
Summary of H. R. 2895, The National Affordable Housing Trust Fund Act of 2007

Background

On June 25, 2007, Financial Services Chairman Barney Frank introduced H. R. 2895, the National Housing Trust Fund Act, to establish the production of new housing and the preservation or rehabilitation of existing housing for low-income people. Democrats claim that such a Trust Fund is necessary to satisfy the nation's unmet housing needs, and to help people who lost their homes in the wake of Hurricanes Katrina and Rita.

The legislation would allocate \$800 to \$1 billion annually to states and localities to produce and preserve 1.5 million low income housing units over 10 years.

Monies for the Trust Fund would be derived from funding mechanisms established by H. R. 1427 (Government-Sponsored Enterprise reform legislation passed by the full House in May), H. R. 1852 (Federal Housing Administration reform legislation passed by the full House in September), and from any other funding sources that can be subsequently identified.

H. R. 2895 passed the House Financial Services Committee on July 31, 2007. Chairman Frank has stated that this legislation will result in, "the largest expansion in federal housing programs in decades."

Talking Points

- Democrats are asking citizens of limited means - the kind of people who benefit from Fannie Mae, Freddie Mac, or FHA - to fund new government spending.

- It is fiscally irresponsible to create "the largest expansion in federal housing programs in decades" while ignoring the pending crisis in Social Security. During debate on the FHA reform bill, Republicans offered an amendment to disallow use of excess funds generated by the FHA program for the proposed Trust Fund until the federal government ceases tapping the Social Security surplus. It failed on a party-line vote.

- Instead of creating another housing bureaucracy, our focus should be on making existing programs work better. HUD already administers over 30 separate Federal programs designed to promote affordable housing opportunities for lower-income Americans.

One such program, the HOME Investment Partnership Program, is already up and running, with 50 states, 585 local governments, and 4 insular areas presently administering the program. Rather than creating a new program, a better approach would be to take this opportunity to make an already successful federal program like HOME work better.

The Bottom Line

Expanding our nation's affordable housing stock is a laudable goal, but we should not ask homeowners of modest means to pay for it. Rather than create a new federal housing bureaucracy while important programs like Social Security are facing a crisis, we need to make existing housing programs operate more efficiently.