

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HOUSING

FHA--MUTUAL MORTGAGE & COOPERATIVE MANAGEMENT HOUSING INSURANCE

PROGRAM PERFORMANCE

STRATEGIC GOAL/OBJECTIVE	ACTUAL 2002	ESTIMATE 2003	ESTIMATE 2004
Strategic Goal C: Strengthen communities.			
Discretionary BA (Dollars in Thousands)	\$500	\$797	\$821
FTE			
Headquarters	1	2	2
Field	0	0	0
Subtotal	1	2	2
S&E Cost (Dollars in Thousands)			
Personal Services	\$92	\$189	\$194
Travel	0	0	0
Rent, Communications & Utilities	0	0	0
Printing	1	2	2
Other Services	179	226	239
Supplies	0	1	1
Furniture & Equipment	0	0	0
Claims & Indemnities	0	0	0
Subtotal	272	418	436
Strategic Objective C.2: Help organizations access the resources they need to make their communities more livable.			
Indicator: Endorse FHA single family mortgages in underserved communities. Tracking indicator.	491,592	421,000	390,000

EXPLANATION OF PERFORMANCE

Performance/Means and Strategies

Funding in the amount of \$0.8 million in program dollars and \$0.4 million in S&E for a total of \$1.3 million in fiscal year 2004 directly supports Strategic Goal C: Strengthen communities.

MMI/CMHI Funds. The Mutual Mortgage Insurance Fund consists of the basic single family home mortgage program (Section 203(b)), the largest of all the FHA programs.

The Section 203(b) program, enacted in the National Housing Act of 1934, provides mortgage insurance for one- to four-family residences. This program has contributed to expanding the opportunities for homeownership in the United States and will continue to meet the needs of first-time homebuyers, working families, and minority families, as well as underserved communities, especially central city and rural areas. Under the 203(b) program, any person able to meet the cash investment, mortgage payments and credit requirements may obtain an FHA-insured loan from a private lending institution to purchase a home. Since its inception through

September 30, 2002, the MMI Fund has insured approximately \$1.3 trillion in mortgages for about 20 million families.

Credit Limitation. The Budget requests \$185 billion as limitation on new insurance commitments for fiscal year 2004. This limitation includes standby commitments to avoid the need for supplemental appropriations if the demand for insurance should exceed the projected level; but standby commitments are not reflected in the estimates for net outlays and receipts.

Aside from the regular FHA insured loan programs, special programs are aimed at increasing homeownership and neighborhood stability, including sale of HUD properties to homebuyers in general, and sales to specific groups, such as public safety officers and teachers. Under the Officer-Next-Door (OND) and the Teacher-Next-Door (TND) programs, qualified personnel in these professions who will become first-time homebuyers are able to buy FHA properties in designated revitalization areas for a 50 percent discount off the appraised price, if they agree to reside in the property for at least 3 years. Through fiscal year 2002, the OND program has sold 5,000 FHA-held homes in its 6-year existence, while the TND program has sold 2,000 in its 3-year life. Revitalization areas are generally in center cities, so these programs will assist in increasing homeownership there. In addition to assisting homeownership for public service professionals who are not munificently remunerated, the OND and TND programs help stabilize marginal neighborhoods, and provide valuable role models to youths.

Other programs dealing with sale of HUD held properties are not specifically aimed at revitalization areas, but have a higher impact in center cities than in more prosperous locations. Under the Dollar Homes program, single family homes that are acquired in foreclosure actions by the FHA are eligible for sale to local governments around the nation for \$1 each whenever FHA is unable to sell the homes after 6 months on the market. The Dollar Homes program makes it possible for communities to fix up the homes and put them to good use at a considerable savings. The newly occupied homes can then act as catalysts for neighborhood revitalization, attracting new residents and businesses to an area.

FHA loans are highly attractive to lower income and minority groups, and thus assist in stabilizing economically marginal communities. Many of the FHA actions discussed under other goals, such as prevention of predatory lending, such as "flipping," disclosure of defects found at appraisal, Officer- and Teacher-Next-Door programs, Dollar Sales, and sales to non-profits, also assist in economic and social stabilization and development. Since its beginning, FHA has been one of the major engines of homeownership in the United States. For many families, especially those of moderate- and lower-income, their homes are their most valuable assets. Homeowners are also more likely to stay longer in their communities and to be active in community improvement. Thus, by providing a means for home purchase for many who would otherwise be unable to do so, or who would have to wait for some years, FHA is supporting community and economic development.

Resource Management Information

FTE applied to this goal are expected to remain constant from 2003 and 2004.