HOUSING
PROJECT-BASED RENTAL ASSISTANCE
2009 Summary Statement and Initiatives
(Dollars in Thousands)

PROJECT-BASED RENTAL ASSISTANCE	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2007 Appropriation	$5,976,417	$391,203[a]	...	$6,367,620[b]	$5,983,653[b]	$5,706,428
2008 Appropriation/Request	6,381,810	383,968	...	6,765,778[c]	6,765,778[c]	6,326,000
2009 Request	7,000,000[d]	...	...	7,000,000[e]	7,000,000[e]	6,481,000
Program Improvements/Offsets	+618,190	-383,968	...	+234,222	+234,222	+155,000

a/ Includes $202 million recaptured during fiscal year 2007.
b/ Includes $1.386 million transferred and obligated in the Working Capital Fund.
c/ Includes $3.960 million transferred and obligated in the Working Capital Fund.
d/ The fiscal year 2009 request also includes an advance fiscal year 2010 appropriation of $400 million to be available on October 1, 2009. The request totals $7.4 billion for fiscal year 2009 and the initial part of fiscal year 2010.
e/ Includes $5 million transferred and obligated in the Working Capital Fund.

Summary Statement

Project-Based Rental Assistance (PBRA) assists more than 1.3 million low- and very low-income households in obtaining decent, safe, and sanitary housing in private accommodations. This critical program serves families, elderly households, disabled households, and provides transitional housing for the homeless. Through PBRA funding, the Department renews Section 8 project-based assistance contracts with owners of multifamily rental housing. The Department makes up the difference between what a household can afford and the approved rent for an adequate housing unit in a multifamily development. Without this assistance, most of the people served by this program would face unsafe housing, over crowded housing, or homelessness.

The Department is requesting a total of $7,000 million to meet PBRA program needs in fiscal year 2009. The request includes $6,763 million to cover fiscal year 2009 contract renewal needs. This budget also proposes a $400 million advance appropriation to be available in fiscal year 2010 in order to meet anticipated funding needs on October 1, 2009. The advance will help the Department address funding difficulties associated with the change in fiscal years, and should improve payment timeliness. Furthermore, this request includes $232 million for contract administrators and $5.0 million for Housing’s project-based rental assistance working capital requirements. Similar to the President’s 2008 budget, this request assumes that recaptures will be available to supplement program funding in fiscal year 2009 as may be necessary.

During 2007, the Department employed an outside contractor to conduct a clean-up and analysis of all of Housing’s project-based rental assistance contracts. These contracts represent the vast majority of this program’s expenses--$6,536 million in fiscal year 2009. As a result of this analysis, the Department is confident this request will be sufficient to incrementally fund all program contract renewals through fiscal year 2009 and into the first 2 months of fiscal year 2010. Moreover, the improved contract data will help the Department project future program needs by providing verified data for contract funding dates, renewal dates, and monthly costs. The Department plans to maintain and update this data in order to keep it up-to-date. To further strengthen the management and operation of this program, this budget requests a minimum of $5.0 million for development of improved information technology systems. These funds will support, among other projects, the ongoing development requirements needed to keep this contractor data up-to-date and monitor and control the Project-Based inventory.

HOUSING
PROJECT-BASED RENTAL ASSISTANCE
Summary of Resources by Program
(Dollars in Thousands)

Budget Activity	2007 Budget Authority	2006 Carryover Into 2007	2007 Total Resources	2007 Obligations	2008 Budget Authority/ Request	2007 Carryover Into 2008	2008 Total Resources	2009 Request
Contract Renewals	$5,829,303	$387,627	$6,216,930	$5,832,963	$6,139,122	$383,968	$6,523,090	$6,763,000
Contract Administrators	145,728	3,576	149,304	149,304	238,728	...	238,728	232,000
Working Capital Fund (transfer)	1,386	...	1,386	1,386	3,960	...	3,960	5,000
Section 8 Amendments ..	...	...	...	...	...	...	...	...
Total	5,976,417	391,203	6,367,620	5,983,653	6,381,810	383,968	6,765,778	7,000,000

NOTE: The 2007 Carryover into 2008 of $384 million includes $182 million of carryover unobligated funds plus $202 million of recaptures in fiscal year 2007.

FTE	2007 Actual	2008 Estimate	2009 Estimate
Headquarters	56	73	70
Field	341	367	367
Total	397	440	437

HOUSING
PROJECT-BASED RENTAL ASSISTANCE
Program Offsets
(Dollars in Thousands)

Contract Renewals	**Amount**
2007 Appropriation	$5,829,303
2008 Appropriation/Request	6,139,122
2009 Request	6,763,000
Program Improvements/Offsets	+623,878

Proposed Actions

The contract renewals set-aside provides funding for the Department to renew expiring PBRA lease contracts. These funds are necessary to keep the nearly 1.3 million families assisted by this program in safe, sanitary, and affordable housing. For fiscal year 2009, the Department requests $6,763 million for contract renewals. This amount is for PIH Mod Rehab contract renewals, CPD Single Room Occupancy contract renewals, and Housing Project-Based Section 8 contract renewals.

This request is anticipated to be sufficient to accommodate all payment requirements through the end of fiscal year 2009. In addition, $400 million of advance fiscal year 2010 appropriations is requested in order to meet October 1, 2009 payment requirements. The new advance appropriation comports with the Administration's policies on advance appropriations. It is fully offset by reductions in other advance appropriations accounts. Fifty percent, $200 million, of the advance is taken from a reduction in HUD's Tenant-based advance appropriation. The other $200 million is taken from a non-HUD account.

HOUSING
PROJECT-BASED RENTAL ASSISTANCE
Program Offsets
(Dollars in Thousands)

Contract Administrators	**Amount**
2007 Appropriation	$145,728
2008 Appropriation/Request	238,728
2009 Request	232,000
Program Improvements/Offsets	-6,728

Proposed Actions

The Contract Administrators set-aside is necessary to fund the vast majority of the administration of the PBRA program. Through this set-aside, the Department funds contracts with performance-based contract administrators (PBCAs). These entities, which are typically Public Housing Authorities or state housing finance agencies, are responsible for conducting on-site management reviews of assisted properties; adjusting contract rents; reviewing, processing, and paying monthly vouchers submitted by owners; renewing contracts with property owners; and responding to health and safety issues at properties.

The Department requests up to $232 million for Contract Administrators. This request, together with use of recaptured authority as may be necessary, is anticipated to be sufficient to maintain the level of contract administrator services in fiscal year 2009 as is currently provided. Previous budgets have assumed that a portion of these costs would be funded from carryover funds. However, over the past few years, more and more PBCAs have taken over administration of the Housing's Section 8 project-based rental units. There are no carryover funds remaining coming into fiscal year 2008 and no carryovers are anticipated to be available in fiscal year 2009. As of July 1, 2007, nearly all of Housing's renewing units were under contract with a PBCA. PBCAs now help the Department administer an estimated 16,813 Project-Based Section 8 Contracts serving 1,086,612 households. It is anticipated that during fiscal year 2009 a total of 17,370 contracts and 1,128,485 households will be placed under PBCA administration.

The implementation of PBCAs for project-based Section 8 contract administration are a vital tool in the Department's efforts to transform and improve program administration and monitoring. In particular, the Department uses PBCAs to: (1) reduce payment errors; (2) improve the physical condition of units; (3) meet the objectives of the President's Management Agenda (PMA); and (4) ensure timely payment of rents to property owners. In conjunction with the Department's Rental Housing Integrity Improvement Project (RHIIP), PBCAs have helped make HUD a leader amongst Federal agencies in reducing improper payments. Because PBCAs are required to perform extensive annual reviews of properties' operations, including reviewing owners' rent subsidy calculations; they help the Department ensure that the right benefits are going to the right people. Finally, PBCAs help ensure the timely payment of housing assistance to property owners. A Government Accountability Office (GAO) report from November 2005,(GAO-06-57) found that contracts administered by PBCAs had the lowest percentage of late payments when compared to other types of contract administration.

HOUSING
PROJECT-BASED RENTAL ASSISTANCE
Program Offsets
(Dollars in Thousands)

Working Capital Fund (transfer)	**Amount**
2007 Appropriation	$1,386
2008 Appropriation/Request	3,960
2009 Request	5,000
Program Improvements/Offsets	+1,040

Proposed Actions

The Department requests $5.0 million for the PBRA Working Capital Fund transfer in fiscal year 2009. This request will pay for development of, and modifications to, the technology systems required by this account. Past appropriations, such as $1.4 million allocated in 2007, have been insufficient and have led to slow and inadequate systems development.

Many of the problems that have plagued this program in the past (such as late payments, improper payments and inaccurate contract data) may be prevented with new and improved systems. Moreover, a report issued by the GAO in November 2005 (GAO-06-57), highlighted the need for better processes in administering this program. HUD plans to use this request to address GAO's concerns and improve this program.

With the full $5 million request, HUD will be able to:

- Start development of a system that will keep real-time contract data--eliminating the need for paper contracts, and reducing the potential of discrepancies in contract data.
- Maintain and improve its system for contract disbursements--helping to ensure property owners are paid on a timely basis.
- Improve the ability to forecast short-term and long-term program funding needs.
- Reduce improper payments though improved verification of tenant income statements.

These improvements will help HUD increase the efficiency and effectiveness of future program appropriations. However, it is critical that HUD receive this full $5 million request in 2009, so that these important systems may be put into place as soon as possible.

HOUSING
PROJECT-BASED RENTAL ASSISTANCE
Program Offsets
(Dollars in Thousands)

Section 8 Amendments	**Amount**
2007 Appropriation	...
2008 Appropriation/Request	...
2009 Request	...
Program Improvements/Offsets	...

Proposed Actions

The need for Section 8 Amendment funds results from insufficient funds provided for long-term project-based contracts funded primarily in the 1970's and 1980's. During those years, the Department provided contracts that were for terms of up to 40 years. Estimating funding needs over such a long period of time proved to be problematic, and, as a result, many of these Section 8 contracts were inadequately funded. The current practice of renewing expiring contracts for a 1-year term helps to ensure that the problem of inadequately funded contracts is not repeated. However, older long-term contracts that have not reached their termination dates and have not entered the 1-year renewal cycle must be provided amendment funds for the projects to remain financially viable and thus maintain the inventory of affordable rental housing. HUD estimates annual Amendment requirements will be met through recaptures.

HOUSING
PROJECT-BASED RENTAL ASSISTANCE
Performance Measurement Table

Program Name: **PROJECT-BASED RENTAL ASSISTANCE**

Program Mission: Project-Based Rental Assistance is the Federal government's primary program to assist families in meeting their housing needs through publicly subsidized multifamily housing units.

Performance Indicators	**Data Sources**	**Performance Report**		**Performance Plan**	
		2007 Plan	2007 Actual	2008 Plan	2009 Plan
The share of assisted and insured privately owned multifamily properties that meet HUD established physical standards are maintained at no less than 95 percent.	REAC Physical Assessment Subsystem	Maintained at no less than 95 percent	93.8%	Maintained at no less than 95%	Maintained at no less than 95%
For households living in assisted and insured privately owned multifamily properties, the share of properties that meets HUD's financial management compliance is maintained at no less than 98 percent.	PIH/REAC	Maintained at no less than 98 percent	99%	Maintained at no less than 98%	Maintained at no less than 98%
Reduce the average number of observed exigent deficiencies per property for substandard Multifamily Housing properties by 5 percent.	REAC Physical Assessment Subsystem	Reduce by 10% from fiscal year 2006.	58% reduction (7.60 to 3.20)	Reduce by 5% (3.20 to 3.04)	Reduce by 5% (from 2008 level)
The share of units that have functioning smoke detectors and are in buildings with functioning smoke detectors will be 92.8 percent or greater for public and multifamily housing.	REAC Physical Assessment Subsystem	Maintain 92.8% or greater	93.5%	92.8% or greater	92.8% or greater
The rate of program errors and improper payments in HUD's rental housing assistance programs will continue to be reduced.	PD&R	Improper payments no more than 5% of total payments	5.5%	Improper payments will be no more than 5.3% of total payments	Improper payments will be no more than 4.5% of total payments

Explanations of Indicators

Indicators: The share of assisted and insured privately owned multifamily properties that meet HUD established physical standards are maintained at no less than 95 percent.

Improving the performance of housing intermediaries in meeting HUD's physical standards for public and multifamily housing is a high priority for this administration and was, therefore, included in the President's Management Agenda (PMA). Private owners of HUD-assisted multifamily housing have a contractual obligation to meet these physical standards, or comply with local codes if they are more stringent.

The Department plans to at least maintain the fiscal years 2007 and 2008 goal into fiscal year 2009. This performance goal builds on recent successes and exceeds the benchmark established in the PMA. This is a very high performance rate and reflects the important outcome goal of providing healthy, quality, and safe housing for HUD's multifamily inventory.

The Department has several current tools and is developing others to improve the physical quality of public and assisted housing. HUD plans to:

- Continue to monitor privately assisted multifamily housing through Section 8 contract administrators who perform management and occupancy reviews, and through physical inspections on 100 percent of their portfolios.
- Use the Mark-to-Market program to ensure that management of HUD-assisted, privately owned housing meets its operating obligations, resulting in ongoing maintenance of proper physical standards at these properties.
- Use data from the Department's Real Estate Assessment Center on the financial soundness of providers of assisted multifamily housing, physical quality of stock, and satisfaction of the residents. Multifamily Housing may refer property owners to the Departmental Enforcement Center for enforcement action or sanctions.

The Department missed this goal for fiscal year 2007. This can be attributed to new inspection policies that will improve the physical condition of multifamily properties going forward. The multifamily program is now on a "3-2-1" inspection schedule, so that the higher performing properties are not re-inspected every year like troubled properties. Thus, in fiscal year 2007, the re-inspection of troubled properties brought down the overall average. In the long-run, we expect this policy will significantly reduce the number of troubled properties, and will improve the overall physical condition of multifamily properties.

Indicator: For households living in assisted and insured privately owned multifamily properties, the share of properties that meets HUD's financial management compliance is maintained at no less than 98 percent.

The Department's Real Estate Assessment Center is evaluating the financial management of both public housing agencies and privately owned multifamily properties based on generally accepted accounting principles. The Real Estate Assessment Center performs Quality Assurance Reviews of the audited financial statements of multifamily property owners submitted by Independent Public Accountants. The Quality Assurance Reviews provide assurance that the audited statements are accurate and reliable and that audits are conducted in accordance with government and professional standards. Multifamily project managers in the field offices are responsible for resolving all compliance issues or findings identified by the Real Estate Assessment Center. In addition, owners not submitting their audited financial statements in a timely manner are referred to the Departmental Enforcement Center.

The fiscal year 2009 goal is to maintain high compliance and successful resolutions so that at least 98 percent of the properties submitting audited financial statement either have no compliance issues or audit findings or have such issues or findings closed (resolved) by September 30, 2009.

Indicator: Reduce the average number of observed exigent deficiencies per property for substandard Multifamily Housing properties by 5 percent.

Improving the physical quality of HUD-assisted privately owned Multifamily housing is a major outcome goal for the Department, and is included as a priority in the PMA. Therefore, the Department's Real Estate Assessment Center conducts physical inspections that identify exigent health and safety or fire safety deficiencies on HUD involved properties. Exigent health and safety hazards include but are not limited to: (1) air quality, gas leaks; (2) electrical hazards, exposed wires/open panels; (3) water leaks on or near electrical equipment; (4) emergency/fire exits/blocked/unusable fire escapes; (5) blocked egress/ladders; and (6) carbon monoxide hazards. Fire safety hazards include: (1) window security bars preventing egress; and (2) fire extinguishers expired. This indicator measures the reductions in exigent health and safety or fire safety deficiencies nationwide as HUD applies its physical inspection protocol, Uniform Property Condition Standards, to substandard properties. The use of physical inspections by the Real Estate Assessment Center has led to a general reduction in exigent health and safety hazards even with an aging portfolio and high occupancy rates. The Office of Multifamily Housing's project managers in the field require owners to certify the correction of such deficiencies within 72 hours. This indicator is based on identification of such conditions when inspected.

From fiscal year 2001 to fiscal year 2006, the average number of exigent health and safety or fire safety deficiencies observed per property was reduced from 1.81 to 1.46 for multifamily housing. Due to scarce monitoring resources, however, the Department shifted and targeted its focus to the reduction of deficiencies at the worst properties in fiscal year 2007. In fiscal year 2007, an average of 3.2 deficiencies was cited for substandard properties exceeding the goal of 6.2 per property. The goal for fiscal year 2009 is to reduce the average defects per property for substandard properties, (with a Physical Assessment Subsystem score of less than 60) by 5 percent from the fiscal year 2008 actual.

Indicator: The share of units that have functioning smoke detectors and are in buildings with functioning smoke detectors will be 92.8 percent or greater for public and multifamily housing.

Protecting HUD assisted low-income renters from fire hazards is a crucial part of HUD's goal to improve the quality of public and assisted housing. The Real Estate Assessment Center's physical inspections of public and assisted housing include checks of fire safety features including the presence of operational smoke detectors in housing units, common areas, and utility areas of buildings.

The Department has been successful in meeting its goal to increase the share of units with functional smoke detection systems in assisted multifamily housing. Through the use of management tools that track the housing quality of assisted housing, such as inspections by the Real Estate Assessment Center, the Department will continue to work with its partners toward meeting this objective. The fiscal year 2009 goal is to continue to improve results.

Indicator: The rate of program errors and improper payments in HUD's rental housing assistance programs will continue to be reduced.

The rental housing assistance programs (public housing, Housing Choice Vouchers, and project based assistance programs) constitute HUD's largest appropriated activity, with over $27 billion in annual expenditures. There are three major sources of error in these complex programs:

- Program administrator error: the program administrator's failure to properly apply income exclusions and deductions and correctly determine income, rent, and subsidy levels;

- Tenant income reporting: the tenant beneficiary's failure to properly disclose all income sources; and

- Billing error: errors in the billing and payment of subsidies between third party program administrators and HUD. Billing errors are discrepancies between the proper subsidy level (based on the actual rent charges) and the amount that HUD is actually billed.

Project-Based Rental Assistance

The goal for the fiscal year 2007 reporting period (based on fiscal year 2006 data) was not met. The fiscal year 2006, goal was 5.0 percent, and the Improper Payments study completed in fiscal year 2007 shows that HUD's Improper Payments rate for fiscal year 2006 was 5.5 percent. This slight increase in erroneous payments, as a percentage of total program payments, was primarily due to increases in the level of tenant income reporting errors of approximately $26 million compared to the level in the prior study. This increase was primarily attributable to three factors below.

1) Revised Research Methodology. A revised research methodology was implemented in the fiscal year 2007 study. The revisions were recommended to take advantage of the capabilities of the Enterprise Income Verification System, and required third party verification of income in instances where an income source was evident in quarters adjacent to the quarter being reviewed. These revisions broadened the rules used to identify unreported sources of income in the database, thereby increasing the number of potential candidates with underreported income which required more third party verifications.

2) Increased Verification Response Rates. Employer response rates (i.e., third party verification rates) increased from the fiscal year 2006 study to the fiscal year 2007 study, which provided more complete information on which to determine and extrapolate unreported sources of income.

3) Enterprise Income Verification Implementation and Use. The implementation of this verification tool to HUD's Project-Based Owners was delayed until fiscal year 2008. Additionally, due to a need for training and a change in business models, HUD's PHAs did not fully incorporate the use of the Enterprise Income Verification system into their day-to-day operations during fiscal year 2006. HUD believes that the general downward trend in tenant income error will continue as the result of an improved methodology for reviewing income discrepancies identified through computer matching and third party verification to better determine actual cases of underreported income affecting subsidy levels. The reduction will also be facilitated by: technical assistance and training to minimize administrator errors; implementation of the Enterprise Income Verification system in multifamily housing; and approval of a proposed rule, which was published in fiscal year 2007 and which is planned for final implementation in late fiscal year 2008, that will mandate use of the Enterprise Income Verification system.

HUD revised the fiscal year 2007 goal based on the aforementioned change in research methodology, the increase in third party verification response rates, and the delay in the Enterprise Income Verification implementation for HUD's Project-Based/Owner Administered housing until fiscal year 2008. HUD believes that the goals for fiscal year 2007 and beyond are realistic and sustainable. Overall, HUD has reduced its baseline erroneous rental assistance payment estimates of $3.4 billion by over 55 percent since 2000. The goal for fiscal year 2009 is to reduce the actual improper payment rate of no more than 4.5 percent of total annual program payments.

HOUSING
PROJECT-BASED RENTAL ASSISTANCE
Proposed Appropriations Language

The fiscal year 2009 President's Budget includes proposed changes in the appropriations language listed and explained below. New language is italicized and underlined, and language proposed for deletion is bracketed.

(INCLUDING TRANSFER OF FUNDS)

For activities and assistance for the provision of project-based subsidy contracts under the United States Housing Act of 1937, as amended (42 U.S.C. 1437 et seq.) ("the Act"), not otherwise provided for, **[**$6,381,810,000**]** *$7,000,000,000*, to remain available until expended*, shall be available on October 1, 2008, and $400,000,000, to remain available until expended, shall be available on October 1, 2009:* *Provided, That* the amounts made available under this heading **[**are provided as follows:

(1) Up to $6,139,122,000**]***shall be available* for expiring or terminating section 8 project-based subsidy contracts (including section 8 moderate rehabilitation contracts), for amendments to section 8 project-based subsidy contracts (including section 8 moderate rehabilitation contracts), for contracts entered into pursuant to section 441 of the McKinney-Vento Homeless Assistance Act(42 U.S.C. 11401), for renewal of section 8 contracts for units in projects that are subject to approved plans of action under the Emergency Low Income Housing Preservation Act of 1987 or the Low-Income Housing Preservation and Resident Homeownership Act of 1990, and for administrative and other expenses associated with project-based activities and assistance funded under this paragraph**[**.

(2) Not less than $238,728,000 but not to exceed $286,230,000**]***: Provided further, That of the amount available under this heading for FY 2009, up to $232,000,000 shall be available* for performance-based contract administrators for section 8 project-based assistance: *Provided further*, That the Secretary of Housing and Urban Development may also use such amounts for performance-based contract administrators for *the administration of*: interest reduction payments pursuant to section 236(a) of the National Housing Act (12 U.S.C. 1715z-1(a)); rent supplement payments pursuant to section 101 of the Housing and Urban Development Act of 1965 (12 U.S.C. 1701s); section 236(f)(2) rental assistance payments (12 U.S.C. 1715z-1(f)(2)); project rental assistance contracts for the elderly under section 202(c)(2) of the Housing Act of 1959 (12 U.S.C. 1701q); project rental assistance contracts for supportive housing for persons with disabilities under section 811(d)(2) of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 8013(d)(2)); project assistance contracts pursuant to section 202(h) of the Housing Act of 1959 (Public Law 86-372; 73 Stat.667); and loans under section 202 of the Housing Act of 1959 (Public Law 86-372; 73 Stat. 667)**[**.

(3) Not to exceed $3,960,000 may**]***: Provided further, That of the amounts made available under this heading at least $5,000,000 shall, and up to $6,250,000 may* be transferred to the Working Capital Fund**[**.

(4) Amounts**]***: Provided further, That amounts* recaptured under this heading, the heading "Annual Contributions for Assisted Housing", or the heading "Housing Certificate Fund" may be used for renewals of or amendments to section 8 project-based contracts or for performance-based contract administrators, notwithstanding the purposes for which such amounts were appropriated.*(Department of Housing and Urban Development Appropriations Act, 2008)*

Explanation of Changes

These changes eliminate the paragraph numbering format in the appropriations language to allow for some flexibility to maximize the utilization of amounts appropriated. Also, the language provides for an advance fiscal year 2010 appropriation of $400,000,000 to be available on October 1, 2009.

HOUSING
PROJECT-BASED RENTAL ASSISTANCE
Crosswalk of 2007 Availability
(Dollars in Thousands)

Budget Activity	2007 Enacted	Supplemental/ Rescission	Approved Reprogrammings	Transfers	Carryover	Total 2007 Resources
Contract Renewals	$5,829,303	...	...	...	$387,627[a]	$6,216,930
Contract Administrators	145,728	...	...	...	3,576	149,304
Working Capital Fund (transfer)	1,386	...	...	...	...	1,386
Section 8 Amendments	...	...	...	...	...	...
Total	5,976,417	...	...	...	391,203	6,367,620

a/ Includes $202 million recaptured during fiscal year 2007.

HOUSING
PROJECT-BASED RENTAL ASSISTANCE
Crosswalk of 2008 Changes
(Dollars in Thousands)

Budget Activity	2008 President's Budget Request	Congressional Appropriations Action on 2008 Request	2008 Supplemental/ Rescission	Reprogrammings	Carryover	Total 2008 Resources
Contract Renewals	$5,522,810	$6,139,122	...	...	$383,968	$6,523,090
Contract Administrators	286,230	238,728	...	...	...	238,728
Working Capital Fund (transfer)	3,960	3,960	...	...	...	3,960
Section 8 Amendments	...	...	...	...	...	...
Total	5,813,000	6,381,810	...	...	383,968	6,765,778

Project-Based Rental Assistance
Program Activity

	Units	Per Unit Cost	Obligations
Fiscal Year 2007 Actual:			
Contract Administrators	N/A	N/A	$149,303,842
Working Capital Fund (transfer)	N/A	N/A	1,386,000
Contract Renewals			
CPD - Moderate Rehabilitation SRO	9,397	N/A	48,150,228
PIH - Moderate Rehabilitation	28,199	N/A	196,104,684
Housing - Project-Based Section 8	967,109 [a]	N/A	5,588,708,074 [b]
Subtotal, Contract Renewals	1,004,705		5,832,962,986
Total, fiscal year 2007 Project-Based Rental Assistance	1,004,705	N/A	5,983,652,828

a/ Represents estimated number of units that received renewal funding.
b/ Excludes $970 million obligated for this activity in the Housing Certificate Fund.
NA = Not Available.

	Units	Per Unit Cost	Budget Authority
Fiscal Year 2008 Enacted:			
Contract Administrators	N/A	N/A	$238,728,000
Working Capital Fund (transfer)	N/A	N/A	3,960,000
Contract Renewals	1,013,353 [a]	N/A	6,139,122,000
Total, fiscal year 2008 Project-Based Rental Assistance	1,013,353	N/A	6,381,810,000

a/ Represents all current units expected to require funding action in fiscal year 2008. Some of these units may be funded with Section 8 Amendment Funds. This estimate is subject to change with program opt-outs.
N/A = Not Available.

Project-Based Rental Assistance
Program Activity

	Units		Per Unit Cost	Budget Authority
Fiscal Year 2009 Request:				
Contract Administrators	N/A		N/A	$232,000,000
Working Capital Fund (transfer)	N/A		N/A	5,000,000
Contract Renewals	1,076,995	a		6,763,000,000
Total, fiscal year 2009 Project-Based Rental Assistance	1,076,995		N/A	7,000,000,000

a/ Represents all current units expected to require funding action in fiscal year 2009. Some of these units may be funded with Section 8 Amendment Funds. This estimate is subject to change with program opt-outs.

b/ An additional $400 million is requested as a advanced appropriation to become available in fiscal year 2010.

N/A = Not Available.

HOUSING
HOUSING FOR THE ELDERLY (SECTION 202)
2009 Summary Statement and Initiatives
(Dollars in Thousands)

HOUSING FOR THE ELDERLY (SECTION 202)	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2007 Appropriation	$734,580	$840,030	...	$1,574,610[a]	$750,264	$977,724
2008 Appropriation/Request	735,000	823,950[a]	...	1,558,950[a]	795,262	925,000
2009 Request	540,000	763,088[a]	...	1,303,088[a]	791,303	900,000
Program Improvements/Offsets	-195,000	-60,862	...	-255,862	-3,959	-25,000

a/ Appropriation/request includes Working Capital Fund non-expenditure transfer amounts of $396 thousand in fiscal year 2007, $600,000 in fiscal year 2008 and $1.6 million in fiscal year 2009. Amounts excluded from carryover, obligations and outlays but reflected in Working Capital fund account.

Summary Statement

An appropriation of $540 million is proposed for the Housing for the Elderly program for fiscal year 2009. This is a decrease of $195 million from the fiscal year 2008 appropriation. The fiscal year 2009 request includes $320.7 million for new capital advances and the associated Project Rental Assistance Contracts (PRAC); up to $15 million for the leveraged financing demonstration project; $95.7 million to renew expiring PRAC and for amendments to such contracts; $25 million for conversion of existing elderly projects to assisted living facilities and emergency repairs; and $80 million for Service Coordinators/Congregate Services programs to provide services in projects for the elderly and persons with disabilities. Furthermore, at least $1.6 million, and up to $2 million is to be transferred to the Working Capital Fund for information technology. The budget request also includes $2 million for a new technical assistance grant program.

The requested funding will support the development of an estimated 2,291 additional assisted units. Also, HUD is working with project sponsors to move projects out of the development pipeline.

Initiatives

Up to $15 million is proposed for the leveraged financing demonstration project to encourage the leveraging of HUD grants with other funds, with a primary focus on tax credit equity, to increase the number of units constructed in Section 202. In developing the program, the Department will consider mixed-finance arrangements including low-income housing tax credits and other creative financing options for development and/or rental operating assistance.

HOUSING
HOUSING FOR THE ELDERLY (SECTION 202)
Summary of Resources by Program
(Dollars in Thousands)

Budget Activity	2007 Budget Authority	2006 Carryover Into 2007	2007 Total Resources	2007 Obligations	2008 Budget Authority/ Request	2007 Carryover Into 2008	2008 Total Resources	2009 Request
Elderly Expansion - Capital Advance and PRAC	$592,467	$716,499	$1,308,966	$600,353	$566,450	$708,560	$1,275,010	$320,732
Elderly PRAC Renewal/Amendment	46,281	4,216	50,497	49,382	62,400	1,168	63,568	95,668
Service Coordinators/Congregat Housing Service Program	51,084	30,892	81,976	63,603	60,000	18,373	78,373	80,000
Conversion to Assisted Living/Emergency Repairs	24,552	46,807	71,359	34,865	24,750	36,494	61,244	25,000
Planning Grant	19,800	37,656	57,456	2,061	20,000	55,395	75,395	...
Intergenerational Families Demonstration Project	...	3,960	3,960	...	...	3,960	3,960	...
Leverage Financing Demonstration	...	...	...	...	...	...	...	15,000
Working Capital Fund ..	396	...	396	...[a]	1,400	...	1,400	1,600
Technical Assistance ..	...	...	...	...	...	...	...	2,000
Total	734,580	840,030	1,574,610	750,264	735,000	823,950	1,558,950	540,000

a/ Include non-expenditure transfer of funds to WCF; carryover, obligations and outlays are reflected in WCF account.

FTE	2007 Actual	2008 Estimate	2009 Estimate
Headquarters	26	27	25
Field	263	272	272
Total	289	299	297

HOUSING
HOUSING FOR THE ELDERLY (SECTION 202)
Program Offsets
(Dollars in Thousands)

Elderly Expansion - Capital Advance and PRAC	**Amount**
2007 Appropriation	$592,467
2008 Appropriation/Request	566,450
2009 Request	320,732
Program Improvements/Offsets	-245,718

Elderly Expansion – Capital Advance and PRAC	**Units**
2007 Appropriation	3,857 a/
2008 Appropriation/Request	4,128 b/
2009 Request	2,291 c/
Program Improvements/Offsets	-1,837

a/ Actual capital advance and PRAC awards in fiscal year 2007 amounted to $518,889,000 for 3,857 units.
b/ Unit estimate.
c/ Unit estimate.

Proposed Actions

The Department is proposing $320.7 million for new capital advances and associated PRAC, including amendments to initial grant awards, inspection activities, and property disposition costs.

Section 202 Direct Loan Program (Mandatory)	**Direct Loans Outstanding**	**Outlays**
2007 Appropriation	$5,520,000	-$1,348,000
2008 Estimate	4,594,000	-1,185,000
2009 Estimate	3,844,000	-1,035,000
Program Improvements/Offsets	-750,000	-150,000

The Direct Loan Program. The Housing for the Elderly or Handicapped Direct Loan program was authorized by Section 202 of the Housing Act of 1959, as amended. The program is no longer active, although projects developed under it continue to operate. The program provided direct loans to non-profit organizations sponsoring the construction and management of rental housing for the elderly or non-elderly persons with disabilities. Projects originally developed under Section 202 also receive Section 8 subsidies to enable low-income households to afford the rents in these projects. The 1992 VA-HUD-IA Appropriations Act (Public Law 102-139) provided language to enable the conversion of pipeline Section 202 direct loan projects to the Supportive Housing program starting January 1, 1992. All of the pipeline Section 202 projects were converted in fiscal year 1992. Any remaining activity for the loan program includes amendments for projects reaching final endorsement and management of the loan portfolio.

HOUSING
HOUSING FOR THE ELDERLY (SECTION 202)
Program Offsets
(Dollars in Thousands)

Service Coordinators/Congregate Housing Service Program	**Amount**
2007 Appropriation	$51,084
2008 Appropriation/Request	60,000
2009 Request	80,000
Program Improvements/Offsets	+20,000

Proposed Actions

The fiscal year 2009 budget proposes $80 million for Service Coordinators. The proposed funding will be used for selecting new projects under this program as well as to extend previously approved Service Coordinators and Congregate Housing Services grants. The budget request of $80 million will provide $60.6 million to extend 1,076 grants serving approximately 86,625 units and $19.4 million to fund approximately 118 new grants. The 118 new grants would serve approximately 9,500 units (including Section 811 units).

Section 808 of the Cranston-Gonzalez National Affordable Housing Act authorized the use of Service Coordinators within existing projects for the elderly. Sections 674 and 676 of the Housing and Community Development Act of 1992 expanded the universe of projects eligible to receive service coordinator assistance by authorizing funding for service coordinators in Section 202, Section 8 and Sections 221(d)(3) and 236 projects. Legislation is being proposed to expand eligibility for this assistance to Section 811 projects. The funds will also be used to fund requests from Section 811 projects if the legislative proposal is approved. The purpose of the Service Coordinators program is to enable residents who are elderly or have disabilities to live as independently as possible in their own homes.

Service Coordinator funds pay the salary and fringe benefits of a Service Coordinator and cover related program administrative costs. The primary responsibility of a Service Coordinator is to help link residents of eligible housing with supportive services provided by community agencies. The Service Coordinator may also perform such activities as providing case management, acting as an advocate or mediator, coordinating group programs, or training housing management staff.

Congregate Housing Services Program (CHSP)

This program was authorized by the Housing and Community Development Amendments of 1978 to provide 3- to 5-year grants to fund services for eligible residents of Public Housing and Section 202 Housing for the Elderly or Persons with Disabilities. The intent was to avoid costly and premature or unnecessary institutionalization of individuals and to reduce Government outlays for institutional care. The program was revised in 1992 to add other assisted housing programs.

The CHSP grant from HUD, in conjunction with grantee match and participant fees, subsidizes the cost of supportive services that are provided on-site and in the participant’s home. Such services may include at least one or all of the following: (1) congregate meals, (2) housekeeping, (3) personal assistance, (4) transportation, (5) personal emergency response systems, (6) case management, and (7) preventative health programs. HUD requires that each program includes a Service Coordinator and that each makes at least one hot meal available every day to participants. Eligible participants are residents of eligible housing who are frail (i.e., have difficulty performing 3 or more activities of daily living) or are persons with disabilities age 18 or older.

Housing for the Elderly (Section 202)

CHSP funds allow residents of subsidized housing to afford supportive services that enable them to continue living as independently as possible in their homes for as long as possible. Without this program, most of the low- and very low-income participants would have no choice but to relocate to a facility that provides a higher level of care, such as a nursing home, to meet their daily living needs.

HOUSING
HOUSING FOR THE ELDERLY (SECTION 202)
Program Offsets
(Dollars in Thousands)

Conversion to Assisted Living/Emergency Repairs	Amount
2007 Appropriation	$24,552
2008 Appropriation/Request	24,750
2009 Request	25,000
Program Improvements/Offsets	+250

Proposed Actions

The fiscal year 2009 budget proposes $25 million for capital grants for Conversion to Assisted Living and emergency repairs. These funds will be available to existing HUD elderly subsidized projects that convert some or all units to assisted living or to cover the cost of eligible emergency repairs. Conversion to Assisted Living awards covers basic physical conversion of existing project units, common areas, and services space. These competitive grants will be available to existing HUD project owners who demonstrate strong commitment to: (1) serve eligible frail elderly and (2) promote resident autonomy, independence, choice, and control. Existing project owners must provide supportive services for the residents either directly or through a third party. Examples of both mandatory and optional supportive services (which will vary from State to State) would include: (1) 24-hour staff for protective oversight and personal care; (2) 3 meals per day; (3) housekeeping services; (4) personal counseling; and (5) transportation.

HOUSING
HOUSING FOR THE ELDERLY (SECTION 202)
Program Offsets
(Dollars in Thousands)

Elderly PRAC Renewal/Amendment	**Amount**
2007 Appropriation	$46,281
2008 Appropriation/Request	62,400
2009 Request	95,668
Program Improvements/Offsets	+33,268

Elderly PRAC Renewal	**Units**
2007 Appropriation	15,003
2008 Appropriation/Request..	19,832
2009 Request	27,200
Program Improvements/Offsets	+1,919

Proposed Actions

The Department is proposing $95.7 million for the renewal and amendment of Project Rental Assistance Contracts (PRAC). The increase reflects the growing pipeline of renewal units and the identification of a large number of contracts that have not reached their initial expiration date but are exhausting all available funding. Renewals are for a period of 1 year and amendments are used to support the contract to its next anniversary date or its expiration date when unforeseen costs arise. These funds are used to cover the difference between HUD-approved operating cost for the project and the tenant’s contribution towards rent.

HOUSING
HOUSING FOR THE ELDERLY (SECTION 202)
Program Offsets
(Dollars in Thousands)

Planning Grant	**Amount**
2007 Appropriation	$19,800
2008 Appropriation/Request	20,000
2009 Request	...
Program Improvements/Offsets	-20,000

Proposed Actions

No funding is requested this fiscal year for Pre-Construction Planning Demonstration Grants. In fiscal years 2007 and 2008, funds were appropriated to make grants to private non-profit organizations and consumer cooperatives for covering the cost of architectural and engineering work, site control, and other planning relating to the development of supportive housing for the elderly that is eligible for assistance under Section 202 of the Housing Act of 1959. Pending the assessment of this demonstration, no new funding is requested for fiscal year 2009.

HOUSING
HOUSING FOR THE ELDERLY (SECTION 202)
Program Offsets
(Dollars in Thousands)

Working Capital Fund	Amount
2007 Appropriation	$396
2008 Appropriation/Request	1,400
2009 Request	1,600
Program Improvements/Offsets	+200

Proposed Actions

The Department proposes at least $1.6 million, and up to $2 million, for the Working Capital Fund for developing information technology systems related to Federal housing activities. This request will assist the Section 202 programs in achieving its goals more efficiently and effectively by providing the technology needed to ensure the accuracy of program information.

HOUSING
HOUSING FOR THE ELDERLY (SECTION 202)
Program Offsets
(Dollars in Thousands)

Intergenerational Families Demonstration Project	**Amount**
2007 Appropriation	...
2008 Appropriation/Request	...
2009 Request	...
Program Improvements/Offsets	...

Proposed Actions

The fiscal year 2006 Appropriations Act provided $3.96 million for a demonstration to determine the efficiency of implementing Section 203 of Public Law 108-186, which authorizes assistance for intergenerational dwelling units for families in connection with the supportive housing program under Section 202. Pending the assessment of this demonstration, no new funding is requested for fiscal year 2009.

HOUSING
HOUSING FOR THE ELDERLY (SECTION 202)
Program Offsets
(Dollars in Thousands)

Leverage Financing Demonstration	**Amount**
2007 Appropriation	...
2008 Appropriation/Request	...
2009 Request	$15,000
Program Improvements/Offsets	+15,000

Proposed Actions

An appropriation of up to $15 million is proposed for the leveraged financing demonstration project for development of supportive housing for the elderly. This is a set-aside within expansion funds. With assistance from housing professionals in the private sector, the Department is developing and implementing a demonstration program that encourages the leveraging of other funds, with a primary focus on tax credit equity, to increase the number of units constructed in the Section 202 program. In developing the program, the Department considered mixed-finance arrangements including low-income housing tax credits and other creative financing options for development and/or rental operating assistance. The short-term goal is to leverage $1 for every program dollar spent.

This program has been initiated within the existing statutory framework with $15 million provided for in the proposed appropriation language; however, one of the goals of the demonstration is to identify changes in the administrative guidance, regulations and statutes that will facilitate mixed-finance projects.

HOUSING
HOUSING FOR THE ELDERLY (SECTION 202)
Program Offsets
(Dollars in Thousands)

Technical Assistance	**Amount**
2007 Appropriation	...
2008 Appropriation/Request	...
2009 Request	$2,000
Program Improvements/Offsets	+2,000

Proposed Actions

An appropriation of $2 million is proposed for a technical assistance program for Section 202 and Section 811 applicants. These funds will be used to improve the quality of the applications and to get the projects to occupancy sooner.

HOUSING
HOUSING FOR THE ELDERLY (SECTION 202)
Performance Measurement Table

Program Name: **HOUSING FOR THE ELDERLY (SECTION 202)**

Program Mission: The Housing for Elderly supportive housing program was authorized by Section 202 of the Cranston-Gonzalez National Affordable Housing Act to provide eligible non-profit organizations with capital advances and rental assistance to provide housing for very low-income elderly or disabled individuals. The capital advances will be used to finance the acquisition, acquisition with rehabilitation, construction, reconstruction, or rehabilitation of housing intended for use as supportive housing for elderly people. Supportive housing is designed to meet the special physical needs of elderly individuals and to accommodate the provision of supportive services.

Performance Indicators	**Data Sources**	**Performance Report**		**Performance Plan**	
		2007 Plan	2007 Actual	2008 Plan	2009 Plan
The share of assisted and insured privately owned multifamily properties that meet HUD established physical standards are maintained at no less than 95 percent.	Real Estate Assessment Center's Physical Assessment Subsystem	No less than 95%	93.8%	No less than 95%	No less than 95%
For households living in assisted and insured privately owned multifamily properties, the share of properties that meets HUD's financial management compliance is maintained at no less than 98 percent.	Real Estate Assessment Center's Financial Assessment Subsystem & Office of Housing's Real Estate Management System	No less than 98%	99.7%	No less than 98%	No less than 98%
Increase the availability of affordable housing for the elderly and persons with disabilities by bringing 90 projects to initial closing under Sections 202.	HEREMS-F24D, based on the Development Applications Processing System, Tracking Sub-module	200 projects (Section 202 and Section 811) projects)	245 projects (Section 202 and Section 811, of which 137 projects/ 5,673 units are Section 202 only)	100 projects/ 4,000 units (Section 202)	90 projects/ 3600 units (Section 202)
The number of elderly households living in private assisted housing developments served by a service coordinator is maintained at the fiscal year 2008 level.	Office of Housing's Real Estate Management System	Maintained at FY 2005 level (139,000 units)	139,000 units	Maintained at FY 2007 level (139,000 units)	Maintain at FY 2008 level

Housing for the Elderly (Section 202)

Performance Indicators	**Data Sources**	**Performance Report**		**Performance Plan**	
		2007 Plan	2007 Actual	2008 Plan	2009 Plan
The number of assisted living units that HUD supports through Assisted Living Conversion program increases by completing conversion of 10 properties.	MF Program Office and Annual Performance Plan	10 units	10 units	10 units	10 units
At least 70 percent of Section 202 projects have completed the initial closing process within 24 months and of these, 25 percent will have completed the process within 18 months.	HEREMS-F24D, based on the Development Applications Processing System, Tracking Sub-module	NA	NA	At least 35%	70% overall/24 months 25%/18 months
The number of Section 202 units serving the elderly is maintained at 98 percent of the FY 2008 level, excluding new units that are added to the inventory.	MF Program Office	NA	NA	95%	98%

NA = Not Applicable.

Explanation of Indicators

Nearly two million households headed by an elderly individual or a person with a disability receive HUD rental assistance that provides them with the opportunity to afford a decent place to live and often helps them to live independent lives. Housing for the Elderly is awarded competitively to private non-profit organizations to develop new housing units through new construction or rehabilitation. The facilities are then provided with rental assistance, enabling them to accept very low-income residents. Many of the residents live in the facilities for years; over time, these individuals are likely to become frail and less able to live in rental facilities without some additional services. Therefore, the program also provides grants to convert all or part of existing properties to assisted-living facilities. These indicators will measure the success of this program by examining whether service-enriched housing increases the satisfaction of persons with disabilities with their units, developments, and neighborhoods.

HOUSING
HOUSING FOR THE ELDERLY (SECTION 202)
Justification of Proposed Appropriations Language

The fiscal year 2009 President's Budget included proposed changes in the appropriations language listed and explained below. New language is italicized and underlined, and language proposed for deletion is bracketed.

For capital advances, including amendments to capital advance contracts, for housing for the elderly, as authorized by section 202 of the Housing Act of 1959, as amended, and for project rental assistance for the elderly under section 202(c)(2) of such Act, including amendments to contracts for such assistance and renewal of expiring contracts for such assistance for up to a 1-year term, and for supportive services associated with the housing,[$735,000,000] *$540,000,000* to remain available until September 30, [2011] *2012*, of which up to [$628,580,000] *$324,000,000* shall be for capital advance and project-based rental assistance awards, *including up to $15,000,000 for a demonstration program that leverages project awards with other sources of development financing, such as tax credit incentives, to expand housing assistance*: Provided, That of the amount provided under this heading, up to [$60,000,000] *$80,000,000* shall be for service coordinators and the continuation of existing congregate service grants for residents of assisted housing projects, and of which amount up to [$24,750,000] *$25,000,000* shall be for grants under section 202b of the Housing Act of 1959 (12 U.S.C. 1701q–2) for conversion of eligible projects under such section to assisted living or related use and for emergency capital repairs as determined by the Secretary: [Provided further, That of the amount made available under this heading, $20,000,000 shall be available to the Secretary of Housing and Urban Development only for making competitive grants to private nonprofit organizations and consumer cooperatives for covering costs of architectural and engineering work, site control, and other planning relating to the development of supportive housing for the elderly that is eligible for assistance under section 202 of the Housing Act of 1959 (12 U.S.C. 1701q):] Provided further, That amounts under this heading shall be available for Real Estate Assessment Center inspections and inspection-related activities associated with section 202 capital advance projects: *Provided further, That $2,000,000 of the total amount made available under this heading shall be for technical assistance to improve grant applications and to facilitate the development of housing for the elderly under section 202 of the Housing Act of 1959, and supportive housing for persons with disabilities under section 811 of the Cranston-Gonzalez National Affordable Housing Act:* Provided further, That [not to exceed $1,400,000] of the total amount made available under this heading *at least $1,600,000 shall, but no more than $2,000,000* may be transferred to the Working Capital Fund: Provided further, That the Secretary may waive the provisions of section 202 governing the terms and conditions of project rental assistance, except that the initial contract term for such assistance shall not exceed 5 years in duration. *(Department of Housing and Urban Development Appropriations Act of 2008)*

Explanation of Changes

The underlined language includes up to $15 million for the new leverage financing demonstration project, funded as a set-aside out of expansion funds, and $2 million for technical assistance.

HOUSING
HOUSING FOR THE ELDERLY (SECTION 202)
Crosswalk of 2007 Availability
(Dollars in Thousands)

Budget Activity	2007 Enacted	Supplemental/ Rescission	Approved Reprogrammings	Transfers	Carryover	Total 2007 Resources
Elderly Expansion - Capital Advance and PRAC	$592,467	...	...	...	$716,499	$1,308,966
Elderly PRAC Renewal/Amendment	46,281	...	...	...	4,216	50,497
Service Coordinators/Congregate Housing Service Program	51,084	...	...	...	30,892	81,976
Conversion to Assisted Living/Emergency Repairs	24,552	...	...	...	46,807	71,359
Planning Grant	19,800	...	...	...	37,656	57,456
Intergenerational Families Demonstration Project	...	...	...	...	3,960	3,960
Leverage Financing Demonstration	...	...	...	...	...	...
Working Capital Fund	396	...	...	...	...	396
Technical Assistance	...	...	...	...	...	...
Total	734,580	...	...	...	840,030	1,574,610

HOUSING
HOUSING FOR THE ELDERLY (SECTION 202)
Crosswalk of 2008 Changes
(Dollars in Thousands)

Budget Activity	2008 President's Budget Request	Congressional Appropriations Action on 2008 Request	2008 Supplemental/ Rescission	Reprogrammings	Carryover	Total 2008 Resources
Elderly Expansion - Capital Advance and PRAC	$390,450	$566,450	...	...	$708,560	$1,275,010
Elderly PRAC Renewal/Amendment	62,400	62,400	...	...	1,168	63,568
Service Coordinators/Congregate Housing Service Program	71,000	60,000	...	...	18,373	78,373
Conversion to Assisted Living/Emergency Repairs	24,750	24,750	...	...	36,494	61,244
Planning Grant	...	20,000	...	...	55,395	75,395
Intergenerational Families Demonstration Project	...	...	...	...	3,960	3,960
Leverage Financing Demonstration	25,000	...	...	...	...	...
Working Capital Fund	1,400	1,400	...	...	...	1,400
Technical Assistance	...	...	...	...	...	...
Total	575,000	735,000	...	...	823,950	1,558,950

HOUSING
HOUSING FOR PERSONS WITH DISABILITIES (SECTION 811)
2009 Summary Statement and Initiatives
(Dollars in Thousands)

HOUSING FOR PERSONS WITH DISABILITIES (SECTION 811)	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2007 Appropriation	$236,610	$234,017[a]	...	$470,627[a]	$246,569	$304,507
2008 Appropriation/Request	237,000	223,662[a]	...	460,662[a]	259,171	301,000
2009 Request	160,000	201,491[a]	...	361,491[a]	237,000	285,000
Program Improvements/Offsets	-77,000	-22,171	...	-99,171	-22,171	-16,000

a/ Appropriation/request includes Working Capital fund non-expenditure transfer amounts of $396 thousand in fiscal year 2007, $600 thousand in fiscal year 2008 and $1.6 million in fiscal year 2009. Amounts are excluded from carryover, obligations and outlays but reflected in Working Capital Fund account.

Summary Statement

An appropriation of $160 million is requested for the Housing for Persons with Disabilities program for fiscal year 2009. This is a decrease of $77 million from the fiscal year 2008 Appropriation. This funding level assumes 3-year initial Project Rental Assistance Contracts (PRAC) and 1-year renewals. The fiscal year 2009 budget request includes $29.8 million for new capital advances and the associated Project Rental Assistance Contracts (PRAC) awards with up to $10 million to be set aside for a Leverage Financing Demonstration. Furthermore, at least $1.6 million will, and up to $2 million may be transferred to the Working Capital Fund for information technology. The budget also includes $31.5 million to renew expiring PRAC and for amendments to such contracts as well as $87.1 million for mainstream voucher renewals and amendments.

Initiatives

A total of up to $10 million is proposed for a leveraged financing demonstration in fiscal year 2009 that would encourage the leveraging of HUD grants with other funds, with a primary focus on tax credit equity, to increase the number of households served in the Section 811 program. In developing the program, the Department will consider mixed-finance arrangements including low-income housing tax credits and other creative financing options for development and/or rental operating assistance.

HOUSING
HOUSING FOR PERSONS WITH DISABILITIES (SECTION 811)
Summary of Resources by Program
(Dollars in Thousands)

Budget Activity	2007 Budget Authority	2006 Carryover Into 2007	2007 Total Resources	2007 Obligations	2008 Budget Authority/ Request	2007 Carryover Into 2008	2008 Total Resources	2009 Request
Disabled (Capital Advance and PRAC)	$141,754	$209,206	$350,960	$156,089	$141,500	$194,871	$336,371	$29,791
Disabled PRAC Renewal/Amendment	16,943	1,785	18,728	16,818	20,155	1,909	22,064	31,509
PIH Disabled - Mainstream Vouchers (Tenant-Based)	...	48	48	...	...	49	49	...
PIH Amendment/Renewal of Mainstream Vouchers (Tenant-Based)	77,517	22,978	100,495	73,662	74,745	26,833	101,578	87,100
Leveraged Financing Demonstration	...	...	...	...	...	...	...	10,000
Working Capital Fund ..	396	...	396	...	600	...	600	1,600
Total	236,610	234,017	470,627	246,569	237,000	223,662	460,662	160,000

FTE	2007 Actual	2008 Estimate	2009 Estimate
Headquarters	15	15	15
Field	122	127	127
Total	137	142	142

HOUSING
HOUSING FOR PERSONS WITH DISABILITIES (SECTION 811)
Program Offsets
(Dollars in Thousands)

Disabled (Capital Advance and PRAC)	**Amount**
2007 Appropriation	$141,754
2008 Appropriation/Request	141,500
2009 Request	29,791
Program Improvements/Offsets	-111,709

Disabled (Capital Advance and PRAC)	**Units**
2007 Appropriation	1,009[a/]
2008 Appropriation/Request	1,050[b/]
2009 Request	232[c/]
Program Improvements/Offsets	-818

a/ Actual Capital Advance and PRAC awards in 2007 amounted to $124.8 million for 1,009 units.
b/ Unit estimate.
c/ Unit estimate.

Proposed Actions

For fiscal year 2009, the Department is proposing $29.8 million for new capital advance and PRAC awards for the Housing for Persons with Disabilities program which was authorized by Section 811 of the Cranston-Gonzales National Affordable Housing Act to provide eligible non-profit organizations with new capital advances and associated PRAC. Funding necessary for inspections, property disposition and amendments to prior year awards is included in this category.

The proposed funding continues to support housing options for persons with disabilities. The program adds to the cumulative efforts to provide high quality housing assistance choices to low- and very low-income persons with disabilities and to provide models of successful disabled housing assistance in this area.

HOUSING
HOUSING FOR PERSONS WITH DISABILITIES (SECTION 811)
Program Offsets
(Dollars in Thousands)

Disabled PRAC Renewal/Amendment	**Amount**
2007 Appropriation	$16,943
2008 Appropriation/Request	20,155
2009 Request	31,509
Program Improvements/Offsets	+11,354

Disabled (PRAC Renewal)	**Units**
2007 Appropriation	4,184
2008 Appropriation/Request	4,916
2009 Request	7,534
Program Improvements/Offsets	+407

Proposed Actions

The Department is proposing $31.5 million for renewal and amendment to PRAC. These funds are used to cover the difference between rent (generally based on 30 percent of adjusted income) and the HUD-approved expense to operate the project. After the initial 3-year funding agreement, PRACs are renewed for 1-year terms. Amendments are provided for PRAC contracts that are within their original term, but which have exhausted available funding. These contracts are funded until their anniversary or expiration date.

HOUSING
HOUSING FOR PERSONS WITH DISABILITIES (SECTION 811)
Program Offsets
(Dollars in Thousands)

PIH Disabled - Mainstream Vouchers (Tenant-Based)	Amount
2007 Appropriation	...
2008 Appropriation/Request	...
2009 Request	...
Program Improvements/Offsets	...

PIH Disabled – Mainstream Vouchers (Tenant-Based)	Units
2007 Appropriation	...
2008 Appropriation/Request	...
2009 Request	...
Program Improvements/Offsets	...

Proposed Actions

The Department is not proposing a separate earmark for incremental mainstream vouchers in fiscal year 2009. Actual funding levels and an award competition will depend on on-going programmatic requirements and recaptures.

HOUSING
HOUSING FOR PERSONS WITH DISABILITIES (SECTION 811)
Program Offsets
(Dollars in Thousands)

PIH Amendment/Renewal of Mainstream Vouchers (Tenant-Based)	Amount
2007 Appropriation	$77,517
2008 Appropriation/Request	74,745
2009 Request	87,100
Program Improvements/Offsets	+12,355

PIH Renewal of Mainstream Vouchers (Tenant-Based)	Units
2007 Appropriation	11,061
2008 Appropriation/Request	11,327
2009 Request	14,300
Program Improvements/Offsets	2,973

Proposed Actions

The Department is proposing $87.1 million for the renewal of mainstream vouchers (tenant-based) for persons with disabilities. After the initial funding, the tenant-based units are renewed for 1-year terms.

HOUSING
HOUSING FOR PERSONS WITH DISABILITIES (SECTION 811)
Program Offsets
(Dollars in Thousands)

Working Capital Fund	**Amount**
2007 Appropriation	$396
2008 Appropriation/Request	600
2009 Request	1,600
Program Improvements/Offsets	+1,000

Proposed Actions

The Department is proposing to transfer at least $1.6 million, and up to $2 million to the Working Capital Fund for developing information technology systems. This request will assist the program in more efficiently and effectively achieving its goals by providing the technology needed to ensure the accuracy of Section 811 program information.

HOUSING
HOUSING FOR PERSONS WITH DISABILITIES (SECTION 811)
Program Offsets
(Dollars in Thousands)

Leverage Financing Demonstration	Amount
2007 Appropriation	...
2008 Appropriation/Request	...
2009 Request	$10,000
Program Improvements/Offsets	+10,000

Proposed Actions

An appropriation of up to $10 million is proposed for the leveraged financing demonstration program for supportive housing for the persons with disabilities that encourages the leveraging of other funds, with a primary focus on tax credit equity, to increase the number of households served in the Section 811 program. In developing the program, the Department will consider mixed-finance arrangements, including low-income housing tax credits and other creative financing options, for development and/or rental operating assistance.

This program has been initiated within the existing statutory framework and is reflected in proposed appropriations language; however, one of the goals of the demonstration program is to identify changes in the administrative guidance, regulations and statute that will assist in encouraging mixed-finance projects.

HOUSING
HOUSING FOR PERSONS WITH DISABILITIES (SECTION 811)
Performance Measurement Table

Program Name: **HOUSING FOR PERSONS WITH DISABILITIES (SECTION 811)**

Program Mission: Housing for Persons with Disabilities was authorized by Section 811 of the Cranston-Gonzalez National Affordable Housing Act to provide eligible non-profit organizations with capital advances and rental assistance to provide housing for disabled individuals. The capital advances will be used to finance the acquisition, acquisition with rehabilitation, construction, reconstruction, or rehabilitation of housing intended for use for persons with disabilities. Housing for Persons with Disabilities is designed to meet the special physical needs of disabled individuals and to accommodate the provision of supportive services.

Performance Indicators	Data Sources	Performance Report		Performance Plan	
		2007 Plan	2007 Actual	2008 Plan	2009 Plan
The share of assisted and insured privately owned multifamily properties that meet HUD established physical standards are maintained at no less than 95 percent.	Real Estate Assessment Center's Physical Assessment Subsystem	No less than 95%	93.8%	No less than 95%	No less than 95%
For households living in assisted and insured privately owned multifamily properties, the share of properties that meets HUD's financial management compliance is maintained at no less than 98 percent.	Real Estate Assessment Center's Financial Assessment Subsystem and Office of Housing's Real Estate Management System	No less than 98%	99%	No less than 98%	No less than 98%
Increase the availability of affordable housing for the elderly and persons with disabilities by bringing 90 projects (950 units) to initial closing under Section 811.	HEREMS-F24D, based on the Development Applications Processing System, Tracking Sub-Module	200 projects (Section 202 and Section 811 projects)	245 projects (Section 202 and Section 811, of which 108 projects/ 1,062 units are Section 811 only	100 projects/ 1,100 units (Section 811)	90 projects/ 950 units (Section 811)

Performance Indicators	Data Sources	Performance Report		Performance Plan	
		2007 Plan	2007 Actual	2008 Plan	2009 Plan
Beginning with awards made in fiscal year 2007 the per unit cost (exclusive of land) of completed Section 811 projects will be within 103 percent of HUD’s normalized cost standard, both nationally and in three-fourths of HUD Fields Offices.	Program Office Compilation	NA	NA	NA	Per unit cost is 103% of HUD normalized cost standard nationally and in three-fourths of HUD Field Offices.

NA = Not Applicable.

Explanation of Indicators

Nearly two million households headed by an elderly individual or a person with a disability receive HUD rental assistance that provides them with the opportunity to afford a decent place to live and often helps them to live independent lives. The Housing for Persons with Disabilities program continues to enable persons with disabilities to live in mainstream environments. These indicators will measure the success of this program by examining whether service-enriched housing increases the satisfaction of persons with disabilities with their units, developments, and neighborhoods.

The 2009 goal of 90 projects brought to initial closing reflects the static funding of 2005 and 2006, which limited the number of new fund reservations as additional resources were used for renewal of tenant subsidies.

HOUSING FOR PERSONS WITH DISABILITIES (SECTION 811)
Justification of Proposed Appropriations Language

The fiscal year 2009 President's Budget included proposed changes in the appropriations language listed and explained below. New language is italicized and underlined, and language proposed for deletion is bracketed.

For capital advance contracts, including amendments to capital advance contracts, for supportive housing for persons with disabilities, as authorized by section 811 of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 8013), for project rental assistance for supportive housing for persons with disabilities under section 811(d)(2) of such Act, including amendments to contracts for such assistance and renewal of expiring contracts for such assistance for up to a 1-year term, and for supportive services associated with the housing for persons with disabilities as authorized by section 811(b)(1) of such Act, and for tenant-based rental assistance contracts entered into pursuant to section 811 of such Act, [$237,000,000] <u>*$160,000,000*</u>, to remain available until September 30, [2011] <u>*2012*</u>: Provided, That [$600,000] <u>*at least $1,600,000 but no more than $2,000,000*</u> may be transferred to the Working Capital Fund: <u>*Provided further, That up to $42,000,000 shall be for additional housing assistance under section 811 (b)(2) of such Act, including up to $10,000,000 for a demonstration program that leverages project awards with other sources of development financing, such as tax credit incentives, to expand housing assistance:*</u> Provided further, That of the amount provided under this heading [$74,745,000] <u>*$87,100,000*</u> shall be for amendments or renewal of tenant-based assistance contracts entered into prior to fiscal year 2005 (only one amendment authorized for any such contract): Provided further, That all tenant-based assistance made available under this heading shall continue to remain available only to persons with disabilities: Provided further, That the Secretary may waive the provisions of section 811 governing the terms and conditions of project rental assistance and tenant-based assistance, except that the initial contract term for such assistance shall not exceed 5 years in duration: Provided further, That amounts made available under this heading shall be available for Real Estate Assessment Center Inspections and inspection-related activities associated with section 811 Capital Advance Projects. *(Department of Housing and Urban Development Appropriations Act, 2008.)*

<u>**Explanation of Changes**</u>:

The proposed language includes up to $10 million for the new leverage financing demonstration project.

HOUSING
HOUSING FOR PERSONS WITH DISABILITIES (SECTION 811)
Crosswalk of 2007 Availability
(Dollars in Thousands)

Budget Activity	2007 Enacted	Supplemental/ Rescission	Approved Reprogrammings	Transfers	Carryover	Total 2007 Resources
Disabled (Capital Advance and PRAC) .	$141,754	...	...	...	$209,206	$350,960
Disabled PRAC Renewal/Amendment	16,943	...	...	...	1,785	18,728
PIH Disabled - Mainstream Vouchers (Tenant-Based)	...	...	...	...	48	48
PIH Amendment/Renewal of Mainstream Vouchers (Tenant-Based)	77,517	...	...	...	22,978	100,495
Leverage Financing Demonstration	...	...	...	...	...	...
Working Capital Fund	396	...	...	...	...	396
Total	236,610	...	...	...	234,017	470,627

HOUSING
HOUSING FOR PERSONS WITH DISABILITIES (SECTION 811)
Crosswalk of 2008 Changes
(Dollars in Thousands)

Budget Activity	2008 President's Budget Request	Congressional Appropriations Action on 2008 Request	2008 Supplemental/ Rescission	Reprogrammings	Carryover	Total 2008 Resources
Disabled (Capital Advance and PRAC) .	$14,500	$141,500	...	...	$194,871	$336,371
Disabled PRAC Renewal/Amendment	20,155	20,155	...	...	1,909	22,064
PIH Disabled - Mainstream Vouchers (Tenant-Based)	...	...	...	...	49	49
PIH Amendment/Renewal of Mainstream Vouchers (Tenant-Based)	74,745	74,745	...	...	26,833	101,578
Leverage Financing Demonstration	15,000	...	...	...	...	...
Working Capital Fund	600	600	...	...	...	600
Total	125,000	237,000	...	...	223,662	460,662

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FEDERAL HOUSING ADMINISTRATION
MORTGAGE AND LOAN INSURANCE PROGRAMS

SUMMARY OF THE BUDGET ESTIMATES

Modernization of FHA Single Family Mortgage Insurance Activities. The budget proposes comprehensive reform of FHA single family mortgage insurance activities to better meet its mission of reducing barriers to homeownership. These legislative proposals will enable FHA to respond more flexibly to changes in market conditions and to offer new products specifically designed for hard to reach families. As part of this reform package, legislation is being proposed to shift financial responsibility for all new single family mortgage insurance activity under the Mutual Mortgage Insurance (MMI) Fund. These changes are discussed in greater detail in the justifications for the affected accounts.

Mortgage Insurance Commitment Limitations. The budget requests an overall mortgage insurance commitment limitation of $220 billion in new fiscal year 2009 FHA loan commitments. The proposed total includes $185 billion under the MMI Fund, which will exclusively support insurance of single family home mortgages; and $35 billion under the General and Special Risk Insurance (GI/SRI) Fund, which supports multifamily rental and an assortment of special purpose insurance programs for hospitals, nursing homes, and title I lending.

Direct Loan Limitations. The budget requests a direct loan limitation of $50 million each for the MMI and GI/SRI funds to facilitate the sale of HUD properties to, or for use by low- and moderate-income families.

Appropriations for Administrative Expenses. A total of $164.9 million is requested for administrative contract expenses in the FHA program accounts. Of this total, at least $46.8 million, and up to $58.5 million, is to be transferred to the Working Capital Fund (WCF) for FHA systems costs and $48.9 million for GI/SRI administrative contract expenses, with the balance available for MMI administrative contract expenses. Amounts formerly appropriated for transfer to the Departmental and OIG salaries and expense accounts are now directly funded in the Department’s new administrative account structure.

Appropriation for Mortgage Insurance Credit Subsidies. The budget also requests an appropriation of $8.6 million to support the credit subsidies associated with loan guarantees committed under FHA's GI/SRI account. The credit subsidy is based on the net cost to the Government, exclusive of administrative expenses, of a direct loan or loan guarantee over its full-term, discounted to present value at the Treasury's borrowing cost. In cases where premium and fee income is projected to be more than sufficient to support full costs (i.e., there is no net Federal cost), negative credit subsidy is generated as revenue to offset other spending or reduce the deficit.

PROGRAM DESCRIPTION

Through mortgage insurance, FHA helps lenders reduce their exposure to risk of default. This assistance allows lenders to make lower-cost financing available to more borrowers for home and home improvement loans, and apartment, hospital, and nursing home loans. FHA provides a vital link in addressing America’s homeownership and affordable rental housing needs.

Mortgage insurance has made financing available in neighborhoods and geographic areas facing economic uncertainty, and to individuals and families not adequately served by the conventional mortgage market. FHA has been a product innovator, and has seen the private sector follow with similar products and terms once they learn from FHA’s experience. FHA spreads and manages risk through geographically dispersed loan insurance activity and a portfolio that is diverse in borrowers and products.

HOUSING
FHA--MUTUAL MORTGAGE INSURANCE FUND
2009 Summary Statement and Initiatives
(Dollars in Thousands)

FHA--MUTUAL MORTGAGE & COOPERATIVE MGMT. HOUSING INSURANCE FUND	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2007 Appropriation	$413,424	...	...	$413,424	$39,191[a]	$33,705[a]
2008 Appropriation/Request	77,400	...	...	77,400	51,850[a]	51,850[a]
2009 Request	116,000	...	...	116,000	69,206[a]	69,206[a]
Program Improvements/Offsets	+38,600	...	...	+38,600	+17,356	+17,356

a/ Amount excludes upward re-estimates. In fiscal year 2007, all of FHA's administrative expenses and Working Capital Fund appropriations are recorded in corresponding Departmental accounts as non-expenditure transfers rather than as obligations and eventual outlays. Also, beginning in fiscal year 2008, FHA's administrative expenses are directly appropriated to the relevant administrative accounts of the Department; the Working Capital Fund amount remains a non-expenditure transfer. The residual appropriation in this account is for FHA contract expenses, including amounts for education and outreach.

Summary Statement

FHA is, and has been, a critical 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 between 400,000 to 1 million homebuyers a year for the past several years. An important target group for increasing homeownership is first-time homebuyers. FHA has long been a valuable resource for enabling the purchase of a first home, especially among minority and low-income families. FHA loans are highly attractive to lower-income and minority groups, and thus also assist in stabilizing economically marginal communities. FHA insurance tends to mitigate the effect of economic downturns on the real estate sector, as FHA does not withdraw from local markets or during periods of recession. In response to the recent high number of foreclosures in the sub-prime market, FHA implemented the new *FHASecure* program in September 2007. The *FHASecure* program will allow families with strong credit histories who had been making timely mortgage payments before their loans reset, but are now in default, to qualify for refinancing. It is estimated that this new program will help an estimated 240,000 families. The FHASecure program is available to homeowners through December 2008.

In 2002, the President issued America's Homeownership Challenge to increase first-time minority homeowners by 5.5 million through 2010. The Budget continues Administration efforts to modernize FHA with proposals for new mortgage products targeted toward families who face the obstacles of having poor credit histories or little savings. These new mortgages will have premiums tied to credit scores and the size of downpayments. This will result in more families having access to mortgage financing and will reward families with lower mortgage payments for having good credit histories and saving more for downpayments. The Budget also proposes to increase the FHA single family national loan limit ceiling from 87 percent to 100 percent of the conforming loan limit.

Because of deteriorating market conditions, as well as adverse loan performance and improved estimation techniques, the baseline credit subsidy rate for FHA's single family program--assuming no programmatic changes--is positive, meaning that total costs exceed receipts on a present value basis, and therefore would require appropriations of credit subsidy budget authority or premium increases to continue operation. Under the Budget's policy proposals, FHA will be able to set premiums that are based on risk and are sufficient to avoid the need for credit subsidy appropriations. Barring the authority to establish risk-based premiums, however, FHA will use its existing authority to raise the upfront premiums up to an average of 1.85 percent combined with an annual premium of 50 basis points, raised to a maximum of 55 basis points for loans with loan-to-value ratios greater than 95 percent, in order to avoid a positive credit subsidy rate.

Appropriation. The Mutual Mortgage Insurance (MMI) Fund of the Federal Housing Administration (FHA) requests an appropriation of $116 million for administrative contract expenses for fiscal year 2009. Of this amount, at least $46.8 million, and up to $58.5 million, is to be transferred to the Working Capital Fund for FHA systems costs; and of which up to $10 million shall be for education and outreach of FHA single family loan products, including printing costs.

Loan Guarantee Limitation. The fiscal year 2009 budget requests $185 billion in loan guarantee limitation. This limitation includes sufficient authority for any new initiatives as well as standby commitment authority for unanticipated increases in business.

The MMI Fund estimates an endorsement volume of $72.2 billion which would generate $224 million of negative subsidy receipts on insurance written in fiscal year 2008 at the current execution subsidy rate of –0.31 percent.

FHA is proposing a number of programmatic changes to the MMI Fund that are expected to generate a total of $749 million in negative subsidy from the new MMI Purchase and Refinance and Home Equity Conversion Mortgage (HECM) programs in fiscal year 2009. The weighted average subsidy rate that includes the proposed changes for the MMI Purchase and Refinance program is -0.17 percent and the subsidy rate for the MMI HECM program is -1.37 percent. Also, the MMI Fund has an additional risk category of loans known as Seller Financed Down Payment Assistance loans with a subsidy rate of 6.35 percent. The Seller Financed Down Payment Assistance risk category consists of loans where the borrower receives down payment assistance as a gift which contributes towards FHA’s 3% down payment requirement; and that payment consists, in whole or in part, of funds provided by any of the following parties before, during, or after closing of the property sale: The seller, or any other person or entity that financially benefits from the transaction; or any third party or entity that is reimbursed directly or indirectly by the seller, or any other person or entity that financially benefits from the transaction. Because of the high default rate for loans in this risk category, and its resulting positive subsidy rate, a subsidy discretionary appropriation would be required to insure such loans in fiscal year 2009. The President’s budget proposes no new loan guarantees under this program and no funding is requested for the credit subsidy costs.

The fiscal year 2009 budget request reflects proposed legislative reforms that will include improved FHA product lines and overall a more vibrant and flexible FHA program. It is projected that the amount and number of insured mortgages will increase. The FHA programs are vital contributors to the Department’s Strategic Goal A: “Increase Homeownership Opportunities”; Strategic Objective A.2: “Increase Minority Homeownership” and C.2: “Enhance sustainability of communities by expanding economic opportunities”. The FHA program is also a key contributor to the Presidential Goal of creating at least 5.5 million new minority homeowners by 2010 and is a component of a wider effort to fight predatory lending. FHA has also adopted an efficiency measure to increase the use of loss mitigation and decrease the staff time required to calculate and communicate loss mitigation scores and simplify services performance measurement.

Direct Loan Limitation. A direct loan limitation of $50 million is also requested to facilitate the purchase and rehabilitation, if necessary, by non-profits and governmental agencies to make HUD-acquired single family properties available for resale to low- and moderate-income families.

Initiatives

In fiscal year 2009, the following program changes are proposed:

- Introduce an array of products to more fairly price its guarantee to individual borrowers. FHA will base each borrower's mortgage insurance premiums upon the risk that the borrower poses to the FHA MMI fund. The mortgage insurance premiums will consider the borrower's credit history and loan-to-value ratio, and will be based on FHA's historical experience with similar borrowers. It is anticipated that this change will decrease premiums for many of FHA's traditional borrowers, thereby increasing their access to homeownership.

- Remove legislative impediments that affect FHA's ability to offer new mortgage products. FHA has already taken steps, within its current authority, to streamline its paperwork requirements and remove impediments to its use by lenders and buyers. However, it lacks the ability to respond rapidly and flexibly to changing market conditions that could affect its traditional borrowers. In response, the Administration proposed legislation that will remove impediments to FHA's ability to offer new mortgage products that continue to serve non-prime borrowers. This will be achieved within a framework of improved pricing and program performance targets that ensure that risks are wisely managed. Updating FHA's statutory authorities will enable it to respond flexibly and rapidly to changing market conditions, provide borrowers with a fairly priced option to high-cost, non-prime loans, and offer borrowers a range of mortgage insurance products designed to overcome specific impediments to homeownership.

- FHA proposes consolidating all of its single family mortgage programs into the MMI Fund, including those for condominiums, purchase and rehabilitation loans, and home equity conversion mortgages. Currently these products are endorsed for insurance under the FHA's General and Special Risk Insurance (GI/SRI) Fund. As a result of the consolidation of the single family programs, the MMI Fund will have three credit risk categories: the MMI Purchase and Refinance risk category, the MMI HECM (home equity conversion mortgages) risk category, and the Seller Financed Downpayment Assistance risk category. The Title 1 Property Improvement and Manufactured Housing programs will remain in the GI/SRI Fund. This shift will apply to new mortgages insured. Existing insurance will continue to be administered in the Fund under which they were endorsed.

Mortgage and Loan Insurance Programs - MMI/CMHI Account

The following table displays the estimated allocation of commitment authority and subsidy by program for fiscal years 2008 and 2009:

	Commitment Authority FY 2008		Subsidy Rates FY 2008	Commitment Authority FY 2009		Subsidy Rates FY 2009
ESTIMATED COMMITMENT AUTHORITY BY RISK CATEGORY						
MMI RISK CATEGORIES						
MMI Purchase and Refinance..................	$72,172,152,150	a/	-0.31%	$110,336,081,940		-0.17%
MMI HECM....................................	28,989,577,000	b/	-1.90%	40,944,000,000		-1.37%
MMI Seller Financed DPA.....................	N/A			...	c/	6.35%
Sub-total..................................	101,161,729,150			151,280,081,940		
Stand-by Authority..........................	83,838,270,850			33,719,918,060		
MMI Total..................................	185,000,000,000			185,000,000,000		

a/ Includes Section 203(b) only.

b/ Pending legislation, HECM mortgages would be included in the MMI Fund; currently HECM mortgages are included in FHA's GI/SRI fund.

c/ No endorsements are expected in this category.

HOUSING
FHA – MUTUAL MORTGAGE INSURANCE FUND
Summary of Resources by Program
(Dollars in Thousands)

Budget Activity	2007 Budget Authority	2006 Carryover Into 2007	2007 Total Resources	2007 Obligations	2008 Budget Authority/ Request	2007 Carryover Into 2008	2008 Total Resources	2009 Request
Administrative Expense	$351,450	...	$351,450	...	...	...	...	...
Administrative Contract Expense	61,974	...	61,974	$39,191[a]	$77,400	...	$77,400	$116,000[a]
Total	413,424	...	413,424	39,191	77,400	...	77,400	116,000

a/ In fiscal year 2007, all of FHA's administrative expenses and Working Capital Fund appropriations are recorded in corresponding Departmental accounts as non-expenditure transfers rather than as obligations and eventual outlays. Beginning in fiscal year 2008, FHA's administrative expenses are directly appropriated to the corresponding Departmental S&E and OIG accounts; the Working Capital Fund amount remains a non-expenditure transfer.

FTE	2007 Actual	2008 Estimate	2009 Estimate
Headquarters	352	345	361
Field	598	578	643
Total	950	923	1,004

HOUSING
FHA--MUTUAL MORTGAGE INSURANCE FUND
Detailed Summary of Resources by Program
(Dollars in Thousands)

Budget Activity	2007 Budget or Financing Authority	2007 Rescission	2007 Total Resources	2007 Obligations	2008 Request	2008 Rescission	2008 Total Resources	2009 Request
Administrative transfers:								
S&E a/....................	$347,490	$0	$347,490	$0	$0	$0	$0	$0
OIG a/....................	3,960	0	3,960	0	0	0	0	0
Subtotal................	351,450	0	351,450	0	0	0	0	0
Non-overhead admin costs:								
Housing contracts b/.....	43,876	0	43,876	39,191	51,850	0	51,850	69,206
Working Capital Fund Transfer a/c/...........	18,098	0	18,098	0	25,550	0	25,550	46,794
Subtotal...............	61,974	0	61,974	39,191	77,400	0	77,400	116,000
Total, Admin & Non-overhead admin costs...	413,424	0	413,424	39,191	77,400	0	77,400	116,000

a/ In fiscal year 2007, all of FHA’s administrative expenses and Working Capital Fund appropriations are recorded in corresponding Departmental accounts as non-expenditure transfers rather than as obligations and eventual outlays. Beginning with fiscal year 2008, FHA’s administrative expenses are directly appropriated to the corresponding Departmental S&E and OIG accounts; the Working Capital Fund amount remains a non-expenditure transfer.

b/ The fiscal years 2008 and 2009 requests include costs for education and outreach of FHA single family loan products as well as costs related to the implementation of the FHA reforms and the increase in Housing’s base contract costs.

c/ Beginning with fiscal year 2009, all funds for FHA systems development will be requested and appropriated under the MMI Fund.

PROGRAM HIGHLIGHTS

Budget Activity	Actual 2007	Estimate 2008	Estimate 2009	Decrease – 2009 vs. 2008
		(Dollars in Thousands)		
Insurance Commitment Limitation:				
Loan Guarantees....................	$185,000,000	$185,000,000	$185,000,000	$0
Insurance Commitments ($$):				
MMI 203(b)	56,518,703	72,172,152	...	
MMI Purchase and Refinance.........	NA	NA	110,336,082	
MMI HECM..........................	NA	NA	40,944,000	
MMI Seller Financed DPA...........	NA	NA	-	
Sub-total......................	56,518,703	72,172,152	151,280,082	79,107,930
Standby authority..................	$128,481,297	$112,827,848	$33,719,918	($79,107,930)
Direct Loan Limitation.............	$50,000	$50,000	$50,000	$0

a/ Prior to fiscal year 2009, HECM mortgages were included in FHA's GI/SRI Fund.
NA = Not Applicable

Discretionary:				
Budget Authority...................				
Program account	413,424	77,400	116,000	38,600
Capital Reserve account (negative subsidy/loan modification).......	213,745	368,078	748,504	380,426
Net Outlays				
Program account..................	33,705	51,850	69,206	17,356
Capital Reserve account (negative subsidy/loan modification)........	(213,745)	(368,078)	(748,504)	(380,426)

Budget Activity	Actual 2007	Estimate 2008	Estimate 2009	Increase + Decrease – 2009 vs. 2008
		(Dollars in Thousands)		
Mandatory:				
Budget Authority				
Capital Reserve account (negative subsidy/loan modification)..........	213,745	368,078	748,504	380,426
Net Outlays				
Program account(upward re-estimates)	1,350,468	4,554,952	-	(4,554,952)
Capital Reserve account (downward re-estimate and interest on Federal Securities)........................	(1,509,997)	(962,910)	(964,000)	(1,090)
Liquidating account (net outlays).....	2,863	47,190	2,159	(45,031)
Off Budget:				
Financing account (net disbursements)	(565,252)	(4,197,000)	1,083,000	5,280,000
Program Activity:				
Insurance written a/..................	$56,518,703	$72,172,152	$151,280,082	$79,107,930
Insurance written – Numbers of cases a/	402,140	516,697	871,604	354,907
Insurance-In-Force, homes.............	$322,149,224	$349,416,696	$453,225,333	$103,808,637
Negative Subsidy......................	$213,745	$368,078	$748,504	$380,426
Payment of Insurance claims...........	$5,303,569	$8,770,881	$10,638,172	$1,867,291

a/ Reflects HECM activity beginning in fiscal year 2009.

HOUSING
FHA--MUTUAL MORTGAGE INSURANCE FUND
Program Offsets
(Dollars in Thousands)

Administrative Expense	Amount
2007 Appropriation	$351,450
2008 Appropriation/Request	...
2009 Request	...
Program Improvements/Offsets	...

Proposed Actions

Beginning with fiscal year 2008, salaries and expenses costs associated with FHA administration are directly appropriated in the relevant accounts in the Department’s budget.

HOUSING
FHA--MUTUAL MORTGAGE INSURANCE FUND
Program Offsets
(Dollars in Thousands)

Administrative Contract Expense	**Amount**
2007 Appropriation	$61,974
2008 Appropriation/Request	77,400
2009 Request	116,000
Program Improvements/Offsets	+38,600

Proposed Actions

The 2009 budget proposes to consolidate all FHA Working Capital Fund support in the MMI program account appropriation and includes an increase in funding for education and outreach for FHA single family programs.

Under this appropriation FHA will transfer not less than $46.8 million to the Working Capital Fund for the development of both MMI and GI/SRI systems. A limitation of $58.5 million is also proposed.

The Office of Housing is requesting an increase of $5 million in education and outreach funding, to $10 million, including funding for printing costs. FHA is working on a comprehensive communication and marketing plan that these funds will directly support. Housing will utilize a contractor to create consumer awareness by purchasing media space for television, radio, and print ads, along with targeted advertisements to selected low- to moderate-income populations. In addition, FHA will continue to refine and improve its website to include continuous updates of web content information, translation, and development of Internet advertising. The education and outreach funds are in direct support of the Strategic Goal A: Increase homeownership opportunities.

HOUSING
FHA--MUTUAL MORTGAGE INSURANCE FUND
Program Offsets
(Dollars in Thousands)

Loan Guarantee Limitation	Amount
2007 Full-Year CR Estimate	$185,000,000
2008 Request	$185,000,000
2009 Request	$185,000,000
Program Improvements/Offsets	...

Proposed Actions

Loan Guarantee Limitation. The fiscal year 2009 budget requests $185 billion in loan guarantee limitation. This limitation includes sufficient authority for any new initiatives as well as standby commitment authority for unanticipated increases in business.

PROGRAM DESCRIPTION

MMI Fund. The MMI Fund consists of FHA' primary single family home mortgage program (Section 203(b)), and pursuant to proposed legislation, all new endorsements previously insured under Section 234(c) (condominiums), Section 203(k) (purchase and rehabilitation), and Section 255 (home equity conversion mortgages for seniors).

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. Under the 203(b) program, any person able to meet the cash investment, mortgage payments and credit requirements may obtain a loan insured by FHA from a private lending institution to purchase a home.

Program Activity

	FY 2007	FY 2008	FY 2009 a/	Increase/Decrease 2009 vs. 2008
		(Dollars in Thousands)		
Standby Authority	$128,481,297	$112,827,848	$33,719,918	($79,107,930)
Insurance written	$56,518,703	$72,172,152	$151,280,082	$79,107,930
Insurance written – number of cases	402,140	516,697	871,604	354,907
Insurance-In-Force, homes	$322,149,224	$349,416,696	$453,225,333	$103,808,637
Payment of Insurance claims	$5,303,569	$8,770,881	$10,638,172	$1,867,291

a/ Reflects inclusion of all single family mortgage guarantee programs, including HECM.

HOUSING
FHA--MUTUAL MORTGAGE INSURANCE FUND
Program Offsets
(Dollars in Thousands)

Direct Loan Limitation	Amount
2007 Full-Year CR Estimate	$50,000
2008 Request	50,000
2009 Request	50,000
Program Improvements/Offsets	...

Proposed Actions

Direct Loan Limitation. The fiscal year 2009 budget requests $50 million in direct loan limitation. This limitation shall be used for direct loans to non-profit and governmental entities in connection with sales of single family real properties owned by the Secretary and formerly insured under the MMI Fund.

HOUSING
MUTUAL MORTGAGE INSURANCE FUND
Performance Measurement Table

Program Name: **MUTUTAL MORTGAGE INSURANCE/COOPERATIVE HOUSING MORTGAGE INSURANCE FUND**

Program Mission: Expand national homeownership opportunities.

Performance Indicators	**Data Sources**	**Performance Report**		**Performance Plan**	
		2007 Plan	2007 Actual	2008 Plan	2009 Plan
Improve National homeownership opportunities.	PD&R – Current Population Survey data	Tracking indicator	68.2%	Tracking indicator	Tracking indicator
The share of all homebuyers who are first-time homebuyers.	PD&R – American Housing Survey	Tracking Indicator	38.1%	Tracking indicator	Tracking indicator
The number of FHA single family mortgage insurance endorsements nationwide.	FHA's Single Family Housing Enterprise Data Warehouse	Tracking indicator	532,494	Tracking indicator	Tracking indicator
The share of first-time homebuyers among FHA home purchase endorsements is 73 percent.	FHA's Single Family Housing Enterprise Data Warehouse	71%	79.5%	73%	73%
The share of FHA-insurable real estate owned (REO) properties that are sold to owner-occupants is 90 percent.	FHA's Single Family Acquired Asset Management System	90%	93%	90%	90%
The minority homeownership rate.	PD&R – Current Population Survey data	Tracking Indicator	51%	Tracking Indicator	Tracking Indicator
The share of first-time minority homebuyers among FHA home purchase endorsements is 33 percent.	FHA's Single Family Housing Enterprise Data Warehouse	35%	33%	33%	33%
The mortgage disapproval rates of minority applicants.	FHEO – Home Mortgage Disclosure Act	Tracking indicator	Tracking indicator	Tracking indicator	Tracking indicator

Performance Indicators	Data Sources	Performance Report		Performance Plan	
		2007 Plan	2007 Actual	2008 Plan	2009 Plan
Loss mitigation claims are 55 percent of total claims on FHA insured single family mortgages.	FHA's Single Family Housing Enterprise Data Warehouse, Loss Mitigation Table	50%	64.6%	55%	55%
At least 35 percent of single family mortgages endorsed for insurance by FHA are in underserved communities.	FHA's Consolidated Single Family Statistical System	35%	42%	At least 35%	At least 35%
FHA increases the percentage of at risk loans that substantively comply with FHA program requirements.	FHA's Approval Re-certification/ Review Tracking System (ARRTS).	85%	96.8%	85%	85%
The Accelerated Claim and Asset Disposition demonstration program (Section 601) will exceed the rate of net recovery received through the conveyance program on the sale of single family assets.	FHA's Single Family Insurance System—Claims Subsystem and FHA's Single Family Acquired Asset Management System	68% (net recovery rate received through the conveyance program on the sale of single family assets in FY 2006)	72.93%	Net recovery rate received through the conveyance program on the sale of single family assets in FY 2008	Net recovery rate received through the conveyance program on the sale of single family assets in FY 2009
The FHA Mutual Mortgage Insurance fund meets congressionally mandated capital reserve targets.	Annual independent actuarial review of the Mutual Mortgage Insurance Fund	2%	6.40%	2%	2%

Explanation of Indicators

Improve National homeownership opportunities. This is a tracking indicator for which no numeric target is established because of the current dominant impact of the macroeconomy. The overall homeownership rate indicates the share of households that have achieved the "American dream" of homeownership. Homeownership is widely believed to encourage commitment to communities and good citizenship. The homeownership rate has reached record levels in recent years, but is resistant to increases above an undetermined level because homeownership is not practical or desirable for all households. HUD programs helped families take advantage of strong economic conditions to increase homeownership in recent years, contributing to a 68.2 percent homeownership rate in 2007. HUD is promoting overall homeownership by striving to increase homeownership among subgroups that face greater barriers, including minority and low-income families, as well as families in central cities. Each 0.1 percentage point increase in the national homeownership rate translates to about 100,000 new homeowners (if total households remain constant). Such results are well within the scope of HUD program impacts reported under indicators H.1.3, H.1.4 and A.1.2, among others. Nevertheless, demographic and economic factors may limit the rate of progress in the near term.

The share of all homebuyers who are first-time homebuyers. This is a tracking indicator for which no numeric target is established because of the current dominant impact of the macroeconomy. Increases in overall ownership rates generally result when better opportunities become available for first-time homebuying by low- and moderate-income households. The most recent available data show that during calendar year 2005, 38.1 percent of homebuyers were purchasing their first home. A number of economic factors not controlled by HUD affect this outcome, especially changes in mortgage interest rates.

The number of FHA single family mortgage insurance endorsements nationwide. This is a tracking indicator. FHA insures mortgages issued by private lenders, increasing access to mortgage capital so homeownership opportunities increase. This indicator tracks FHA's contribution to the homeownership rate through the annual volume of FHA-insured loans, and is a key component of the Department's efforts to improve the National Homeownership rate and fulfill the President's fiscal year 2002 commitment to creating 5.5 million new minority homeowners by 2010. As such, this indicator greatly affects first-time and minority homeownership in addition to overall homeownership. While the number of FHA mortgage endorsements is a key measure of HUD's contribution to homeownership, the actual rate achieved during fiscal year 2008 will be dramatically affected by market forces outside of HUD's control, especially interest rates. Balancing the importance of reporting this key measure of HUD activity with an appreciation of the huge effect the market plays in the final result, the Department has decided to track this measure, but not establish a numeric goal for fiscal year 2008.

The share of first-time homebuyers among FHA home purchase endorsements is 73 percent. FHA is a major source of mortgage financing for first-time buyers as well as for minority and lower-income buyers. HUD will help increase the overall homeownership rate, as well as reduce the homeownership gap between whites and minorities, by increasing FHA endorsements for first-time homebuyers. This indicator tracks the share of first-time homebuyers among FHA endorsements for home purchases—thus excluding loans made for home improvements. The fiscal year 2009 goal is to ensure that 73 percent of home purchase mortgages endorsed for insurance by FHA are to first-time homebuyers.

The share of FHA-insurable real estate owned (REO) properties that are sold to owner-occupants is 90 percent. This indicator tracks one measure of the Department's success in expanding homeownership opportunities and helping stabilize neighborhoods. HUD intends to increase sales of its FHA-insurable REO homes directly to families who will occupy them rather than to investors. The fiscal year 2009 goal is to ensure that the share of FHA-insurable REO properties that are sold to owner-occupants is 90 percent.

The minority homeownership rate. This is a tracking indicator for which no numeric target is established because of the current dominant impact of the macroeconomy. Many of HUD's programs improve homeownership by targeting underserved populations including minorities. Minority households represented 33 percent of all FHA-insured home purchases in fiscal year 2007. Strategies to increase minority homeownership include increased outreach and continued enforcement of equal opportunity in housing. The Department also is requesting increased funding for the Housing Counseling program. New counseling resources will help more members of minority and other underserved groups to build the knowledge to become homeowners and to sustain their new tenure by meeting the on-going responsibilities of homeownership.

The share of first-time minority homebuyers among FHA home purchase endorsements is 35 percent. FHA is a major source of mortgage financing for minority as well as lower-income buyers. Increasing the number of FHA endorsements for first-time minority homebuyers will help reduce the homeownership gap between whites and minorities as well as increase the overall homeownership rate. The fiscal year 2009 goal is to ensure that first-time minority homebuyers represent 35 percent of home purchase mortgages endorsed for insurance by FHA.

The mortgage disapproval rates of minority applicants. This is a tracking indicator for minority mortgage disapproval rates, an important early indicator of trends in minority homeownership. Equal access to home loans is critical for decreasing disparities in homeownership rates. However, lender decisions about which applications to accept or deny are primarily beyond HUD's control.

The most recent data available show that mortgage denial rates edged upward in 2003 for all racial and ethnic groups tracked for this indicator, as they also did for non-minority households. Disapprovals for minority households overall increased from 13.7 percent in 2002 to 15.3 percent in 2003. The lower success rate for minority mortgage applicants occurred during a year when low interest rates stimulated a record volume of home purchase applications. As a result, the higher denial rate conceals that fact that these data show 1.30 million minority home purchase applications were approved in 2003, a substantial increase from 1.12 million in 2002. The goals that HUD has established for the two largest secondary mortgage market lenders, Fannie Mae and Freddie Mac, encourage increased lending to minorities. In addition, FHA can increase minority lending through targeted marketing and counseling to potential minority home purchasers. The rates are provided by the Home Mortgage Disclosure Act (HMDA) database, and consist of calendar-year data submitted by lenders to the Federal Financial Institutions Examination Council (FFIEC) and HUD. HMDA data are available with a 1-year lag (calendar 2005 data will become available in August 2006).

Loss mitigation claims are 55 percent of total claims on FHA insured single family mortgages. This indicator measures the success of FHA loan servicers in implementing statutorily required loss-mitigation techniques when borrowers default on their FHA mortgages. A borrower can resolve a default (90-day delinquency) in several ways short of foreclosure: for example, by paying down the delinquency (cure), by a pre-foreclosure sale with FHA perhaps paying an insurance claim in the amount of the shortfall, or by surrendering a deed in lieu of foreclosure. Better loss-mitigation efforts, such as enhanced borrower counseling, help borrowers keep their current homes or permit them to buy another home sooner. Avoidance of foreclosure also reduces FHA's insurance losses, making FHA more financially sound and enabling it to help more borrowers. For both reasons, by achieving this goal HUD will help increase the overall homeownership rate.

The use of loss mitigation as a share of total claims increased from 46.1 percent in fiscal year 2001 to 64.6 percent in fiscal year 2007. The fiscal year 2009 goal is to ensure that 55 percent of the total number of claims are resolved through loss mitigation. Loss mitigation actions do not permanently stabilize many borrowers' financial status. However, about 60 percent of borrowers who receive the benefits of loss mitigation remain current on their mortgage for at least a 12-month period. This reduction in foreclosure claim expenses is a key component of Departmental budget estimates for fiscal year 2009. HUD's programmatic objective is to sustain the high level of participation in loss mitigation even as the Office of Housing tightens programmatic requirements designed to increase the ultimate success rate of loss mitigation in helping borrowers avoid foreclosure.

At least 35 percent of single family mortgages endorsed for insurance by FHA are in underserved communities. FHA's role in the mortgage market is to extend homeownership to families that otherwise might not achieve homeownership. There is substantial evidence that lower income and minority neighborhoods are less well served by the conventional mortgage market than are more affluent and non-minority neighborhoods. FHA lending in disadvantaged neighborhoods increases the homeownership rate. While it is extremely important that FHA loans be available in underserved communities for those who otherwise might not become homeowners, it is also important that FHA be a complement to, and not a substitute for, conventional lending. A healthy housing market requires the availability of conventional mortgages as well. A goal for increasing FHA lending in such neighborhoods should not involve an increased FHA share of the total mortgage market in these communities, but should be accompanied by increased conventional lending as well. In fiscal year 2007, 42 percent of all single family mortgages endorsed for insurance by FHA were in underserved communities. The fiscal year 2009 goal is to ensure that at least 35 percent of all single family mortgages endorsed for insurance by FHA are in underserved areas. The achievement of this goal is influenced by national economic conditions.

FHA increases the percentage of at risk loans that substantively comply with FHA program requirements. This indicator monitors efforts to reduce fraud and compliance problems in FHA relative to the number of "at risk" single family loans reviewed that do not contain substantive findings. A substantive finding is defined as a failure to adhere to FHA program requirements (pertaining to the origination and/or servicing of mortgage loans) such that it materially affects the insurability of the loan. Lenders are reviewed on the basis of a target methodology that focuses on high early default and claim rates in addition to other risk factors that represent "at risk" loans. Samples of defaulted loans (90 days or more delinquent) that are originated by the targeted lenders are then evaluated for findings. Quality Assurance Division (QAD) reviews of FHA-approved lenders provide the means of data collection for this performance measure. For this indicator, the denominator is the number of loans reviewed and the numerator is the number of loans without material findings. Since this is a new indicator, HUD set the initial target on the basis of the 3-year average for fiscal years 2002 through 2004, which is 85 percent. This indicator replaces the previous performance measure that tracked the number of insured single family mortgage loans originated by FHA-approved lenders that, after review, were determined to have findings.

<u>The Accelerated Claim and Asset Disposition demonstration program (Section 601) will exceed the rate of net recovery received through the conveyance program on the sale of Single Family assets</u>. Section 601 of the fiscal year 1999 HUD Appropriations Act amended Section 204 of the National Housing Act (12 U.S.C. 1710) to provide HUD with greater flexibility for modifying the single family claim and asset disposition process. HUD is conducting a demonstration program to reform the single family claims and asset disposition process, maximize recoveries on claims paid, and support the Department's goal of homeownership retention. FHA has the opportunity to execute various asset disposition strategies as a part of the Accelerated Claim and Asset Disposition (ACD) demonstration, including special servicing, securitizations, whole loan sales, and a combination whole loan/pipeline sales. Currently, FHA is utilizing structured financing and retaining an equity interest in the limited liability company formed to acquire, service, and dispose of portfolios of single family notes. The overall goal of the Accelerated Claim and Asset Disposition demonstration program is to ensure that FHA's public policy issues are addressed while expediting the disposition of defaulted FHA single family assets and maximizing the return to the FHA Insurance Funds. The first demonstration initiative was a sealed bid auction held in October 2002. Claims were paid beginning October 31, 2002. Three subsequent auctions were held September 2003, June 2004, and May 2005. This indicator tracks the rate of recovery on FHA claims between fiscal years 2007 and 2008. The benchmark or target for this performance indicator, which is the final rate of net recovery received on the sale of single family assets through the conveyance program, will be determined when fiscal year end data is available.

HOUSING
MUTUAL MORTGAGE INSURANCE FUND
Proposed Appropriations Language

The fiscal year 2009 President's Budget included proposed changes in the appropriations language listed and explained below. New language is italicized and underlined, and language proposed for deletion is bracketed.

During fiscal year [2008] 2009, commitments to guarantee single-family loans [to carry out the purposes of section 203(b) of the National Housing Act, as amended,] insured under the Mutual Mortgage Insurance Fund shall not exceed a loan principal of $185,000,000,000.

During fiscal year [2008] 2009, obligations to make direct loans to carry out the purposes of section 204(g) of the National Housing Act, as amended, shall not exceed $50,000,000: Provided, That the foregoing amount shall be for loans to nonprofit and governmental entities in connection with sales of single family real properties owned by the Secretary and formerly insured under the Mutual Mortgage Insurance Fund.

For administrative contract expenses, [$77,400,000] $116,000,000, of which at least [not to exceed $25,550,000] $46,794,000 shall, and up to $58,492,500 may be transferred to the Working Capital Fund, and of which up to [$5,000,000] $10,000,000 shall be for education and outreach of FHA single-family loan products, including printing costs: Provided, That to the extent guaranteed loan commitments exceed $65,500,000,000 on or before April 1, [2008] 2009, an additional $1,400 for administrative contract expenses shall be available for each $1,000,000 in additional guaranteed loan commitments (including a pro rata amount for any amount below $1,000,000), but in no case shall funds made available by this proviso exceed $30,000,000. (Department of Housing and Urban Development Appropriations Act, 2008)

HOUSING
FHA--MUTUAL MORTGAGE INSURANCE FUND
Crosswalk of 2007 Availability
(Dollars in Thousands)

Budget Activity	2007 Enacted	Supplemental/ Rescission	Approved Reprogrammings	Transfers	Carryover	Total 2007 Resources
Administrative Expense	$351,450[a]	...	...	...	...	$351,450
Administrative Contract Expense	61,974[a]	...	...	...	...	61,974
Total	413,424	...	...	...	...	413,424

a/ In fiscal year 2007, all of FHA's administrative expenses and Working Capital Fund appropriations are recorded in corresponding Departmental accounts as non-expenditure transfers rather than as obligations and eventual outlays.

HOUSING
FHA--MUTUAL MORTGAGE INSURANCE FUND
Crosswalk of 2008 Changes
(Dollars in Thousands)

Budget Activity	2008 President's Budget Request	Congressional Appropriations Action on 2008 Request	2008 Supplemental/ Rescission	Reprogrammings	Carryover	Total 2008 Resources
Administrative Expense	$351,450[a]	...	...	...	...	...
Administrative Contract Expense	77,400[a]	$77,400	...	...	...	$77,400
Total	428,850	77,400	...	...	...	77,400

a/ Beginning in fiscal year 2008, FHA's administrative expenses are directly appropriated to the relevant administrative accounts of the Department; the Working Capital Fund amount remains a non-expenditure transfer. The residual appropriation in this account is for FHA contract expenses, including amounts for education and outreach.

HOUSING
GENERAL AND SPECIAL RISK INSURANCE FUND
2009 Summary Statement and Initiatives
(Dollars in Thousands)

FHA--GENERAL AND SPECIAL RISK INSURANCE FUND	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2007 Appropriation	$316,524	$61,021[a]	-$39,912[b]	$337,633	$66,842[c]	$56,000[c]
2008 Appropriation/Request	91,711	23,937	...	115,648	76,000[c]	71,000[c]
2009 Request	57,471	23,937	...	81,408	53,000[c]	61,000[c]
Program Improvements/Offsets	-34,240	...	...	-34,240	-23,000	-10,000

a/ Includes carryover for positive credit subsidy, which consists of recaptured positive credit subsidy of $4.7 million, and unused annual appropriations of $16.4 million and $39.9 million from the fiscal year 2001 Emergency Supplemental Appropriation (P.L. 106-554) net of rescission. However, the funds from the Emergency Supplemental Appropriation were never made available for obligation and were cancelled during fiscal year 2007. Funds for administrative purposes expire at the end of each fiscal year and are not in the carryover total.

b/ Reflects cancellation of the fiscal year 2001 Emergency Supplemental Appropriation.

c/ Obligations and outlays exclude upward re-estimates and non-expenditure transfers to the Departmental S&E, OIG, and WCF accounts for fiscal year 2007. Also, beginning in fiscal year 2008, FHA’s S&E expenses for administration are directly appropriated to the relevant administrative accounts of the Department, the Working Capital Fund amount remains a non-expenditure transfer, and the remaining obligations and outlays in this account are for FHA contract expenses, including amounts for education and outreach. For fiscal year 2009, all FHA Working Capital Fund support is consolidated in the MMI Fund request.

NOTE: Carryover is net of 1-year funds that expire in each of fiscal years 2007, 2008, and 2009.

Summary Statement

Loan Guarantee Limitation. A loan guarantee limitation of $35 billion is requested for fiscal year 2009. New insurance commitments are estimated at $6.5 billion. The additional amount requested above $6.5 billion minimizes the possibility of reaching the limitation and suspending program activity prior to the end of the year. It is estimated that of this amount, $5.4 billion in insurance commitments will be issued for FHA’s multifamily and healthcare-related programs. Another $1.1 billion is estimated in hospital mortgage insurance commitments. Title I (Property Improvements and Manufactured Housing) commitments are projected at $125 million.

Direct Loan Limitation. A direct loan limitation of $50 million is also requested. Of this amount, $30 million is intended for bridge loan financing to facilitate the sale of multifamily projects, and $20 million is for 5-year purchase money mortgages for non-profit and governmental agencies to make HUD-acquired single family properties available for resale to purchasers at or below 115 percent of area median incomes.

Appropriations. The General and Special Risk Insurance (GI/SRI) Fund of the FHA requests an appropriation of $57.5 million for administrative contract expenses and credit subsidy for fiscal year 2009, that is a decrease of more than $34 million under the fiscal year 2008 President's request, with the primary difference being the migration of the WCF transfer to MMI. The 2009 budget request includes an appropriation of $8.6 million for positive credit subsidy. That amount, together with an estimated $23.9 million in carryover, will be available for commitments related to the few relatively small loan programs in the GI/SRI Fund requiring such subsidies. Out of the $23.9 million in carryover, less than $300 thousand is Church Arson funding. The 2009 budget request also includes an appropriation of $48.8 million for administrative contract expenses.

Initiatives

This budget request reflects proposed legislative reforms that will include improved FHA single family product lines and overall a more vibrant and flexible FHA program, with financial responsibility for these new single family products, including the Home Equity Conversion Mortgage (HECM) reverse mortgage guarantee program, consolidated under the Mutual Mortgage Insurance (MMI) Fund. The budget also requests up to $1 million for consumer education and outreach efforts for FHA GI/SRI loan programs. Finally, the 2009 budget proposes to consolidate all FHA Working Capital Fund (WCF) support in the MMI Fund Program account appropriation.

HOUSING
GENERAL AND SPECIAL RISK INSURANCE FUND
Summary of Resources by Program
(Dollars in Thousands)

Budget Activity	2007 Budget Authority	2006 Carryover Into 2007	2007 Total Resources	2007 Obligations	2008 Budget Authority/ Request	2007 Carryover Into 2008	2008 Total Resources	2009 Request
Administrative Expenses (S&E)	$229,086	...	$229,086	...	...	...	...	...
Administrative Contract Expenses	78,726	...	78,726	$60,958	$78,111	...	$78,111	$48,871
Positive Subsidy Appropriation	-31,200	$61,021	29,821	5,884	8,600	$23,937	32,537	8,600
Discount Loan Sales Appropriation	...	...	...	...	5,000	...	5,000	...
Total	276,612	61,021	337,633	66,842	91,711	23,937	115,648	57,471

2007 Budget Authority. Positive Subsidy Appropriation reflects the net result of combining the $8.7 million appropriated with the $39.9 million cancellation of the fiscal year 2001 Emergency Supplemental Appropriation, for display only.

2006 Carryover Into 2007. It consists of the $39.9 million from the fiscal year 2001 Emergency Supplemental Appropriation, the $4.7 million of recaptures, and $16.4 million of unused positive credit subsidy.

2007 Carryover Into 2008. It consists of all unused positive credit subsidy.

FTE	2007 Actual	2008 Estimate	2009 Estimate
Headquarters	295	313	303
Field	869	795	756
Total	1,164	1,108	1,059

HOUSING
GENERAL AND SPECIAL RISK MORTGAGE INSURANCE FUND
Detailed Summary of Resources by Program

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Budget Activity	2007 Budget or Financing Authority	2007 Total Resources	2007 Obligations	2008 Budget Authority	2008 Total Resources	2009 Request
		(Dollars in Thousands)				
Administrative transfers:						
S&E a/..................................	$209,286	$209,286	0	0	0	0
OIG a/..................................	19,800	19,800	0	0	0	0
Subtotal..............................	229,086	229,086	0	0	0	0
Non-overhead admin costs:						
Administrative expenses b/................	68,034	68,034	$60,958	$62,419	$62,419	$48,871
Working Capital Fund Transfer c/..........	10,692	10,692	0	15,692	15,692	0
Subtotal..............................	78,726	78,726	60,958	78,111	78,111	48,871
Subtotal, Admin & Non-overhead admin. Costs	307,812	307,812	60,958	78,111	78,111	48,871
Positive Subsidy d/........................	8,712	29,821	5,884	8,600	32,537	8,600
Discount Loan Sales.....................................	…	…	…	5,000	5,000	
Total Appropriations....................	316,524	337,633	66,842	91,711	115,648	57,471

a/ Beginning in fiscal year 2008, FHA's support for S&E and OIG administration are directly appropriated to the relevant administrative accounts of the Department.

b/ The 2007 budget authority for administrative contract expenses consists of a base amount of $60,489,000 plus an additional amount of $7,545,341 contingent on commitments surpassing $8,426,000,000 by April 1 of the fiscal year, as stipulated in the fiscal year 2006 Appropriation Act and made applicable by fiscal year 2007 Continuing Appropriations Resolution, P.L. 110-5. The 2009 Request includes up to $1 million for consumer education and outreach for FHA loan products.

c/ Beginning with fiscal year 2009, all WCF systems support for FHA will be requested and appropriated in the Mutual Mortgage Insurance (MMI) fund Program account.

d/ In addition to the fiscal year 2007 appropriation, the 2007 Total Resources also include $4.7 million of recaptures and $16.4 million of unobligated credit subsidy carried forward from fiscal year 2006. Similarly, the 2008 Total Resources consists of $8.6 million appropriated for fiscal year 2008 plus $23.9 million of unobligated credit subsidy carried forward from fiscal year 2007.

In fiscal year 2007, all administrative expenses (S&E and OIG transfers), as well as Working Capital Fund (WCF) transfers, are recorded as non-expenditure transfers in the corresponding Departmental accounts. Beginning in fiscal year 2008, FHA's S&E expenses are directly appropriated to the relevant administrative accounts of the Department, and the Working Capital Fund amount remains a non-expenditure transfer. Beginning with fiscal year 2009, all WCF support for FHA will be appropriated in the MMI fund Program account. Accordingly, the following table is used to present only the appropriation items with obligation activities:

Budget Activity	2007 Budget Authority	2006 Carryover Into 2007	2007 Total Resources	2007 Obligations	2008 Budget Authority/Request	2007 Carryover Into 2008	2008 Total Resources	2008 Obligations	2009 Request
				(Dollars in Thousands)					
Administrative Contract Expenses.	$68,034	…	$68,034	$60,958	$62,419	…	$62,419	$62,419	$48,871
Positive Credit Subsidy a/ b/......	-31,200	$61,021	29,821	5,884	8,600	$23,937	32,537	14,000	8,600
Discount Loan Sales	…	…	…	…	5,000	…	5,000	…	…
Total...........	36,834	61,021	97,855	66,842	76,019	23,937	99,956	76,419	57,471

a/ 2007 Budget Authority reflects the net result of combining the $8.7 million appropriated with the $39.9 million cancellation of the fiscal year 2001 Emergency Supplemental Appropriation.

b/ 2006 Carryover Into 2007 consists of the $39.9 million from the fiscal year 2001 Emergency Supplemental Appropriation, the $4.7 million of recaptures, and $16.4 million of unused positive credit subsidy.

HOUSING
GENERAL AND SPECIAL RISK INSURANCE FUND
Program Offsets
(Dollars in Thousands)

Administrative Expenses (S&E)	**Amount**
2007 Appropriation	$229,086
2008 Appropriation/Request	...
2009 Request	...
Program Improvements/Offsets	...

Proposed Actions

2009 Request. FHA's administrative expenses are directly requested from and appropriated to the relevant administrative accounts of the Department.

HOUSING
GENERAL AND SPECIAL RISK INSURANCE FUND
Program Offsets
(Dollars in Thousands)

Administrative Contract Expenses	**Amount**
2007 Appropriation	$78,726
2008 Appropriation/Request	78,111
2009 Request	48,871
Program Improvements/Offsets	-29,240

Proposed Actions

2009 Request. Beginning in 2009, funding for all FHA systems in the WCF are consolidated in the MMMI Fund Program account. The 2009 request provides at least $47.9 million for administrative contract expenses, and up to $1 million of the amount remaining in this account is provided for consumer education and outreach for FHA loan products.

HOUSING
GENERAL AND SPECIAL RISK INSURANCE FUND
Program Offsets
(Dollars in Thousands)

Positive Subsidy Appropriation	Amount
2007 Appropriation	-$31,200
2008 Appropriation/Request	8,600
2009 Request	8,600
Program Improvements/Offsets	...

2007 Appropriation. Reflects the net result of combining the $8.7 million appropriation with the $39.9 million cancellation of the fiscal year 2001 Emergency Supplemental Appropriation.

Proposed Actions

Appropriations. The 2009 request includes appropriations of $8.6 million for positive credit subsidy. That amount, together with an estimated $23.9 million in carryover, will be available for commitments related to various multifamily programs and Title I loan programs in the GI/SRI program account. Of the $23.9 million in carryover, Church Arson funding is estimated to be less than $300,000. In fiscal year 2009, multifamily programs requiring positive subsidy are 221(d)(3) non-profit apartments, 241(a) supplemental loans and 223 operating loss loans. All other programs result in net credit subsidy receipts to the Government.

GI/SRI Insurance Programs. The Department offers a range of 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, and hospitals. Title I loan guarantees are also offered for manufactured housing and for property improvement loans. The Department's insurance programs will continue to meet the Nation's need for decent, safe and affordable housing.

Hospital Programs. The Section 242 Program 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 358 hospital mortgages totaling approximately $13.4 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.

Multifamily Credit Subsidy Rates. The Department continuously devotes significant efforts in updating and refining credit subsidy estimates. The credit subsidy estimates were developed after consultation with the Office of Management and Budget (OMB) and reflect additional analysis by the Department. Each year the extensive statistical base, from which projections of future loan performance is calculated, is updated with an additional year of actual data. The Department and 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, with adjustments made for significant policy shifts as well as changing economic and market conditions.

Mortgage and Loan Insurance Programs – GI/SRI Account

The following table displays the estimated allocation of commitment authority and subsidy by program for fiscal year 2009.

GI/SRI PROGRAMS	Commitment Authority FY 2009	Subsidy Rates FY 2009	Positive Subsidy BA FY 2009
Multifamily & Healthcare			
221(d)(4) Apts. NC/SR(includes Mixed Use)	$1,000,000,000	-1.10%	
221(d)(3) non-profit apts.	10,000,000	5.84%	$584,000
Tax Credit Projects................................	720,000,000	-3.20%	
Apartments Refinance...............................	1,600,000,000	-3.29%	
241(a) Supplemental loans for Apts..................	10,000,000	1.97%	197,000
223 Operating Loss Loans...........................	15,000,000	22.18%	3,327,000
HFA Risksharing....................................	120,000,000	-1.17%	
GSE Risksharing....................................	15,000,000	-1.43%	
Full Insurance for Health Care Facilities...........	500,000,000	-0.74%	
Health Care Refinance..............................	1,300,000,000	-2.09%	
Other Rental.......................................	15,000,000	-2.14%	
Hospitals (includes refi. & Suppl. Loan)............	1,100,000,000	-2.51%	
Multifamily & Healthcare Subtotal...............	6,405,000,000		4,108,000
Title I...			
Property Improvements..............................	54,367,000	-0.52%	
Manufactured Housing...............................	71,121,000	-0.14%	
Title I Subtotal..............................	125,488,000		
GI/SRI TOTAL..................................	6,530,488,000		4,108,000
Stand-by Authority	28,469,512,000		
Total New Commitment Authority.........................	35,000,000,000		

The Department has proposed consolidating all of its single family mortgage programs into the MMI Fund, including new endorsements for condominiums, purchase and rehabilitation, and home equity conversion mortgages. Title I loans as well as single family loan guarantees made in prior years will continue to be financed in the GI/SRI Fund.

HOUSING
GENERAL AND SPECIAL RISK INSURANCE FUND
Program Offsets
(Dollars in Thousands)

Insurance Commitment Limitation Enacted/Requested	Loan Guarantees Amount
2007 Appropriation	$45,000,000
2008 Appropriation/Request	45,000,000
2009 Request	35,000,000
Program Improvements/Offsets	-10,000,000

Proposed Actions

Loan Guarantee Limitation. The fiscal year 2009 budget proposes loan guarantee limitation of $35 billion. This will cover an estimated $6.5 billion of new commitments and leaves $28.5 billion available for unanticipated increases in business. It is estimated that $5.3 billion in insurance commitments will be issued for multifamily and healthcare related programs. Another $1.1 billion is estimated in hospital mortgage insurance commitments. Title I commitments are projected at $125 million. These activities are discussed in detail in the previous section.

GENERAL AND SPECIAL RISK INSURANCE FUND
Program Highlights

	Enacted 2007	Estimate 2008	Estimate 2009	Increase + Decrease – 2009 vs 2008
		(Dollars in Millions)		
Insurance Commitment Limitation:				
Loan Guarantees	$45,000	$45,000	$35,000	-$10,000
Insurance Commitments (dollars)				
Multifamily	2,987	3,286	3,505	+219
Hospitals	647	1,100	1,100	0
Homes	28,015	33,185	...	-33,185
Title I	96	125	125	0
Nursing Homes (includes refis)	1,182	1,650	1,800	+150
Subtotal	32,927	39,346	6,530	-32,816
Insurance Written (units)				
Multifamily	71,370	57,222	60,644	+3,422
Homes	129,950	154,877	...	-154,877
Title I	4,388	4,388	4,388	0
Nursing Homes (includes refis)	20,150	20,165	22,243	+2,078
Subtotal	225,858	236,652	87,275	-149,377
Insurance Written (dollars)				
Multifamily	$2,884	2,463	3,451	+988
Hospitals	846	825	1,100	+275
Homes	28,015	20,945	...	-20,945
Title I	96	125	125	0
Nursing Homes (includes refis)	1,219	1,238	1,762	+524
Subtotal	33,060	25,596	6,438	-19,158

HOUSING
GENERAL AND SPECIAL RISK INSURANCE FUND
Program Offsets
(Dollars in Thousands)

Direct Loan Limitation Enacted/Requested	Direct Loan Amount
2007 Appropriation	$50,000
2008 Appropriation	50,000
2009 Request	50,000
Program Improvements/Offsets	...

Proposed Actions

A direct loan limitation of $50 million is requested. Of this amount, $30 million is intended for bridge loan financing to facilitate the sale of multifamily projects, and $20 million is for 5-year purchase money mortgages for non-profit and governmental agencies to make HUD-acquired single family properties available for resale to purchasers at or below 115 percent of area median incomes.

HOUSING
FHA--GENERAL AND SPECIAL RISK INSURANCE FUND
Program Offsets
(Dollars in Thousands)

Discount Loan Sales Appropriation	Amount
2007 Appropriation	...
2008 Appropriation/Request	$5,000
2009 Request	...
Program Improvements/Offsets	-5,000

The fiscal year 2008 Appropriation Act included a new appropriation of $5 million for the cost of discounted sales of multifamily real property and loans; it will remain available until September 30, 2009. No additional funds are being requested for fiscal year 2009.

HOUSING
GENERAL AND SPECIAL RISK INSURANCE FUND
Performance Measurement Table

Program Name: **GENERAL AND SPECIAL RISK INSURANCE ACCOUNT**					
Program Mission: **Expand national homeownership opportunities.**					
Performance Indicators	**Data Sources**	**Performance Report**		**Performance Plan**	
		2007 Plan	**2007 Actual**	**2008 Plan**	**2009 Plan**
The share of all homebuyers who are first-time homebuyers.	Single Family Program Office PD&R – American Housing Survey	Tracking indicator	30.6%	Tracking indicator	Tracking Indicator
The share of first-time homebuyers among FHA home purchase endorsements is 73 percent.	FHA's Single Family Housing Enterprise Data Warehouse	71%	79.5%	73%	73%
The number of FHA single family mortgage insurance endorsements nationwide.	FHA's Single Family Housing Enterprise Data Warehouse	Tracking indicator	532,000	Tracking indicator	Tracking indicator
The share of FHA-insurable real estate owned (REO) properties that are sold to owner-occupants is 90 percent.	FHA's Single Family Acquired Asset Management System	90%	93%	90%	90%
The minority homeownership rate.	Single Family Program Office PD&R – Current Population Survey data	Tracking Indicator	51% Third Quarter, FY 2006	Tracking Indicator	Tracking indicator
The share of first-time minority homebuyers among FHA home purchase endorsements is 33 percent.	FHA's Single Family Housing Enterprise Data Warehouse	35%	33%	33%	33%
The homeownership rate among households with incomes less than median family income.	Single Family Program Office PD&R – Current Population Survey data	Tracking Indicator	53%	Tracking Indicator	Tracking indicator

Performance Indicators	Data Sources	Performance Report		Performance Plan	
		2007 Plan	2007 Actual	2008 Plan	2008 Plan
The homeownership rate in central cities.	Single Family Program Office PD&R – Current Population Survey data	Tracking Indicator	53.5%	Tracking indicator	Tracking indicator
The mortgage disapproval rates of minority applicants.	Single Family Program Office FHEO – Home Mortgage Disclosure Act	Tracking Indicator	25.3%(Black) 19.3% (American Indian) 14.7%(Asian) 18.47% (Pacific Islander) 21.9% Hispanic) 11.2%(White)	Tracking indicator	Tracking indicator
Loss mitigation claims are 55 percent of total claims on FHA-insured single-family mortgages.	FHA's Single Family Housing Enterprise Data Warehouse, Loss Mitigation Table	50%	64.6%	55%	55%
FHA endorses at least 1,000 multifamily mortgages.	Multifamily Program Office OH – FHA's Real Estate Management System	1,000	881	1,000	1,000
HUD will complete 80 percent of the initial fiscal year 2009 Mark-to-Market pipeline during the fiscal year, reducing rents and restructuring mortgages where appropriate.	OHMAR – Mark-to-Market Management Information System	80%	92%	80%	80%
The share of multifamily properties in underserved areas insured by FHA is maintained at 33 percent of initial endorsements.	Multifamily Program Office OH	Maintain 25%	42%	33%	33%

Performance Indicators	Data Sources	Performance Report		Performance Plan	
		2007 Plan	**2007 Actual**	**2008 Plan**	**2009 Plan**
FHA increases the percentage of at risk loans that substantively comply with FHA program requirements.	FHA's Approval Re-certification/ Review Tracking System (ARRTS)	85%	96.8%	85%	85%
The Accelerated Claim and Asset Disposition demonstration program (Section 601) will exceed the rate of net recovery received through the conveyance program on the sale of Single Family assets.	FHA's Single Family Insurance System – Claims Subsystem and FHA's Single Family Acquired Asset Management System	68% net recovery rate received through the conveyance program on the sale of single family assets in FY 2006	72.93%	Net recovery rate received through the conveyance program on the sale of single family assets in FY 2008	Net recovery rate received through the conveyance program on the sale of single family assets in FY 2009

Explanation of Indicators

The share of all homebuyers who are first-time homebuyers. This is a tracking indicator for which no numeric target is established because of the current dominant impact of the macroeconomy. Increases in overall ownership rates generally result when better opportunities become available for first-time homebuying by low- and moderate-income households. The most recent available data show that during calendar year 2005, 38.1 percent of homebuyers were purchasing their first home. A number of economic factors not controlled by HUD affect this outcome, especially changes in mortgage interest rates.

The share of first-time homebuyers among FHA-insured home purchase endorsements is 73 percent. FHA is a major source of mortgage financing for first-time buyers as well as for minority and lower income buyers. HUD will help increase the overall homeownership rate, as well as reduce the homeownership gap between whites and minorities, by increasing FHA endorsements for first-time homebuyers.

This indicator tracks the share of first-time homebuyers among FHA endorsements for home purchases—thus excluding loans made for home improvements.

The number of FHA single family mortgage insurance endorsements nationwide. This is a tracking indicator. FHA insures mortgages issued by private lenders, increasing access to mortgage capital so homeownership opportunities increase. This indicator tracks FHA's contribution to the homeownership rate through the annual volume of FHA-insured loans, and is a key component of the Department's efforts to improve the National Homeownership rate and fulfill the President's fiscal year 2002 commitment to creating 5.5 million new minority homeowners over a 10-year period. As such, this indicator greatly affects first-time and minority homeownership in addition to overall homeownership. Beginning with fiscal year 2007 this indicator will be under FHA's MMI Fund.

The share of FHA-insurable real estate owned (REO) properties that are sold to owner-occupants is 90 percent. This indicator tracks one measure of the Department's success in expanding homeownership opportunities and helping stabilize neighborhoods. HUD intends to increase sales of its REO homes directly to families who will occupy them rather than to investors. In fiscal year 2006, 90 percent of FHA-insurable REO properties were sold to owner-occupants. The fiscal year 2009 goal is to ensure that the share of FHA-insurable REO properties that are sold to owner-occupants is 90 percent.

The minority homeownership rate. This is a tracking indicator for which no numeric target is established because of the current dominant impact of the macroeconomy. Many of HUD's programs improve homeownership by targeting underserved populations including minorities. Minority households represented 33 percent of all FHA-insured home purchases in fiscal year 2007. Strategies to increase minority homeownership include increased outreach and continued enforcement of equal opportunity in housing. The Department also is requesting increased funding for the Housing Counseling program. New counseling resources will help more members of minority and other underserved groups to build the knowledge to become homeowners and to sustain their new tenure by meeting the on-going responsibilities of homeownership.

The share of first-time minority homebuyers among FHA home purchase endorsements is 33 percent. FHA is a major source of mortgage financing for minority as well as lower income buyers. Increasing the number of FHA endorsements for first-time minority homebuyers will help reduce the homeownership gap between whites and minorities as well as increase the overall homeownership rate. The fiscal year 2009 goal is to ensure that first-time minority homebuyers represent 33 percent of home purchase mortgages endorsed for insurance by FHA.

The homeownership rate among households with incomes less than median family income. This tracking indicator has no numeric target because of the current dominant impact of the macroeconomy. Homeownership is advantageous because of its contributions to asset development, better neighborhoods and schools, stability of tenure, and wider choice of housing types. Holding other factors equal, homeownership improves outcomes for children on a number of dimensions, including school achievement and dropout rates. HUD is supporting increased homeownership among the half of all households who earn less than the national median family income in numerous ways. These include improved partnering, marketing and outreach, as well as through the higher loan limits recently approved for FHA. Over 70 percent of FHA-insured single family mortgages in recent years have been to families with below-median income. Homeownership vouchers and CDBG, HOME and IHBG homeownership activities also primarily support this population.

The homeownership rate in central cities. This tracking indicator has no numeric target because of the current dominant impact of the macroeconomy. Central cities have below-average rates of homeownership—in part because of higher density development and multifamily housing—but also because of losses of middle-class families in past decades. Low homeownership can contribute to neighborhood decline because absentee landlords and their tenants put forth less maintenance effort than homeowners. In such cases, low homeownership often leads to a shrinking municipal tax base.

HUD is increasing marketing and outreach efforts to promote central city homeownership, including targeted sales of HUD-owned properties. The Department's geographically targeted goals for the housing GSEs include central city criteria to help ensure that mortgage capital is available. Cities also are making efforts to increase homeownership rates, as a substantial proportion of HOME funds support new homebuyers. This indicator tracks the progress in re-establishing central cities as desirable places for long-term individual investment.

The mortgage disapproval rates of minority applicants. This is a tracking indicator for minority mortgage disapproval rates, an important early indicator of trends in minority homeownership. Equal access to home loans is critical for decreasing disparities in homeownership rates. However, lender decisions about which applications to accept or deny are primarily beyond HUD's control.

Loss mitigation claims are 55 percent of total claims on FHA-insured single family mortgages. This indicator measures the success of FHA loan servicers in implementing statutorily required loss-mitigation techniques when borrowers default on their FHA mortgages. A borrower can resolve a default (90-day delinquency) in several ways short of foreclosure: for example, by paying down the delinquency (cure), by a pre-foreclosure sale with FHA perhaps paying an insurance claim in the amount of the shortfall, or by surrendering a deed in lieu of foreclosure. Better loss-mitigation efforts, such as enhanced borrower counseling, help borrowers keep their current homes or permit them to buy another home sooner. Avoidance of foreclosure also reduces FHA's insurance losses, making FHA financially sounder and enabling it to help more borrowers. For both reasons, by achieving this goal HUD will help increase the overall homeownership rate.
The use of loss mitigation as a share of total claim increased from 46.1 percent in fiscal year 2001 to 64.6 percent in fiscal year 2007. The fiscal year 2009 goal is to ensure that 55 percent of the total number of claims are resolved through loss mitigation.

FHA endorses at least 1,000 multifamily mortgages. FHA multifamily mortgage insurance plays an important role in the mortgage market, especially for a number of higher risk segments in the housing industry. These include small builders, buyers or owners of aging inner-city properties, and nonprofit sponsors. FHA's unique and valuable products include insurance that covers both the construction financing and long-term permanent financing of modest-cost rental housing, insurance for assisted living facilities, and a vehicle whereby lenders (including many with public purpose missions such as housing finance agencies) can gain access to the AAA rating of Ginnie Mae securities. HUD will complete 80 percent of the initial fiscal year 2009 Mark-to-Market (M2M) pipeline during the fiscal year, reducing rents and restructuring mortgages where appropriate. HUD will continue the M2M program. Under the M2M program, the Office of Affordable Housing Preservation (OAHP) analyzes FHA-insured multifamily properties for which Section 8 rents exceed comparable market rents, and reduces Section 8 rents to bring them in line with comparable market rents or levels that preserve financial viability. Properties also are eligible for debt restructuring that involves a write-down of the existing mortgage in conjunction with the reduced rent levels. Rent adjustments and mortgage restructuring reduce the average cost of providing housing assistance and help maintain the supply of good quality, affordable housing units. OAHP administers M2M by contracting with Participating Administrative Entities (PAEs), including a number of state housing finance agencies, to conduct the mortgage restructuring.

The share of multifamily properties in underserved areas insured by FHA is maintained at 35 percent of initial endorsements. FHA insures loans for new construction and substantial rehabilitation of multifamily rental units under Sections 221(d)(3), 221(d)(4), and 220, and risk-sharing under 542(b) and (c). Section 223(f) insures mortgages for existing multifamily properties, either to refinance an existing mortgage or to facilitate the purchase of a property. A moderate amount of rehabilitation cost may be included in the mortgage. These programs improve the quality and affordability of rental housing, and increasing their availability in underserved neighborhoods will promote revitalization of those neighborhoods.

This indicator measures the proportion of multifamily properties in "underserved" neighborhoods as a percentage of all multifamily properties that receive FHA mortgage endorsements. Beginning in fiscal year 2003, refinanced mortgages are included. Sections 202 and 811 properties are excluded. Underserved neighborhoods are defined in metropolitan areas as census tracts either with a minority population of 30 percent and median family income below 120 percent of the metropolitan area median, or with median family income at or below 90 percent of area median (irrespective of minority population percentage). A similar definition of underserved applies to non-metropolitan areas, using counties rather than tracts.

The fiscal year 2009 goal is to maintain the share of multifamily properties in underserved areas insured by FHA at 33 percent of initial endorsements. The achievement of this goal in fiscal year 2009 is influenced by National economic conditions.

FHA increases the percentage of at risk loans that substantively comply with FHA program requirements. This indicator monitors efforts to reduce fraud and compliance problems in FHA relative to the number of “at risk” single family loans reviewed that do not contain substantive findings. A substantive finding is defined as a failure to adhere to FHA program requirements (pertaining to the origination and/or servicing of mortgage loans) such that it materially affects the insurability of the loan. Lenders are reviewed on the basis of a target methodology that focuses on high early default and claim rates in addition to other risk factors that represent “at risk” loans. Samples of defaulted loans (90 days or more delinquent) that are originated by the targeted lenders are then evaluated for findings. Quality Assurance Division (QAD) reviews of FHA-approved lenders provide the means of data collection for this performance measure. For this indicator, the denominator is the number of loans reviewed and the numerator is the number of loans without material findings. This indicator replaces the previous performance measure that tracked the number of insured single family mortgage loans originated by FHA-approved lenders that, after review, were determined to have findings.

The Accelerated Claim and Asset Disposition demonstration program (Section 601) will exceed the rate of net recovery received through the conveyance program on the sale of Single Family assets. Under authority from Section 601 of the National Housing Act in 1999, HUD is implementing a demonstration program to reform the single family claims and property disposition process and maximize recoveries on claims paid. Under the demonstration, FHA will take assignment of notes and transfer them to private parties for servicing, foreclosure avoidance, property management and asset disposition. FHA has the opportunity to execute various asset disposition strategies as a part of the Accelerated Claim Demonstration (ACD), securitizations, whole loan sales, and a combination whole loan/pipeline sale. Currently, FHA is utilizing a structured financing and retaining an equity interest in the limited liability company formed to acquire, service and dispose of portfolios of single family notes. The overall goal of the ACD program is to ensure that FHA’s public policy issues are addressed while expediting the disposition of defaulted FHA single family assets and maximizing the return to the FHA Insurance Funds. This indicator tracks the rate of recovery on FHA claims between fiscal years 2008 and 2009. The benchmark or target for this performance indicator, which is the final rate of net recovery received on the sale of single family assets through the conveyance program, will be determined when fiscal year end data is available.

HOUSING
GENERAL AND SPECIAL RISK INSURANCE FUND
Justification of Proposed Appropriation Language

The fiscal year 2009 President's Budget included proposed changes in the appropriations language listed and explained below. New language is italicized and underlined, and language proposed for deletion is bracketed.

For the cost of guaranteed loans, as authorized by sections 238 and 519 of the National Housing Act (12 U.S.C. 1715z-3 and 1735c), including the cost of loan guarantee modifications, as that term is defined in section 502 of the Congressional Budget Act of 1974, as amended, $8,600,000, to remain available until expended: Provided, That commitments to guarantee loans shall not exceed [$45,000,000,000] *$35,000,000,000* in total loan principal, any part of which is to be guaranteed.

Gross obligations for the principal amount of direct loans, as authorized by sections 204(g), 207(l), 238, and 519(a) of the National Housing Act, shall not exceed $50,000,000, of which not to exceed $30,000,000 shall be for bridge financing in connection with the sale of multifamily real properties owned by the Secretary and formerly insured under such Act; and of which not to exceed $20,000,000 shall be for loans to nonprofit and governmental entities in connection with the sale of single-family real properties owned by the Secretary and formerly insured under such Act.

For administrative [contract] expenses necessary to carry out the guaranteed and direct loan programs, [$78,111,000, of which not to exceed $15,692,000 shall be transferred to the Working Capital Fund] *$48,871,000 of which at least $47,871,000 shall be for administrative contracts and up to $1,000,000 shall be for consumer education and outreach for FHA loan products:* Provided, That to the extent guaranteed loan commitments exceed $8,426,000,000 on or before April 1,[2008] *2009,* an additional $1,980 for administrative contract expenses shall be available for each $1,000,000 in additional guaranteed loan commitments over $8,426,000,000 (including a pro rata amount for any increment below $1,000,000), but in no case shall funds made available by this proviso exceed $14,400,000.

[For discount sales of multifamily real property under sections 207(1) or 246 of the National Housing Act (12 U.S.C. 1713(l), 1715z-11), section 203 of the Housing and Community Development Amendments of 1978 (12 U.S.C. 1701z-11), or section 204 of the Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act, 1997 (12 U.S.C. 1715z-11a), and for discount loan sales under section 207(k) of the National Housing Act (12 U.S.C. 1713(k)), section 203(k) of the Housing and Community Development Amendments of 1978 (12 U.S.C. 1701z-11(k)), or section 204(a) of the Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Act, 1997 (12 U.S.C. 1715z-11a(a)), $5,000,000, to remain available until September 30, 2009.](*Department of Housing and Urban Development Appropriations Act, 2008.)*

Explanation of Changes

A new $1 million appropriation for consumer education and outreach for FHA loan products is proposed for fiscal year 2009. This account also reflects a shift in WCF to the MMI Fund.

HOUSING
GENERAL AND SPECIAL RISK INSURANCE FUND
Crosswalk of 2007 Availability
(Dollars in Thousands)

Budget Activity	2007 Enacted	Supplemental/ Rescission	Approved Reprogrammings	Transfers	Carryover	Total 2007 Resources
Administrative Expenses (S&E)	$229,086	...	...	...	...	$229,086
Administrative Contract Expenses	78,726	...	...	...	...	78,726
Positive Subsidy Appropriation	8,712	-$39,912[a]	...	...	$61,021[b]	29,821
Discount Loan Sales Appropriation ...	...	...	...	...	...	...
Total	316,524	-39,912	...	...	61,021	337,633

a/ Reflects cancellation of the fiscal year 2001 Emergency Supplemental Appropriation net of the .22 percent governmentwide rescission.

b/ Includes only carryover for positive credit subsidy, which consists of unused annual appropriations and $39,912,000 from the fiscal year 2001 Emergency Supplemental Appropriation (P.L. 106-554) of $40,000,000 reduced by a .22 percent governmentwide rescission. However, the funds from the Emergency Supplemental Appropriation have not been available to the Department and were cancelled during fiscal year 2007. Funds for administrative purposes expire at the end of prior fiscal year and are not reflected in the carryover total.

HOUSING

GENERAL AND SPECIAL RISK INSURANCE FUND
Crosswalk of 2008 Changes
(Dollars in Thousands)

Budget Activity	2008 President's Budget Request	Congressional Appropriations Action on 2008 Request	2008 Supplemental/ Rescission	Reprogrammings	Carryover	Total 2008 Resources
Administrative Expenses (S&E)	$229,086	...	...	...	...	...
Administrative Contract Expenses	78,111	$78,111	...	...	...	$78,111
Positive Subsidy Appropriation	8,600	8,600	...	...	$23,937[a]	32,537
Discount Loan Sales Appropriation ...	...	5,000	...	...	...	5,000
Total	315,797	91,711	...	...	23,937	115,648

a/ Consists of only carryover of unused annual appropriations of positive credit subsidy of $23.7 million and $278,500 for the GI/SRI fund and the Loan Guarantee Recovery Fund, respectively.

Mortgage and Loan Insurance Programs – GI/SRI Account

	ENACTED 2007	CURRENT ESTIMATE 2008	ESTIMATE 2009	INCREASE + DECREASE - 2009 vs 2008
		(Dollars in Millions)		
APPROPRIATION REQUEST				
Insurance Commitment Limitation Enacted/Requested.......................	$45,000	$45,000	$35,000	-$10,000
Direct Loans Limitation Enacted/Requested.......................	50	50	50	…
BUDGET AUTHORITY				
Discretionary:				
Administrative Expenses (S&E, OIG).....	229	0	0	…
Non-overhead administrative expenses...	79	78	49	-29
Positive Subsidy Appropriations........	9	9	9	…
Discount Loan Sales....................	0	5	0	-5
Total Discretionary Appropriation.....	317	92	58	-34
Offsetting Receipts.......................	-1,013	-680	-141	+539
Mandatory:				
Liquidating account (net)...............	428	213	197	-16
Mortgage sales..........................	[120]	[37]	[15]	[-22]
Program Account Upward Re-estimate......	109	301	…	-301
Receipt Account Downward Re-estimate...	-1,746	-897	…	+897

	ENACTED 2007	CURRENT ESTIMATE 2008	ESTIMATE 2009	INCREASE + DECREASE - 2009 vs 2008
	(Dollars in Millions)			
BUDGET OUTLAYS				
Discretionary:				
Administrative Expenses (S&E, OIG) a/...	NA	NA	NA	…
Non-overhead administrative expenses a/.	51	57	53	-4
Positive Subsidy Appropriations.........	5	14	8	-6
Offsetting receipts....................	-1,013	-680	-141	+539
Mandatory:				
Liquidating account (net)..............	168	127	234	+107
Program Account Upward Reestimate......	109	301	…	-301
Receipt Account Downward Reestimate....	-1,746	-897	…	+897

a/ In fiscal year 2007, all of FHA's S&E and Working Capital Fund appropriations are recorded as non-expenditure transfers. Beginning in fiscal year 2008, FHA's S&E expenses are directly appropriated to the relevant administrative accounts of the Department. In fiscal year 2009 the budget proposes to consolidate all FHA Working Capital Fund support in the MMI Fund Program account appropriation.

NA = Not Applicable.

HOUSING
HOUSING COUNSELING ASSISTANCE
2009 Summary Statement and Initiatives
(Dollars in Thousands)

HOUSING COUNSELING ASSISTANCE	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2007 Appropriation	...	...	...	...	...	...
2008 Appropriation/Request	...	...	...	...	...	...
2009 Request	$65,000	...	...	$65,000	$6,500	$6,500
Program Improvements/Offsets	+65,000	...	...	+65,000	+6,500	+6,500

In previous years, the Housing Counseling Assistance program has been funded as a set-aside in the HOME Investment Partnerships program and obligations and outlays from these years are reflected in the HOME Investment Partnerships program account.

Summary Statement

The Department requests $65 million of fiscal year 2009 funding for the Housing Counseling Assistance program in an appropriations account separate from the HOME Investment Partnerships account where it currently resides. The requested funding is a $15 million (30 percent), increase from the fiscal year 2008 enacted appropriation of $50 million. The program's far-reaching effect impacts numerous Departmental programs and Presidential priorities, and provides a key solution to the home finance difficulties currently facing this country. Grants awarded through this appropriations will be competed in late fiscal year 2009, serving as many as one million low- to moderate-income individuals and families during fiscal year 2010. This increased funding request is a smart investment, the returns on which will be manifold and measured across the many critical components of the Housing Counseling Assistance program. This program, administered by the Office of Housing, is the only dedicated source of Federal funding for comprehensive housing counseling services.

The significant increase in appropriations is necessary because the Housing Counseling Assistance program represents one of the most effective ways to immediately assist the thousands of households facing mortgage delinquency and foreclosure nationwide. HUD-sponsored housing counselors apply their skills and expertise so that loss mitigation, lender advocacy, and other tools and strategies are available to affected households to help them modify their loans, refinance, or otherwise escape the high interest rates, hidden costs, prepayment penalties, and other often predatory practices. Failure to adequately fund these mitigation efforts could leave thousands of families who otherwise could be assisted susceptible to foreclosure.

This proposed increase is also an investment in preventing future defaults and foreclosures. Housing counselors arm homebuyers with the information they need to make smart choices regarding homeownership. Many of the homeowners currently victimized by exotic sub-prime loans were simply unaware of less expensive and safer options, such as Federal Housing Administration (FHA) insured mortgages, for which they could qualify, arguably in part, because they did not receive housing counseling. Inadequate funding of the program could result in homebuyers continuing to make suboptimal choices regarding financing products.

Moreover, the proposed budget will strongly support the Department's modernization of FHA. Housing counseling plays a critical role by helping borrowers learn about and benefit from FHA's mortgage insurance products. As a result, housing counselors can help borrowers avoid more expensive and riskier financing options or help them refinance into safer and more affordable mortgages. Housing Counseling assistance is particularly critical as FHA modernization is expected to make reverse mortgages available to an additional two million senior citizens, allowing access to equity for health care needs, home repairs, and other emergencies. To be eligible for FHA's Home Equity Conversion Mortgage (HECM), borrowers are required by statute to complete reverse mortgage counseling, and additional HUD and other resources are needed.

Additionally, the increase in state and locally enacted legislation requiring certain borrowers to receive counseling from HUD-approved agencies necessitates increased funding for the Housing Counseling Assistance program. This increased funding will help ensure compliance with these new laws while minimizing the curtailing of counseling on issues such as default and foreclosure prevention, predatory lending, HECM, and/or FHA.

Program Description and Activities

The Housing Counseling Assistance program supports the delivery of a wide variety of housing counseling services to potential homebuyers, homeowners, low- to moderate-income renters, and the homeless. Counselors provide guidance and advice to help families and individuals improve their housing conditions and choices, and meet the responsibilities of tenancy and homeownership. These activities assist the Department in achieving its strategic goals by increasing homeownership opportunities, promoting decent affordable housing, strengthening communities, and ensuring equal opportunity in housing. Section 106(a)(2) of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701(x)) provides HUD with the legislative authority to provide housing counseling services directly or through private or public organizations with special competence and knowledge in counseling low- and moderate-income families.

Default and Foreclosure Rates Reaching Critical Levels

Housing counseling program activity data reflect the growing demand for default counseling. Default counseling represented 15 percent of total program services provided for the first three quarters of fiscal year 2007, a 4 percent increase over fiscal year 2006 levels, and HUD anticipates that this percentage will continue to increase over the next several years. In fiscal year 2007, agencies participating in HUD's Housing Counseling Assistance program provided, with all sources of funding, default and foreclosure prevention counseling to more than 260,000 households, nearly 100,000 more than the 171,090 households receiving default counseling in 2006, of which 69,093 were served by HUD funds. HUD estimates that as much as $30 million of the proposed appropriation will be spent on default counseling, serving approximately 130,000 households. Thousands of additional households will receive default counseling from HUD-approved housing counseling agencies because of the leveraged funds agencies are able to secure as a result of the significant investment by the Federal government, including lender and investor funded counseling. This emphasis on default counseling will help counter the foreclosure rates, which are reaching critical levels.

Nationally, foreclosure rates began to rise significantly in fiscal year 2006, especially in the Midwestern section of the country. By fiscal year 2007, default and foreclosure rates reached crisis levels, and could worsen dramatically by 2009. According to the Center for Responsible Lending, as many as 2.2 million Americans either have lost their homes to foreclosure or hold subprime mortgages that will fail over the next several years. The Center also projects that 15.4 percent of subprime loans originated between 1998 and the third quarter of 2006 will result in foreclosure. They also conclude that the probability of foreclosure will double from a low of approximately 1 in 10 (9.8 percent) for loans originated in 2002 to a high of approximately 1 in 5 (19.4 percent) for loans originated in 2005 and 2006. Without the proposed appropriation, many of these households would be unable to receive default counseling in fiscal years 2009 and 2010 and, consequently, will have difficulty avoiding foreclosure.

Also, anecdotal evidence from housing counseling agencies suggests that there are serious and growing housing finance issues to be faced and many households at risk of foreclosure are increasingly desperate and turning to housing counseling agencies for assistance. For example, the Homeownership Preservation Foundation, a HUD-approved housing counseling intermediary specializing in default counseling, reports that, for the first quarter of 2007, there were 7,000 calls to its foreclosure prevention hotline. In the second quarter, the volume of default counseling through the hotline increased to 15,000 counseling sessions. Total counseling inquiries through the hotline reached 16,000 in December 2007 alone.

The recent explosion in the use of 'interest only' mortgages, short-term adjustable rate mortgages (ARMs), and low-to-no downpayment mortgages has helped millions of Americans become homeowners. However, many homeowners that have ARMs and other exotic loan products may not fully realize the potential long-term costs, putting them at risk of foreclosure and financial disaster. Typically, ARMs have a fixed rate for the first 2 to 5 years. When that initial period ends, monthly payments are recalculated at prevailing interest rates, which have been rising. In 2009 and 2010, a large percentage of the nearly $3 trillion in adjustable rate loans will convert to significantly higher rates, and balloon payments will come due. With the increase in adjustable interest rates as well as gasoline and energy costs, it may become increasingly difficult for these individuals to afford the mortgage payment on their homes; a job loss or serious health issue may make it impossible.

Compounding the problem is that, with the appreciation of property values slowing or decreasing, many individuals using these riskier loan products have minimal or negative equity in their homes. Consequently, they are often unable to sell their properties for a profit, or refinance to more affordable payments. Similarly, the refinancing boom caused by the historically low interest rates of the first half of the decade resulted in decreased equity for many families. When these families refinanced, many tapped into their home equity. With little to no equity in their homes, homeowners now have fewer options in the event of a financial emergency.

Additionally, the losses to the many parties affected by foreclosure are many times the cost of working with the homeowners to prevent foreclosure before it occurs. Foreclosure cost lenders an estimated $50,000 per home in processing fees, liquidation-sale price cuts, and other costs. The Center for Responsible Lending estimates that their projected 2.2 million foreclosures will cost homeowners as much as $164 billion, primarily in lost home equity. By contrast, the average default counseling session costs approximately $250. Support of the proposed appropriations will help alleviate the escalating costs of foreclosures. In fiscal year 2006, 92.5 percent of households completing default counseling successfully avoided foreclosure.

Support Homeownership

Housing counseling is central to the President's Blueprint for the American Dream Partnership, which specifically recommends educating more people regarding the home buying process, and efforts to increase minority homeownership rates, which lag well behind the national average. Pre-purchase housing counseling is one of the most cost effective ways to educate individuals and arm them with the knowledge they need to avoid unnecessarily high interest rates and predatory practices that can result in foreclosure. For most Americans, homeownership will be the primary means through which they build wealth and contribute to the strength and stability of their communities. This Budget request supports innovative and aggressive efforts to educate individuals in identifying and avoiding predatory lending. Housing counseling helps ensure that individuals making the transition to homeownership are not taken advantage of by unscrupulous lenders.

For fiscal year 2007, pre-purchase homebuyer counseling and homebuyer education comprised approximately 19 percent and approximately 15 percent, respectively, of total activities provided by agencies participating in the program. Also, program performance data indicate that approximately half of all clients served with HUD Housing Counseling Assistance grants are minorities, thus helping in the achievement of the President's goal of adding 5.5 million new minority homeowners by 2010.

Support FHA

The Housing Counseling Assistance program will strongly support and play a critical role in the Department's modernization of the Federal Housing Administration (FHA) by helping borrowers benefit from FHA's mortgage insurance products and avoid more expensive and riskier financing options. One of the primary roles of a housing counselor is to provide information to clients on various affordable loan products. HUD-approved housing counseling agencies are required to be knowledgeable about FHA programs and to discuss these programs with clients, if appropriate. The Housing Counseling Assistance program is undertaking an intensive outreach campaign to HUD-approved housing counseling agencies to inform and educate them about FHA products and programs and will reflect enacted FHA modernization changes. Staff also provides training on FHA to housing counselors when they conduct site visits to the agencies. In addition, in fiscal year 2007, FHA staff conducted 16 workshops for housing counselors on FHA at NeighborWorks America training events. NeighborWorks America is the leading training organization for non-profits. Housing counseling supports the PMA by mitigating the risk to single family housing mortgage insurance programs.

Demand for Housing Counseling At An All-Time High

Due in part to the default and foreclosure crisis, and to the widespread recognition that housing counseling is an effective tool for increasing homeownership and mitigating default and foreclosures, there is significantly more demand for housing counseling than can be accommodated by the amount of housing counseling funds provided in past years. Supporting this assertion is both anecdotal evidence from housing counseling agencies and the fact that, for the fiscal year 2007 appropriation, HUD received requests for approximately $44 million more funding than the $41.062 million that was available. In total, 487 agencies submitted proposals requesting $85 million-–a significant demand, given that applicants knew that there was a limited amount of funds available. The Department is working with a variety of partners, including state and local governments, as well as non-profit organizations, to advance the goal of increasing homeownership opportunities. Housing counseling is an important means and strategy in advancing this goal and it is anticipated that program demand will continue to grow. The increase in the popularity of HECM loans dramatically increases the demand for housing counseling as does the role housing counselors play in natural disasters.

Another factor increasing the demand for housing counseling is the increasingly high incidence of Federal, local and state legislation that require certain borrowers to receive counseling from HUD-approved agencies, yet provide no additional funding for counselors from HUD-approved agencies. For example, in fiscal year 2006, the state of California enacted a law that requires counseling by a HUD-approved counseling agency for recipients of all types of reverse mortgages, including proprietary (non-FHA) products. In May 2007, the Department of Agriculture published a final rule requiring first-time homebuyer recipients of the Section 502 rural housing loans to receive housing counseling. However, these measures are largely unfunded mandates that increase the demand for housing counseling without increasing the available resources. These recently enacted Federal and state laws, as well as the lingering effects from the Gulf Coast Hurricanes necessitate increased funding for the Housing Counseling Assistance program. This increased funding will help ensure compliance with these new laws while maintaining support of counseling on issues such as predatory lending, Section 8 Homeownership Voucher program, and/or FHA.

Improved Performance Measurement

Under the Program Assessment Rating Tool (PART) evaluation, the Housing Counseling Assistance program in general received strong marks. This funding request will help the program to continue to address recommendations resulting from the PART in the area of program evaluation.

HUD received OMB approval in fiscal year 2006 to collect client level data. HUD began piloting the collection of this client level data in fiscal year 2006 and anticipates full compliance by the end of fiscal year 2008. The lack of client level data has long been a barrier to effective program evaluation and performance measurement. Client level data will allow HUD to track the outcomes of counseling recipients over both the short- and long-term, providing additional evidence of the program's impact. Client level data will also allow HUD to perform remote monitoring in conjunction with on-site monitoring, significantly decreasing the cost to the Department of performance reviews. Client level data will also reveal the number, characteristics, and outcomes of households assisted through the program that use other HUD assistance, such as FHA-insured mortgages, and rental and homeownership vouchers. This represents a fundamental improvement in the quality of data available to program managers and evaluators, and more effective targeting of outreach, training, and other resources.

Initiatives

Administrative Contract Expenses. Allowing up to $2 million of the funds appropriated for contract administrative support will strengthen the program by allowing the funding of activities HUD is currently unable to fund that would improve and streamline internal processes and controls. Currently, the appropriations language permits the direct provision of counseling services and training. As the authorizing language is currently structured, HUD has limited flexibility to creatively address, through the Housing Counseling Assistance program, critical and timely issues facing the nation. Contract administrative authority would allow timely production of items, such as revised handbooks of program regulations and policies, as well as innovative activities, such as implementing hotlines to assist disaster victims.

Multi-year Awarding of Funding. As in the fiscal year 2008 budget justification, the Housing Counseling Assistance program is considering awarding fiscal year 2009 funds as multi-year awards to high-performing agencies, based on availability of sufficient funds from future appropriations. Of the $65 million requested for fiscal year 2009, approximately 20 percent would support the first year of competitive 2 year awards that would be made to high-performing housing counseling agencies and housing counseling training providers. The subsequent year would be funded through the fiscal year 2010 appropriations, but would be awarded in accordance with the competitive requirements of the fiscal year 2009 Notice of Funding Availability (NOFA). Future years would work similarly. To qualify for this funding, organizations must have an excellent performance rating in their most recent performance review, and score 90 or above on their 2009 NOFA application. This initiative would allow grantees to conduct longer-term strategic planning, leverage resources more effectively, and reduce the cost to HUD of administering the program.

HOUSING
HOUSING COUNSELING ASSISTANCE
Summary of Resources by Program
(Dollars in Thousands)

Budget Activity	2007 Budget Authority	2006 Carryover Into 2007	2007 Total Resources	2007 Obligations	2008 Budget Authority/ Request	2007 Carryover Into 2008	2008 Total Resources	2009 Request
New Appropriation	...	...	...	...	...	...	...	$65,000
Total	...	...	...	...	...	...	...	65,000

FTE	2007 Actual	2008 Estimate	2009 Estimate
Headquarters	9	14	13
Field	92	100	104
Total	101	114	117

HOUSING
HOUSING COUNSELING ASSISTANCE
Program Offsets
(Dollars in Thousands)

New Appropriation	**Amount**
2007 Appropriation	...
2008 Appropriation/Request	...
2009 Request	$65,000
Program Improvements/Offsets	+65,000

Proposed Actions

The great majority of the fiscal year 2009 requested funds, $60 million-–an increase of $22.5 million from the fiscal year 2008 request, are expected to be distributed to National and Regional Intermediaries, Local Housing Counseling Agencies, multi-state agencies, and State Housing Finance Agencies to support the direct provision of housing counseling and education services, including pre-purchase, foreclosure prevention, and reverse mortgage counseling. These funds are allocated through an annual competition to applicants that meet eligibility requirements based on capacity, need, soundness of approach, leveraging resources, and program evaluation. At the beginning of fiscal year 2008, approximately $41.062 million of fiscal year 2007 appropriations was awarded to approximately 390 groups nationally, including 19 HUD-approved national and regional intermediaries. Intermediaries provide and manage sub-grants to networks of affiliated local community-based housing counseling agencies, to which they also provide training and technical assistance.

Home Equity Conversion Mortgage (HECM)

Approximately $8 million of the $60 million being competed for direct counseling provision will be used to support reverse mortgage counseling, serving approximately 53,000 elderly households. Reverse mortgages, like HUD’s Home Equity Conversion Mortgage (HECM), help elderly homeowners convert equity in their homes into income that can be used to pay for home improvements, medical costs, or other living expenses. By allowing elderly Americans to tap into the equity in their homes, HECMs and other reverse mortgage loans help ensure that senior Americans have sufficient resources to live out their lives with dignity. They also reduce the likelihood that these seniors will need to rely on public assistance as they age.

For HECM recipients, counseling is required by statute. The $8 million for reverse mortgage counseling is necessary in order to insure that a sufficient supply of reverse mortgage counseling is available to meet that statutory requirement. During fiscal years 2006 and 2007, many agencies stopped providing reverse mortgage counseling mid-year because they ran out of funding. The result was that elderly individuals could not close on their HECM mortgages, denying them additional income to meet housing, medical, and other expenses. State law, for example, in California, also mandates reverse mortgage counseling. Failure to sufficiently fund reverse mortgage counseling will deny thousands of seniors the critical counseling they need in order to secure a safe and affordable reverse mortgage.

As Americans look for income sources to support them in their retirement years, the demand for HECM loans is increasing dramatically. In fiscal year 2003, nationwide HECM endorsements totaled 16,224, more than doubled to 42,921 in fiscal year 2005, and increased to 76,276 in fiscal year 2006. In fiscal year 2007, HECM endorsements reached over 107,000 loans. Several legislative changes to the HECM program are being debated, which could increase the volume significantly. Moreover, Ginnie Mae is working on a secondary market for investment in HECM loans -- in other words, to securitize HECM loans -- which would make the loans more affordable, further increasing the demand for the product and the required counseling. By 2010, the year when the proposed appropriation will be spent by grant recipients, initial HECM endorsements are projected to continue to show substantial growth, perhaps as high as 250,000.

Moreover, many elderly individuals with HECMs are seeking to refinance them to tap into increased equity often reflected in property values that have risen dramatically in recent years. Like initial HECM endorsements, HECM refinance numbers are rising dramatically. Like all initial HECM endorsements, counseling is required for a percentage of HECM refinances, based on a formula. HECM refinances will further increase the demand on HUD-approved housing counseling agencies.

Based on the cost of a counseling session at approximately $150, the cost of HECM counseling nationwide could exceed $37.5 million in fiscal year 2010. This budget requests only a portion of that projected total, with the anticipated balance to be paid with funds leveraged by HUD-approved housing counseling agencies, and fees charged to consumers and lenders.

Training

This budget request continues to support training for housing counselors working for HUD-approved Housing Counseling Agencies in order to standardize and continue improving the quality of housing counseling provided. Approximately $3 million of the proposed budget will support this competitive training initiative, making quality training accessible and affordable to thousands of counselors from HUD-approved agencies.

HOUSING
HOUSING COUNSELING ASSISTANCE
Performance Measurement Table

Program Name: **HOUSING COUNSELING ASSISTANCE**

Program Mission: The Housing Counseling Assistance program supports the delivery of a wide variety of housing counseling services to potential homebuyers, homeowners, low- to moderate-income renters, and the homeless.

	Data Sources	**Performance Report**		**Performance Plan**	
Performance Indicators		**2007 Plan**	**2007 Actual**	**2008 Plan**	**2009 Plan**
At least 70 percent of clients receiving rental or homeless counseling either find suitable housing or receive social service assistance to improve their housing situation.	Housing Counseling Agency FY Activity Reports (HUD 9902)	At least 70 percent.	70.1 percent (projected, based on three quarters of data; data to be available 2Q FY 2008).	At least 70 percent.	At least 70 percent.
At least 30 percent of clients receiving pre-purchase counseling will purchase a home or become mortgage-ready within 90 days.	Housing Counseling Agency FY Activity Reports (HUD 9902)	At least 30 percent.	53 percent (projected, based on three quarters of data; data to be available 2Q FY 2008).	At least 30 percent.	At least 30 percent.
Minority clients are at least 50 percent of total clients receiving housing counseling.	Housing Counseling Agency FY Activity Reports (HUD 9902)	At least 50 percent.	42.7 percent (projected, based on three quarters of data; data to be available 2Q FY 2008).	At least 50 percent.	At least 50 percent.
More than 80 percent of total mortgagors seeking help with resolving or preventing mortgage delinquency and completing counseling will successfully avoid foreclosure.	Housing Counseling Agency FY Activity Reports (HUD 9902)	More than 80 percent.	94.7 percent (projected, based on three quarters of data; data to be available 2Q FY 2008).	More than 80 percent.	More than 80 percent.

Explanation Of Indicators

At least 70 percent of clients receiving rental or homeless counseling either find suitable housing or receive social service assistance to improve their housing situation. The Department is placing more emphasis on Housing Counseling, including counseling for homeless clients and families seeking affordable rental housing. The fiscal year 2009 performance goal is to ensure that at least 70 percent of clients receiving rental or homeless counseling find suitable housing or receive social service assistance to improve their housing situation. Although actual fiscal year 2007 results are not yet available, HUD anticipates that more than 70 percent of clients receiving rental or homeless counseling will have either found suitable housing or received social service assistance to improve their housing situation. This projection represents actual results from three quarters of fiscal year 2007 data and exceeds the goal of 70 percent.

At least 30 percent of clients receiving pre-purchase counseling will purchase a home or become mortgage-ready within 90 days. HUD continues to emphasize the critical role of counseling in the homebuying process. The fiscal year 2009 goal is to ensure that at least 30 percent of clients receiving pre-purchase counseling achieve the outcome goal of purchasing a home or becoming mortgage-ready within 90 days. Although actual fiscal year 2007 results are not yet available, HUD anticipates 53.1 percent of clients receiving pre-purchase counseling from HUD-approved agencies to purchase a home or become mortgage-ready within 90 days. This projection represents the actual results from three quarters of fiscal year 2007 and would exceed the goal of 30 percent. With increased training and outreach and continuous efforts to improve efficiency and effectiveness there is no reason to anticipate a decrease in program performance.

Minority clients are at least 50 percent of total clients receiving housing counseling. The Housing Counseling program is an integral part of achieving the outcome of helping to increase the minority homeownership rate. It supports the President and Secretary’s commitment to add 5.5 million homebuyers by 2010. The fiscal year 2009 goal is to ensure that minority clients are at least 50 percent of total clients receiving HUD-funded housing counseling. HUD anticipates that 42.7 percent of all clients receiving HUD-funded housing counseling during fiscal year 2007 will have been minorities. This projection represents actual results from three quarters of fiscal year 2007. HUD expects to improve this figure through incentives in the Notice of Funding Availability for outreach by counseling agencies targeting minority communities.

More than 80 percent of total mortgagors seeking help with resolving or preventing mortgage delinquency and completing counseling will successfully avoid foreclosure. Clients tracked through this indicator include homeowners with mortgages who are at risk of default, or have already defaulted, and are seeking assistance in order to remain in their home and meet the responsibilities of homeownership. By limiting delinquency and foreclosure, default counseling is a cost-effective way to reduce FHA’s exposure to risk while contributing to the growth and stability of families and communities across the country. The fiscal year 2009 goal is to ensure that more than 80 percent of total mortgagors seeking help with resolving or preventing mortgage delinquencies successfully avoid foreclosure. HUD anticipates that 94.7 percent of total mortgagors seeking help with resolving or preventing mortgage delinquency will have successfully avoided foreclosures. This projection represents the actual results from three quarters of fiscal year 2007 and exceeds the goal.

HOUSING
HOUSING COUNSELING ASSISTANCE
Proposed Appropriations Language

The 2009 President's budget includes proposed appropriations language listed and explained below.

For contracts, grants and other assistance excluding loans, as authorized under section 106 of the Housing and Urban Development Act of 1968, as amended, $65,000,000, including up to $2,000,000 for administrative contract service, to remain available until September 30, 2010: Provided, That funds shall be used for: providing counseling and advice to tenants and homeowners, both current and prospective, with respect to property maintenance, financial management/literacy, and such other matters as may be appropriate to assist them in improving their housing conditions, meeting their financial needs, and fulfilling the responsibilities of tenancy or homeownership; for program administration; and for housing counselor training.

Explanation of proposal

The 2009 President's budget proposes a separate appropriations paragraph for Housing Counseling Assistance. In recent years, this activity has been funded through a set-aside in the HOME Investment Partnerships program appropriation. Additionally, authority is proposed to make available up to $2,000,000 for administrative support necessary to improve the management of the housing counseling program and enable the program to respond more nimbly to ever-evolving needs.

HOUSING
HOUSING COUNSELING ASSISTANCE
Crosswalk of 2007 Availability
(Dollars in Thousands)

Budget Activity	2007 Enacted	Supplemental/ Rescission	Approved Reprogrammings	Transfers	Carryover	Total 2007 Resources
New Appropriation	...	...	...	...	...	...
Total	...	...	...	...	...	...

NOTE: In fiscal year 2007, the Housing Counseling Assistance program was funded as a set-aside in the HOME Investment Partnerships program and obligations and outlays from previous years are reflected in the HOME program account.

HOUSING
HOUSING COUNSELING ASSISTANCE
Crosswalk of 2008 Availability
(Dollars in Thousands)

Budget Activity	2008 President's Budget Request	Congressional Appropriations Action on 2008 Request	2008 Supplemental/ Rescission	Reprogrammings	Carryover	Total 2008 Resources
New Appropriation	$50,000	...	...	...	...	...
Total	50,000	...	...	...	...	...

NOTE: In fiscal year 2008, the Housing Counseling Assistance program was funded as a set-aside in the HOME Investment Partnerships program and obligations and outlays from previous years are reflected in the HOME program account.

HOUSING
MANUFACTURED HOUSING STANDARDS PROGRAM
2009 Summary Statement and Initiatives
(Dollars in Thousands)

MANUFACTURED HOUSING STANDARDS PROGRAM	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2007 Appropriation	$6,510[a]	$3,401	...	$9,911	$6,704	$7,120
2008 Appropriation/Request	16,000	3,207	...	19,207	19,207	16,000
2009 Request	16,000	...	...	16,000	16,000	16,000
Program Improvements/Offsets	...	-3,207	...	-3,207	-3,207	...

a/ In fiscal year 2007, $12.87 million was appropriated, however, only $6.5 million in fees were collected.

Summary Statement

The budget proposes $16 million for Manufactured Housing for fiscal year 2009. This amount will be derived from an estimated $10.6 million fees assessed on each transportable unit produced and user fees from the new dispute resolution and installation programs. In addition a direct appropriation of $5.4 million is requested for start up cost of the two new programs and to mitigate proposed fee increases that would otherwise be required and recognizes low production rates for manufactured housing. The Budget proposes increasing the per unit label fee from $39 per transportable unit to approximately $49 per transportable unit to raise approximately $7.6 million and implementing user fees (fees for services) related to the statutorily required new installation and dispute resolution programs to raise approximately $3 million.

The 2009 budget estimates reflects a program level of up to $16 million based on a fee level of $49 per unit as well as user fee income collected by the dispute resolution and installation programs, in addition to direct appropriations for HUD employee costs, start-up costs for the new installation standard and dispute resolution programs, and to moderate the increases necessary in the label fee necessitated by reduced production rates. These funds will allow the Department to continue meeting the goals of the Presidential Management Agenda as measured by the four outcomes and outputs of the 2005 Program Assessment Review Tool (PART)--including the reduction of civilian fire deaths in manufactured housing, increased identification of non-conforming manufactured homes, increased number of manufactured homes impacted by investigations and enforcement cases, and increased re-sale value of owner-occupied manufactured housing. Also, these funds will allow current activities, which include the implementation of new statutory programs for installation inspection and dispute resolution.

Manufactured Housing Standards Program

The following table reflects an estimate of the use of the $16 million. However, the table is for illustrative purposes only. Actual expenditures may deviate from these amounts.

Cost Categories for Federal Manufactured Housing Program	FY 2009 Budget Request
Payments to States...	$3.700 million
Salaries...	1.600 million
Contract for Monitoring Primary Inspection Agencies and States.	3.150 million
Contract for Consensus Committee Administering Organization....	0.200 million
Contract for Installation Inspection and Enforcement..........	4.700 million
Contract for Dispute Resolution Enforcement...................	1.650 million
Other Contracts..	1.000 million
Total...	16.000 million

Manufactured Housing Standards Program

Manufactured housing is a critical element in the nation's supply of affordable housing. The Federal Manufactured Housing Program is the sole party, through Federal pre-emption, responsible for the oversight of the design and construction of all manufactured housing (mobile homes) in the United States. The program is also responsible for the oversight of manufactured housing installation in those states that have no installation programs, as well as for a dispute resolution program for those states that have no dispute resolution programs. The program is administered from the Department's Headquarters with no Field Office staff support. The proposed fee income will allow the Department to continue its oversight of the manufacturer's inspection agencies, identifying weaknesses in the oversight of production and design review and approval systems, and to monitor the performance of states working as partners in identifying serious defects and imminent safety hazards in new and existing manufactured housing.

Installation and Dispute Resolution

The proposed user fee income will also allow the program to support the new statutory programs for manufactured home installation and dispute resolution. As required by statute, the Federal installation program includes not only the inspection of manufactured home installations, but also the training and licensing of installers. The program must also maintain a Federal dispute resolution program in those states that have no such programs. Additional appropriations language is requested to permit the collection of user fees from the participants in the installation and dispute resolution programs, and to allow program participants to pay providers directly for services that they receive. The fiscal year 2009 request will also provide direct appropriations to begin implementation of these two new programs until sufficient user fee revenue is generated to sustain these activities.

Manufactured Housing Consensus Committee

The proposed fee income will also allow the Department to meet its responsibilities regarding the Manufactured Housing Consensus Committee (MHCC), a statutory advisory committee charged with making recommendations to the Department regarding revisions to manufactured home construction and safety standards. By regulation, the MHCC participates in most rulemaking regarding the programs standards and regulations.

Initiatives

The budget request reflects statutory language to establish user fees to offset the costs of the new Installation and Dispute Resolution program components, an increase in the current fee for each transportable unit to partially offset the reduction in label fee income that has been caused by reduced production levels nationwide, as well as direct appropriations to mitigate the amount of increase in the transportable unit fee necessitated by these declines in production.

HOUSING
MANUFACTURED HOUSING STANDARDS
Summary of Resources by Program
(Dollars in Thousands)

Budget Activity	2007 Budget Authority	2006 Carryover Into 2007	2007 Total Resources	2007 Obligations	2008 Budget Authority/ Request	2007 Carryover Into 2008	2008 Total Resources	2009 Request
Fees	$6,510	$3,401	$9,911	$6,704	$16,000	$3,207	$19,207	$16,000
Total	6,510	3,401	9,911	6,704	16,000	3,207	19,207	16,000

NOTE: Actual program activity is determined by actual fees collected and may be below the appropriated level.

FTE	2007 Actual	2008 Estimate	2009 Estimate
Headquarters	11	11	11
Field	...	...	...
Total	11	11	11

HOUSING
MANUFACTURED HOUSING STANDARDS PROGRAM
Program Offsets
(Dollars in Thousands)

Fees	Amount
2007 Appropriation	$6,510
2008 Appropriation/Request	16,000
2009 Request	16,000
Program Improvements/Offsets	...

In fiscal year 2007, $12.87 million was appropriated however, only $6.5 million in fees were collected.

Proposed Actions

The regulatory activities supported by revenue are intended to: (1) cover the contractual costs of the program; (2) make payments to the States to offset the costs of administering the Federal portion of the manufactured housing program; and (3) cover the Department's expenses for staff. Payment for this last item is made through a transfer to the salaries and expenses (S&E) account. The Department will ensure that staffing is sufficient for proper program administration and enforcement of standards.

The 2009 budget estimates currently projects label fee income of only about $7.6 million based on current production estimates and a fee of $49 per unit and $3 million in user fees for services rendered under the new dispute resolution and installation programs. These funds are insufficient to allow the Department to continue executing current activities. The fiscal year 2009 budget therefore requests a direct appropriation of $5.4 million to carry out the Department's current responsibilities for start up costs of the new dispute resolution and installation standard programs and to mitigate the increase in the label fee that would otherwise be necessary.

Manufactured housing is a critical element in the nation's supply of affordable housing. The Federal Manufactured Housing Program is the sole party, through Federal pre-emption, responsible for the oversight of the design and construction of all manufactured housing (mobile homes) in the United States. The program is also responsible for the oversight of manufactured housing installation in those states that have no installation programs, as well as for a dispute resolution program for those states that have no dispute resolution programs.

The program is administered from the Department's Headquarters with no field office staff support. The proposed fee income and appropriations will allow the Department to continue its oversight of the manufacturer's inspection agencies, identifying weaknesses in the oversight of production and design review and approval systems, and to monitor the performance of states working as partners in identifying serious defects and imminent safety hazards in new and existing manufactured housing. The proposed overall funding level will also allow the Department to continue implementation of the installation and dispute resolution programs.

The Department publishes and enforces standards for the construction and safety and installation of manufactured housing pursuant to the authority of the National Manufactured Housing Construction and Safety Standards Act of 1974, 42 U.S.C. 5401, *et seq*. ("the Act"). The Act originally took effect June 15, 1976, and all manufactured homes produced since then must meet Federal manufactured home construction and safety standards. The Act was amended by the Manufactured Housing Improvement (MHI) Act of 2000 (Title VI, P.L. 106-569, 114 Stat. 2944, approved December 27, 2000). The MHI Act expanded the Department's responsibilities to include regulation of manufactured home installation in those states that have not implemented their own programs, and the resolution of disputes among manufacturers, installers, and retailers of manufactured homes in those states. The MHI Act also established the MHCC, a Federal advisory committee charged with providing recommendations to the Secretary for revisions to the construction and safety standards and procedural and enforcement regulations related thereto. By regulation, HUD has expanded the MHCC's responsibilities to include participation in rulemaking for most other program standards and regulations.

The program measures the contribution of the Manufactured Housing program goals to the PMA through continued measurement of the two outcomes and two outputs reported regularly through OMB's PART Program. This includes reduction of civilian fire deaths in manufactured housing, increased identification of non-conforming manufactured homes, increased number of manufactured homes impacted by investigations and enforcement cases, and increased re-sale value of owner-occupied manufactured housing.

Program functions required by the Act include the following:

1. <u>Establishment of Construction and Safety, and Installation Standards</u>. Under the Act, the Secretary is directed to establish appropriate Federal manufactured home standards for the construction, design, and performance of manufactured homes which meet the needs of the public, including quality, durability, and safety, as well as model standards for the installation of manufactured homes.

2. <u>Compliance with the Construction and Safety Standards</u>. Compliance with the construction and safety standards is accomplished mainly by third-party primary inspection agencies. There are both private and state primary inspection agencies, all of which are approved by the Department and monitored by a HUD contractor.

3. <u>Enforcement of Non-compliance with Construction and Safety Standards</u>. The Act requires that every company that builds manufactured homes provide HUD with the plans for each model produced. The manufacturer is required to issue a certification that each section built meets the Federal construction and safety standards. If the Department determines that a manufactured home contains a non-compliance with the standards, it may require the manufacturer to notify the purchaser of the defect. In the event of a serious defect and or imminent safety hazard, the Department may require the manufacturer to either repair or replace the defective home, or refund of the purchase price.

4. <u>Establishment and Enforcement of Installation Standards</u>. The MHI Act requires the Department to establish program standards and regulations for the installation of manufactured homes. These standards and regulations will have been published and the Department will be implementing the Federal installation program in those states that have no program of their own. This includes enforcement of HUD's installation standards as well as licensing and training of installers.

5. <u>Dispute Resolution Program</u>. The MHI Act also requires the Department to establish a program to resolve dispute between manufacturers, retailers and installers of manufactured homes. As with the installation program, the Department is implementing the Federal program in those states that have no program of their own.

6. <u>Manufactured Housing Consensus Committee (MHCC)</u>. The MHI Act established a consensus process for the development of standards and regulations. This includes the MHCC, which is composed of 21 persons appointed by the Secretary, and a contract administering organization that acts as secretariat for the Committee. By statute, the MHCC is responsible for providing periodic recommendations to the Secretary for revising the construction and safety standards. By regulation, HUD has expanded the MHCC's responsibilities to include making recommendations for most other program standards and regulations.

Budget and Activities

Payments to States and Program (S&E). The Manufactured Housing Program has two primary financial responsibilities, and several activities of a more discretionary nature requiring financial commitments. The two primary responsibilities are to share the fee income with the participating states, and to pay staff salaries and expenses allowing overall administration of the program. Together these two financial commitments account for approximately 33 percent of the fiscal year 2009 budget. Other essential program elements are supported through procured services. The fiscal year 2009 budget directs that amounts necessary to pay for overall administration of the program be paid from a direct appropriation by transfer to the Department's S&E appropriation as a means of mitigating the size of the fee increase necessary to offset declining production levels.

Administering Organization and MHCC. Another program responsibility is the support of the MHCC. As mandated by the MHI Act, the MHCC must be able to meet on a regular basis to carry out its responsibilities, primarily the recommendation of new and revised program standards and regulations. This is accomplished through a contract with an Administering Organization (AO), with projected fiscal year 2009 cost of $200,000.

Monitoring, Inspection, and Support Contracts. The Department uses several resources to monitor program administration by the 17 inspection agencies and 38 state administrative agencies: staff paid from fee income, state payments from fee income, and contractual assistance paid through fee income. The projected costs of these activities will account for approximately 20 percent of the fiscal year 2009 budget.

Installation and Dispute Resolution Support Contracts. Administration of these programs requires contracted services authorized by the statute. The contracts will procure services with two appropriate agents, one to implement the Dispute Resolution Program, and one to implement the Installation Program, specified in the contracts to be executed by the Department. The projected costs of these programs will account for approximately 40 percent of the fiscal year 2009 Budget.

HOUSING
MANUFACTURED HOUSING STANDARDS PROGRAM
Performance Measurement Table

Program Name: **MANUFACTURED HOUSING STANDARDS PROGRAM**					
Program Mission: Increase the nation's supply of affordable housing.					
Performance Indicators	**Data Sources**	**Performance Report**		**Performance Plan**	
		2007 Plan	**2007 Actual**	**2008 Plan**	**2009 Plan**
By September 30, 2008, HUD will establish fully operational dispute resolution and installation programs in HUD-administered states.	Office of Manufactured Housing Programs will monitor implementation.	Establish the dispute resolution and installation programs mandated by the Manufactured Housing Improvement Act of 2000 by September 30, 2006.	Supported Housing Consensus Committee in meeting milestones for the publication of proposed rules for model manufactured home installation standards, the manufactured home installation program and the manufactured housing dispute resolution program.	Fully implement the dispute resolution and installation programs in HUD-administered states.	Establish fully operational dispute resolution and installation programs in HUD-administered states.

Explanation of Indicators

None.

HOUSING
MANUFACTURED HOUSING STANDARDS PROGRAM
Proposed Appropriations Language

The 2009 President's budget includes proposed appropriations language listed and explained below. New language is italicized and underlined, and language proposed for deletion is bracketed.

For necessary expenses as authorized by the National Manufactured Housing Construction and Safety Standards Act of 1974, as amended (42 U.S.C. 5401 et seq.), *up to $16,000,000, to* remain available until expended*, of which $10,600,000 is to be derived from the Manufactured Housing Fees Trust Fund*: Provided, That not to exceed the total amount appropriated under this heading shall be available from the general fund of the Treasury to the extent necessary to incur obligations and make expenditures pending the receipt of collections to the Fund pursuant to section 620 of such Act: Provided further, That the amount made available under this heading from the general fund shall be reduced as such collections are received during fiscal year [2008] *2009* so as to result in a final fiscal year [2008] *2009* appropriation from the general fund estimated at not more than [$0] *$5,400,000* and fees pursuant to such section 620 shall be modified as necessary to ensure such a final fiscal year [2008] *2009* appropriation: Provided further, That for the dispute resolution and installation programs, the Secretary of Housing and Urban Development may assess and collect fees from any program participant: Provided further, That such collections shall be deposited into the Fund, and the Secretary, as provided herein, may use such collections, as well as fees collected under section 620, for necessary expenses of such Act: Provided further, That notwithstanding the requirements of section 620 of such Act, the Secretary may carry out responsibilities of the Secretary under such Act through the use of approved service providers that are paid directly by the recipients of their services. (Department of Housing and Urban Development Appropriations Act, 2008)

Explanation

The proposed language proposes a new direct appropriation of $5.4 million to supplement amounts derived from the label fee, which is estimated to be increased from $39 per transportable unit to $49, and from fees for the new dispute resolution and installation standards programs. Such an approach would mitigate the label fee increase to be collected from manufacturers and recognizes low production rates for manufactured housing and provides for the start up costs of the new programs that will be incurred prior to the receipt of user fee income. The total amount of income from label fees and user fees that HUD could obligate for this program would be subject to the total appropriations cap for the program.

HOUSING
MANUFACTURED HOUSING STANDARDS PROGRAM
Crosswalk of 2007 Availability
(Dollars in Thousands)

Budget Activity	2007 Enacted	Supplemental/ Rescission	Approved Reprogrammings	Transfers	Carryover	Total 2007 Resources
Fees	$6,510[a]	...	...	...	$3,401	$9,911
Total	6,510	...	...	...	3,401	9,911

a/ In fiscal year 2007, $12.87 million was appropriated however, only $6.5 million in fees were collected.

HOUSING
MANUFACTURED HOUSING STANDARDS PROGRAM
Crosswalk of 2008 Changes
(Dollars in Thousands)

Budget Activity	2008 President's Budget Request	Congressional Appropriations Action on 2008 Request	2008 Supplemental/ Rescission	Reprogrammings	Carryover	Total 2008 Resources
Fees	$16,000	$16,000	...	...	$3,207	$19,207
Total	16,000	16,000	...	...	3,207	19,207

HOUSING
INTERSTATE LAND SALES AND REAL ESTATE SETTLEMENT PROCEDURES ACT (RESPA)
2009 Summary Statement and Initiatives
(Dollars in Thousands)

INTERSTATE LAND SALES	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2007 Appropriation	$665	...	...	$665	$665	$665
2008 Appropriation/Request	650	...	...	650	650	650
2009 Request	650	...	...	650	650	650
Program Improvements/Offsets	...	...	...	...	...	...

Summary Statement

For fiscal year 2009, the budget reflects $650 thousand of estimated revenue from filing fees and other charges under the Interstate Land Sales Full Disclosure Act. Fee collections are paid to the Department's salaries and expenses account under a permanent indefinite appropriation to partially defray administrative costs. These fees are derived from developers for the registration of subdivisions. In fiscal year 2009, the estimated program activity level is projected to be 750 filings.

The Interstate Land Sales Full Disclosure Act (Title XIV of the Housing and Urban Development Act of 1968, as amended) authorizes a nationwide program of registration of subdivisions marketed in interstate commerce. The program protects consumers by making relevant information available to them when they are considering purchasing land. The Act generally applies, by law and administrative regulation, to subdivisions of undeveloped land sold or offered for sale or lease through interstate commerce. Statutory and regulatory penalties are imposed on developers who fail to file and keep a registration statement current with the Office of Interstate Land Sales Registration, or who fail to furnish each purchaser with a copy of an effective Property Report before the purchaser signs a purchase or lease contract.

The Act provides for submission of a Statement of Record describing a proposed subdivision in detail, accompanied by maps, contract documents and certifications designed to fully disclose relevant information about the subdivision. Each prospective purchaser must be furnished with a Property Report that sets forth the disclosure in easy to understand terms. The program concentrates on securing full disclosure of pertinent facts through the registration process and bringing enforcement action in the event of abuses.

In addition to administration of registration of Interstate Land Sales, the Department is responsible for the Real Estate Settlement Procedures Act (RESPA) that also is a consumer protection activity. The cost of this activity is funded with appropriations under the Salaries and Expenses account and both consumer protection activities are reflected in the accompanying FTE data.

The Real Estate Settlement Procedures Act (RESPA) is a consumer protection statute, first passed in 1974. Its primary purpose is to help consumers become better shoppers for settlement services, as well as to eliminate kickbacks and referral fees that increase unnecessarily the costs of certain settlement services. RESPA covers conventional and Federally insured loans on 1- to 4-family residential property. These include most purchase loans, assumptions, refinances, property improvement loans, and equity lines of credit. RESPA requires that borrowers receive disclosures at various times, and the program is responsible for monitoring realtors, lenders, mortgage brokers, title agents and other settlement service providers for compliance with the Act, and providing guidance to industry and the public regarding the requirements of RESPA.

Initiatives

The Department is in the process of proposing changes to its RESPA regulations that will make it easier for consumers to comparison shop for mortgages and ensure that final settlement costs are within a tolerance of the Good Faith Estimate costs. RESPA reform is a major initiative supporting the Department's Strategic Plan Goal A to increase homeownership opportunities.

Adoption of a final rule late in fiscal year 2008 or early 2009, will affect virtually all home purchase loans, refinancings, reverse mortgages and property improvement loans. Mortgage lenders and brokers as well as closing agents and other settlement service providers would be directly affected. As a result, the Office anticipates an increased number of inquiries about the rule.

In addition, the Department will be required to develop and issue a new and expanded homebuyer booklet required by RESPA to advise homebuyers of their rights under the statute and regulations, and providing other information to help them understand the nature and costs of real estate settlement services. The Department will also need to maintain the staff time devoted to complaint investigation. The GAO report of April 2007, "TITLE INSURANCE: Actions Needed to Improve Oversight of the Title Industry and Better Protect Consumers," cited the need for HUD to strongly enforce RESPA.

The Office anticipates 3,000 inquiries and complaints, the same as in fiscal year 2008. The Office estimates it will need an additional five FTEs to work on RESPA related issues.

HOUSING
INTERSTATE LAND SALES AND REAL ESTATE SETTLEMENT PROCEDURES ACT (RESPA)
Summary of Resources by Program
(Dollars in Thousands)

Budget Activity	2007 Budget Authority	2006 Carryover Into 2007	2007 Total Resources	2007 Obligations	2008 Budget Authority/ Request	2007 Carryover Into 2008	2008 Total Resources	2009 Request
Fees	$665	...	$665	...	$650	...	$650	$650
Total	665	...	665	...	650	...	650	650

FTE	2007 Actual	2008 Estimate	2009 Estimate
Headquarters	33	34	38
Field	...	...	...
Total	33	34	38

HOUSING
INTERSTATE LAND SALES AND REAL ESTATE SETTLEMENT PROCEDURES ACT (RESPA)
Program Offsets
(Dollars in Thousands)

Fees	Amount
2007 Appropriation	$665
2008 Appropriation/Request	650
2009 Request	650
Program Improvements/Offsets	...

Proposed Actions

For fiscal year 2009, the budget reflects $650 thousand of estimated revenue from filing fees and other charges under the Interstate Land Sales Full Disclosure Act. Fees collections are paid to the Department's salaries and expenses account under a permanent indefinite appropriation to partially defray administrative costs. These fees are derived from developers for the registration of subdivisions.

The Interstate Land Sales Full Disclosure Act (Title XIV of the Housing and Urban Development Act of 1968, as amended) authorizes a nationwide program of registration of subdivisions marketed in interstate commerce. The program protects consumers by making relevant information available to them when they are considering purchasing land. The Act generally applies, by law and administrative regulation, to subdivisions of undeveloped land sold or offered for sale or lease through interstate commerce. Statutory and regulatory penalties are imposed on developers who fail to file and keep a registration statement current with the Office of Interstate Land Sales Registration, or who fail to furnish each purchaser with a copy of an effective Property Report before the purchaser signs a purchase or lease contract.

The Act provides for submission of a Statement of Record describing a proposed subdivision in detail, accompanied by maps, contract documents and certifications designed to fully disclose relevant information about the subdivision. Each prospective purchaser must be furnished with a Property Report that sets forth the disclosure in easy to understand terms. The program concentrates on securing full disclosure of pertinent facts through the registration process and bringing enforcement action in the event of abuses.

In addition to administration of registration of Interstate Land Sales, the Department is responsible for the Real Estate Settlement Procedures Act (RESPA), which also is a consumer protection activity. The cost of this activity is funded with appropriations under the Salaries and Expenses account.

The Real Estate Settlement Procedures Act (RESPA) is a consumer protection statute, first passed in 1974. Its primary purpose is to help consumers become better shoppers for settlement services, as well as to eliminate kickbacks and referral fees that increase unnecessarily the costs of certain settlement services. RESPA covers conventional and Federally insured loans on 1- to 4-family residential property. These include most purchase loans, assumptions, refinances, property improvement loans, and equity lines of credit. RESPA requires that borrowers receive disclosures at various times, and the program is responsible for monitoring realtors, lenders, mortgage brokers, title agents and other settlement service providers for compliance with the Act.

HOUSING
INTERSTATE LAND SALES AND REAL ESTATE SETTLEMENT PROCEDURES ACT (RESPA)
PERFORMANCE MEASUREMENT TABLE

PROGRAM NAME: INTERSTATE LAND SALES AND REAL ESTATE SETTLEMENT PROCEDURES ACT (RESPA)					
PROGRAM MISSION: To help consumers be better shoppers in the home buying and mortgage loan process by requiring that consumers receive disclosures at various times in the transaction and by prohibiting practices, such as paying kickbacks, that increase the cost of settlement services. The program also provides consumers with protection relating to the servicing of their loans, including proper escrow account management.					
Performance Indicators	**Data Sources**	**Performance Report**		**Performance Plan**	
		2007 Plan	2007 Actual	2008 Plan	2009 Plan
Respond to 3,000 inquiries and complaints from consumers and industry regarding the Real Estate Settlement Procedures Act and the homebuying and mortgage loan process.	PO 30 Case Tracking System and Website Email Box	Respond to 3,000 inquiries and complaints	Responded to 6,622 inquiries and complaints	Respond to 3,000 inquiries and complaints	Respond to 3,000 inquiries and complaints

Explanation of Indicators

This enforcement effort reflects the priority of protecting consumers involved in home buying, home financing, settlement processes and related matters.

HOUSING
INTERSTATE LAND SALES AND REAL ESTATE SETTLEMENT PROCEDURES ACT (RESPA)
Justification of Proposed Changes in Appropriations Language

Explanation of Changes

No proposed language change for this account.

HOUSING
INTERSTATE LAND SALES AND REAL ESTATE SETTLEMENT PROCEDURES ACT (RESPA)
Crosswalk of 2007 Availability
(Dollars in Thousands)

Budget Activity	2007 Enacted	Supplemental/ Rescission	Approved Reprogrammings	Transfers	Carryover	Total 2007 Resources
Fees	$665	...	...	...	...	$665
Total	665	...	...	...	...	665

HOUSING
INTERSTATE LAND SALES AND REAL ESTATE SETTLEMENT PROCEDURES ACT (RESPA)
Crosswalk of 2008 Changes
(Dollars in Thousands)

Budget Activity	2008 President's Budget Request	Congressional Appropriations Action on 2008 Request	2008 Supplemental/ Rescission	Reprogrammings	Carryover	Total 2008 Resources
Fees	$650	$650	...	...	...	$650
Total	650	650	...	...	...	650

HOUSING
FLEXIBLE SUBSIDY FUND
2009 Summary Statement and Initiatives
(Dollars in Thousands)

FLEXIBLE SUBSIDY FUND	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2007 Appropriation	...	$64,625[a]	...	$64,625	...	-$23,160
2008 Appropriation/Request	...	95,625[b]	...	95,625	...	-31,000
2009 Request	...	122,625[c]	...	122,625	...	-27,000
Program Improvements/Offsets	...	+27,000	...	+27,000	...	+4,000

a/ Includes unobligated balance of $41.5 million carried forward from fiscal year 2006 and $23.2 million of offsetting collections in fiscal year 2007.
b/ Includes unobligated balance of $64.6 million carried forward from fiscal year 2007 and $31 million of offsetting collections anticipated for fiscal year 2008.
c/ Includes unobligated balance of $95.6 carried forward from fiscal year 2008 and $27 million of offsetting collections anticipated for fiscal year 2009.

Summary Statement

The unobligated balance remaining in this account in fiscal year 2009 will consist of excess rental income, interest payments and principal repayments on loans, and interest on investments. However, none of these funds are available for obligation without Congressional appropriations.

No new obligations are anticipated in fiscal year 2009.

The Flexible Subsidy Fund was initially authorized by the Housing and Community Development Amendments of 1978, subsequently amended by the Housing and Community Development (HCD) Act of 1987, and further amended by the McKinney Homeless Assistance Amendments Act of 1988. The HCD Amendments of 1978 established the Flexible Subsidy Fund into which repaid funds would be credited along with any transfer from the Rental Housing Assistance Fund.

Refunding of excess rental income remitted to the Department could be made from either the Rental Housing Assistance Fund or the Flexible Subsidy Fund, as authorized by Section 532 of the fiscal year 2000 Appropriations Act and amended by Section 861 of the American Homeownership and Economic Opportunity Act of 2000. Excess rental income in the Rental Housing Assistance Fund not refunded to project owners will continue to be transferred to the Flexible Subsidy Fund.

Initiatives

No new initiatives are proposed for fiscal year 2009.

HOUSING
FLEXIBLE SUBSIDY FUND
Summary of Resources by Program
(Dollars in Thousands)

Budget Activity	2007 Budget Authority	2006 Carryover Into 2007	2007 Total Resources	2007 Obligations	2008 Budget Authority/ Request	2007 Carryover Into 2008	2008 Total Resources	2009 Request
Flexible Subsidy	...	$64,625	$64,625	...	...	$95,625	$95,625	...
Total	...	64,625	64,625	...	...	95,625	95,625	...

2006 Carryover Into 2007. The balance consists of an unobligated balance of $41.465 million carried forward from fiscal year 2006 and $23.2 million of offsetting collections in fiscal year 2007.

2007 Carryover Into 2008. The balance consists of an unobligated balance of $64.625 million carried forward from fiscal year 2007 and $31 million of offsetting collections anticipated for fiscal year 2008.

FTE	2007 Actual	2008 Estimate	2009 Estimate
Headquarters	...	...	...
Field	6	6	6
Total	6	6	6

HOUSING
FLEXIBLE SUBSIDY FUND
Program Offsets
(Dollars in Thousands)

Flexible Subsidy	**Amount**
2007 Appropriation	...
2008 Appropriation/Request	...
2009 Request	...
Program Improvements/Offsets	...

Proposed Actions

There are no proposed appropriations for this program.

HOUSING
FLEXIBLE SUBSIDY FUND
Performance Measurement Table

Program Name: **FLEXIBLE SUBSIDY FUND**

Program Mission: The Flexible Subsidy Fund was initially authorized by the Housing and Community Development Amendments of 1978, subsequently amended by the Housing and Community Development (HCD) Act of 1987, and further amended by the McKinney Homeless Assistance Amendments Act of 1988. The HCD Amendments of 1978 established the Flexible Subsidy Fund into which repaid funds would be credited along with any transfer from the Rental Housing Assistance Fund.

Performance Indicators	**Data Sources**	**Performance Report**		**Performance Plan**	
		2007 Plan	2007 Actual	2008 Plan	2009 Plan
The share of assisted and insured privately owned multifamily properties that meet HUD-established physical standards are maintained at no less than 95 percent.	Real Estate Assessment Center’s Physical Assessment Subsystem	No less than 95%	93.8%	No less than 95%	No less than 95%

Explanation of Indicators

This indicator tracks the progress made by multifamily properties receiving assistance, as a group, in meeting physical condition standards established under the Real Estate Assessment Center’s (REAC) Physical Assessment Inspection program.

HOUSING
FLEXIBLE SUBSIDY FUND
Crosswalk of 2007 Availability
(Dollars in Thousands)

Budget Activity	2007 Enacted	Supplemental/ Rescission	Approved Reprogrammings	Transfers	Carryover	Total 2007 Resources
Flexible Subsidy	...	...	...	...	$64,625	$64,625
Total	...	...	...	...	64,625	64,625

Carryover. The carryover balance consists of an unobligated balance of $41.465 million carried forward from fiscal year 2006 and offsetting collections of $23.2 million in fiscal year 2007.

HOUSING
FLEXIBLE SUBSIDY FUND
Crosswalk of 2008 Changes
(Dollars in Thousands)

Budget Activity	2008 President's Budget Request	Congressional Appropriations Action on 2008 Request	2008 Supplemental/ Rescission	Reprogrammings	Carryover	Total 2008 Resources
Flexible Subsidy	...	...	...	...	$95,625	$95,625
Total	...	...	...	...	95,625	95,625

Carryover. The carryover balance consists of the $64.625 million of unobligated balances from fiscal year 2007 carried forward into fiscal year 2008 and $31 million of offsetting collections anticipated for fiscal year 2008.

HOUSING
HOUSING PAYMENTS
SUMMARY OF ASSISTED UNITS AND OUTLAYS
2009 Summary Statement and Initiatives

PROGRAM HIGHLIGHTS

	ACTUAL 2007	CURRENT ESTIMATE 2008	ESTIMATE 2009	INCREASE + DECREASE – 2009 vs. 2008
		(Dollars in Thousands)		
Units Eligible for Payment, End of Fiscal Year	4,788,051	2,624,059 a/	2,566,281 a/	-57,778
Budget Outlays................................	29,310,460	29,383,924	29,441,772	+57,848

a/ Excludes Section 8 Tenant-based units. This program is now funded on budget-based rather than on leased number of units. Since the Public Housing Agencies (PHAs) have the flexibility to maximize the number of units they can lease, the Department cannot project the number units for fiscal years 2008 and 2009.

Summary Statement

2009 Budget Program. The basis for the majority of the Housing Payments outlays is the Housing Certificate Fund, the Tenant-Based Rental Assistance, the Project-Based Rental Assistance, the Public Housing Capital Fund, the Housing for the Elderly and Housing for Persons with Disabilities Programs.

Program Components. Liquidating funds for the six subsidized housing programs listed below are provided through permanent indefinite appropriations.

Information is provided for the following accounts:

1. Housing Assistance Payments as authorized by Section 8 of the United States Housing Act of 1937, as amended (including Contract Renewals.

2. Homeownership Assistance as authorized by Section 235 of the National Housing Act, as amended.

3. Rental Housing Assistance as authorized by Section 236 of the National Housing Act, as amended.

4. Rent Supplement as authorized by Section 101 of the Housing and Urban Development Act of 1965, as amended.

5. Public Housing as authorized by the United States Housing Act of 1937, as amended.

6. College Housing Grants as authorized by the Housing Act of 1950, as amended.

7. Housing for the Elderly as authorized by Section 202 of the Housing Act of 1959 as amended.

8. Housing for Persons with Disabilities as authorized by Section 811 of the Cranston-Gonzalez National Affordable Housing Act.

Units Eligible for Payment. A distribution, by program, of the estimated units eligible for payment follows:

Program	ACTUAL 2007	ESTIMATE 2008	ESTIMATE 2009
Section 8:			
Tenant-Based Assistance a/....................	2,110,000	a/	a/
Project-Based Assistance......................	1,286,662	1,271,972	1,243,233
Total, Section 8.............................	3,396,662	1,271,972	1,243,233
Section 202 and Section 811:			
Housing for the Elderly (Section 202).....	93,925	90,298	94,540
Housing for Persons with Disabilities (811)	26,656	26,290	27,353
Tenant-Based (Section 811)	14,836	14,836	14,836
Subtotal, Section 202 and Section 811.....	135,417	131,424	136,729
Rent Supplement..............................	15,041	14,041	13,041
Section 235:			
Original....................................	4,725	3,898	3,170
Revised.....................................	33	38	22
Total, Section 235........................	4,758	3,936	3,192
Section 236..................................	298,046	277,989	256,993
Public Housing b/............................	1,155,377	1,141,947	1,130,343
Total Units Under Payment....................	5,005,301	2,841,309	2,783,531
Less: "Piggy Back" Subsidies c/.............	-217,250	-217,250	-217,250
Total (Net) Units Under Payment...........	4,788,051	2,624,059	2,566,281

a/ The 2007 actual reflects the estimated units funded. This estimate is based on the units funded when the current baseline was established in the summer of 2004. It also reflects increase for tenant protection vouchers. The Department cannot project 2008 and 2009 units. This program is now budget-based. The PHAs have flexibility to maximize the number of units they can lease.
b/ Excludes units for Native American Housing Block Grants.
c/ Adjusted to reflect those units receiving more than one subsidy payment.

Outlays. A distribution, by program, of Subsidized Housing program outlays follows:

Program	ACTUAL 2007	ESTIMATE 2008	ESTIMATE 2009
	(Dollars in Thousands)		
Section 8 a/	24,391,723	24,600,000	24,781,000
Section 202 and Section 811			
Housing for the Elderly (Section 202)	977,724	925,000	900,000
Housing for Persons with Disabilities (811)	304,507	301,000	285,000
Subtotal, Section 202 and Section 811	1,282,231	1,226,000	1,185,000
Rent Supplement	47,225	45,054	42,766
Section 235:			
Original	2,449	2,871	1,695
Revised	1,486	1,248	1,035
Total, Section 235	3,935	4,119	2,730
Section 236	507,352	480,000	465,000
College Housing	6,276	6,276	6,276
Public Housing b/	3,071,719	3,022,475	2,959,000
Total	29,310,460	29,383,924	29,441,772

a/ Includes outlays from the Housing Certificate Fund, the Tenant-Based Rental Assistance, and the Project-Based Rental Assistance programs.

b/ Excludes outlays associated with Native American Housing Block Grants.

HOUSING
RENT SUPPLEMENT PROGRAM
2009 Summary Statement and Initiatives
(Dollars in Thousands)

RENT SUPPLEMENT PROGRAM	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2007 Appropriation	$7,524[a]	$71,311[b]	...	$78,835	$2,925	$47,224
2008 Appropriation/Request	8,300[c]	75,910[d]	-$8,300[e]	75,910	8,300	45,054
2009 Request	8,300[c]	75,910[d]	-8,300[f]	75,910	8,300	42,766
Program Improvements/Offsets	...	...	...	...	...	-2,288

a/ Included in total of $26.136 million appropriated for contract amendments, pursuant to the fiscal year 2007 Full Year CR (P.L. 110-5); balance of $18.612 million in separate Rental Housing Assistance program.
b/ Includes fiscal year 2005 carryover and fiscal year 2006 recaptures.
c/ Part of the total $27.6 million in fiscal years 2008 and 2009 appropriation requests. Balance of appropriation is in Rental Housing Assistance program.
d/ Includes carryover of $75.9 million from fiscal year 2007, but does not include any estimated recaptures.
e/ Reflects part of the cancellation of $37.6 million recaptured from projects whose rental assistance has been terminated, the balance of the cancelled amount ($29.3 million) would be derived from the Rental Housing Assistance Payments (RAP) of Section 236.
f/ Reflects part of the proposed cancellation of $27.6 million recaptured from projects whose rental assistance has been terminated, the balance of the cancelled amount ($19.3 million) would be derived from the Rental Housing Assistance Payments (RAP) of Section 236.

Summary Statement

In fiscal year 2009, $8.3 million is requested for amendment of the Rent Supplement contracts, the same as fiscal year 2008. It will be fully offset by the cancellation of budget authority recaptured from projects whose rental assistance has been terminated.

Section 101 of the Housing and Urban Development Act of 1965, as amended, authorized rent supplements on behalf of needy tenants living in privately owned housing. This program also was used to provide additional "piggyback" rental assistance to a portion of the units in Section 236 projects, including State Agency developed non-HUD-insured projects. Eligible tenants pay 30 percent of the rent or 30 percent of their income toward the rent, whichever is greater. The difference between the tenant payment and the economic rent approved by the Department is made up by a Rent Supplement payment provided directly to the project owner. The program was replaced by Section 8 and the only new commitments since then have been for amendments to contracts on State-aided, non-insured projects.

Rent supplement contracts were the same length as the mortgage. As rents escalated in the 1980s, contract funds were insufficient to subsidize units for the full-term of the contracts. Most insured and 202 projects converted their Rent Supplement assistance to Section 8 assistance during the 1980s. However, about 14,041 rent supplement units remain in HUD’s inventory. Most of these are associated with non-insured State-aided Section 236 projects.

Since 1983, these amendments were supported with funding under authority of a Supplemental Appropriations Act. The supplemental appropriation provided set-asides in both the Rent Supplement and the related Rental Housing Assistance Program account to amend State-aided, non-insured contracts for cost increases. Beginning in fiscal year 2006, new appropriations for amendments have been provided through annual appropriations as needed. The Department believes this approach represents a more efficient use of limited resources and significantly reduces unexpended balances. In addition the Department has switched the basis for these amendments to a budget authority basis, from the former contract authority methodology which reduces funding requirements and estimating errors.

Rent Supplement Program

The number of Rent Supplement units are 14,041 for fiscal year 2008 and 13,041 for fiscal year 2009. Amendment needs are expected to increase in the coming years as the projects age and incur operating cost increases offset in part by decreases in the number of rent supplement units.

HOUSING
RENT SUPPLEMENT PROGRAM
Summary of Resources by Program
(Dollars in Thousands)

Budget Activity	2007 Budget Authority	2006 Carryover Into 2007	2007 Total Resources	2007 Obligations	2008 Budget Authority/ Request	2007 Carryover Into 2008	2008 Total Resources	2009 Request
Amendments to State Agency RS Contracts ..	$7,524	$71,311	$78,835	$2,925	...	$75,910	$75,910	$8,300
Total	7,524	71,311	78,835	2,925	...	75,910	75,910	8,300

2007 Budget Authority. It is part of a total of $26.1 million appropriated for contract amendments, pursuant to the fiscal year 2007 full year continuing resolution (P.L. 110-5). The balance is in the Rental Housing Assistance Program.

2008 Budget Authority. It is part of a total of $27.6 million appropriated for contract amendments, pursuant to the Continuing Appropriations Act, 2008 (P.L.110-161). The balance is in the Rental Housing Assistance Program. This program request of $8.3 million for amendment needs will be offset with a cancellation of $8.3 million anticipated to be recaptured from projects whose rental assistance has been terminated. The Budget proposes a total of $37.6 million in cancellations; however, $8.3 million will be contributed by this program, while the remainder ($29.3 million) will be contributed by the Section 236 program.

2009 Request. This program request of $8.3 million for amendment needs will be offset with a cancellation of $8.3 million anticipated to be recaptured from projects whose rental assistance has been terminated. The Budget proposes a total of $27.6 million in cancellations; however, $8.3 million will be contributed by this program, while the remainder ($19.3 million) will be contributed by the Section 236 program.

FTE	2007 Actual	2008 Estimate	2009 Estimate
Headquarters	1	1	1
Field	4	4	4
Total	5	5	5

HOUSING
RENT SUPPLEMENT PROGRAM
Program Offsets
(Dollars in Thousands)

Amendments to State Agency RS Contracts	**Amount**
2007 Appropriation	$7,524
2008 Appropriation/Request	...
2009 Request	8,300
Program Improvements/Offsets	+8,300

2007 Appropriation. Reflects amounts made available pursuant to the fiscal year 2007 full-year Continuing Resolution (CR) (P.L. 110-5).

2008 Appropriation. The Consolidated Appropriation Act, 2008 (P.L.110-161) provided for $8.3 million for amendment needs which is offset with a cancellation of $8.3 million to be recaptured from projects whose rental assistance has been terminated. The Act cancelled a total of $37.6 million; however, $8.3 million will be contributed by this program, while the remainder ($29.3 million) will be contributed by the Section 236 program.

2009 Request. This program request of $8.3 million for amendment needs will be offset with a cancellation of $8.3 million anticipated to be recaptured from projects whose rental assistance has been terminated. The budget proposes a total of $27.6 million in cancellations; however, $8.3 million will be contributed by this program, while the remainder ($19.3 million) will be contributed by the Section 236 program. This is the same as the fiscal year 2008 budget request.

Proposed Actions

There are no proposed actions.

HOUSING
RENT SUPPLEMENT PROGRAM
Performance Measurement Table

Program Name: RENT SUPPLEMENT PROGRAM					
Program Mission: Section 101 of the Housing and Urban Development Act of 1965, as amended, authorized rent supplements on behalf of needy tenants living in privately owned housing. This program also was used to provide additional "piggyback" rental assistance to a portion of the units in Section 236 projects, including State Agency developed projects that are not HUD-insured. Eligible tenants pay 30 percent of the rent or 30 percent of their income toward the rent whichever is greater. The difference between the tenant payment and the economic rent approved by the Department is made up by a Rent Supplement payment made directly to the project owner.					
Performance Indicators	Data Sources	Performance Report		Performance Plan	
		2007 Plan	2007 Actual	2008 Plan	2009 Plan
The share of assisted and insured privately owned multifamily properties that meet HUD-established physical standards are maintained at no less than 95 percent.	Real Estate Assessment Center's Physical Assessment Subsystem	No less than 95%	95%	No less than 95%	No less than 95%

Explanation of Indicators

This indicator tracks the progress made by multifamily properties receiving assistance, as a group, in meeting physical condition standards established under the Real Estate Assessment Center's (REAC) Physical Assessment Inspection program.

HOUSING
RENTAL HOUSING ASSISTANCE PROGRAM
Proposed Appropriations Language

The fiscal year 2009 President's Budget includes proposed changes in the appropriations language listed and explained below. New language is italicized and underlined, and language proposed for deletion is bracketed.

OTHER ASSISTED HOUSING PROGRAMS

RENTAL HOUSING ASSISTANCE

For amendments to contracts under section 101 of the Housing and Urban Development Act of 1965 (12 U.S.C. 1701s) and section 236(f)(2) of the National Housing Act (12 U.S.C. 1715z-1) in State-aided, non-insured rental housing projects, $27,600,000, to remain available until expended.

[RENTAL SUPPLEMENT]

[*(RESCISSION)***]***<u>(CANCELLATION)</u>*

Of the amounts **[***made available under the heading "Rent Supplement" in Public Law 98-63 for amendments to***]***<u>recaptured from terminated</u> contracts under section 101 of the Housing and Urban Development Act of 1965 (12 U.S.C. 1701s) and section 236(f)(2) of the National Housing Act (12 U.S.C. 1715z-1)* **[***in State-aided, non-insured rental housing projects, $37,600,000 are cancelled***]***<u>$27,600,000 is permanently cancelled</u>.(Department of Housing and Urban Development Appropriations Act, 2008)*

<u>Explanation of Changes</u>

This language includes amendment funding for both the Rent Supplement (an estimated $8.3 million) and Rental Housing Assistance Payment (an estimated $19.3 million) programs. The Budget also proposes an offsetting cancellation of $27.6 million in recaptured budget authority from terminated Rent Supplement and RAP assistance contract. This language has been clarified to cover all balances recaptured from these terminated contracts.

HOUSING
RENT SUPPLEMENT PROGRAM
Crosswalk of 2007 Availability
(Dollars in Thousands)

Budget Activity	2007 Enacted	Supplemental/ Rescission	Approved Reprogrammings	Transfers	Carryover	Total 2007 Resources
Amendments to State Agency RS Contracts	$7,524	...	...	...	$71,311	$78,835
Total	7,524	...	...	...	71,311	78,835

HOUSING
RENT SUPPLEMENT PROGRAM
Crosswalk of 2008 Changes
(Dollars in Thousands)

Budget Activity	**2008 President's Budget Request**	**Congressional Appropriations Action on 2008 Request**	**2008 Supplemental/ Rescission**	**Reprogrammings**	**Carryover**	**Total 2008 Resources**
Amendments to State Agency RS Contracts	$8,300	$8,300	-$8,300	...	$75,910	$75,910
Total	8,300	8,300	-8,300	...	75,910	75,910

HOUSING
RENTAL HOUSING ASSISTANCE PROGRAM (SECTION 236)
2009 Summary Statement and Initiatives
(Dollars in Thousands)

RENTAL HOUSING ASSISTANCE PROGRAM (SECTION 236)	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2007 Appropriation	$18,612[a]	$803,449[b]	-$330,988[c]	$491,073	$9,476	$507,352
2008 Appropriation/Request	19,300[d]	510,897[e]	-29,300[f]	500,897	19,300	480,000
2009 Request	19,300[d]	500,897[g]	-19,300[h]	500,897	19,300	465,000
Program Improvements/Offsets	...	-10,000	+10,000	...	...	-15,000

a/ Included in total of $26.136 million appropriated for contract amendments, pursuant to the fiscal year 2007 full-year Continuing Resolution (CR) (P.L. 110-5); balance of $7.524 million is in the Rent Supplement program.
b/ Includes carryover from fiscal year 2006 of $685,056 thousand together with $118,393 thousand of Section 236 IRP recoveries.
c/ $331 million was rescinded pursuant to HUD's 2007 Departmental rescission requirements.
d/ Part of the total of $27.6 million in appropriation enacted for fiscal year 2008 (P.L. 110-161) and requested in fiscal year 2009. Balance of appropriation, $8.3 million for each of fiscal years 2008 and 2009, is in the Rent Supplement program.
e/ Includes carryover of $481,597 thousand from 2007 and an estimated $29,300 thousand of Section 236 recoveries.
f/ The 2008 Consolidated Appropriations Act rescinded a total of $37,600 thousand, of which $29,300 thousand is anticipated to be derived from Section 236 RAP balances. The remaining balance of rescissions of $8,300 thousand is anticipated in the Rent Supplement program.
g/ Includes carryover of $481,597 thousand from 2008 and an estimated $19,300 thousand of Sec. 236 recoveries.
h/ The Budget proposes a $27,600 thousand rescission, of which $19,300 thousand is anticipated from Section 236 RAP balances with the remaining $8,300 thousand from the Rent Supplement program.

Summary Statement

In fiscal year 2009, $19.3 million is requested to amend State-aided, non-insured Rental Housing Assistance contracts, the same level of funding requested in fiscal year 2008. It will be offset by the rescission of Section 236 RAP balances.

Section 236 Interest Reduction Payments (IRP). The Section 236 IRP program was terminated in 1973. No new commitments have been made since that time. The number of units remaining in this program is estimated to be 240,000 at the end of fiscal year 2009.

Rental Housing Assistance Payments (RAP). Many Section 236 projects also receive rental subsidies. One such subsidy is Rental Housing Assistance Payments (RAP). Another is Rent Supplement, which is discussed in a separate justification. Those rental assistance programs were terminated with the introduction of Section 8. However, the Department continues to be statutorily required to amend the Rent Supplement and RAP contracts on non-insured, State-aided Section 236 projects. Amendment needs are anticipated to increase as contracts age and require more funding. The number of RAP units remaining is estimated to be 17,000 at the end of fiscal year 2009.

In prior years, these amendments were made with funding under authority of a 1983 Supplemental Appropriations Act. The Department relied on this authority through fiscal year 2005. Beginning in fiscal year 2006, new appropriations for amendments have been provided through annual appropriations as needed. The Department believes this approach represents a more efficient use of limited resources and significantly reduces unexpended balances.

HOUSING
RENTAL HOUSING ASSISTANCE PROGRAM (SECTION 236)
Summary of Resources by Program
(Dollars in Thousands)

Budget Activity	2007 Budget Authority	2006 Carryover Into 2007	2007 Total Resources	2007 Obligations	2008 Budget Authority/ Request	2007 Carryover Into 2008	2008 Total Resources	2009 Request
Section 236 Rental Assistance Payments (RAP)	$18,612	$145,610	$164,222	$9,476	-$10,000	$184,046	$174,046	$19,300
Section 236 Interest Reduction Payments (IRP)	-330,988	657,839	326,851	...	...	326,851	326,851	...
Total	-312,376	803,449	491,073	9,476	-10,000	510,897	500,897	19,300

2007 Budget Authority. $18.6 million for RAP is part of $26.1 million appropriated for contract amendments, pursuant to the fiscal year 2007 full-year Continuing Resolution (P.L. 110-5). The balance is in the Rent Supplement Program. Pursuant to HUD's 2007 Departmental rescission requirements, $331 million has been rescinded.

2006 Carryover Into 2007. The $657.8 million in IRP consists of fiscal year 2006 carryover of $539.4 million and fiscal year 2007 recaptures of $118.4 million.

2008 Budget Authority. The Section 236 RAP program appropriation of $19.3 million for amendment needs will be offset with a rescission of $19.3 million from RAP balances. The 2008 Consolidated Appropriations Act, P.L. 110-161, rescinds a total of $37.6 million; however, $29.3 million will be contributed by this program, while the remainder ($8.3 million) will be contributed by the Rent Supplement program. The $19.3 million appropriation offset by $29.3 million rescission of RAP balances results in the net -$10.0 million amount shown in the table above.

2007 Carryover Into 2008. The $184 million in RAP consists of fiscal year 2007 Carryover of $154.7 million and estimated fiscal year 2008 recaptures of $29.3 million.

2009 Request. The Section 236 RAP program request of $19.3 million for amendment needs will be offset with a rescission of $19.3 million from RAP balances in 2009. The budget proposes a total of $27.6 million in rescission; however, $19.3 million will be contributed by this program, while the remainder ($8.3 million) will be contributed by the Rent Supplement program.

FTE	2007 Actual	2008 Estimate	2009 Estimate
Headquarters	1	1	1
Field	25	25	25
Total	26	26	26

HOUSING
RENTAL HOUSING ASSISTANCE PROGRAM (SECTION 236)
Program Offsets
(Dollars in Thousands)

Section 236 Rental Assistance Payments (RAP)	Amount
2007 Appropriation	$18,612
2008 Appropriation/Request	-10,000
2009 Request	19,300
Program Improvements/Offsets	+29,300

2008 Appropriation/Request. This reflects the net effect of $19.3 million provided pursuant to the 2008 Consolidated Appropriations Act offset by $29.3 million of rescissions in the Section 236 RAP program, resulting in the -$10.0 million shown in the table above.

2009 Request. The Section 236 RAP program request of $19.3 million for amendment needs will be offset with a rescission of $19.3 million anticipated to be recaptured from RAP balances. The budget proposes a total of $27.6 million in rescission; however, $19.3 million will be contributed by this program, while the remainder ($8.3 million) will be contributed by the Rent Supplement program.

History of Program Offset

State Agency Financed Projects (RAP funding). The only commitments being made in this program are for amendments to contracts on State-aided, non-insured projects, historically funded by the 1983 Supplemental Appropriations Act.

"Deep Subsidy" Program. The Rental Assistance Payments (RAP/"deep subsidy") program, authorized by the Housing and Community Development Act of 1974, was designed to aid very low-income families in Section 236 projects by permitting HUD to provide additional subsidies equal to the difference between the basic rent and 30 percent of income for a certain percentage of units in a project. Most insured projects receiving RAP funding have converted to Section 8 assistance. However, State-aided, non-insured projects were not required to convert to Section 8 and continue to receive amendment funds for cost increase on their RAP contracts.

Prepayment. As an incentive to attract developers into the original Section 236 program, participants were given the right to prepay their subsidized mortgages after 20 years. Within the projects whose owners were given the right to prepay, tenants receiving Section 8 assistance occupy some of the units. Other tenants may be income eligible but not presently receiving assistance. If owners prepay, the unassisted tenants who face rent increases will be assisted with Section 8 Tenant Protection vouchers. This will allow them to stay in their current units or move if they choose. Once the Section 236 mortgage is prepaid and liquidated, the IRP interest subsidy contract terminates, unless the subsidy has been decoupled under Section 236(b) or (e)(2) of the National Housing Act wherein the IRP subsidy continues until the maturity of the original mortgage. Any funds remaining on pre-paid or terminated contracts that are not decoupled are recaptured.

Proposed Actions

In fiscal year 2009, $19.3 million is requested to amend State-aided, non-insured Rental Housing Assistance contracts. It is offset by a $19.3 million proposed rescission of RAP balances.

Rental Housing Assistance Program

The 1983 Supplemental Appropriations Act provided set-asides for amendment funding for both State-aided, non-insured Rent Supplement and Rental Housing Assistance Payments Contracts. Beginning with fiscal year 2006, funding for amendment needs has been and will continue to be requested through annual appropriations as needed. The Department believes this approach represents a more efficient use of limited resources and significantly reduces unexpended balances. The fiscal year 2006 Appropriations Act included a provision that henceforth permits these contracts to be amended for a period less than the remaining contract term, thus substantially reducing funding requirements over the near term.

HOUSING
RENTAL HOUSING ASSISTANCE PROGRAM (SECTION 236)
(Dollars in Thousands)
Program Offsets

Section 236 Interest Reduction Payments (IRP)	**Amount**
2007 Appropriation	-$330,988
2008 Appropriation/Request	...
2009 Request	...
Program Improvements/Offsets	...

2007 Appropriation. Reflects rescission implemented in 2007 pursuant to the Department's overall rescission requirement.

History of Program Offset

The Section 236 program provided mortgage Interest Reduction Payments (IRP). The maximum subsidy available to a project was the difference between the monthly payment for principal, mortgage insurance premium, and interest on the outstanding mortgage at the market rate of interest and the monthly payments that would be required under a mortgage bearing an interest rate of 1 percent. A basic rental charge was determined for each unit that was deemed sufficient to meet operating expenses plus debt service expenses at the 1 percent rate of interest. Every tenant is required to pay the higher of either the basic rental charge or up to 30 percent of his income. No new commitment activity has occurred since the program was terminated in 1973.

Proposed Actions

There are no proposed appropriations for this program.

HOUSING
RENTAL HOUSING ASSISTANCE PROGRAM
Performance Measurement Table

Program Name: **RENTAL HOUSING ASSISTANCE PROGRAM**

Program Mission: The assisted housing program under Amendments to State Agency Rental Housing Assistance Program funds are used to improve physical and related conditions in assisted housing. The Department uses Real Estate Assessment Center office to ensure that periodic inspections of the physical condition of all multifamily assisted properties are completed. These inspections play a central role in the referrals to the Enforcement Center for multifamily properties.

Performance Indicators	**Data Sources**	**Performance Report**		**Performance Plan**	
		2007 Plan	2007 Actual	2008 Plan	2009 Plan
The share of assisted and insured privately owned multifamily properties that meet HUD-established physical standards are maintained at no less than 95 percent.	Real Estate Assessment Center's Physical Assessment Subsystem	No less than 95%	93.8%	No less than 95%	No less than 95%

Explanation of Indicators

This indicator tracks the progress made by multifamily properties receiving assistance, as a group, in meeting physical condition standards established under the Real Estate Assessment Center's (REAC) Physical Assessment Inspection program.

HOUSING
RENTAL HOUSING ASSISTANCE PROGRAM
Proposed Appropriations Language

The FY 2009 President's Budget includes proposed changes in the appropriations language listed and explained below. New language is italicized and underlined, and language proposed for deletion is bracketed.

Other Assisted Housing Programs

[Rental Housing Assistance**]**

For amendments to contracts under section 101 of the Housing and Urban Development Act of 1965 (12 U.S.C. 1701s) and section 236(f)(2) of the National Housing Act (12 U.S.C. 1715z-1) in State-aided, non-insured rental housing projects, $27,600,000, to remain available until expended.

[*(RESCISSION)***]***<u>(CANCELLATION)</u>*

Of the amounts **[***made available under the heading "Rent Supplement" in Public Law 98-63 for amendments to***]***<u>recaptured from terminated</u> contracts under section 101 of the Housing and Urban Development Act of 1965 (12 U.S.C. 1701s) and section 236(f)(2) of the National Housing Act (12 U.S.C. 1715z-1)* **[***in State-aided, non-insured rental housing projects, $37,600,000 are rescinded***]***<u>$27,600,000 is cancelled</u>.(Department of Housing and Urban Development Appropriations Act, 2008)*

<u>Explanation of Changes</u>

This language includes amendment funding for both the Rent Supplement (an estimated $8.3 million) and the Rental Housing Assistance Payment (an estimated $19.3 million) programs. The Budget also proposes an offsetting cancellation of $27.6 million in recaptured budget authority from terminated Rent Supplement and RAP assistance contracts. This language has been clarified to cover all balances recaptured from these terminated contracts.

HOUSING
RENTAL HOUSING ASSISTANCE PROGRAM (SECTION 236)
Crosswalk of 2007 Availability
(Dollars in Thousands)

Budget Activity	2007 Enacted	Supplemental/ Rescission	Approved Reprogrammings	Transfers	Carryover	Total 2007 Resources
Section 236 Rental Assistance Payments (RAP)	$18,612	...	...	...	$145,610	$164,222
Section 236 Interest Reduction Payments (IRP)	...	-$330,988	...	...	657,839	326,851
Total	18,612	-330,988	...	...	803,449	491,073

2007 Enacted. The $18.6 million for RAP is included in a total of $26.136 million appropriated for contract amendments, pursuant to the fiscal year 2007 full-year Continuing Resolution (P.L. 110-5); a balance of $7.5 million is in the Rent Supplement program.

Supplemental/Rescission. $331 million was rescinded pursuant to HUD’s 2007 Departmental rescission requirements.

Carryover. The $657.8 million in IRP consists of fiscal year 2006 carryover of $539.4 million and fiscal year 2007 recaptures of $118.4 million.

HOUSING
RENTAL HOUSING ASSISTANCE PROGRAM (SECTION 236)
Crosswalk of 2008 Changes
(Dollars in Thousands)

Budget Activity	2008 President's Budget Request	Congressional Appropriations Action on 2008 Request	2008 Supplemental/ Rescission	Reprogrammings	Carryover	Total 2008 Resources
Section 236 Rental Assistance Payments (RAP)	$19,300	$19,300	-$29,300	...	$184,046	$174,046
Section 236 Interest Reduction Payments (IRP)	...	...	...	...	326,851	326,851
Total	19,300	19,300	-29,300	...	510,897	500,897

Congressional Appropriations Action on 2008 Request. The $19.3 million for RAP reflects part of a total of $27.6 million in appropriation enacted for fiscal year 2008 (P.L. 110-161). The balance of the appropriation, $8.3 million, is in the Rent Supplement program.

2008 Supplemental/Rescission. The 2008 Consolidated Appropriations Act rescinded a total of $37.6 million, of which $29.3 million would be derived from Section 236 RAP balances. The remaining balance of the rescission, $8.3 million, would be derived from the Rent Supplement program.

Carryover. The $184 million in RAP consists of fiscal year 2007 Carryover of $154.7 million and estimated fiscal year 2008 recaptures of $29.3 million.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
GSE REGULATION
2009 Summary Statement and Initiatives
(Dollars in Thousands)

Budget Activity	2007 Budget Authority	2006 Carryover Into 2007	2007 Total Resources	2007 Obligations	2008 Budget Authority	2007 Carryover Into 2008	2008 Total Resources	2009 Request
Legislative Proposal								
Receipts	...	...	...	...	...	...	...	$6,000

Summary Statement

Congress established important oversight responsibilities for HUD under Title XIII of the Housing and Community Development Act of 1992 (P.L. 102-550). The short title for this legislation is the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (FHEFSSA). FHEFSSA reaffirmed the Secretary's general regulatory authority over two housing Government-Sponsored Enterprises (GSEs), Fannie Mae and Freddie Mac, to ensure the GSEs' compliance with their charter purposes. FHEFSSA also mandated certain specific responsibilities, including:

- Setting the levels of Congressionally mandated housing goals that require the GSEs to purchase mortgages made to low- and moderate-income families, mortgages on properties located in underserved areas, and mortgages made to very low-income families and low-income families in low-income areas, including mortgages on multifamily properties;
- Monitoring and enforcing the GSEs' performance in meeting the housing goals;
- Reviewing requests for new program approval submitted by the GSEs;
- Prohibiting discrimination in the GSEs' mortgage purchase activities and reviewing and commenting on their underwriting guidelines; and
- Establishing a public use database on the GSEs' mortgage purchases.

Since enactment of FHEFSSA, the Department has developed an oversight program that carries out these mandates. Specifically, the Department regularly analyzes and reports on the GSEs' housing goal performance, housing needs, and the marketplace; reviews for approval new program requests submitted by the GSEs with express authority to disapprove any program that the Secretary determines is not authorized under a GSEs' charter act purposes or that otherwise is not in the public interest; reviews GSE business activities and makes determinations about their compliance with the GSEs' charter authorities; reviews the GSEs' underwriting guidelines, including automated underwriting practices, for their fair lending implications; undertakes performance and data integrity reviews to ensure the accuracy and completeness of data that the GSEs provide to the Department; creates new, and revises existing, monitoring reports; and issues new regulations as needed. The Department also issues letters and orders regarding its determinations for non-proprietary treatment of GSE mortgage loan data and maintains the GSE public use database.

Under the provisions of P.L. 102-550, Fannie Mae and Freddie Mac are assessed for the costs of their financial safety and soundness regulation by the Director of the Office of Federal Housing Enterprise Oversight (OFHEO). The Director of OFHEO is authorized to collect annual assessments from the GSEs to provide for OFHEO's costs and expenses, but the GSEs are not currently assessed for the Department's costs of regulation.

GSE Regulation

Legislative Proposal

Upon enactment of the budget proposal for a strengthened regulator for the GSEs it is expected that the cost of HUD's responsibilities under the Federal Housing Enterprise Safety and Soundness Act of 1992, and amendments as proposed, would be assessed on Fannie Mae and Freddie Mac. These responsibilities include the establishment and enforcement of affordable housing goals for the GSEs, ensuring GSE compliance with fair housing laws, and providing consultation to the safety and soundness regulator on the GSEs' new activities. The cost of these regulatory responsibilities is currently in the HUD salaries and expenses account as a non-reimbursable expense.