter total subtracts administrative (AD) and rental operating (RO) funds according to the HTF National Production Report explanation document, available at https://files.hudexchange.info/resources/documents/HTF_Prod_Explanation.pdf. Data on rental operating funds, alone, are not available from the National Production Reports.

[92] U.S. Government Accountability Office, *Affordable Housing: Improvements Needed in HUD's Oversight of the Housing Trust Fund Program*, GAO-23-105370, August 2023, pp. 55-57, https://www.gao.gov/products/gao-23-105370.

[93] U.S. Government Accountability Office, *Affordable Housing: Improvements Needed in HUD's Oversight of the Housing Trust Fund Program*, GAO-23-105370, August 2023, p. 25, https://www.gao.gov/products/gao-23-105370.

[94] U.S. Department of Housing and Urban Development, "Frequently Requested Ad Hoc HTF Reports: HTF Units (continued...)

In addition to production subsidies such as LIHTC, HTF is commonly layered with additional rental assistance. Approximately 38% of completed HTF units have been paired with Section 8 Project-Based Vouchers (PBVs), according to HUD's December 2024 National Production Report. According to that same report, an additional 22% received some other form of project-based rental assistance, an additional 14% received tenant-based rental assistance, and 26% received no additional rental assistance. Adding rental assistance to HTF units serves two primary purposes:

- It can allow extremely low-income renters to afford maximum HTF rents without cost burden, since federal rental assistance programs require tenants to pay no more than 30% of their incomes toward rent; and
- HTF recipients can receive higher rent payments for units with rental assistance, as described below, potentially making projects more financially viable than they would be if they received lower HTF rents.

When an HTF-assisted unit receives a project-based rental subsidy, the HTF's affordability covenant is superseded by the terms of the rental subsidy.[95] Rental subsidy programs pay a landlord the difference between the tenant's 30%-of-income contribution and some previously agreed-upon maximum rent, which can vary by program. These rental subsidy program rents tend to exceed HTF maximum rents. Often, they are based on fair market rents,[96] which exceeded HTF maximum rents in all areas in 2026.[97] In an HTF-assisted unit with a project-based Section 8 rental subsidy, the combination of the tenant's contribution and the rental subsidy equal this program-specific rent, rather than the HTF maximum rent. In terms of the rents paid by the tenant and received by the landlord, an HTF-assisted unit paired with a project-based rental subsidy is similar to a non-HTF-assisted unit paired with a project-based rental subsidy. That is, the tenant pays an income-based rent (rather than a rent based on 30% of the maximum eligible income for the unit), which combined with the rental subsidy earns the landlord a higher rent than the maximum HTF rent.

Layering HTF funds with rental assistance is encouraged by the federal government and by some grantees. In HUD's rulemaking, the agency suggested that HTF assistance be paired with federal PBVs that "will help pay for the operating costs of units constructed with HTF funds." By regulation, grantee Action Plans must provide priority for funding based on several factors including "in the case of rental housing projects, the extent to which the project has Federal, State, or local project-based rental assistance so that rents are affordable to extremely low-income families."[98] According to a report by the National Low Income Housing Coalition, HTF grantees "often" prioritize or give preference to projects with a commitment for PBVs, including four grantees that require such a commitment.[99] Some grantees have argued that the interaction

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Completed within LIHTC Projects by State," December 31, 2024, https://www.hudexchange.info/programs/htf/frequently-requested-ad-hoc-htf-reports/.

[95] This is also true of other production subsidies with affordability covenants such as the Low-Income Housing Tax Credit and the HOME Investment Partnerships program.

[96] Fair Market Rents are 40th percentile rents for a metropolitan area or a non-metropolitan county, as adjusted by HUD.

[97] CRS comparison of 2026 Fair Market Rents (available at U.S. Department of Housing and Urban Development, Office of Policy Development and Research, "Fair Market Rents (40th Percentile Rents)," updated August 29, 2025, https://www.huduser.gov/portal/datasets/fmr.html), and 2026 HTF Rent Limits (available at U.S. Department of Housing and Urban Development, Office of Policy Development and Research, "Housing Trust Fund (HTF) Rent Limits," updated May 6, 2026, https://www.huduser.gov/portal/datasets/HTF-Rent-limits.html).

[98] 24 C.F.R. §91.320(k)(5)(i).

[99] Ed Gramlich, *The National Housing Trust Fund: A Summary of 2020 State Projects*, National Low Income Housing (continued...)

between the two programs is inefficient. For example, Florida's 2024 Annual Action Plan states: "Florida's experience indicates that combining capital subsidies for extremely low-income units with project based rental assistance is wasteful and limits the total number of units available to extremely low-income households."[100]

Coalition, August 7, 2025, p. 55, https://nlihc.org/resource/nlihc-releases-report-state-projects-funded-national-housing-trust-fund-2020.

[100] Annual action plans are available at https://cpd.hud.gov/cpd-public/consolidated-plans.

Appendix A. Earlier Legislative Proposals to Establish a National Housing Trust Fund

Prior to the enactment of HERA, legislation to establish a national affordable housing trust fund was introduced several times, beginning in the 106th Congress. This appendix provides a brief description of those previous legislative proposals to establish a national housing trust fund.

One major question surrounding the creation of an affordable housing trust fund was how such a program would be funded. Early legislation proposed using a portion of receipts from the Federal Housing Administration (FHA). However, because FHA receipts are counted as offsets to appropriations, diverting FHA receipts to a housing trust fund would have a cost.

Later legislation proposed using contributions from Fannie Mae and Freddie Mac as a potential funding source. Fannie Mae and Freddie Mac were chartered by Congress to ensure liquidity in the mortgage market.[101] They purchase mortgages from private lenders and package them into mortgage-backed securities that they sell to investors with a guarantee that the investors will receive timely principal and interest payments. Their charters give them a special relationship with the federal government that includes both certain privileges and certain responsibilities. They are overseen by an independent federal regulator.

Because of the GSEs' status as government-sponsored private entities, rather than federal agencies, contributions from Fannie Mae and Freddie Mac would not have counted as new government spending. However, there was some disagreement over whether it was appropriate for the government to require the GSEs to contribute to affordable housing funds. Opponents of GSE contributions argued that the GSEs should not be asked to balance public policy objectives against the interests of their shareholders. Proponents pointed to the special privileges that the GSEs received, and statutory affordable housing goals that they already had, to justify their contributions to a national housing trust fund.

In 2008, HERA created the HTF and the CMF. Both were to be funded by contributions from Fannie Mae and Freddie Mac. **Table A-1** summarizes previous legislation that had been introduced to create a national housing trust fund, including proposed funding sources.

Table A-1. Previously Introduced Legislation to Create a National Affordable Housing Trust Fund

Bill Number	Bill Title	Brief Description	Final Status
106th Congress			
S. 2997	The National Affordable Housing Trust Fund Act of 2000	This bill would have established a National Affordable Housing Trust Fund and established requirements governing the fund. The dedicated funding source would have been revenue generated by the FHA Mutual Mortgage Insurance Fund (MMI Fund) beyond the amount needed to maintain a capital adequacy level of 3%, as well as any excess revenue generated by Ginnie Mae.	Hearings were held by the Subcommittee on Housing and Transportation of the Committee on Banking, Housing, and Urban Affairs.

[101] For more information on Fannie Mae and Freddie Mac, see CRS Report R44525, *Fannie Mae and Freddie Mac in Conservatorship: Frequently Asked Questions*.

Bill Number	Bill Title	Brief Description	Final Status
107th Congress			
S. 1248	The National Affordable Housing Trust Fund Act of 2001	This bill would have established a National Affordable Housing Trust Fund and established requirements governing the fund. The dedicated funding source would have been revenue generated by the FHA MMI Fund beyond the amount needed to maintain a capital adequacy level of 3%, as well as any excess revenue generated by Ginnie Mae.	Hearings were held by the Subcommittee on Housing and Transportation of the Committee on Banking, Housing, and Urban Affairs.
H.R. 2349	The National Affordable Housing Trust Fund Act of 2001	This bill would have established a National Affordable Housing Trust Fund and established requirements governing the fund. The dedicated funding source would have been revenue generated by the FHA MMI Fund beyond the amount needed to maintain the capital adequacy level required by statute (2%) as well as any excess funds from Ginnie Mae.	The bill was referred to the Subcommittee on Housing and Community Opportunity of the Committee on Financial Services. No hearings were held.
108th Congress			
S. 1411	The National Affordable Housing Trust Fund Act of 2003	This bill would have established a National Affordable Housing Trust Fund and established requirements governing the fund. The dedicated funding source would have been revenue generated by the FHA MMI Fund beyond the amount needed to maintain a capital adequacy level of 3%, as well as any excess revenue generated by Ginnie Mae.	S. 1411 was referred to the Committee on Banking, Housing, and Urban Affairs. No hearings were held.
Reed Affordable Housing Fund amendment to S. 1508	Amendment to the Federal Housing Enterprise Regulatory Reform Act of 2003	This amendment would have required Fannie Mae and Freddie Mac to annually provide 2.5% of their pre-tax profits into a fund to provide affordable housing grants or other subsidies, and 2.5% of their pre-tax profits into an underserved market fund that would support new mortgage products or increased flexibility to address underserved markets.	This amendment to a GSE reform bill was adopted by the Senate Banking Committee. The bill was ordered reported by the committee, but was not considered on the Senate floor.
H.R. 1102	The National Affordable Housing Trust Fund Act of 2003	This bill would have established a National Affordable Housing Trust Fund and established requirements governing the fund. The dedicated funding source would have been funds in the FHA MMI Fund beyond those needed to maintain the capital adequacy level required by law (2%), as well as any excess funds received by Ginnie Mae.	The bill was referred to the Subcommittee on Housing and Community Opportunity of the Committee on Financial Services. No hearings were held.

Bill Number	Bill Title	Brief Description	Final Status
109th Congress			
H.R. 1461	The Federal Housing Finance Reform Act of 2005	This bill, as passed by the House, would have required each GSE to establish and manage an affordable housing fund and established requirements for the funds. The dedicated funding source would have been either 3.5% or 5% of Fannie Mae's and Freddie Mac's prior year's after-tax income, depending on the year. The bill included a sunset provision after five years, after which the GSEs would no longer have been required to make contributions.	The bill passed the House and was referred to the Senate Committee on Banking, Housing, and Urban Affairs
110th Congress			
H.R. 1427	The Federal Housing Finance Reform Act of 2007	This bill, as passed by the House, would have established an affordable housing fund and established requirements for the fund. The dedicated funding source would have been 1.2 basis points for each dollar of Fannie Mae's and Freddie Mac's average total mortgage portfolio for the preceding year. The bill included a sunset provision after five years, after which the GSEs would no longer have been required to make contributions.	The bill passed the House and was referred to the Senate Committee on Banking, Housing, and Urban Affairs.
H.R. 1852	The Expanding American Homeownership Act of 2007	This bill, as passed by the House, would have authorized appropriations in an amount equal to the net increase in negative credit subsidy for certain FHA programs in each fiscal year. The appropriation would have been used for designated housing activities, including grants to an affordable housing fund.	The bill passed the House and was referred to the Senate Committee on Banking, Housing, and Urban Affairs.
H.R. 2895	The National Affordable Housing Trust Fund Act of 2007	This bill, as passed by the House, would have established a National Affordable Housing Trust Fund and established requirements governing the fund. The bill did not include a permanent funding source, but provided that the trust fund would include any amounts transferred from Fannie Mae and Freddie Mac, any amounts appropriated pursuant to H.R. 1852, or any other amounts that may be appropriated, transferred, or credited to the trust fund.	The bill passed the House and was referred to the Senate Committee on Banking, Housing, and Urban Affairs.
S. 2391	The Government Sponsored Enterprise Mission Improvement Act	This bill would have established an affordable housing block grant program and a Capital Magnet Fund and established requirements governing both programs. The dedicated funding source would have been GSE contributions of 4.2 basis points for each dollar of the unpaid principal balance of their total new business purchases.	The bill was referred to the Committee on Banking, Housing, and Urban Affairs. No hearings were held.

Bill Number	Bill Title	Brief Description	Final Status
S. 2523	The National Affordable Housing Trust Fund Act of 2007	This bill would have established a National Affordable Housing Trust Fund and established requirements governing the fund. The bill did not include a permanent funding source, but provided that the trust fund would include any amounts transferred from Fannie Mae and Freddie Mac, any amounts appropriated pursuant to H.R. 1852, or any other amounts that may be appropriated, transferred, or credited to the trust fund.	The bill was referred to the Committee on Banking, Housing, and Urban Affairs. No hearings were held.
H.R. 3221	The Housing and Economic Recovery Act of 2008	This bill, as passed by both the House and Senate, established the Housing Trust Fund and the Capital Magnet Fund and established requirements governing both programs. The dedicated funding source is GSE contributions of 4.2 basis points for each dollar of the unpaid principal balance of their total new business purchases.	This bill became P.L. 110-289, which authorized the Housing Trust Fund and the Capital Magnet Fund and identified a permanent funding source.

Source: Table compiled by CRS based on information from https://www.congress.gov/.

Appendix B. Suspension of HTF Contributions in 2008 and Subsequent Beginning of Contributions

This appendix provides a brief timeline of the suspension of the GSEs' contributions to the HTF in 2008 and the subsequent lifting of the suspension.

Suspension of Contributions

In September 2008, not long after HERA was enacted, there were concerns about the financial status of Fannie Mae and Freddie Mac. Fannie Mae and Freddie Mac entered into voluntary conservatorship and FHFA took over their management. The Department of the Treasury agreed to provide financial support to the GSEs through the purchase of senior preferred stock.[102]

In November 2008, FHFA informed Fannie Mae and Freddie Mac that they should suspend their contributions to the affordable housing funds until further notice.[103] Neither GSE had started making contributions at the time that the contributions were suspended, and the suspension of the contributions left the HTF without a source of funding for several years.

Beginning of Contributions

In December 2014, FHFA directed Fannie Mae and Freddie Mac to begin setting aside contributions for the HTF and the CMF.[104] In lifting the suspension, FHFA noted Fannie Mae's and Freddie Mac's recent profitability. The GSEs were directed to set aside funds beginning in calendar year 2015, with the first funds required to be transferred to the affordable housing funds within 60 days after the end of 2015.

When FHFA directed Fannie Mae and Freddie Mac to begin their contributions to the HTF and the CMF, some criticized the decision to require them to make these contributions while they remained in conservatorship and subject to agreements with Treasury. They argued that the funds

[102] For more information on the financial status of the GSEs, see CRS Report R44525, *Fannie Mae and Freddie Mac in Conservatorship: Frequently Asked Questions*.

[103] United States Securities and Exchange Commission filing, Form 8-K, Federal National Mortgage Association, November 18, 2008, available at http://www.sec.gov/Archives/edgar/data/310522/000129993308005442/htm_30041.htm; and United States Securities and Exchange Commission Filing, Form 10-Q, Federal Home Loan Mortgage Corporation, November 14, 2008, available at http://otp.investis.com/clients/us/federal_homeloan/SEC/sec-show.aspx?FilingId=6249253&Cik=0001026214&Type=PDF&hasPdf=1.

[104] See letters dated December 11, 2014, that FHFA sent to Fannie Mae and Freddie Mac, available at https://www.fhfa.gov/news/statement/fhfa-statement-on-the-housing-trust-fund-and-capital-magnet-fund. The letters directed the GSEs to transfer their contributions to the HTF and the CMF within 60 days of the end of their fiscal year. The GSEs' fiscal year is the calendar year, so the contributions were to be transferred within 60 days of the end of each calendar year.

being diverted to the affordable housing funds should go to Treasury[105] or to ensure Fannie's and Freddie's continued financial stability.[106]

While reinstating the contributions, FHFA stated that Fannie Mae and Freddie Mac would not be required to make contributions in any year during which they draw funds under the agreements they have in place with Treasury, or if the contributions would cause them to make such a draw.[107] FHFA continues to have the authority to suspend the contributions in the future if it determines that circumstances require it.

In the fourth quarter of 2017, Fannie Mae and Freddie Mac each had to take a draw from Treasury. These draws were due to a change in the value of deferred tax assets held by each GSE as a result of the tax revision law that was enacted by Congress and signed by President Trump in December 2017 (P.L. 115-97). Despite these draws, and FHFA's statement that a draw would result in a suspension of the contributions for that fiscal year, the Director of FHFA directed Fannie Mae and Freddie Mac to make their contributions to the HTF as scheduled. The director's decision was based on his view that the draws were the result of a one-time accounting change and that they were not indicative of broader financial instability at either of the GSEs.[108]

Author Information

Henry G. Watson
Analyst in Housing Policy

Acknowledgments

Katie Jones, CRS Analyst in Housing Policy, authored the original version of this report.

[105] According to the terms of the preferred stock purchase agreements with Treasury, Fannie Mae and Freddie Mac were required to pay quarterly dividends to Treasury; the terms of these dividend payments have been changed several times. The dividend payments compensate Treasury for the risk it incurred in providing support for Fannie Mae and Freddie Mac but are not technically considered repayment of the amounts that Fannie Mae and Freddie Mac received. The GSEs have paid dividends to Treasury in an amount that exceeds what they received in support. For more information on the terms of the agreements with Treasury and dividends paid, see CRS Report R44525, *Fannie Mae and Freddie Mac in Conservatorship: Frequently Asked Questions*.

[106] For example, see "FHFA Director Delivers Lump of Coal to Every Taxpayer," press release, December 11, 2014, https://republicans-financialservices.house.gov/news/documentsingle.aspx?DocumentID=398566, with a statement from then-House Financial Services Committee Chairman Jeb Hensarling.

[107] See the December 11, 2014, letters that FHFA sent to Fannie Mae and Freddie Mac directing them to begin making contributions to the HTF at https://www.fhfa.gov/news/statement/fhfa-statement-on-the-housing-trust-fund-and-capital-magnet-fund. When Fannie Mae and Freddie Mac were placed into conservatorship in 2008, Treasury also agreed to provide financial support to Fannie Mae and Freddie Mac through purchases of senior preferred stock. With the exception of the 2017 draws discussed in the text, neither Fannie nor Freddie has generally required support from Treasury since early 2012, but under the terms of the agreements, they can receive additional funds from Treasury if necessary. For more information on these agreements, see CRS Report R44525, *Fannie Mae and Freddie Mac in Conservatorship: Frequently Asked Questions*.

[108] See Fannie Mae 2017 Form 10-K, p. 194, available at https://fanniemae.gcs-web.com/annual-filings; and Freddie Mac 2017 Form 10-K, p. 187, available at https://www.freddiemac.com/investors/financials/sec-filings.

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