DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

FEDERAL HOUSING ADMINISTRATION

GENERAL AND SPECIAL RISK INSURANCE ACCOUNT

PROGRAM PERFORMANCE

STRATEGIC GOAL/OBJECTIVE	ACTUAL 2002	ESTIMATE 2003	ESTIMATE 2004
Strategic Goal FC: Promote participation of faith-based and community organizations.			
Discretionary BA (Dollars in Thousands)	$249	$361	$978
FTE			
Headquarters	1	1	1
Field	0	0	2
Subtotal	1	1	3
S&E Cost (Dollars in Thousands)			
Personal Services	$92	$94	$267
Travel	0	0	3
Transportation of Things	0	0	0
Rent, Communications & Utilities	0	0	0
Printing	1	1	1
Other Services	1	0	0
Supplies	0	0	0
Furniture & Equipment	0	0	0
Subtotal	94	95	271

EXPLANATION OF PERFORMANCE

Performance/Means and Strategies

Funding in the amount of $978 thousand in program funding and $271 thousand in Salaries and Expenses for a total of $1.2 million to support Strategic Goal FC: Promote participation of faith-based and community organizations.

GI/SRI Insurance Programs. The Department will continue to offer a range of alternative loan guarantee programs to address specialized mortgage financing needs. These products include mortgage insurance for rehabilitating, developing, and refinancing of apartment buildings, nursing home facilities, nonprofit hospitals and Title I loans. The Department's insurance programs will continue to meet the Nation's need for decent, safe and affordable housing.

Hospital Programs. The Department will continue the Section 242 Program, which provides mortgage insurance for loans made for the construction; renovation and/or equipping of acute care hospitals. Since the program began in 1968, FHA has insured 317 hospital mortgages totaling more than $9.5 billion. The Hospital Mortgage Insurance Program also includes: Section 241 supplemental loans; Section 223(a)(7) loans for refinancing existing insured projects; and Section 223(e) loans for hospitals in older, economically declining urban areas. The Hospital Mortgage Insurance Program is administered by HUD Headquarters, with support from staff at the U.S. Department of Health and Human Services.

Multifamily Credit Subsidy Rates. The Department continuously devotes significant efforts in updating and refining credit subsidy estimates. The credit subsidy estimates were developed after extensive consultation with OMB by FHA and reflect substantial additional analysis by the Department. Each year the extensive statistical base, from which projections of future loan performance is calculated, is updated for an additional year of actual data. The Department and the Office of Management and Budget (OMB) continue to examine the data, assumptions, and calculations, which are used to estimate loan program cash flows and subsidy rates in order to eliminate errors, and to seek improvements in the accuracy and reliability of the analysis.

The multifamily credit subsidy rates used in previous years reflected historic performance data for similar loans made over the past 40 years. Concerns were raised over the accuracy of these assumptions based on historical data in light of recent improvements in underwriting, program monitoring, and asset management, as well as unprecedented changes in tax law in the 1980's adversely affecting the performance of loans in the FHA portfolio at that time.

In the fiscal year 2003 Budget, the Department and OMB agreed to change the methodology used to calculate new construction conditional claim and prepayment rates for credit subsidy rate estimates through the application of new econometric analyses applied to loan level data. For the fiscal year 2004 Budget, updated loan performance data combined with the improvement of the recovery lag calculations in the cash flow model itself yield a break-even premium at 50 basis points for the section 221(d)(4) program that serves as the primary apartment development program of FHA. This is a 7 basis point reduction in the premium in effect for the current fiscal year. In addition, FHA will reduce the premium for section 207 manufactured home parks and Section 220 development loans to 50 basis points, which is an 11 basis point reduction. This is also a break-even premium rate for this risk category requiring no appropriated credit subsidy. Positive credit subsidy continues to be required for the section 221(d)(3), 223(d) and 241(a) loan programs so no reduction in the applicable 80 basis point insurance premium is proposed.

Resource Management Information

Discretionary BA is expected to increase substantially in fiscal year 2004 from fiscal year 2003. The priority on efforts to promote participation of faith-based and community organizations are increasing FTE and S&E costs.