

Housing and Economic Recovery Act of 2008 National Policy Update August 2008

Major Housing Bill Creates National Housing Trust Fund, Capital Magnet Fund, and Improves Low Income Housing Tax Credit

On July 30, 2008, the Housing and Economic Recovery Act of 2008 was signed into law. This historic bill establishes a National Housing Trust Fund, creates a Capital Magnet Fund for housing and economic development, and makes significant changes to the Low Income Housing Tax Credit program. The Act is one of the most important pieces of housing legislation in decades. Following is a summary of some of the key provisions.

National Housing Trust Fund

The Housing and Economic Recovery Act would establish a National Housing Trust Fund using resources from Fannie Mae and Freddie Mac. The Trust Fund would primarily develop rental housing affordable to extremely low income households (below 30 percent of area median income).

Resources for the Trust Fund are dedicated and would not require annual appropriations like other housing programs. Funding for the Trust Fund will phase in over three years. If the Trust Fund had been fully in effect in 2008, it would have provided approximately \$300 million for affordable housing.

At least 90 percent of Trust Fund resources would be for rental housing, including the production, preservation, and rehabilitation of rental housing, or for operating costs. At least 75 percent of the amount used for rental housing would have to be for extremely low income households (30 percent or less of area median income) or families with incomes at or below the poverty line. Up to 25 percent could be used for the benefit of very low-income families (30 to 50 percent of area median income).

Up to 10 percent could be for homeownership activities, including the production, preservation, and rehabilitation of homeownership housing, down payment assistance, closing cost assistance, and assistance for interest rate buy-downs. Families assisted would have to have incomes less than 50 percent of area median income and be purchasing their first home.

Funding would be distributed to States through a formula that HUD will establish.

The statutory language establishing the National Housing Trust Fund can be found here:
<http://www.endhomelessness.org/content/article/detail/2067>.

A summary of the Trust Fund from the National Low Income Housing Coalition can be found here:
http://www.nlihc.org/detail/article.cfm?article_id=5393.

Capital Magnet Fund

A Capital Magnet Fund would be established that also uses funds from Fannie Mae and Freddie Mac. The Fund would be operated by the Department of Treasury. Nonprofit housing developers or Community Development Financial Institutions (CDFIs) could apply.

Funds could be used for the following activities:

- The development, preservation, rehabilitation, or purchase of affordable housing for primarily extremely low-, very low-, and low-income families;
- Economic development activities or community service facilities, such as day care centers, workforce development centers, and health care clinics, which in conjunction with affordable housing activities implement a concerted strategy to stabilize or revitalize a low-income area or underserved rural area;
- To provide loan loss reserves.
- To capitalize a revolving loan fund.
- To capitalize an affordable housing fund.
- To capitalize a fund to support economic development activities (described above).
- For risk-sharing loans.

The statutory language establishing the Capital Magnet Fund can be found here:

<http://www.endhomelessness.org/content/article/detail/2068>.

A summary from the National Low Income Housing Coalition can be found here:

http://www.nlihc.org/detail/article.cfm?article_id=5393.

Low Income Housing Tax Credit

The Act makes many improvements to the Tax Credit program that will increase resources and make the program much better for developing permanent supportive housing.

- Ongoing rent and operating subsidies would not reduce eligible basis;
- It will be easier to use project based vouchers, McKinney-Vento subsidies and other federal housing programs in conjunction with the Tax Credit.
- More community service space would be eligible;
- Preferences for tenants with special needs would be explicitly permitted;
- Section 8 Moderate Rehabilitation properties would be eligible for preservation using the Tax Credit;
- Each state would receive an extra \$0.20 per capita for 2008 and 2009;

- Tax exempt bond authority would rise by \$11 billion for 2008;
- Investments would be exempt from the Alternative Minimum Tax;
- The recapture bond requirement would be repealed;
- The 9 percent credit would have a 9 percent floor between now and the end of 2013;
- States could increase eligible basis by 30 percent if required for financial feasibility (not just in Qualified Census Tracts or Difficult Development Areas);
- Many below market federal loan penalties would be repealed;
- Students who were formerly in foster care may occupy Housing Credit units.

The Local Initiatives Support Corporation (LISC) has written a summary of the Tax Credit changes, which can be found here: <http://www.endhomelessness.org/content/article/detail/2069>.