

January 20, 2011

Melody Barnes
Director, Domestic Policy Council
The White House
1600 Pennsylvania Ave.
Washington, DC 20500

Dear Ms. Barnes,

The undersigned national organizations that are members of the National Housing Trust Fund Campaign are writing to urge that funding for the National Housing Trust Fund (NHTF) be one of the recommendations in the Administration's upcoming report on the future of the federal housing finance policy. This report was required by the Dodd-Frank bill and is due no later than January 31, 2011.

As you know, the NHTF was established in the Housing and Economic Recovery Act of 2008 (HERA). It is to be administered by HUD, which is now finalizing the regulations that will govern the operation of the program.

HERA provided that the NHTF be capitalized in part with contributions from Fannie Mae and Freddie Mac. Unfortunately, it was soon after HERA was enacted that Fannie and Freddie's financial problems were identified and they were placed in conservatorship by their regulator, the Federal Housing Finance Agency (FHFA). FHFA suspended the contributions to the NHTF and that status continues today.

It is clear that substantial changes are in order for how the federal government supports and regulates the U.S. housing market. It is equally clear that Congress intended for the federal government to require the companies that make substantial profits in the housing market with the backing of the federal government assist in addressing unmet housing needs that are beyond what can be provided by the housing market.

Housing, like health care, is so essential to human well-being that any profit seeking enterprise in housing must be grounded by social responsibility that is assured by government regulation. Therefore, all segments of the housing finance sector should contribute to solving the most serious housing problems. Whatever form Fannie and Freddie take in the future, the obligation to contribute to the National Housing Trust Fund must be renewed and expanded.

Just as important, all federally regulated financial institutions, which benefit from the federal government bearing some of the risk of their transactions, have a similar obligation and should be required to make similar contributions. There should be revenue-generating requirements on all financial institutions, including, but not limited to, the next generation of secondary market entities. The federal government provides private financial institutions with low cost funds through a variety of sources. The most important of these are lenders' ability to borrow from the Federal Reserve and the Federal Home Loan Banks and to acquire low cost deposits based on federal deposit insurance. Congress could also levy a fee on the securitization

of mortgages by any capital markets participant and direct these revenues to the National Housing Trust Fund.

The need for the NHTF is more urgent than ever before. Its primary purpose is to produce and preserve rental homes that are affordable to extremely low income (ELI) households, those with incomes at or below 30% of the area median or the federal poverty level, whichever is higher. This the *only income group* for whom there is a nationwide shortage of affordable homes.

The National Low Income Housing Coalition's most recent analysis of data from the American Housing Survey shows that the shortage of rental homes that ELI families can afford grew substantially between 2007 and 2009. The absolute shortage increased from 2.1 million units to 3.4 million units. The number of rental units affordable to ELI families decreased by 600,000, while the population needing these homes increased by 700,000. Because many rental homes that ELI households can afford are rented by higher income people, the shortage for ELI households is actually much worse. The shortage of rental homes both *affordable and available* for ELI households grew from 5.2 to 6 million in those two years.

On behalf of the thousands of state and local organizations in every single Congressional District that support the NHTF, we urge you to do everything you can to make sure that we seize this opportunity to at long last direct new resources to what remains the country's most serious housing problem.

Thank you for your steadfast support of low income Americans.

Sincerely,