

September 30, 2013

The Honorable Robert Menendez
U.S. Senate
528 Hart Senate Office Building
Washington, D.C. 20510

Dear Senator Menendez:

We write in strong support of the National Housing Trust Fund (NHTF), and it's inclusion in any housing finance reform legislation advanced by Congress. We have made suggestions regarding the treatment of the NHTF in S. 1217, the Housing Finance Reform and Taxpayer Protection Act of 2013, including how the legislative language could be improved in future iterations of this bill or other bills.

It is important that the obligation of the housing finance system to serve the social purpose of helping meet the housing needs of households whose income is too low to be served by the private market be retained in any future system. The New Jersey based non-profits signed below and the National Low Income Housing Coalition (NLIHC) are working to ensure that the NHTF is included in any housing finance reform bill and that resources provided for the NHTF are maximized.

This summer, Senators Bob Corker (R-TN) and Mark Warner (D-VA) introduced S. 1217, the Housing Finance Reform and Taxpayer Protection Act of 2013. The bill would wind down the GSEs and replace them with the Federal Mortgage Insurance Corporation (FMIC), which will serve a guarantor role similar to what the FDIC does for bank deposits.

Funding for the NHTF is urgently needed because it will address the most urgent housing need. In 2011, there was an absolute shortage of 188,974 housing units affordable and available to extremely low income renters (renters with incomes at or below 30% of Area Median Income) in New Jersey. In New Jersey, for every 100 extremely low income renters there are only 31 housing units affordable and available to them. This shortage of housing affordable to those with the lowest incomes grows every year and is the primary cause of homelessness. The NHTF was created expressly to meet this need. Under HUD's formula, for every \$5 billion allocated to the NHTF, New Jersey would receive \$168.6 million.

The Corker-Warner bill is considered a "work in progress." We are working with NLIHC to strengthen the NHTF provisions in the bill. The key points for improving the bill language are:

- The NHTF should be preserved as a HUD program that provides grants to states for the core purpose of expanding rental housing that is affordable for extremely low income families (30% AMI or less).
- Fees levied against mortgages/mortgage backed securities should be the maximum amount possible and should be used to maximize funding to the NHTF. The percentage is

under negotiation with stakeholders for the Capital Magnet Fund and the Market Access Fund. A recommended percentage of funds to go to the NHTF will be provided to you as well as the Chair and Ranking Member of the Committee on Banking, Housing, and Urban Affairs by October 11.

- Any provisions for rental housing in any other sections of the bill should be limited to rental housing that is targeted no higher than very low income (50% AMI or less).
- Contributions to the NHTF should commence shortly after enactment of the legislation and should continue through the transition to any new housing finance system.

As the conditions for the 2008 suspensions no longer apply, it is our position that the GSEs Fannie Mae and Freddie Mac, which are once again profitable, should commence contributions to the NHTF. The decision to lift the suspension rests with the Acting Director of FHFA, Ed DeMarco, and he has declined to do so.

There are two key strategies to be aware of with respect to the commencement of GSE contributions to the NHTF:

- *Lawsuit against FHFA Acting Director DeMarco.* NLIHC, the Right to the City Alliance, and three individual plaintiffs filed suit in federal court on July 9, 2013 to compel Acting Director DeMarco to lift the suspension. A response is expected by October 16.
- *Confirmation of Representative Mel Watt (D-NC) as new FHFA director.* President Barack Obama wants to replace Mr. DeMarco and has nominated Mr. Watt. Mr. Watt is a longtime supporter of the NHTF and NLIHC is hopeful that he would lift the suspension if he were director. As you know, Mr. Watt's nomination was approved by the Senate Banking Committee in July 2013 by a partisan vote of 12 to 10. NLIHC is working to build support for the nomination in the full Senate.

NLIHC is working on a more detailed proposal for the NHTF in the context of GSE reform, which will be submitted to the Senate Committee on Banking, Housing, and Urban Affairs by October 11. This proposal will include the recommended percentage of funds from the FMIC fee that should go to the NHTF. We will share these details with you and your staff as soon as they are finalized. However, we are very happy to discuss our proposal in greater detail even before this date.

If you would like to discuss our views in greater detail, please do not hesitate to contact Arnold Cohen at 609-393-3752, X16 or at acohen@hcdnnj.org, or Sham Manglik of the National Low Income Housing Coalition at 202.662.1530x243 or at sham@nlihc.org. We would be happy to meet in person or via conference call.

Thank you for your consideration.

Sincerely,