

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 FH: Ensure equal opportunity in housing.			
Discretionary BA (Dollars in Thousands)	\$2,532	\$2,391	\$2,462
FTE			
Headquarters	5	6	6
Field	0	0	0
Subtotal	5	6	6
S&E Cost (Dollars in Thousands)			
Personal Services	\$459	\$567	\$582
Travel	8	7	7
Rent, Communications & Utilities	0	0	0
Printing	3	5	5
Other Services	3	2	2
Supplies	2	2	2
Furniture & Equipment	0	0	0
Claims & Indemnities	0	0	0
Subtotal	475	583	598

EXPLANATION OF PERFORMANCE

Performance/Means and Strategies

Funding in the amount of \$2.5 million in program funding and \$0.6 million in Salaries and Expenses for a total of \$3.1 million in fiscal year 2004 directly supports Strategic Goal FH: Ensure equal opportunity in housing.

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. The expansion of housing opportunities helps advance goals of fighting both discrimination and segregation. Appropriate performance measurement is under review. 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

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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.

FHA is, and has been, an important player in improving homeownership, especially for minority and low-income populations, and for first time homebuyers. A variety of FHA programs allows many homebuyers to find a program to suit their needs; the Mutual Mortgage Insurance Fund's 203(b) is the largest FHA program, providing insurance for loans to about 1 million homebuyers a year for the past several years.

Three scorecards, developed within the mortgage industry, are currently approved for use on FHA mortgages. These scorecards will be replaced by one developed by FHA for use specifically to assess the credit worthiness of FHA borrowers based on objective and consistent criteria statistically proven to predict the likelihood of borrower default. Unlike the present scorecards, borrowers are not rejected solely on the basis of the scorecard, but lenders are required to help applicants by referring them to homeownership counseling sessions for borrower information. Use of the FHA scorecard is expected to: (1) improve Fund performance by weeding out applicants that are unlikely to be able to sustain homeownership, (2) reduce racial and ethnic discrimination by using proven indicators to flag high risk borrowers, and (3) increase homeownership by informing high risk borrowers what is needed to lower their risk factors through homeownership counseling or other information.

Resource Management Information

Discretionary BA is expected to remain about the same for 2004 as in 2003, based on the MMI program account holding steady between 2003 and 2004. FTE and S&E costs are expected to remain relatively stable, with allowance for pay increases.