

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
SALARIES AND EXPENSES, HOUSING AND URBAN DEVELOPMENT
BUDGET ACTIVITY 3: HOUSING PROGRAMS

The consolidated discussion for the appropriation "Salaries and Expenses, HUD" is shown in Part 3 of these Justifications. All data are presented on a comparable basis for the 3 fiscal years: 2000, 2001, and 2002.

SUMMARY OF BUDGET REQUEST

For fiscal year 2002, Housing's Salaries and Expenses Budget request is for \$4,202,000 in contract funds and \$4,463,000 in travel funds. This represents an increase in contract funds of \$942,000 and an increase in travel funds of \$480,000 over the current estimates for fiscal year 2001. These increases are due entirely to the transfer of the functions currently being performed by the Office of Multifamily Housing Assistance Restructuring (OMHAR) to Housing following the sunset of the authority for OMHAR at the end of fiscal year 2001.

SCOPE OF ACTIVITY

The Housing staff is responsible for implementing legislation which authorizes the Department to assist projects for occupancy by very low-income, low-income and moderate-income households, to provide capital grants to nonprofit sponsors for the development of housing for the elderly or handicapped, to underwrite mortgage or loan insurance to finance new construction, rehabilitation or the purchase of existing dwelling units, and to conduct several regulatory functions. The legislation includes:

- The U.S. Housing Act of 1937, as amended, which authorizes rental assistance to certain lower-income households under Section 8 of the Act;
- The National Housing Act, as amended, which authorizes the provision of mortgage or loan insurance for single family and multifamily housing and for health care facilities such as hospitals and nursing homes;
- Sections 201 and 203 of the Housing and Community Development Amendments of 1978, as amended, which govern the management and disposition of multifamily housing projects;
- Section 202 of the Housing Act of 1959, as amended, which authorizes capital grants and rental assistance for the development of housing for the elderly or handicapped;
- Section 811 of the National Affordable Housing Act of 1990, as amended, which authorizes capital grants and rental assistance for the development of housing for the disabled;
- Title IV of the Housing and Community Development Amendments of 1978, as amended, which authorizes the Congregate Housing Services program;
- Section 542 of the Housing and Community Development Act of 1992 governing Multifamily risk-sharing programs;
- Section 101 of the Housing and Urban Development Act of 1965, as amended, which authorizes rent supplements on behalf of needy tenants living in privately owned, privately operated and privately financed housing;
- Title VI of the fiscal year 1999 Departments of Veterans Affairs and Housing and Urban Development and Independent Agencies Appropriations Act, which governs FHA property disposition reform;
- The Interstate Land Sales Full Disclosure Act, as amended, which requires developers of subdivisions to file registration statements with the Secretary;
- The National Manufactured Home Construction and Safety Standards Act of 1974, as amended by the Manufactured Housing Improvement Act of 2000, which authorizes HUD to develop and enforce construction and safety standards for all manufactured homes sold in the United States;
- The Real Estate Settlement Procedure Act of 1974, as amended, which authorizes the regulation of certain lending practices and settlement and closing procedures in Federally related mortgage transactions to eliminate unnecessary costs and to minimize difficulties of settlement; and

- The Multifamily Assisted Housing Reform and Affordability Act of 1997, which governs the renewal of Section 8 project-based rental assistance and contains the authority for multifamily mortgage restructuring.

WORKLOAD

The principal workload for Housing staff, partners and contractors is:

- providing, increasing, maintaining and preserving home ownership, especially for underserved and unserved populations, by insuring mortgages and loans used for the acquisition, rehabilitation or improvement of existing homes;
- preserving home ownership for elderly Americans through the insurance of "reverse" mortgages that allow elderly homeowners to remain in their homes by converting the equity in their homes to a stream of income;
- encouraging the development of affordable rental housing by insuring mortgages on both new and existing apartment buildings;
- implementing Multifamily Accelerated Processing (MAP), new procedures for processing applications for HUD multifamily mortgage insurance more efficiently, with the support of qualified mortgage lenders;
- implementing the Development Application Processing (DAP), an automated underwriting system to support the processing and tracking of applications for HUD multifamily mortgage insurance, for use both by HUD staff and qualified mortgage lenders;
- supporting the provision of community-based health care and economic development by insuring mortgages on hospitals and other health-care facilities, such as nursing homes and assisted living facilities;
- reengineering the portfolio of project-based Section 8 assistance so that FHA losses will be minimized and all projects will be financially viable with market-rate rents;
- developing underwriting standards, making actuarial determinations, and establishing fees and premiums for mortgage insurance for homes and projects and other financial and related assistance authorized by the National Housing Act;
- collecting FHA mortgage insurance premiums, processing and accounting for premiums, refunds to lenders/homeowners and insurance claims, providing financial/accounting services for assigned loans, HUD-insured/ HUD-held mortgages/notes, real property acquisitions/dispositions and note sales for Single Family/Multifamily/Title I insured programs;
- managing FHA financial assets through loan sales, debt restructuring and other loss mitigation initiatives;
- performing property disposition activities which include supervision of contractors, management of the property inventory and sale of properties;
- providing debt management and collection services to recover debts owed to the Federal Government arising from FHA insurance programs, loan programs, and other HUD programs;
- performing preapplication and other review activities through to construction completion, execution and closing of contracts and mortgages;
- participating in the analysis, review, and evaluation of HUD-insured and other multifamily projects during the construction and occupancy stages;
- reviewing and monitoring multifamily projects including analyzing operating statements, annual financial reports and inspecting the physical condition of projects to ensure that appropriate management activities are conducted as well as enforcing the terms and conditions of contracts between HUD and participants;
- reviewing and monitoring State agency administration of Federal housing programs;
- setting standards and providing oversight for servicing and managing the disposition of HUD-insured and HUD-held mortgages for Single Family and Multifamily insurance programs, negotiating forbearance agreements, and handling assignments of mortgages;
- developing and managing housing programs for the elderly and disabled;

Salaries and Expenses, Housing and Urban Development
Budget Activity 3: Housing Programs

- developing new instructions and issuances and revising existing issuances;
- managing contract renewals, opt-outs and replacement subsidies for expiring Section 8 project-based subsidy contracts;
- directing special initiatives such as Neighborhood Networks and the Safe Neighborhood Action Program (SNAP), which require coordination with owners, managers, residents, community groups, local businesses and providers of social and educational services;
- providing programmatic regulation of the mortgage finance activities of Government Service Enterprises (GSE) by establishing, monitoring and enforcing housing goals, approving new programs, establishing additional fair lending requirements, and expanding awareness of the GSE's mortgage purchase activities;
- monitoring and reviewing the performance of mortgage lenders and other program participants for compliance with Federal housing program requirements under the National Housing Act, including approving lenders for participation;
- endorsing mortgages which have been processed by approved FHA Title II lenders for Single Family;
- performing policy and program support for FHA Title I, including interpretation of regulations, answering questions from lenders, and addressing consumer complaints and concerns;
- administering grants made to non-profit agencies, including paying grantees and reviewing supporting documentation;
- certifying or recertifying housing counseling agencies;
- developing and enforcing the Manufactured Home Construction and Safety Standards which require extensive coordination with State agencies, industry and consumer groups to regulate over one-third of the total U.S. Single Family housing production;
- examining registration statements and other required material from developers of subdivisions involved in interstate commerce to determine their formal and legal adequacy and issuing exemption orders and advisory opinions under the Interstate Land Sales Registration Act;
- protecting consumers of real estate settlement services by requiring disclosures of settlement costs;
- performing reviews of single family case files to ensure compliance with laws and regulations;
- providing technical support to HUD counterparts, non-profits and State and local governmental entities;
- developing and implementing the FHA Technology Open To All Lenders (TOTAL) Scorecard Program, a scorecard deployed for use through approved automated underwriting systems, which provides a convenient, fast and low cost service to both lenders and borrowers; and
- reengineering the data flow and lender's work processes to maximize the use of Internet technology.

STAFF FUNCTIONS

1. HEADQUARTERS STAFF FUNCTIONS

Headquarters staff have the responsibility for performing the following principal functions:

- developing, revising and evaluating program and policy recommendations for Housing programs;
- directing and coordinating the administration of Housing programs and providing technical assistance and procedural guidance to the field staff;

Salaries and Expenses, Housing and Urban Development
Budget Activity 3: Housing Programs

- monitoring, reviewing, and evaluating field program operations and reviewing administrative practices of local agencies to ensure that programs are managed efficiently and that services and assistance are provided as intended;
- operating and evaluating national origination and asset disposition strategies;
- providing Credit Reform loan and loan guarantee cost estimates, GPRA performance measures, accounting services following GAAP and financial reporting to comply with requirements of laws and regulations pertaining to FHA programs, financial reporting, and financial audits;
- providing actuarial and debt management support for FHA programs to ensure the fiscal health of these funds;
- providing human resources, procurement, communications and outreach, training and other administrative support for Housing programs;
- administering regulatory functions of the Department as required; and
- providing budget formulation and execution support for Housing programs and Salaries and Expenses to ensure proper fiscal control and effective resource management.

2. FIELD STAFF FUNCTIONS

a. PRODUCTION

(1) Single Family

- working in partnership with lenders, home builders, real estate brokers, State and local governments, non-profits and other members of the residential mortgage market to expand and maintain affordable homeownership opportunities by insuring mortgages on existing and new one-to-four family homes; and
- insuring, monitoring and reviewing the mortgages originated and underwritten by approved lenders and performing marketing and outreach activities associated with loan production.

(2) Multifamily

- working directly with mortgage lending partners and reinsurers, sponsors, developers, state and local governments, and mortgagees in the preparation, review, and approval of applications for grants, and mortgage insurance; and
- processing the initial inquiry about obtaining program assistance and continuing through the review and approval of applications, the execution of assistance contracts, the inspection and completion of construction, and the closing of loans and grants, execution of Project Rental Assistance contracts, issuance of FHA commitments and endorsements of mortgage insurance.

b. ASSET MANAGEMENT and REAL ESTATE OWNED

(1) Single Family

- preserving the quality and financial integrity of FHA-insured housing, including the disposition of Secretary-owned properties and mortgages;
- providing technical assistance to lenders on loss-mitigation techniques and procedures;
- monitoring lenders' loss-mitigation performance;
- managing and monitoring contractors responsible for the servicing of Secretary-held mortgages;
- providing technical assistance to lenders on the servicing of FHA-insured mortgages;
- managing and disposing of HUD-owned properties, including the managing and monitoring of Management and Marketing (M&M) contractors and property/file review contractors; and

Salaries and Expenses, Housing and Urban Development
 Budget Activity 3: Housing Programs

- reviewing servicing mortgagees for compliance with FHA guidelines and statutory requirements.

(2) Multifamily

- working with residents, owners and communities to make every HUD assisted/insured property a better place to live and an asset to the surrounding neighborhood;
- preserving the housing quality and fiscal integrity of HUD assisted/subsidized/insured housing programs; and
- managing and servicing HUD-insured and HUD-held mortgages, including the disposition of HUD-held properties and mortgages, managing Housing's subsidized programs, and managing the Direct Loan and grants portfolios.

c. COMPROLLER/FINANCIAL OPERATIONS CENTER

- providing asset recovery services including debt management and collection of FHA assets;
- providing asset management services to Headquarters and the field including identifying causes of delinquency and debt, and recommending methods to improve debt management and increase collections; and
- providing servicing support for the Title I Program.

OTHER SERVICES

The principal Salaries and Expenses contract categories for the Office of Housing are: technical services, data and statistical services, and general support. The following table identifies the estimated costs in Housing for these Other Services categories and a description of the 2002 estimate:

	ACTUAL 2000	BUDGET ESTIMATE 2001	CURRENT ESTIMATE 2001	ESTIMATE 2002	INCREASE + DECREASE - 2002 vs 2001
(Dollars in Thousands)					
Technical Services	\$2,708	\$2,537	\$2,703	\$3,522	+\$819
Data and Statistical Services .	\$336	\$550	\$367	\$450	+\$83
General Support	\$206	\$180	\$190	\$230	+\$40
Total.....	\$3,250	\$3,267	\$3,260	\$4,202	+\$942

1. Technical Services.....\$3,522 Thousand

a. Home Mortgage Disclosure Act (HMDA) ADP Support Service (IAA with the Federal Reserve).....\$400 Thousand

HUD is required by Congress to collect HMDA data from all mortgage banking organizations not regulated by a Federal financial organization and provide data to the Federal Reserve Board (FRB). Associated FRB's costs are allocated back to Housing through the IAA. (Funding for 2001: \$339 thousand)

b. Non-Citizen Rule Implementation.....\$36 Thousand

This is a contract for gaining access to the Immigration and Naturalization Service database to implement the statutory requirement of determining the citizenship/resident status of persons receiving or applying for Housing assistance. (Funding for 2001: \$36 thousand)

c. Section 8 Project-Based Payment Process.....\$550 Thousand

This contract assists in the implementation of recommendations and monitoring procedures governing the timely payment of Section 8 Project-based Housing Assistance Payments (HAP) vouchers. (Funding for 2001: \$550 thousand)

d. Effectiveness of ECHO Demonstration.....\$0 Thousand

This contract would provide a broad-based survey of project-owners/manager and residents or focus groups to determine the feasibility of incorporating ECHO (Elders Cottage Housing Opportunity) units into the Section 202 Program. Specifically Congress has directed HUD to determine whether ECHO units are durable enough for continued use over the life of a capital advance (40 years). (Funding for 2001: \$350 thousand)

Salaries and Expenses, Housing and Urban Development
Budget Activity 3: Housing Programs

- e. Residential Relocation..... \$100 Thousand

When it is determined that resident families in Housing projects must be relocated, this contract furnishes them with relocation data as well as assistance/services to physically move them to new decent, safe, and sanitary housing that meets the requirements of any Section 8 certificate or voucher. (Funding for 2001: \$70 thousand)

- f. Investigative Services for RESPA/ILS \$250 Thousand

This contract would provide investigative services for the Real Estate Settlement Procedures Act (RESPA)/Interstate Land Sales (ILS) Division for complaints, asset searches and other practices in the field. (Funding for 2001: \$250 thousand)

- g. Regulation of Fannie Mae and Freddie Mac \$150 Thousand

This contract would provide financial services and mortgage market expertise to the Office of Government Sponsored Enterprises (GSE) as it relates to the Department's regulation of Fannie Mae and Freddie Mac (the GSEs) (Funding for 2001: \$150 thousand)

- h. Auditing of Fannie Mae and Freddie Mac \$215 Thousand

This contract would provide the Office of GSE Oversight with a program to independently verify the data reported by Fannie Mae and Freddie Mac in connection with their goal for affordable housing. (Funding for 2001: \$209 thousand)

- i. Technical Services for Asset Management..... \$563 Thousand

This contract would provide for the preparation of desk guides and revised handbooks for multifamily tasks needed by the Office of Asset Management (Funding for 2001: \$36 thousand)

- j. Technical and Advisory Services \$0 Thousand

This contract would provide the services of an expert in "occupancy" to analyze all existing information sources and to produce an updated version of the Housing occupancy handbook. (Funding for 2001: \$320 thousand)

- k. Help Desk Services..... \$366 Thousand

This contract would provide services to support the Help Desk and activities in the Office of Multifamily Housing for the Tenant Rental Assistance Certification System (TRACS), the Real Estate Management System (REMS), the Multifamily Mortgage Delinquency Default Reporting (MDDR) and the Multifamily Data Quality Information System (DQIS) (Funding for 2001: \$333 thousand)

- l. PATH Financial Advisor..... \$0 Thousand

This contract supports the implementation of the Federal Government's financial programs specifically assisting the Federal Home Loan Bank System, and FHA in supporting the Partnership for Advancing Technology in Housing (PATH) (Funding for 2001: \$24 thousand)

- m. Customer Satisfaction Survey Administration \$0 Thousand

This contract provides survey administrative support to the HUD Real Estate Assessment Center for the Customer Service and Satisfaction nationwide implementation process. (Funding for 2001: \$36 thousand)

- n. Transitional Professional Support \$320 Thousand

This contract would provide transitional professional support as Housing assumes the multifamily mortgage restructuring activities previously performed by OMHAR. This transitional support would consist of quality control analysts and other professionals. (Funding for 2001: See OMHAR Budget Justification)

- o. Contract Administration and Disposition \$362 Thousand

This contract would provide for the performance of organizational sunset and post-sunset activities needed to ensure the orderly termination of OMHAR and transition of OMHAR functions to Housing. It would also provide for the close-out of Outreach and Training Assistance Grants (OTAG) and Intermediary Technical Assistance Grants (ITAG). (Funding for 2001: See OMHAR Budget Justification)

- p. Annual Financial and Performance Support \$100 Thousand

This contract would provide for an internal audit of the implementation of multifamily mortgage restructuring activities both in headquarters and the field. (Funding for 2001: See OMHAR Budget Justification)

Salaries and Expenses, Housing and Urban Development
 Budget Activity 3: Housing Programs

q. Technology Integration, Technical Assistance and Other Support\$100 Thousand

This contract would provide technical assistance in the development of strategies that integrate technology into multifamily mortgage restructuring implementation. (Funding for 2001: See OMHAR Budget Justification)

r. Document Retention System \$10 Thousand

This contract would provide support both for the development of a document retention storage policy for the program, legal and other business documents related to restructured multifamily mortgages and for the creation and management of a storage system to implement that policy. (Funding for 2001: See OMHAR Budget Justification)

2. Data and Statistical Services.....\$450 Thousand

a. Home Mortgage Disclosure Act (HMDA) Data Survey..... \$450 Thousand

This contract provides support for conducting a survey of all unregulated mortgage companies and lenders doing business under FHA programs. This work is Congressionally mandated with prescribed deadlines. (Funding for 2001: \$367 thousand)

3. General Support.....\$230 Thousand

a. General Support.....\$230 Thousand

This item contains the funding requirement for non-contract Other Services such as court reporting, sign language services, satellite broadcasts, production and dissemination of video programs to provide programmatic guidance to Housing staff and clients, advertisements in national publications to fill critical Housing positions, and participation in professional organizations. (Funding for 2001: \$190 thousand)

TRAVEL

The table below identifies travel requirements for the Office of Housing:

	ACTUAL 2000	BUDGET ESTIMATE 2001	CURRENT ESTIMATE 2001	ESTIMATE 2002	INCREASE + DECREASE - 2002 vs 2001
	(Dollars in Thousands)				
Travel (HQ)	\$1,713	\$1,000	\$1,617	\$1,937	+\$320
Travel (Field)	\$2,205	\$3,568	\$2,366	\$2,526	+\$160
Total.....	\$3,918	\$4,568	\$3,983	\$4,463	+\$480

For fiscal year 2002, the funding required for Travel to implement FHA and other Housing programs is estimated to be \$4,463,000. This level of funding represents an increase of \$480,000 over the current estimate for fiscal year 2001. The increase is due entirely to the transfer of the functions currently being performed by OMHAR to Housing following the sunset of the authority for OMHAR at the end of fiscal year 2001.