HOUSING
PROJECT-BASED RENTAL ASSISTANCE
2010 Summary Statement and Initiatives
(Dollars in Thousands)

PROJECT-BASED RENTAL ASSISTANCE	**Enacted/ Request**	**Carryover**	**Supplemental/ Rescission**	**Total Resources**	**Obligations**	**Outlays**
2008 Appropriation	$6,381,810	$577,135[a]	-$154,950[b]	$6,803,995[c]	$6,582,834[c]	$6,079,640
2009 Appropriation/Request	7,100,000	221,160	2,000,000[d]	9,321,160[e]	9,321,160[e]	7,506,000
2010 Request	8,100,000[f]	...	...	8,100,000	8,100,000	8,152,000
Program Improvements/Offsets	+1,000,000	-221,160	-2,000,000	-1,221,160	-1,221,160	+646,000

a/ Reflects $383.9 million carryover from fiscal year 2007 plus $193.2 million recaptured during fiscal year 2008.
b/ Includes a rescission of $204.9 million pursuant to the Consolidated Appropriations Act, 2008 (P.L. 110-161) and $50 million Project-Based Voucher Hurricane Katrina and Rita disaster relief provided in the fiscal year 2009 Continuing Resolution (P.L. 110-329).
c/ Includes $3.960 million transferred and obligated in the Working Capital Fund.
d/ Provided in the American Recovery and Reinvestment Act--ARRA (P.L. 111-5).
e/ Includes $10 million transferred and obligated in the Working Capital Fund.
f/ Includes $400 million provided in the fiscal year 2009 Appropriations Bill to be available on October 1, 2009. The fiscal year 2010 Budget includes an advance appropriation request of $400 million to be available on October 1, 2010.

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, HUD renews Section 8 Project-Based assistance contracts with owners of multifamily rental housing. HUD 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 $8.1 billion to meet PBRA program needs. This includes a $400 million advance appropriation to be available in fiscal year 2011 to meet anticipated funding needs on October 1, 2010. The fiscal year 2010 Budget also includes a request for no less than $232 million and up to $258 million to fund Performance-Based Contract Administrators. Flexible language is proposed to increase that amount as necessary by re-allocating funds from other set-asides or from recaptures.

HUD’s budget for fiscal year 2010 includes major improvements for the Project-Based Rental Assistance account:

Support for Full 12-Month Funding: With the $2.0 billion provided in the American Recovery and Reinvestment Act (ARRA) (P.L. 111-5), HUD was able to fund all contracts renewing in fiscal year 2009 on a full 12-month basis—reversing the pattern of short-funding that had been practiced in prior years. The proposed fiscal year 2010 Budget will continue that approach. An integral component to this approach is the request for advance appropriations each fiscal year to cover anticipated renewal needs for contracts due to expire at the beginning of the next fiscal year. Full funding and timely enactment of annual appropriations in concert with the efficient use of carryovers and recaptures during the year are critical if HUD is to avoid the payment disruptions that have occurred in previous years.

Systems Improvements: In addition, HUD is proposing that systems improvements necessary to modernize and enhance the management of the Project-Based program be funded through transfers pursuant to the Transformation Initiative. The Transformation Initiative is highlighted in a separate justification in the Budget. Previously, these funds were provided by means of a transfer from this account to HUD's Working Capital Fund.

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

Budget Activity	2008 Budget Authority	2007 Carryover Into 2008	2008 Total Resources	2008 Obligations	2009 Budget Authority/ Request	2008 Carryover Into 2009	2009 Total Resources	2010 Request
Contract Renewals and Amendments	$5,934,172	$577,135	$6,511,307	$6,340,146	$6,868,000	$171,160	$7,039,160	$7,858,000[a]
Contract Administrators	238,728	...	238,728	238,728	222,000	...	222,000	232,000[b]
Working Capital Fund (transfer)	3,960	...	3,960	3,960	10,000	...	10,000	...[c]
Project Based Vouchers-Hurricane Relief (PL 110-329)	50,000	...	50,000	...	...	50,000	50,000	...
Tenant Resources, Information and Outreach (TRIO)	...	...	...	...	...	...	...	10,000[d]
Contract Renewals - Recovery Act - (P.L. 111-5)	...	...	...	...	2,000,000	...	2,000,000	...
Total	6,226,860	577,135	6,803,995	6,582,834	9,100,000	221,160	9,321,160	8,100,000

NOTES: The 2007 Carryover into 2008 reflects $383.9 million carryover from fiscal year 2007 plus $193.2 million recaptured during fiscal year 2008. The 2008 Budget Authority includes a supplemental appropriation of $50 million (P.L.110-329), Disaster Relief Funds, and $204.9 million of rescinded fiscal year 2008 funds.

a/ The Department estimates that the total Section 8 Amendment needs in 2010 will be $624 million. This Budget assumes that $164 million of this total will be funded by recaptures collected in the Housing Certificate Fund account, and the remaining amount ($460 million) will be accommodated in the Project-Based Rental Assistance account.
b/ The budget requests $232 million and up to $258 million with flexible language for increases as necessary by reallocating funds from other set-asides or recaptures.
c/ The Department intends to fund these activities through the HUD Transformation Initiative.
d/ The Department may transfer up to $10 million from the Contract Renewals set-aside for Tenant Resources, Information and Outreach (TRIO) activities under Sec. 514(f) of the Multifamily Assisted Housing Reform and Affordability Act (MAHRA)of 1997 (42 U.S.C. 1437f note).

Project-Based Rental Assistance

Staffing Needs:

FTE	2008 Actual	2009 Estimate	2010 Estimate
Headquarters	64	66	65
Field	327	329	329
Total	391	395	394

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

Contract Renewals and Amendments	**Amount**
2008 Appropriation	$6,134,172
2009 Appropriation/Request	6,868,000
2010 Request	7,858,000
Program Improvements/Offsets	+990,000

Proposed Actions

The contract renewals and amendments set-aside provides funding for the Department to renew and amend PBRA 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 2010, HUD requests $7.858 billion for contract renewals and amendments. This amount is for Housing's Project-Based Section 8 contracts, Public and Indian Housing's Mod Rehab contracts, and Community Planning and Development's Single Room Occupancy contracts.

This request is anticipated to be sufficient to fund all contract renewals for a full 12 months. In addition, a $400 million advance appropriation for fiscal year 2011 is requested to meet October 1, 2010 payments.

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 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 inadequate 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.

The Department estimates that total Section 8 Amendment needs in 2010 will be $624 million. Of that amount, $460 million will be funded from the Contract Renewals and Amendments set-aside in this account. The remaining amount ($164 million) will be funded from recaptures collected in the Housing Certificate Fund.

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

Contract Administrators	**Amount**
2008 Appropriation	$238,728
2009 Appropriation/Request	222,000
2010 Request	232,000
Program Improvements/Offsets	+10,000

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 a minimum of $232 million and up to $258 million for Contract Administrators; however, flexible language is proposed to allow for re-allocation of resources from other fiscal year 2010 set-asides and recaptures during the year to ensure that sufficient resources will be available to fund this vital activity in the event that actual emerging funding requirements diverge from the estimated amounts in the budget.

The implementation of PBCAs for project-based Section 8 contract administration is 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; and (3) 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
2008 Appropriation	$3,960
2009 Appropriation/Request	10,000
2010 Request	...
Program Improvements/Offsets	-10,000

Proposed Actions

The Department is not requesting any transfers for the Working Capital Fund in 2010. Instead, these activities will be funded through the Department's Transformation Initiative. This initiative will allow the Secretary the necessary flexibility to undertake an integrated and balanced effort to improve program performance and test innovative ideas. Up to 1 percent of the funds appropriated for the Project-Based Rental Assistance account will be transferred to the Transformation Initiative account to undertake research, demonstrations, technical assistance, and technology improvements. Within 30 days of enactment, the Secretary will provide a detailed operating plan to the Committees on Appropriations with the specific activities that will be undertaken toward achieving transformation at HUD.

For the Project-Based Rental Assistance program this request will pay for development of, and modifications to, the technology systems required by this account. Past Working Capital Fund transfers, such as $1.4 million allocated in 2007 and $3.96 million in 2008, 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 funds provided by the Transformation Initiative, HUD will be able to transform TRACS:

- 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 through improved verification of tenant income statements.

These improvements will help HUD increase the efficiency and effectiveness of future program appropriations.

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

Project Based Vouchers- Hurricane Relief (PL 110-329)	**Amount**
2008 Appropriation	$50,000
2009 Appropriation/Request	...
2010 Request	...
Program Improvements/Offsets	...

Proposed Actions

A total of $50 million was provided under the fiscal year 2009 Continuing Resolution 'Consolidated Security, Disaster Assistance, and Continuing Appropriations Act, 2009" (P.L. 110-329) (Div B Chapter 10) to aid victims of Hurricanes Katrina and Rita.

These project-based vouchers are provided under section 8(o)(13) of the United States Housing Act of 1937 (42 U.S.C. 1437f(o)(13)). These type of vouchers are typically funded and renewed under the heading "Tenant-Based Rental Assistance." Therefore, the Department includes the renewal of these vouchers in the Tenant-Based Rental Assistance request.

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

Contract Renewals - Recovery Act - (P.L. 111-5)	Amount
2008 Appropriation	...
2009 Appropriation/Request	$2,000,000
2010 Request	...
Program Improvements/Offsets	-2,000,000

Proposed Actions

The American Recovery and Reinvestment Act (ARRA) (P.L. 111-5) provided $2.0 billion to fund all project-based contract renewals for a full 12 months in fiscal year 2009. This funding together with the fiscal year 2009 Omnibus Appropriation request will return these projects to their original funding anniversary cycle. It will reduce the administrative burden imposed by the necessity of reviewing the contracts multiple times during a 12 month period as a result of short term funding procedures. It will spread the workflow requirement on a more even monthly basis throughout the fiscal year. Finally, it will re-assure owners and project sponsors that funding will be available on a timely basis throughout the year.

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

Tenant Resources, Information and Outreach (TRIO)	**Amount**
2008 Appropriation	...
2009 Appropriation/Request	...
2010 Request	$10,000
Program Improvements/Offsets	+10,000

NOTE: The Department plans to use up to $10 million from the Contract Renewals and Amendments set-aside to fund this activity in 2010.

Proposed Actions

HUD is proposing to use up to $10 million from the Contract Renewals and Amendments set-aside for Tenant Resources, Information and Outreach (TRIO) grants to build on previous efforts to provide assistance to tenant groups, non-profit organizations, and public entities for building the capacity of tenant organizations. The grants support tenants in Section 8 subsidized properties upon the expiration of the subsidy contracts, and include activities such as education, outreach, training and technical assistance activities.

Section 514(f) of the Multifamily Assisted Housing Reform and Affordability Act (MAHRA) of 1997 (47 U.S.C. 1437fnote) authorizes the Department to provide financial assistance for building the capacity of tenant organizations and furthering the purposes of the Mark-to-Market program including preservation of low-income housing and tenant services. This activity is subject to an annual limitation of $10 million to be derived from the Project-Based Rental Assistance account.

The TRIO program would build upon best practices and lessons learned from predecessor programs to provide training and technical guidance on how to reach, educate and organize tenants about the ramifications of subsidy contract expirations and renewals under MAHRA and enable tenants to explore alternative outcomes.

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**	
		2008 Plan	2008 Actual	2009 Plan	2010 Plan
The share of assisted and insured privately owned multifamily properties that meet HUD established physical standards are no less than 92 percent.	REAC Physical Assessment Subsystem	Maintained at no less than 95 percent	93.0%	Maintained at no less than 92%	Maintained at no less than 92%
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	100%	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	31% reduction (7.60 to 4.48)	Reduce by 5% (4.48 to 4.26)	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	93.6%	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 4.6% of total payments	3.5%	Improper payments will be no more than 3.2% of total payments	Improper payments will be no more than 3.1% 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. 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 year 2009 goal into fiscal year 2010. 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 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. HUD expects 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 2010 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, 2010.

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. 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.

The goal for fiscal year 2010 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 2010 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.

Enterprise Income Verification Implementation and Use. 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 that will mandate use of the Enterprise Income Verification system.

HUD believes that the goals for fiscal year 2010 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 2010 is to reduce the actual improper payment rate to no more than 4.5 percent of total annual program payments.

HOUSING
PROJECT-BASED RENTAL ASSISTANCE
Proposed Appropriations Language

The fiscal year 2010 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.

PROJECT-BASED RENTAL ASSISTANCE
(INCLUDING TRANSFER OF FUNDS)

For activities and assistance for the provision of project-based subsidy contracts under the United States Housing Act of 1937 (42 U.S.C. 1437 et seq.) ("the Act''), not otherwise provided for, **[**$7,100,000,000**]** *$7,700,000,000*, to remain available until expended, shall be available on October 1, **[**2008**]** *2009*, and $400,000,000, to remain available until expended, shall be available on October 1, **[**2009**]** *2010*: *Provided*, That the amounts made available under this heading are provided as follows:

(1) **[**$6,868,000,000**]** *Up to $7,868,000,000* 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) **[**Up to**]** *Not less than* $232,000,000 *but not to exceed $258,000,000* shall be available for performance-based contract administrators for section 8 project-based assistance: *Provided*, 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 $10,000,000 provided under this heading may be transferred to the Working Capital Fund.**]**

[(4)**]** *(3)* 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.

Explanation of Changes

Provides flexible language to allow reallocation of resources between the Performance-Based Contract Administrator (PBCA) set-aside in paragraph (2) and other program activities funded in paragraph (1). Also eliminates language requesting $5.0 million for transfer to the Working Capital Fund. These amounts for IT support activities for the Section 8 Project-Based program are requested under the Department's proposed Transformation Initiative described elsewhere in this Budget Justification.

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

Budget Activity	2008 Enacted	Supplemental/ Rescission	Approved Reprogrammings	Transfers	Carryover	Total 2008 Resources
Contract Renewals and Amendments	$6,339,122	-$204,950	...	-$200,000	$577,135[a/]	$6,511,307
Contract Administrators	238,728	...	...	...	...	238,728
Working Capital Fund (transfer)	3,960	...	...	...	...	3,960
Project Based Vouchers- Hurricane Relief (PL 110-329)	...	50,000	...	...	...	50,000
Tenant Resources, Information and Outreach (TRIO)	...	...	...	...	...	...
Contract Renewals - Recovery Act - (P.L. 111-5)	...	...	...	...	...	...
Total	6,581,810	-154,950	...	-200,000	577,135	6,803,995

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

HOUSING
PROJECT-BASED RENTAL ASSISTANCE
Crosswalk of 2009 Changes
(Dollars in Thousands)

Budget Activity	2009 President's Budget Request	Congressional Appropriations Action on 2009 Request	2009 Supplemental/ Rescission	Reprogrammings	Carryover	Total 2009 Resources
Contract Renewals and Amendments	$6,763,000	$6,868,000	...	...[a/]	$171,160	$7,039,160
Contract Administrators	232,000	222,000	...	...	...	222,000
Working Capital Fund (transfer)	5,000	10,000	...	...	...	10,000
Project Based Vouchers- Hurricane Relief (PL 110-329)	...	...	...	...	50,000	50,000
Tenant Resources, Information and Outreach (TRIO)	...	...	...	...	...	...
Contract Renewals - Recovery Act - (P.L. 111-5)	...	...	$2,000,000	...	...	2,000,000
Total	7,000,000	7,100,000	2,000,000	...	221,160	9,321,160

a/ Section 8 Amendments requirements in fiscal year 2009 will be met from a mixture of resources including new budget authority, carryover funds, and recaptures as necessary.

HOUSING
GREEN RETROFIT PROGRAM
2010 Summary Statement and Initiatives
(Dollars in Thousands)

GREEN RETROFIT PROGRAM	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2008 Appropriation	...	...	...	...	...	...
2009 Appropriation/Request	...	...	$250,000	$250,000	$133,000	$3,000
2010 Request	...	$117,000	...	117,000	117,000	124,000
Program Improvements/Offsets	...	+117,000	-250,000	-133,000	-16,000	+121,000

Summary Statement

Title XII of Division A of the American Recovery and Reinvestment Act of 2009, P.L. 111-5, in the paragraph titled "Assisted Housing Stability and Energy and Green Retrofit Investments," provides authority to make loans, make grants, and take a variety of other actions to facilitate utility-saving retrofits and other retrofits that produce environmental benefits, in certain existing HUD-assisted multifamily housing, subject to agreement between the Department and the project owner. This program is administered through the Office of Affordable Housing Preservation (OAHP), using policy and program approaches developed for OAHP's Mark-to-Market Green Initiative. A total of $250 million was appropriated in that Act for this activity.

The Green Retrofit Program (GRP) uses OAHP's existing infrastructure for program management, due diligence, underwriting, closing, and rehabilitation escrow administration. The Act permits up to 5 percent of these funds available for loans and grants to be used for underwriting and oversight which will be allocated to certain Mark-to-Market participating administrative entities (PAEs) to carry out due diligence, underwriting, and negotiation activities for the GRP pursuant to each PAE's existing portfolio restructuring agreement, as amended. OAHP may offer either a Green Retrofit Grant or a Green Retrofit Loan (repayable from a share of Surplus Cash and from sale and refinancing proceeds) of up to $15,000 per unit for an individual Eligible Project, and expected to average not more than $10,000 per unit across all eligible projects that are funded, to be used to finance Green Retrofits that will reduce on-going utility consumption, benefit resident health, and/or benefit the environment. The requirements differ depending on the type of project-based assistance contract.

Improvements financed through this program must have one or more of the following attributes, when compared with the comparable component that would normally be used by owners of similar properties in the same market area: lower electric/heating fuel/water consumption; lower emissions of chemicals thought to be harmful to humans; longer useful life; more biodegradable; more easily recycled; and lower use of raw materials/more recycled content.

Transfers to Other Accounts

The appropriations language in the Recovery Act permit up to 1 percent of the amounts available for loans and grants to be transferred to various administrative expense accounts of the Department for staffing, training, technical assistance, technology, monitoring, research and evaluation. It is anticipated that the full amount will be transferred. In addition, the Recovery Act provided a supplemental appropriation of $2 billion under this heading for Project-Based Section 8 contract renewals. That amount was transferred to the "Project-Based Rental Assistance" account and is discussed in that portion of the justifications.

HOUSING
GREEN RETORFIT PROGRAM
Summary of Resources by Program

Budget Activity	2008 Budget Authority	2007 Carryover Into 2008	2008 Total Resources	2008 Obligations	2009 Budget Authority/ Request	2008 Carryover Into 2009	2009 Total Resources	2010 Request
Green Retrofit Loans & Grants	...	...	...	...	$235,000	...	$235,000	...
Underwriting and Oversight	...	...	...	...	12,500	...	12,500	...
Administration Transfers	...	...	...	...	2,500	...	2,500	...
Total	...	...	...	...	250,000	...	250,000	...

FTE	2008 Actual	2009 Estimate	2010 Estimate
Headquarters	...	...	...
Field	...	...	...
Total	...	...	...

HOUSING
GREEN RETROFIT PROGRAM
Crosswalk of 2008 Availability
(Dollars in Thousands)

Budget Activity	2008 Enacted	Supplemental/ Rescission	Approved Reprogrammings	Transfers	Carryover	Total 2008 Resources
Green Retrofit Loans & Grants	...	...	...	...	...	...
Underwriting and Oversight	...	...	...	...	...	...
Administration Transfers	...	...	...	...	...	...
Total	...	...	...	...	...	...

HOUSING
GREEN RETROFIT PROGRAM
Crosswalk of 2009 Changes
(Dollars in Thousands)

Budget Activity	2009 President's Budget Request	Congressional Appropriations Action on 2009 Request	2009 Supplemental/ Rescission	Reprogrammings	Carryover	Total 2009 Resources
Green Retrofit Loans & Grants	...	...	$235,000	...	...	$235,000
Underwriting and Oversight	...	...	12,500	...	...	12,500
Administration Transfers	...	...	2,500	...	...	2,500
Total	...	...	250,000	...	...	250,000

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

PROGRAM DESCRIPTION

Through mortgage insurance, the Federal Housing Administration (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.

To date, FHA continues to play a countercyclical role-–serving as a vital backstop to the private mortgage market during the current economic downturn, in which severe capital constraints have greatly reduced the ability of private firms to take on credit risk. The share of FHA-insured single family mortgage originations, at a low point of just 1.9 percent in the fourth quarter of 2006, rose continuously over the next 2 years, reaching a high of 23.7 percent in the fourth quarter of 2008. In terms of dollar volume, FHA insured $181.2 billion of single family mortgages in fiscal year 2008; and has insured an additional $145.5 billion of single family mortgages in the first six months of fiscal year 2009. At the current pace, FHA will likely insure more than 2 million single family mortgages in fiscal year 2009, a much larger number compared with 1.1 million in fiscal year 2008, and 425,000 in fiscal year 2007.

Furthermore, FHA is actively involved in foreclosure mitigation, homeownership counseling and a myriad of efforts to curb mortgage fraud and lending discrimination; it is also part of the Federal government's efforts to rethink the regulatory structure governing the housing sector and to prevent the repetition of the reckless and speculative lending that precipitated the current housing crisis.

FHA is comprised of five separate insurance funds: Mutual Mortgage Insurance (MMI) fund, Cooperative Management Housing Insurance (CMHI) fund, General Risk Insurance (GI) fund, Special Risk Insurance (SRI) fund, and HOPE for Homeowners (H4H) Fund. For presentation purposes, the budget transactions are separated into three accounts. The main single family programs, including those for condominiums and the Home Equity Conversion Mortgage programs are reported under the MMI/CMHI account. All multifamily programs, excluding the CMHI fund, and other specialized insurance programs form the GI/SRI account. The H4H program, a single family program that was established by Congress with its own separate fund from the other FHA funds, is intended to help those at risk of default and foreclosure to refinance into more affordable, sustainable loans through FHA.

SUMMARY OF THE BUDGET ESTIMATES

Mortgage Insurance Commitment Limitations. The Budget requests a mortgage insurance commitment limitation of $415 billion in fiscal year 2010 for new FHA loan commitments for the MMI and GI/SRI funds. The proposed total includes $400 billion under the MMI Fund, which supports insurance of single family home mortgages and mortgages under the Home Equity Conversion Mortgage (HECM) program; and $15 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. For mortgages insured under the H4H program, the principal obligation of all mortgages may not exceed $300 billion over a 3-year period; the program is effective from October 1, 2008 to September 30, 2011.

Direct Loan Limitations. The budget requests a direct loan limitation of $50 million for the MMI fund and $20 million for the GI/SRI fund to facilitate the sale of HUD properties to, or for use by low- and moderate-income families.

Appropriations for Administrative Contract Expenses. A total of $188.9 million is requested for administrative contract expenses for the MMI and GI/SRI funds; of this amount up to $70.8 million, will be transferred to the Working Capital Fund for FHA systems costs. Beginning with fiscal year 2010, all administrative contract expenses for the GI/SRI fund will be appropriated under the MMI fund. The administrative costs associated with the H4H program are paid out of HOPE Bonds. Under the Housing and Economic Recovery Act (Act) of 2008, the Department of the Treasury is authorized to issue HOPE Bonds, up to the aggregate insurance amount, to finance the net costs to the Federal Government of the program, including administrative costs.

Appropriation for Mortgage Insurance Credit Subsidies. The Budget also requests an appropriation of $806.6 million to support the credit subsidies associated with loan guarantees committed under FHA's MMI and GI/SRI accounts. As with the administrative costs for the H4H program, HOPE Bonds are authorized by the Act to be issued to finance the credit subsidy amounts necessary for H4H loan guarantees. 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 cost to the Federal government), negative credit subsidy is generated as revenue to offset other spending or reduce the deficit.

HOUSING
FHA--MUTUAL MORTGAGE INSURANCE FUND
2010 Summary Statement and Initiatives
(Dollars in Thousands)

FHA--MUTUAL MORTGAGE & COOPERATIVE MGMT. HOUSING INSURANCE FUND	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2008 Appropriation	$77,400[a]	...	...	$77,400	$48,167[b]	$39,894[b]
2009 Appropriation/Request	146,000[c]	...	...	146,000	87,507[b]	138,631[b]
2010 Request	986,900[d]	...	...	986,900	916,077	912,326
Program Improvements/Offsets	+840,900	...	...	+840,900	+828,570	+773,695

a/ Beginning in fiscal year 2008, FHA's Salaries & Expenses (S&E) are directly appropriated to the relevant administrative accounts of the Department. This amount includes a $25.6 million non-expenditure transfer to Working Capital Fund. The residual appropriation in this account is for FHA contract expenses, including amounts for education and outreach.
b/ Amounts exclude upward re-estimates.
c/ For fiscal year 2009, the enacted request includes a $58.5 million non-expenditure transfer to Working Capital Fund, and reflects an additional appropriation of $30 million for administrative contract expenses pursuant to the second proviso in the paragraph under the heading "Mutual Mortgage Insurance Program Account" in P.L. 111-8. As of February 28, 2009, guaranteed loan commitments for the MMI Fund totaled $130 billion, thereby exceeding the $65.5 billion threshold for additional funding by $64.5 billion. The additional appropriation is calculated at $1,400 for every million dollars of commitments, that prior to April 1, 2009, exceed the threshold, up to a maximum additional of $30,000,000. As the limitation has now been reached, the full amount made available under the proviso is reflected herein.
d/ Includes request of an estimated $798 million as a current indefinite appropriate of credit subsidy for FHA's Home Equity Conversion Mortgage Program and a $70.8 million non-expenditure transfer to Working Capital Fund.

Summary Statement

The Federal Housing Administration (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. FHA through program reforms, including increasing loan limits, has become a key support for the national mortgage market and is mitigating the foreclosure crisis and the overall economic downturn. The expanded market share of FHA loans including refinancing is further discussed on pages D-8 through D-10.

Beginning in fiscal year 2009, FHA consolidated a majority of its single family mortgage programs into the MMI Fund, including those for condominiums, purchase and rehabilitation loans, and home equity conversion mortgages (HECM). Prior to fiscal year 2009, these products were 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 has two credit risk categories: the MMI Purchase and Refinance risk category and the MMI HECM risk category. The Title 1 Property Improvement and Manufactured Housing programs will remain in the GI/SRI Fund. This shift applies to new mortgages insured. Existing insurance will continue to be administered in the Fund under which the loans were endorsed.

FHA's HECM program allows senior homeowners age 62 and older access to FHA-insured reverse mortgages to convert the equity in their homes into monthly streams of income and/or a line of credit to be repaid when they no longer occupy the homes. Homeowners are required to receive consumer education and counseling by a HUD-approved counselor so they can be sure this program meets their needs. The amount a homeowner is eligible for is based on the borrower's age, the current interest rate, and the lesser of the appraised value or the FHA mortgage limit for HECM. Unlike forward mortgage borrowers, the HECM borrowers have no income or credit qualifications to meet and make no payments as long as the property securing the HECM loan is their main residence.

In fiscal year 2009, legislation was enacted disallowing Seller-Financed Down Payment Assistance as a source of down payment assistance for homebuyers. Seller-Financed Down Payment Assistance is the means by which the borrower receives down payment assistance as a gift that contributes towards FHA's 3 percent down payment requirement. Such 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.

<u>Appropriation</u>. The Mutual Mortgage Insurance (MMI) Fund of the Federal Housing Administration (FHA) requests an appropriation of $986.9 million for administrative contract expenses and credit subsidy for fiscal year 2010. The 2010 Budget request includes an appropriation of $188.9 million for administrative contract expenses; of this amount, up to $70.8 million will be transferred to the Working Capital Fund for FHA systems costs. The 2010 Budget request also includes an estimated $798 million current appropriation of credit subsidy for the HECM program plus an indefinite appropriation in the event HECM demand exceeds that projected.

The HECM reverse mortgage guarantee program credit subsidy rate is especially sensitive to the assumptions for future house price appreciation due to the loans' extended average tenure along with the rising outstanding balances that accrue during the life of the loans. The HECM subsidy rate reflects a major change from prior years because the economic estimates for the fiscal year 2010 Budget assume significantly lower house price growth in future years. In addition, FHA made numerous improvements in the HECM credit subsidy cash flow model during the past year that provide greater sensitivity to program and economic variables. While the HECM program in the current year was estimated to bear a subsidy rate of -1.37 percent, yielding offsetting budgetary receipts; the rate for fiscal year 2010 switches to +2.66 percent, largely due to changes in economic assumptions, and therefore will require a new discretionary appropriation of $798 million to permit the guarantee of the estimated $30 billion in loan volume.

<u>Loan Guarantee Limitation</u>. The fiscal year 2010 Budget requests $400 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 Administration estimates an endorsement volume of $300 billion for the Purchase and Refinance risk category and $30 billion for the HECM risk category for an estimated total volume of $330 billion. The $300 billion volume projected for the MMI Purchase and Refinance risk category is expected to generate $1.7 billion in negative subsidy receipts on insurance written in fiscal year 2010 at a subsidy rate of -0.57 percent. The HECM program is estimated to bear a positive subsidy rate of 2.66 percent in fiscal year 2010.

<u>Direct Loan Limitation</u>. 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.

<u>Initiatives</u>

In fiscal year 2010, the following program changes are proposed:

FHA Anti-Fraud Efforts. The Combating Abusive and Fraudulent Mortgage Practices Initiative draws on agencywide programs, resources and accounts. Given the history of abusive lending practices, the continuing housing crisis, and the potential for increased mortgage fraud and abuse, the Administration's Budget Request includes key resources that will be brought to bear in combating mortgage abuse and fraud as part of a federal and state inter-agency strategy.

The Initiative contains a key component for increased anti-fraud protections for the FHA Single Family Mortgage Insurance program. During the current housing crisis, FHA market share has increased from under 2 percent in 2006 to 22 percent in the 4th quarter of 2008. This significant expansion in the volume of FHA-insured loans reinforces the importance of taking appropriate steps to minimize any abuses within this program. The number of new participating lenders and the FHA share of single family market sales have both increased rapidly, pointing to the need for increased FHA fraud detection mechanisms to protect both consumers and the FHA Insurance Fund. At the same time, the FHA Single Family mortgage loan limit has also greatly increased, potentially adding risk to the MMI Fund.

Through this Initiative, FHA will deploy fraud detection tools in its single family origination operations to better detect and deter fraudulent behavior by mortgagees, borrowers, appraisers, real estate agents and others with a vested interest in defrauding the government. This systematic approach will greatly increase the ability of FHA to detect and prevent fraud, compared with current compliance review procedures.

Strengthening FHA Business Practices

FHA's role has expanded over the last year as the mortgage crisis deepened in the United States. FHA is now approximately 30 percent of the market and is the primary source of mortgage insurance given the withdrawal of conventional sources. The Congress, through the fiscal year 2009 Omnibus Appropriations Act, provided FHA with $4 million to develop a strategic plan for Information Technology. FHA is now engaged with a private vendor to create the modernization framework that will enable the Department to address the gaps in the business processes and systems. The FHA plans to submit this plan to the Congress by the July 15, 2009 deadline set forth in Report Language that accompanied the Omnibus.

FHA's plan will put an emphasis on addressing gaps and the resulting benefits to be achieved through enhanced performance and accountability.

Addressing gaps:

1) improved fraud detection
2) improved underwriting
3) improved risk management
4) improved adaptability to changing economic conditions
5) improved data management
6) improvement in the efficiency of the operations

Resulting benefits:

1) Modernization of antiquated technology that's easily adaptable to change
2) Cost savings related to the retirement of old systems and improved processes
3) Enhanced ability to detect and refer fraud to the OIG
4) Improved service delivery to our customers and the industry
5) Improved data quality that allows for informed decision making

The increase in hiring for 2009, resulting from a targeted appropriation for FHA Single Family, to address personnel shortages, will help carry the Office of Single Family into fiscal year 2010 with a sufficient baseline staffing to meet all basic needs.

However, to ensure that the still-limited resources are used most efficiently and effectively, the agency is engaged in an exercise, which began in fiscal year 2009, to streamline and improve the business processes and upgrade the systems that support FHA Single Family operations. The development process of fiscal year 2009 will culminate in a comprehensive plan, which is on track to be completed in the fourth quarter of fiscal year 2009. This plan will be executed in fiscal year 2010.

The plan will include an overhaul of the origination and insuring processes and systems, to improve overall risk management as well as communications and transmission of loan data from lending partners. FHA's IT systems will, for the first time, include:

1) FHA Automated Underwriting System (AUS);
2) Electronic risk management tools commonly used in the mortgage industry; and
3) Full capacity to receive and store electronic files, including e-mortgages and e-notes with electronic signatures.

The FHA Connection tool used currently, the portal through which FHA-approved originators interact with and transmit all key loan level data to FHA, will be enhanced to offer the new array of tools, all designed to introduce new automated risk controls into the origination and insuring process.

<u>FHA AUS</u>: The FHA AUS will provide FHA the opportunity to manage compliance of all incoming loan files with FHA standards. This type of tool will permit FHA to build all program rules and requirements into a web-based system that will notify lenders immediately and automatically when loans fail to meet FHA standards and will reject those loan transactions until the areas of concern are addressed. The tool not only will enable FHA to better enforce all programmatic requirements, but also and perhaps more importantly, will enable FHA to quickly and seamlessly implement program changes. An AUS will guarantee uniformity in program execution, preventing multiple policy interpretations by various lenders and FHA staff. These types of automated risk controls will reduce reliance on staff to manually validate all information in the loan files, freeing up staff for other types of quality control reviews.

<u>Risk Management Tools</u>: The FHA AUS will be combined with state-of-the-art risk management tools that will enable the agency to target files for additional review if loan data indicates that key variables are questionable, demonstrating potential fraud or misrepresentation. Today, FHA is engaged in an intensive assessment of the dominant risk management tools used across the mortgage industry and the agency plans to pilot the tool selected in the fourth quarter of fiscal year 2009. The pilot testing phase will be carried out in the Santa Ana HOC jurisdiction. The pilot will help the agency fine-tune the features of the tool to meet FHA's needs and will help FHA assess how the staffing resources are best aligned with the new business processes to get maximum benefit from the use of automated tools. The improved technology will enable FHA to devote more resources to more aggressive monitoring of files and lenders.

<u>E-Mortgage/E-Notes</u>: Finally, in fiscal year 2009 FHA is developing the strategy for accepting all loan files electronically in imaged format as well as in full electronic format, including e-mortgages and e-Notes. The transmission and acceptance of all files electronically requires an improved interface with FHA-approved lenders and/or vendors operating on behalf of FHA-approved lenders as well as the establishment of some specialized data extraction tools. Today, FHA allows the electronic submission of files from a select group of lenders who are engaged in FHA's Lender Insurance program. The goal of the new effort is to expand and improve upon the processes already in place, to enable all FHA-approved lenders to submit all loan files in this manner. The goal of the exercise is to improve FHA's overall risk controls, by collecting all files (rather than some collected for quality control reviews) and to use automated systems to extract some amount of data and run it against the FHA rules-based tools prior to endorsement, to ensure compliance with FHA's requirements.

Correlation between Staffing Needs and Systems Upgrades: Given that staffing resources will always be limited, the improvements in the technology used and the streamlining of the business processes of the FHA Single Family operations will ensure that the staff available are devoted to those activities that truly require manual intervention, human interaction, and/or personal review--whether the object of the FHA monitoring work is loan files, loan-level or portfolio data, or lenders. Reliance on the automated tools for both compliance checks, improved reporting to management, and targeting of files and lenders for additional human review will free up staff and improve the overall efficiency of the organization.

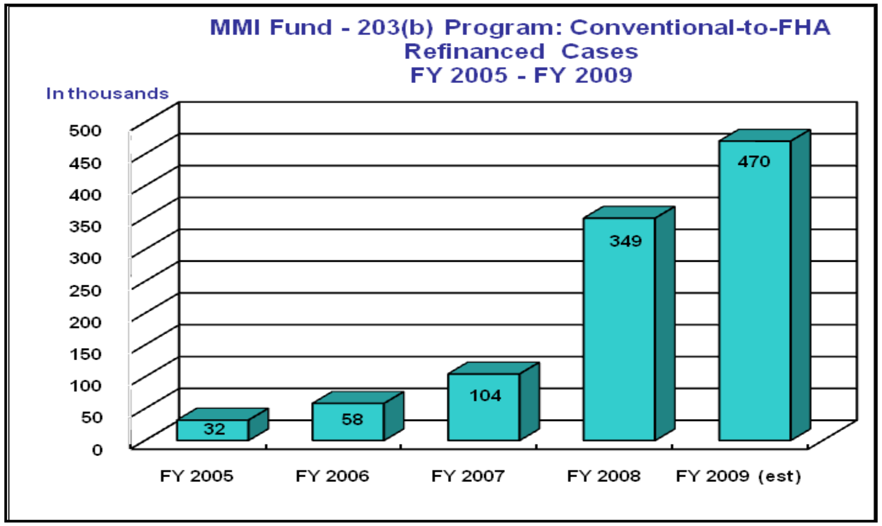
PROGRAM HIGHLIGHTS

The following table displays the estimated commitment authority allocation and subsidy by risk category for fiscal year 2010:

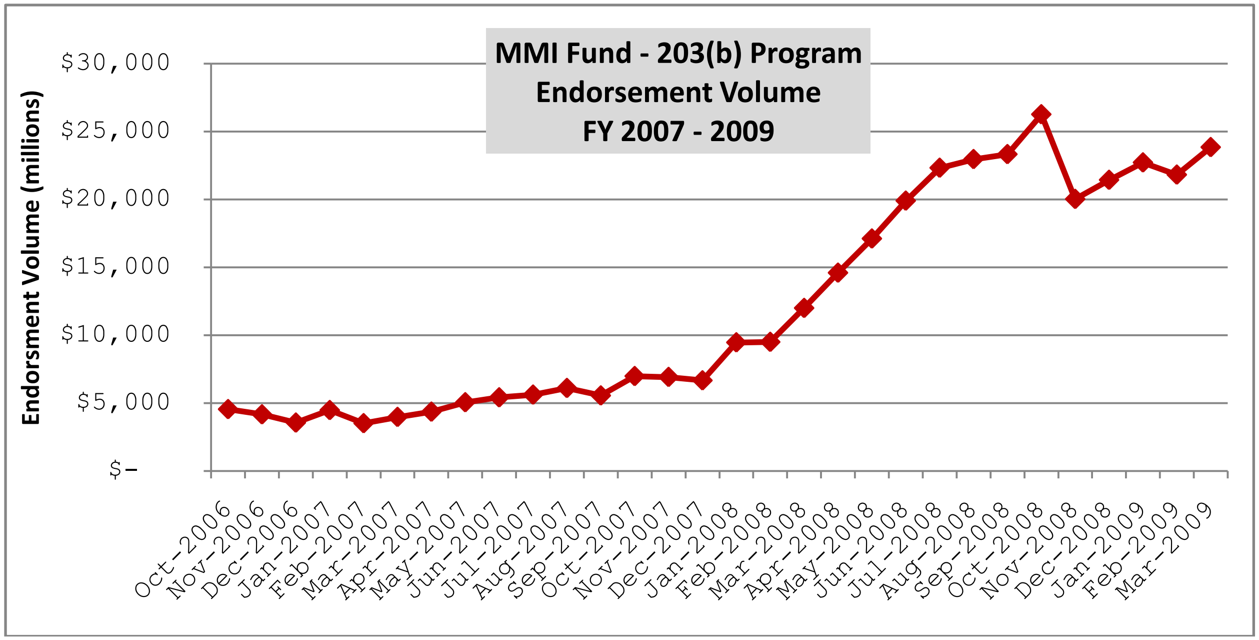
Mutual Mortgage Insurance Fund
Estimated Commitments and Subsidy - by Risk Category
Fiscal Year 2010
(Whole Dollars)

ESTIMATED COMMITMENTS BY RISK CATEGORY	Estimated Commitments	Subsidy Rate	Negative Subsidy	Positive Subsidy
FY 2010				
MMI Purchase and Refinance....................	$300,000,000,000	-0.57%	$(1,710,000,000)	-
MMI HECM..	30,000,000,000	2.66%	-	$798,000,000
Totals....................................	330,000,000,000		(1,710,000,000)	798,000,000
Commitment Limitation......................	400,000,000,000			

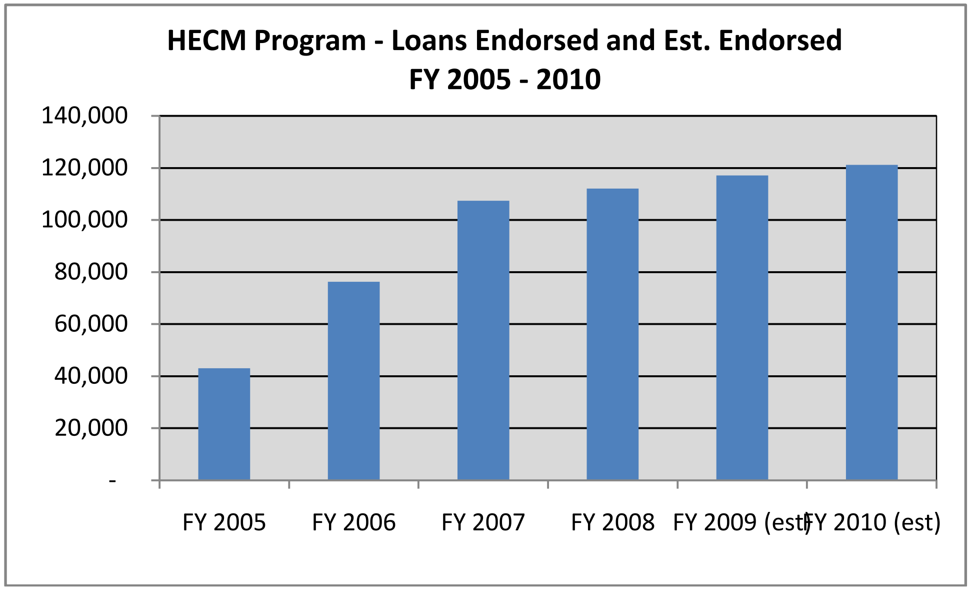
MMI Purchase and Refinance. As a response to the current housing market conditions, FHA has played a major role in the refinance of conventional mortgages into FHA mortgages, especially through its 203(b) program. In fiscal year 2008, over 349,000 families with conventional mortgages refinanced their single family homes with FHA through the MMI fund's 203(b) program. This is a significant increase of 234 percent over the fiscal year 2007 conventional-to-FHA mortgage refinances of just over 104,000 families. During fiscal year 2009, the number of families refinancing their conventional mortgages into a FHA mortgage is expected to increase by 35 percent, serving over 470,000 families.



Since July 2008, the monthly endorsement volume for the MMI fund's 203(b) program has exceeded $20 billion and remains above $20 billion during fiscal year 2009. For fiscal year 2010, the estimated monthly volume for the 203(b) program is $25 billion. With an average monthly endorsement volume of only $4.7 billion for fiscal year 2007, FHA's role in single-family mortgages was barely visible. Now with the current housing mortgage crisis, FHA is playing a more significant role in homeownership and home refinancing with a nearly 400 percent increase in monthly endorsement volume in fiscal year 2009. The chart below displays the endorsement volume for fiscal years 2007 – 2009 for the 203(b) program:



HECM. For fiscal year 2010, it is estimated that over 121,000 loans will be endorsed under FHA's home equity conversion mortgage (HECM) program. From the beginning of the HECM program in fiscal year 1990 through March 31, 2009, over 500,000 loans have been endorsed under the program. Over 50 percent of the loans were endorsed in the last two fiscal years and the first half of fiscal year 2009. On average, 448 cases are endorsed per business day for fiscal year 2009; the average number of cases endorsed per business day in fiscal years 2008 and 2007 was 445 and 430 cases, respectively.



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

Budget Activity	2008 Budget Authority	2007 Carryover Into 2008	2008 Total Resources	2008 Obligations	2009 Budget Authority/ Request	2008 Carryover Into 2009	2009 Total Resources	2010 Request
Administrative Expense	...	...	...	...	...	...	...	...
Administrative Contract Expense	$77,400	...	$77,400	$51,850	$146,000	...	$146,000	$188,900
Positive Subsidy Appropriation	...	...	...	...	...	...	...	798,000
Total	77,400	...	77,400	51,850	146,000	...	146,000	986,900

NOTE: Amount excludes upward re-estimates. Beginning in fiscal year 2008, FHA's S&E 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. Also, for fiscal year 2009, the enacted request reflects an additional appropriation of $30 million for administrative contract expenses pursuant to the second proviso in the paragraph under the heading "Mutual Mortgage Insurance Program Account" in P.L. 111-8. As of February 28, 2009, guaranteed loan commitments for the MMI Fund totaled $130 billion, thereby exceeding the $65.5 billion threshold for additional funding by $64.5 billion. The additional appropriation is calculated at $1,400 for every million dollars of commitments, that prior to April 1, 2009, exceed the threshold, up to a maximum additional of $30,000,000. As the limitation was reached, the full amount made available under the proviso is reflected herein.

FTE	2008 Actual	2009 Estimate	2010 Estimate
Headquarters	321	333	332
Field	575	630	631
Total	896	963	963

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

Budget Activity	2008 Budget or Financing Authority	2008 Rescission	2008 Total Resources	2008 Obligations	2009 Enacted	2009 Rescission	2009 Total Resources	2010 Request
Administrative Contracts Expenses a/...	77,400	0	77,400	48,167	146,000	0	146,000	188,900
Working Capital Fund Transfer b/.......	-25,550	0	-25,550	0	-58,493	0	-58,493	-70,794
Positive Subsidy Appropriation.........	0	0	0	0	0	0	0	798,000
Total..............................	51,850	0	51,850	48,167	87,507	0	87,507	916,106

a/ Beginning with fiscal year 2010, all administrative contract expenses for FHA will be appropriated under the MMI Fund. 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. The comparable total of FHA administrative contract expense appropriations provided in fiscal years 2008 and 2009 were $169,911,000 and $194,871,000, respectively.

b/ Beginning with fiscal year 2009, all funds for FHA systems development are appropriated under the MMI Fund.

BUDGET HIGHLIGHTS

Budget Activity	Actual 2008	Estimate 2009	Estimate 2010	Increase + Decrease − 2010 vs. 2009
		(Dollars in Thousands)		
Insurance Commitment Limitation:				
Loan Guarantees...............................	$185,000,000	$315,000,000	$400,000,000	$85,000,000
Insurance Commitments ($$):				
MMI 203(b).................................	171,874,570	-	-	-
MMI Purchase and Refinance...................	NA	285,000,000	300,000,000	15,000,000
MMI HECM.................................	NA	30,000,000	30,000,000	-
Sub-total..............................	171,874,570	315,000,000	330,000,000	15,000,000
Standby authority............................	13,125,430	-	70,000,000	70,000,000
Direct Loan Limitation.......................	50,000	50,000	50,000	-

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

Discretionary:				
Budget Authority............................				
Program account - Administrative Contracts....	51,850	87,507	118,077	30,570
Program account - Guaranteed Loan Subsidy.....	-	-	798,000	798,000
Capital Reserve account (negative subsidy)....	435,226	525,000	1,710,000	1,185,000
Net Outlays				
Program account............................	39,894	138,631	912,326	773,695
Capital Reserve account (negative subsidy)....	(435,226)	(525,000)	(1,710,000)	(1,185,000)

	Actual 2008	Estimate 2009	Estimate 2010	Increase + Decrease – 2010 vs. 2009
		(Dollars in Thousands)		
Mandatory:				
Net Outlays				
Program account(upward re-estimates)..........	$4,554,952	$10,383,542	-	($410,383,542)
Capital Reserve account (downward re-estimate)	(4,781)	(107,881)	-	107,881
Capital Reserve account (interest on Fed. Securities)..................................	(848,569)	(734,640)	($590,690)	143,949
Liquidating account (net outlays)............	35,957	10,660	8,982	(1,678)
Off Budget:				
Financing account (net disbursements)........	(4,821,924)	(11,982,546)	(1,247,588)	10,734,958
Program Activity:				
Commitments (dollars)				
MMI Purchase and Refinance..................	171,874,570	285,000,000	300,000,000	15,000,000
MMI HECM a/...............................	NA	30,000,000	30,000,000	-
Commitments (cases)				
MMI Purchase and Refinance..................	1,031,921	1,622,000	1,680,000	58,000
MMI HECM a/...............................	NA	121,000	121,000	-
Credit Subsidy				
MMI Purchase and Refinance b/............	-0.25%	-0.04%	-0.57%	-0.53%
MMI HECM a/.............................	NA	-1.37%	2.66%	4.03%
Insurance-In-Force..........................	447,774,509	633,554,839	848,152,784	214,597,945
Negative Subsidy...........................	435,226	525,000	1,710,000	1,185,000
Positive Subsidy...........................	NA	-	798,000	798,000
Default Claim Payments......................	6,320,333	13,625,001	17,393,918	3,768,917
Recoveries.................................	2,967,168	8,780,552	10,356,533	1,575,981

a/ Prior to fiscal year 2009, HECM loans were insured under FHA's General and Special Risk Insurance Fund.
b/ The credit subsidy rate shown for fiscal year 2008 is a weighted average subsidy rate. During fiscal year 2008, two credit subsidy rates were executed for the MMI fund due to administrative changes that occurred, effective July 2008.

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

Administrative Contract Expense	**Amount**
2008 Appropriation	$77,400
2009 Appropriation/Request	146,000
2010 Request	188,900
Program Improvements/Offsets	+42,900

Proposed Actions

The 2010 budget consolidates all Administrative Contract Expenses and FHA Working Capital Fund support in the MMI program account appropriation. The comparable total of FHA administrative contract expense appropriations provided in fiscal years 2008 and 2009 were $169,911,000 and $194,871,000, respectively.

Under this appropriation FHA will transfer up to $70.8 million to the Working Capital Fund for the development of both MMI and GI/SRI systems.

2008 Appropriation. Amount includes a $25.6 million transfer to the Departmental Working Capital Fund account, pursuant to the fiscal year 2008 Consolidated Appropriations Act, P.L. 110-161.

2009 Appropriation. Amount includes a $58.5 million transfer to the Departmental Working Capital Fund account, pursuant to the fiscal year 2008 Consolidated Appropriations Act, P.L. 111-8.

2010 Request. Amount includes a request to transfer $70.8 million to the Departmental Working Capital Fund account.

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

Loan Guarantee Limitation	**Amount**
2008 Request...	$185,000,000
2009 Request...	$315,000,000
2010 Request...	$400,000,000
Program Improvements/Offsets..	$85,000,000

Proposed Actions

Loan Guarantee Limitation. The fiscal year 2010 budget requests a loan guarantee limitation of $400 billion. This limitation includes sufficient authority for unanticipated increases in business.

PROGRAM DESCRIPTION

MMI Fund. The MMI Fund consists of FHA's primary single family home mortgage program (Section 203(b)), as well as loans for condominiums, purchase and rehabilitation loans, and home equity conversion mortgages (HECM). Prior to fiscal year 2009, these products were 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, beginning in fiscal year 2009, the MMI Fund has two credit risk categories: the MMI Purchase and Refinance risk category and the MMI HECM risk category.

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.

The HECM program (Section 255) allows senior homeowners age 62 and older access to FHA-insured reverse mortgages to convert the equity in their homes into monthly streams of income and/or a line of credit to be repaid when they no longer occupy the homes. Unlike forward mortgage borrowers, the HECM borrowers have no income or credit qualifications to meet and make no payments as long as the property securing the HECM loan is their main residence.

Program Activity

MMI Fund

Mortgage Insurance Written and Insurance-in-Force

	FY 2008 actual	FY 2009 est.	FY 2010 est.
	(Dollars in Thousands)		
Mortgage Insurance Written (dollars):			
MMI Purchase and Refinance.............	$171,874,570	$285,000,000	$300,000,000
MMI HECM (Maximum Claim Amount) a/.....	NA	30,000,000	30,000,000
Mortgage Insurance Written (number of loans):			
MMI Purchase and Refinance.............	1,031,921	1,622,000	1,680,000
MMI HECM a/...........................	NA	121,000	121,000
Outstanding balance of insurance in force, end of year:			
MMI Purchase and Refinance.............	447,774,509	619,764,362	820,837,127
MMI HECM a/...........................	NA	13,790,477	27,315,657

a/ Prior to fiscal year 2009, HECM loans were insured under FHA's General and Special Risk Insurance Fund.

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

Direct Loan Limitation	**Amount**
2008 Request..	$50,000
2009 Request..	50,000
2010 Request..	50,000
Program Improvements/Offsets..	...

Proposed Actions

Direct Loan Limitation. The fiscal year 2010 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
FHA--MUTUAL MORTGAGE & COOPERATIVE MGMT. HOUSING INSURANCE FUND
Program Offsets
(Dollars in Thousands)

Positive Subsidy Appropriation	**Amount**
2008 Appropriation	...
2009 Appropriation/Request	...
2010 Request	$798,000
Program Improvements/Offsets	+798,000

Proposed Actions

For endorsements under FHA's Home Equity Conversion Mortgage program, the 2010 request includes an estimated $798 million as a current indefinite appropriation of credit subsidy.

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**	
		2008 Plan	2008 Actual	2009 Plan	2010 Plan
Improve National homeownership opportunities.	PD&R – Current Population Survey data	Tracking indicator	67.9%	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	1,200,000	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	73%	77.9%	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	45%	50.1 %	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	33%	31.2%	33%	33%
The mortgage denial 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	
		2008 Plan	2008 Actual	2009 Plan	2010 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	55%	64.5%	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%	39.2%	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%	97.3%	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	53.40% (net recovery rate received through the conveyance program on the sale of single family assets in FY 2006)	66.31%	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%	3.0%	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. While the number of FHA mortgage endorsements is a key measure of HUD's contribution to homeownership, the actual rate achieved during fiscal year 2010 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 2010.

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 2010 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 2010 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. 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 2010 goal is to ensure that first-time minority homebuyers represent 33 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.

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 fiscal year 2010 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 2010. 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. The fiscal year 2010 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.

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. 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 2010 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 [2009] *2010*, commitments to guarantee single family loans insured under the Mutual Mortgage Insurance Fund shall not exceed a loan principal of [$315,000,000,000]*$400,000,000,000*. *Provided, That for the cost of new guaranteed loans, as authorized by section 255 of the National Housing Act (12 U.S.C 1715z-20), $798,000,000; and, in addition, to the extent that new guaranteed loan commitments under section 255 will and do exceed $30,000,000,000, an additional $26,600 shall be available for each $1,000,000 in such additional commitments (including a pro rata amount for any new guaranteed loan commitment amount below $1,000,000); Provided further, That during* fiscal year [2009] *2010*, 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 further, 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[, $116,000,000] *of the Federal Housing Administration*, *$188,900,000*, of which [at least $46,794,000 shall, and] up to [$58,492,500] *$70,794,000* may[,] be transferred to the Working Capital Fund, and of which up to $7,500,000 shall be for education and outreach of FHA single family loan products: *Provided further,* That to the extent guaranteed loan commitments exceed [$65,500,000,000]*$200,000,000,000* on or before April 1, [2009] *2010*, 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, 2009.)

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

Budget Activity	2008 Enacted	Supplemental/ Rescission	Approved Reprogrammings	Transfers	Carryover	Total 2008 Resources
Administrative Expense	...	...	...	...	...	...
Administrative Contract Expense	$77,400	...	...	...	...	$77,400
Positive Subsidy Appropriation	...	...	...	...	...	...
Total	77,400	...	...	...	...	77,400

2008 Enacted. Amount includes a $25.6 million transfer to the Departmental Working Capital Fund account, pursuant to the fiscal year 2008 Consolidated Appropriations Act, P.L. 110-161.

HOUSING
FHA--MUTUAL MORTGAGE INSURANCE FUND
Crosswalk of 2009 Changes
(Dollars in Thousands)

Budget Activity	2009 President's Budget Request	Congressional Appropriations Action on 2009 Request	2009 Supplemental/ Rescission	Reprogrammings	Carryover	Total 2009 Resources
Administrative Expense	...	...	...	...	...	...
Administrative Contract Expense	$116,000	$146,000	...	...	...	$146,000
Positive Subsidy Appropriation	...	...	...	...	...	...
Total	116,000	146,000	...	...	...	146,000

Congressional Appropriations Action on 2009 Request. Amount includes a $58.5 million transfer to the Departmental Working Capital Fund account, pursuant to the fiscal year 2008 Consolidated Appropriations Act, P.L. 111-8.

NOTE: For fiscal year 2009, the enacted request reflects an additional appropriation of $30 million for administrative contract expenses pursuant to the second proviso in the paragraph under the heading "Mutual Mortgage Insurance Program Account" in P.L. 111-8. As of February 28, 2009, guaranteed loan commitments for the MMI Fund totaled $130 billion, thereby exceeding the $65.5 billion threshold for additional funding by $64.5 billion. The additional appropriation is calculated at $1,400 for every million dollars of commitments that, prior to April 1, 2009, exceed the threshold, up to a maximum additional amount of $30,000,000. As the limitation was reached, the full amount made available under the proviso is reflected herein.

HOUSING
GENERAL AND SPECIAL RISK INSURANCE FUND
2010 Summary Statement and Initiatives
(Dollars in Thousands)

FHA--GENERAL AND SPECIAL RISK INSURANCE FUND	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2008 Appropriation	$90,419[a]	$23,936	...	$114,355	$81,464	$74,346
2009 Appropriation/Request	57,471	18,203	-$5,000	70,674	52,274	58,371
2010 Request	8,600[b]	18,400	...	27,000	4,555	47,419
Program Improvements/Offsets	-48,871	+197	+5,000	-43,674	-47,719	-10,952

a/ Amount reflects a $15.7 million transfer to the Departmental Working Capital Fund.

b/ Funding for administrative contracts is consolidated in the MMI program account in the fiscal year 2010 request.

Summary Statement

Through the FHA's General and Special Risk Insurance (GI/SRI) Fund, HUD offers a range of loan guarantee programs to address specialized mortgage financing needs. The most active programs include those authorized under Sections 220, 221(d)(3) and (4), 223(a)(7), 223(f), 223(d), 231, 241, 232, and 242 of the National Housing Act and Sections 542(c) and 542(b) of the Housing and Community Development Act. These programs include mortgage insurance for developing, rehabilitating, and refinancing multifamily rental housing, nursing home facilities, and hospitals. Title I loan guarantees are also offered for manufactured housing and for property improvement loans. These insurance programs are a critical component of the Department's efforts to meet the Nation's need for decent, safe and affordable housing. The role of these programs is especially significant in the current economic climate. Prior to fiscal year 2009, the fund carried certain single family insurance programs in addition to the multifamily insurance programs. With the passage of the Housing and Economic Recovery Act of 2008 (HERA), financial responsibility for almost all single family programs was transferred to the Mutual Mortgage Insurance (MMI) Fund. A substantially lower loan guarantee limitation is proposed for GI/SRI for fiscal year 2010, reflecting the smaller portfolio of programs now included in the Fund.

Loan Guarantee Limitation. A loan guarantee limitation of $15 billion is requested for fiscal year 2010, a decrease of $30 billion. New insurance commitments are estimated at $7.3 billion. The amount requested above $7.3 billion minimizes the possibility of reaching the limitation and having to suspend program activity prior to the end of the year. Of the total commitments projected for fiscal year 2010, it is estimated that $4.3 billion will be issued for FHA's multifamily programs. Another $2.7 billion in commitments are estimated for hospitals and other health care facility mortgages. Title I (Property Improvements and Manufactured Housing) commitments are projected to grow significantly to $247 million in fiscal year 2010, reflecting improvements to the Manufactured Housing program that were authorized under HERA.

Appropriations. An appropriation of $8.6 million for GI/SRI is requested for fiscal year 2010, a reduction of $48.9 million from fiscal year 2009. This funding level reflects the consolidation of all administrative contract expense appropriations in the MMI Fund. The fiscal year 2010 request is intended exclusively for positive credit subsidy. Together with an estimated $18.4 million in carryover, this appropriation will support the handful of loan programs in GI/SRI requiring credit subsidies. The requested level of funding will ensure that HUD is able to support continued lending if loan commitments exceed current projections.

For fiscal year 2010, four programs are estimated to require appropriations for positive subsidy: 1) 221(d)(3) which insures loans to non-profit, public, or cooperative organizations for new development or substantial rehabilitation of multifamily rental housing; 2) 241(a) insurance for supplemental loans to finance improvements for multifamily housing projects; 3) insurance of 223(d) Operating Loss Loans, which cover losses during a 2-year period for multifamily projects with a HUD-insured first mortgage; and 4) 238(c) single family home loans in military impact areas. All other GI/SRI programs are estimated to generate modest negative subsidy, which will be transferred to the Treasury general fund as offsetting receipts.

Direct Loan Limitation. A direct loan limitation of $20 million is requested, a reduction of $30 million from fiscal year 2009. HUD has not previously utilized loan authority for bridge financing in connection with the sale of multifamily real properties held by the Secretary and does not plan to do so in fiscal year 2010. The loan authority requested 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.

Initiatives

Consolidation of FHA Administrative Expenses. The fiscal year 2010 budget proposes to consolidate funding for FHA administrative contract expenses in the MMI Fund. This shift of resources will promote more efficient management of FHA administrative funds. The realignment follows the consolidation of FHA Working Capital Fund contributions in MMI in fiscal year 2009.

Transformation Initiative. The Transformation Initiative allows the Secretary the necessary flexibility to undertake an integrated and balanced effort to improve program performance and test innovative ideas. Up to 1 percent of the funds appropriated for the GI/SRI account will be transferred to the Transformation Initiative account to undertake research, demonstrations, technical assistance, and technology improvements. Within 30 days of enactment, the Secretary will provide a detailed Operating Plan to the Committees on Appropriations with the specific activities that will be undertaken toward achieving transformation at HUD. Examples of projects that could be undertaken with Transformation Initiative funding with respect to the GI\SRI account include: An Energy Conservation Program for portfolio hospitals to promote sustainable technologies that result in long-term savings that decrease the cost of healthcare while minimizing FHA's insurance risk, Technical Assistance, Informational Technology, Research, and Demonstrations. More details on the overall transformation initiative and these projects are in the justification for the Transformation Initiative account.

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

Budget Activity	2008 Budget Authority	2007 Carryover Into 2008	2008 Total Resources	2008 Obligations	2009 Budget Authority/ Request	2008 Carryover Into 2009	2009 Total Resources	2010 Request
Administrative Contract Expenses	$76,819	...	$76,819	$62,130	$48,871	...	$48,871	...
Positive Subsidy Appropriation	8,600	$23,936	32,536	19,333[a]	8,600	$13,203	21,803	$8,600
Discount Multifamily Property and Loan Sales Appropriation ..	5,000	...	5,000	...	-5,000	5,000	...	...
Total	90,419	23,936	114,355	81,463	52,471	18,203	70,674	8,600

a/ Amount includes $198,500 in obligations for the Church Arson Program, administered by HUD's Office of Community Planning and Development.

FTE	2008 Actual	2009 Estimate	2010 Estimate
Headquarters	336	390	411
Field	835	848	848
Total	1,171	1,238	1,259

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

Administrative Contract Expenses	**Amount**
2008 Appropriation	$92,511
2009 Appropriation/Request	48,871
2010 Request	...
Program Improvements/Offsets	-48,871

Proposed Actions

2008 Appropriation. Amount includes a $15.7 million transfer to the Departmental Working Capital Fund account and an additional appropriation of $14.4 million requested for administrative contract expenses, pursuant to the fiscal year 2008 Consolidated Appropriations Act, P.L. 110-161.

2010 Request. Beginning in 2010, funding for all FHA administrative contract expenses is consolidated in the MMI Fund.

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

Positive Subsidy Appropriation	**Amount**
2008 Appropriation	$8,600
2009 Appropriation/Request	8,600
2010 Request	8,600
Program Improvements/Offsets	...

Proposed Actions

An appropriation of $8.6 million is requested for GI/SRI positive subsidy for fiscal year 2010, the same as fiscal year 2009. Together with an estimated $18.4 million in carryover, this appropriation will support the handful of GI/SRI loan programs requiring credit subsidies. This level of funding is sufficient to support loan commitments at the projected levels.

For fiscal year 2010, four programs are estimated to require appropriations for positive subsidy: 1) 221(d)(3) which insures loans to non-profit, public, or cooperative organizations for new development or substantial rehabilitation of multifamily rental housing; 2) 241(a) insurance for supplemental loans to finance improvements for multifamily housing projects; 3) insurance of 223(d) Operating Loss Loans, which cover losses during a 2-year period for multifamily projects with a HUD-insured first mortgage; and 4) 238(c) single family home loans in military impact areas. All other GI/SRI programs will generate modest negative subsidy, which will be returned to the Treasury general fund as offsetting receipts.

Credit Subsidy Rates. The Department devotes significant efforts to updating and continuously refining credit subsidy estimates. The fiscal year 2010 credit subsidy estimates were developed after consultation with the Office of Management and Budget (OMB) and reflect ongoing 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 that are used to estimate loan program cash flows and subsidy rates, in order to eliminate errors and improve the accuracy and reliability of projections. The credit subsidy rates reflect 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.

The following table displays the estimated allocation of commitment authority and subsidy by budget risk category for fiscal year 2010.

Mortgage and Loan Insurance Programs – GI/SRI Account

GI/SRI PROGRAMS	Commitment Estimates FY 2010	Subsidy Rates FY 2010	Positive Subsidy BA FY 2010	Negative Subsidy BA FY 2010
Multifamily				
221(d)(4) Apartments New Construction/Sub. Rehab.............	$1,850,000,000	-1.63%		($30,155,000)
221(d)(3) Non-profit Apartments..............................	14,000,000	6.61%	$925,400	
Tax Credit Projects..	500,000,000	-3.58%		(17,900,000)
223(f)/223(a)(7) Apartments Refinance/Purchase...............	1,550,000,000	-3.87%		(59,985,000)
241(a) Supplemental Loans for Apartments.....................	11,000,000	2.10%	231,000	
223(d) Operating Loss Loans..................................	13,000,000	23.40%	3,042,000	
HFA Risksharing..	250,000,000	-1.61%		(4,025,000)
GSE Risksharing..	9,000,000	-1.64%		(147,600)
Other Rental (Sections 220,231,207)..........................	60,000,000	-2.95%		(1,770,000)
Multifamily Subtotal	4,257,000,000			
Hospitals (includes refinances & Supplemental Loans)	900,000,000	-4.28%		(38,520,000)
Nursing Homes				
Full Insurance for Health Care Facilities....................	300,000,000	-0.53%		(1,590,000)
Health Care Facility Refinance...............................	1,500,000,000	-2.29%		(34,350,000)
Healthcare Subtotal.................................	1,800,000,000			
Title I				
Property Improvements..	57,000,000	-0.77%		(438,900)
Manufactured Housing...	190,000,000	-0.51%		(969,000)
Title I Subtotal.....................................	247,000,000			
Other Single Family (238(c))	83,000,000	0.43%	356,900	
GI/SRI TOTAL..	**7,287,000,000**		**4,555,300**	**(189,850,500)**
Stand-by Authority	7,713,000,000			
Total New Commitment Authority..............................	15,000,000,000			

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

Insurance Commitment Limitation Enacted/Requested	Loan Guarantees Amount
2008 Appropriation	45,000,000
2009 Appropriation	45,000,000
2010 Request	15,000,000
Program Improvements/Offsets	-30,000,000

Proposed Actions

Loan Guarantee Limitation. The fiscal year 2010 Budget proposes a loan guarantee limitation of $15 billion for GI/SRI, a decrease of $30 billion from fiscal year 2009. The request is substantially lower than prior years due to the transfer of several single family mortgage guarantee programs to the MMI Fund in fiscal year 2009. The limitation will cover an estimated $7.3 billion in new commitments and allow an additional $7.7 billion for unanticipated increases in volume. The requested commitment level minimizes the possibility of reaching the ceiling and having to suspend program activity prior to the end of the year.

Active GI/SRI mortgage insurance programs are divided into 15 different risk categories, which can be grouped together as follows: hospital programs, nursing home programs, multifamily housing programs, Title I programs, and other single family.

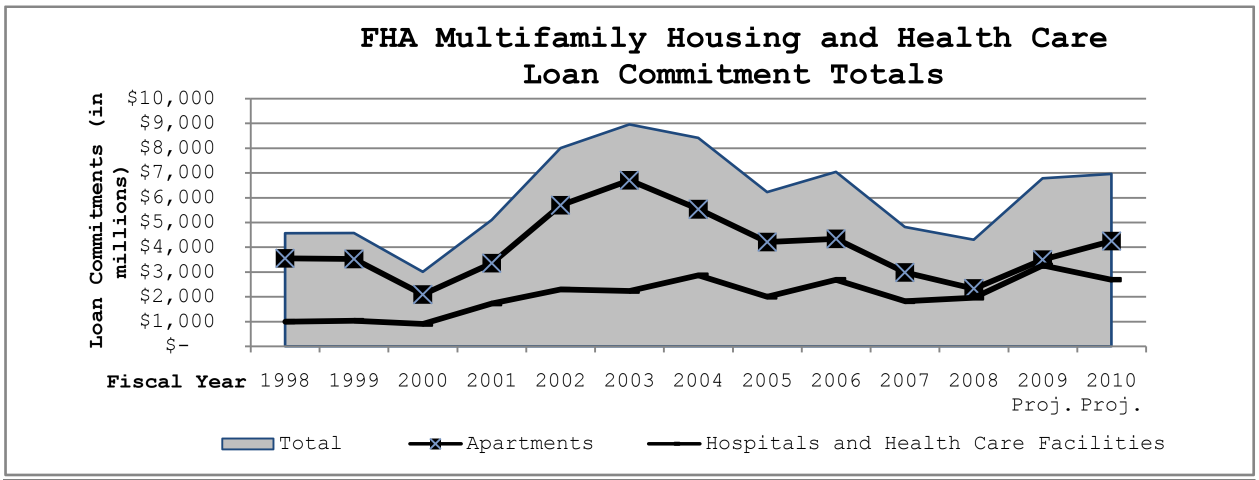
Hospital Programs. The Section 242 Program provides mortgage insurance for loans made for the construction, renovation, and/or equipping of acute care hospitals. As of March 2009, the Section 242 program was insuring 86 hospital mortgage loans with a total remaining principal balance of $7.3 billion. The 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. New loan commitments for all Hospital programs are estimated to total $1.4 billion in fiscal year 2009 and $900 million in fiscal year 2010.

In 2010, in response to industry demand, the Department plans to begin using its statutory authority under Section 223(f) to insure loans for the refinancing of acute care hospitals. The program also seeks to implement an Energy Conservation Grant Program (supported under HUD's Transformational Initiative proposals described in a separate justification) for portfolio hospitals to promote sustainable technologies that result in long-term savings that decrease the cost of healthcare while minimizing FHA's insurance risk. In the present economic climate, hospitals with higher-quality credits (rated "A") are beginning to apply for Section 242 mortgage insurance as a way of accessing affordable capital for their projects. This participation has the potential to further strengthen the performance of the Section 242 portfolio.

Nursing Home Programs. The Section 232 Program provides mortgage insurance for loans made for the refinancing, construction, and renovation of nursing homes and assisted living facilities. As of March 2009, the Section 232 program was insuring 2,155 loans with a total remaining principal balance of $13.1 billion. HUD estimates to complete $1.88 billion in new loan commitments in fiscal year 2009 and an additional $1.80 billion in fiscal year 2010. The program has been experiencing a significant level of increasing demand, due to a combination of the Department's improvements in processing time and the reduced availability of affordable credit in the capital markets.

Multifamily Housing Programs. FHA multifamily insurance programs play an important role in the mortgage market, especially for a number of higher risk segments in the housing industry. In fiscal year 2008, insurance commitments for multifamily housing programs (excluding nursing homes and assisted care facilities) were nearly $2.4 billion, translating to support for about 50,000 units of housing. New loan commitments are expected to increase in fiscal years 2009 and 2010, rising to $3.5 billion and $4.3 billion, respectively.

Multifamily programs assist private industry in the construction or rehabilitation of rental and cooperative housing for moderate-income and displaced families by making capital more readily available. Assistance is sought by small builders, buyers or owners of aging inner-city properties, and non-profit 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, and is 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. Eligibility for purchase in the secondary mortgage market improves the availability of loan funds and permits more favorable interest rates.



Specific multifamily housing programs are summarized as follows:

Section 221(d)(3) and Section 221(d)(4) Mortgage Insurance for Rental and Cooperative Housing. These two programs assist private industry in the construction or rehabilitation of rental and cooperative housing. Section 221(d)(4)is the largest of FHA’s multifamily programs and constitutes mortgage insurance for profit motivated sponsors. Non-profit sponsors apply under Section 221(d)(3). The programs allows for long-term mortgages (up to 40 years) that can be financed with the Government National Mortgage Association (GNMA) Mortgage Backed Securities (MBS).

Section 223(f) Mortgage Insurance for Refinancing or Purchase of Existing Multifamily Rental Housing. This high-volume program allows for long-term mortgages (up to 35 years) for refinance or purchase of existing multifamily rental housing. Streamline refinances for current FHA multifamily loans are offered under Section 223(a)(7), but are grouped together with Section 223(f) for budgetary purposes.

Section 223(d) Mortgage Insurance for 2-year Operating Loss Loans. Section 223(d) insures 2-year operating loss loans that cover operating losses during the first 2 years after a project's completion (or any other 2-year period within the first 10 years after completion) of multifamily projects with a HUD-insured first mortgage.

Section 241(a) Mortgage Insurance for Supplemental Loans for Multifamily Projects. This program is intended to keep projects competitive, extend their economic life, and finance the replacement of obsolete equipment. Insured mortgages finance repairs, additions, and improvements to multifamily projects already insured by HUD or held by HUD.

Section 542(b) and 542(c) Mortgage Risk Sharing. Under these two programs, state and local housing finance agencies (HFAs) and Government-Sponsored Enterprises (GSEs) share the risk and mortgage insurance premium with FHA for multifamily housing loans. HFA risk share agreements range between 10 and 90 percent, while GSE risk shares are fixed at a 50-50 split.

Tax Credit Projects. Projects assisted with Low Income Housing Tax Credits may be insured under a number of FHA multifamily programs, but are grouped together in a single budget risk category.

<u>Title I Manufactured Housing and Property Improvement Programs</u>. These two relatively small FHA programs fill an important niche. Under Title I, HUD provides mortgage insurance for the purchase of manufactured homes. In fiscal year 2009, $71 million in manufactured housing loans were endorsed. The program is expected to experience significant growth in fiscal year 2010 due to the implementation of program reforms authorized under HERA, including increased loan limits. The number of loans is expected to more than triple, generating a loan volume of $190 million.

The Title I Property Improvement program insures loans for repairs and other improvements to residential and non-residential structures, as well as new construction of non-residential buildings. Property Improvement endorsements are projected to be $57 million in fiscal year 2010, a slight increase over the projection for 2009.

<u>Other Single Family/Military Impact Areas</u>. In July of 2008, HERA transferred most of GI/SRI's single family mortgage insurance programs to the MMI Fund, leaving only one program with significant new activity--238(c) Military Impact Areas. This program offers mortgage insurance in a small number of counties where housing demand from non-military households is limited and thus not sufficient to sustain the market should an area's military installation be closed. 238(c) endorsements are projected to be $75 million in fiscal year 2009 and $83 million in fiscal year 2010.

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

	Enacted 2008	Estimate 2009	Estimate 2010	Increase + Decrease – 2010 vs 2009
Insurance Commitment Limitation:				
Loan Guarantees	$45,000,000	$45,000,000	$15,000,000	-$30,000,000
Insurance Commitments (dollars)				
Multifamily	2,335,965	3,505,000	4,257,000	+752,000
Hospitals	788,058	1,400,000	900,000	-500,000
Nursing Homes (includes refis)	1,179,147	1,875,000	1,800,000	-75,000
Single Family Homes*	33,671,136	75,000	83,000	+8,000
Title I	98,199	125,000	247,000	+122,000
Subtotal	38,072,505	6,980,000	7,287,000	307,000
Insurance Commitments (units)				
Multifamily	47,497	68,251	81,753	+13,502
Nursing Homes (includes refis)	20,009	32,128	30,762	-1,366
Single Family Homes*	167,193	437	485	+48
Title I	4,439	5,767	8,678	+2,911
Subtotal	239,138	106,583	121,678	15,095
Insurance Written (dollars)				
Multifamily	2,604,951	3,249,279	4,069,000	+819,721
Hospitals	611,367	1,228,705	1,025,000	-203,705
Nursing Homes (includes refis)	1,209,960	1,700,403	1,818,750	+118,347
Single Family Homes*	33,669,329	75,000	83,000	+8,000
Title I	98,199	125,000	247,000	+122,000
Subtotal	38,193,806	6,378,387	7,242,750	864,363
Insurance in Force (dollars)**	127,814,000	115,570,000	114,281,000	-1,289,000

* Beginning in fiscal year 2009, FHA consolidated a majority of its single family mortgage programs into the MMI Fund, including those for condominium, purchase and rehabilitation loans, and home equity conversion mortgages (HECM). Prior to fiscal year 2009, the mortgage products for these programs were insured under the GI/SRI Fund.

** Projections updated subsequent to the MAX database lock.

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

Direct Loan Limitation Enacted/Requested	Direct Loan Amount
2008 Appropriation	$50,000
2009 Appropriation	50,000
2010 Request	20,000
Program Improvements/Offsets	-30,000

Proposed Actions

A direct loan limitation of $20 million is requested, a reduction of $30 million from fiscal year 2009. HUD has not previously utilized loan authority for bridge financing in connection with the sale of multifamily real properties held by the Secretary, and does not plan to do so in fiscal year 2010. HUD is requesting loan authority 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 Multifamily Property and Loan Sales Appropriation	Amount
2008 Appropriation	$5,000
2009 Appropriation/Request	-5,000
2010 Request	...
Program Improvements/Offsets	+5,000

Proposed Actions

The Congress included a $5 million appropriation for this purpose in the fiscal year 2008 Appropriations Act. These funds were rescinded in the Omnibus Appropriations Act for fiscal year 2009. No funds are requested for discount sales for fiscal Year 2010.

HOUSING
FHA--GENERAL AND SPECIAL RISK INSURANCE FUND
SUMMARY OF BUDGET AUTHORITY
(Dollars in Millions)

	ENACTED 2008	CURRENT ESTIMATE 2009	ESTIMATE 2010	INCREASE + DECREASE - 2010 vs 2009
LOAN LIMITATIONS				
Insurance Commitment Limitation Enacted/Requested..............................	$45,000	$45,000	$15,000	-$30,000
Direct Loans Limitation Enacted/Requested..............................	50	50	20	-30
BUDGET AUTHORITY				
Discretionary:				
Working Capital Fund Transfer	16	0	0	0
Non-overhead administrative expenses...........	77	49	0	-49
Positive Subsidy Appropriations.................	9	9	9	0
Discount Loan Sales............................	5	-5	0	5
Total Discretionary Appropriation.............	107	53	9	-44
Offsetting Receipts (dispersed negative subsidy)	-612	-134	-180	-46
Mandatory:				
Liquidating account (net)......................	116	213	201	-12
Program Account Upward Re-estimate.............	301	6,793	0	-6,793
Receipt Account Downward Re-estimate...........	-897	-19	0	19
Negative Subsidies.............................	-2	0	0	0

HOUSING
FHA--GENERAL AND SPECIAL RISK INSURANCE FUND
SUMMARY OF BUDGET OUTLAYS
(Dollars in Millions)

	ENACTED 2008	CURRENT ESTIMATE 2009	ESTIMATE 2010	INCREASE + DECREASE - 2010 vs 2009
BUDGET OUTLAYS				
Discretionary:				
Non-overhead administrative expenses...........	56	55	43	-12
Positive Subsidy Appropriations................	19	3	4	1
Total Discretionary Outlays..................	75	58	47	-11
Offsetting Receipts (dispersed negative subsidy)	-612	-134	-180	-46
Mandatory:				
Liquidating account (net)......................	-80	246	220	-26
Program Account Upward Re-estimate............	301	6,793	0	-6,793
Receipt Account Downward Re-estimate...........	-897	-19	0	19
Negative Subsidies............................	-2	0	0	0

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**	
		2008 Plan	**2008 Actual**	**2009 Plan**	**2010 Plan**
FHA endorses at least 850 mortgages of which 650 are Multifamily mortgages and 200 are Healthcare facilities mortgages.	Multifamily Program Office OH – FHA's Real Estate Management System	750	647	626 (526 MF; 100 Healthcare facilities)	850 (650 MF and 200 Healthcare facilities)
HUD will complete 70 percent of the initial fiscal year 2010 Mark-to-Market pipeline during the fiscal year, reducing rents and restructuring mortgages where appropriate.	OHMAR – Mark-to-Market Management Information System	80%	62%	70%	70%
The share of multifamily properties in underserved areas insured by FHA is increased to 40 percent of initial endorsements.	Multifamily Program Office OH	33%	59.4%	40%	40%

Explanation of Indicators

FHA endorses at least 650 multifamily mortgages. The FHA insurance plays an important role in the mortgage market, especially for a number of higher risk segments in the housing industry. FHA multifamily mortgage insurance is consistently available in good economic times and bad. The programs assist private industry in the construction or rehabilitation of rental and cooperative housing for moderate-income and displaced families by making capital more readily available. Assistance is sought by 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, 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. FHA multifamily insurance is unusual in the market because it covers both the construction or rehabilitation loan, as well as the permanent loan which is amortized at a flat rate of interest for as long as 40 years. Insured mortgages are used in connection with Low-Income Housing Tax Credits. Affordable tax credit loans are also insured on through the Risk Sharing program with state and local housing finance agencies, as well as Fannie Mae and Freddie Mac. In fiscal year 2008, the Office of Multifamily Housing endorsed 645 loans for a total of $3.75 billion (includes nursing home and assisted care facilities). In fiscal year 2010, FHA will endorse at least 850 mortgages of which 650 are multifamily and 200 are Healthcare facilities mortgages.

The share of multifamily properties in underserved areas insured by FHA is increased to 40 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 2010 goal is that the share of multifamily properties in underserved areas insured by FHA is increased to 40 percent of initial endorsements. The achievement of this goal in fiscal year 2010 is influenced by national economic conditions.

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

The fiscal year 2010 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] *<u>$15,000,000,000</u>* 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] *<u>$20,000,000 , which</u>* [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, $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]. (*Department of Housing and Urban Development Appropriations Act, 2009.*)

<u>Explanation of Changes</u>

A reduced loan commitment limitation of $15,000,000,000 is requested to reflect the transfer of several single family programs to FHA's MMI Fund in 2009. Language providing funds for administrative contract expenses is deleted. These funds are being requested under MMI for fiscal year 2010.

Loan authority requested for the direct loan program is reduced to $20,000,000. No authority is requested for bridge financing in connection with the sale of multifamily properties. HUD has not previously utilized this loan authority and does not plan to do so in fiscal year 2010.

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

Budget Activity	2008 Enacted	Supplemental/ Rescission	Approved Reprogrammings	Transfers	Carryover	Total 2008 Resources
Administrative Contract Expenses	$92,511	...	...	-$15,692[a]	...	$76,819
Positive Subsidy Appropriation	8,600	...	...	...	$23,936	32,536
Discount Multifamily Property and Loan Sales Appropriation	5,000	...	...	...	...	5,000
Total	106,111	...	...	-15,692	23,936	114,355

a/ Transfer to HUD Working Capital Fund.

HOUSING
GENERAL AND SPECIAL RISK INSURANCE FUND
Crosswalk of 2009 Changes
(Dollars in Thousands)

Budget Activity	2009 President's Budget Request	Congressional Appropriations Action on 2009 Request	2009 Supplemental/ Rescission	Reprogrammings	Carryover	Total 2009 Resources
Administrative Contract Expenses	$48,871	$48,871	...	...	...	$48,871
Positive Subsidy Appropriation	8,600	8,600	...	...	$13,203	21,803
Discount Multifamily Property and Loan Sales Appropriation	...	...	-$5,000[a]	...	5,000	...
Total	57,471	57,471	-5,000	...	18,203	70,674

a/ Funds were rescinded by P.L. 111-8.

HOUSING
HOPE FOR HOMEOWNERSHIP
2009 Summary Statement and Initiatives
(Dollars in Thousands)

HOPE FOR HOMEOWNERSHIP	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2008 Appropriation	$29,535	...	...	$29,535	$20,000	...
2009 Appropriation/Request	239,000	$10,000	...	249,000	249,000	$209,000
2010 Request	1,280,000	...	...	1,280,000	1,280,000	1,250,000
Program Improvements/Offsets	+1,041,000	-10,000	...	+1,031,000	+1,031,000	+1,041,000

Summary Statement

The HOPE for Homeowners (H4H) program was created by Congress to help those at risk of default and foreclosure refinance into more affordable, sustainable loans. H4H is an additional mortgage option designed to keep borrowers in their homes. The principal obligation of all mortgages insured under the H4H program may not exceed $300 billion. The H4H Program was established by the Housing and Economic Recovery Act of 2008 (Act), and signed into law on July 30, 2008. Under the H4H Program, eligible homeowners may refinance their current mortgage loans into a new mortgage insured by FHA. The H4H Program is voluntary for all participating parties. In order to participate, borrowers and their current lenders must agree to the program's requirements. The H4H Program requires existing lenders holding senior mortgage liens on the property to release their liens and accept as payment in full the proceeds of the new loan. Existing junior mortgage lien holders must also release their liens under the terms of the H4H Program in return for a portion of HUD's share of future appreciation of the subject property's value or, as recently approved by the Board, for an upfront payment that represents a percentage of the outstanding amount of the junior mortgage loan. The program requires borrowers to share with HUD a portion of the equity created upon the issuance of the new FHA-insured loan as well as a portion of any future appreciation on the subject property.

As stated in the Act, the key objectives of the HOPE for Homeowners program are:

1) To create an FHA program, participation in which is voluntary on the part of the homeowners and existing loan holders to insure refinanced loans for distressed borrowers to support long-term, sustainable homeownership;
2) To allow homeowners to avoid foreclosure by reducing the principle balance outstanding, and interest rate charged, on their mortgages;
3) To help stabilize and provide confidence in mortgage markets by bringing transparency to the value of assets based on mortgage assets;
4) To target mortgage assistance under this section to homeowners for their principal residence;
5) To enhance the administrative capacity of the FHA to carry out its expanded role under the HOPE for Homeowners Program;
6) To ensure the HOPE for Homeowners Program remains in effect only for as long as is necessary to provide stability to the housing market; and
7) To provide servicers of delinquent mortgages with additional methods and approaches to avoid foreclosure.

The Act created a Board which is responsible for establishing standards and policies for the H4H Program. The Board is comprised of the Secretary of the Department of Housing and Urban Development, the Secretary of Treasury, the Chairperson of the Board of Governors of the Federal Reserve System, and the Chairperson of the Board of Directors of the Federal Deposit Insurance Corporation, or their designees.

Under the Act, the Department of the Treasury is authorized to issue HOPE Bonds, up to the aggregate insurance amount, to finance the subsidy amounts necessary for loan guarantees, as well as for the net costs to the Federal Government of the program, including administrative costs.

The program is effective from October 1, 2008 to September 30, 2011.

Updated Guidance

The new statutory authority provided by the Emergency Economic Stabilization Act of 2008(EESA) offered the Board the means to make some immediate changes to the H4H Program that should expand eligibility and encourage greater program participation by lenders. These changes did the following:

- Increased the maximum loan-to-value and debt-to-income (DTI) ratios.
- Clarified the March 1, 2008 DTI requirement for borrower eligibility.
- Expanded eligible properties to include two- to four-family residences.
- Allowed extension of the loan term from 30 to 40 years.
- Extended the timeframe by which a lender can submit a closed loan for insurance endorsement to match other FHA single family programs, with the borrower required to make the first payment within 120 days after loan closing.
- Gave subordinate mortgagees the option of accepting an up-front payment in-lieu of a share in future property appreciation as an incentive to release their liens and forgive related debt.
- Modified the equity sharing requirements to eliminate the potential that a borrower would share with HUD, through the Program, any existing equity the borrower may already have in the home prior to closing a Program loan.
- Modified the appreciation sharing requirements to account for non-sale dispositions of property and sales to related parties.

Outreach and Training

FHA is continuing its extensive outreach, education, and training efforts in support of the Program. Feedback from the lending industry and counselors continues to focus on the difficulties in offering the product and finding eligible borrowers for the Program. The central concerns continue to be the cost of the Program to the borrower and the lender, the statutory requirements that deviate from standard FHA products and add administrative complexity, and the current lack of a secondary market for H4H loans. The recently revised guidance will address some of these concerns. The Board will continue to monitor the H4H Program closely and carefully consider new ideas to improve the program, to the extent possible under current law.

With regard to borrower outreach, FHA and other Federal agencies are continuing to develop an integrated consumer advertising campaign across a variety of media including radio, print, and the Internet.

HOUSING
HOPE FOR HOMEOWNERSHIP
Summary of Resources by Program
(Dollars in Thousands)

Budget Activity	2008 Budget Authority	2007 Carryover Into 2008	2008 Total Resources	2008 Obligations	2009 Budget Authority/ Request	2008 Carryover Into 2009	2009 Total Resources	2010 Request
Administrative Costs ..	$29,535	...	$29,535	$20,000	$30,000	$10,000	$40,000	$30,000
Positive Credit Subsidy	...	...	...	...	209,000	...	209,000	1,250,000
Total	29,535	...	29,535	20,000	239,000	10,000	249,000	1,280,000

FTE	2008 Actual	2009 Estimate	2010 Estimate
Headquarters	...	...	...
Field	...	...	...
Total	...	...	...

HOUSING
SUMMARY OF BUDGET AUTHORITY
(Dollars in Millions)

BUDGET HIGHLIGHTS

Budget Activity	Enacted 2008	Current Estimate 2009	Estimate 2010	INCREASE + DECREASE - 2010 vs 2009
Insurance Commitment Limitation:				
Loan Guarantees a/..............................	…	…	…	0
Discretionary:				
Budget Authority b/............................	NA	NA	NA	NA
Mandatory:				
Budget Authority				
Program account - Administrative costs.........	29,535	30,000	30,000	0
Program account - Positive Subsidy............	-	209,000	1,250,000	1,041,000
Carryover.....................................	-	10,000	-	-10,000
Net Outlays				
Program account - Administrative costs.........	20,000	40,000	30,000	-10,000
Program account - Positive Subsidy............	-	209,000	1,250,000	1,041,000
Program Activity:				
HOPE Bonds issued c/...........................	29,535	461,000	998,000	537,000

a/ Loan guarantees are not to exceed $300 billion over 3 years, October 1, 2008 to September 30, 2011.
b/ All amounts for this program are mandatory amounts.
c/ Under the Housing and Economic Recovery Act of 2008, the Department of the Treasury is authorized to issue HOPE Bonds, up to the aggregate insurance amount, to finance the subsidy amounts necessary for loan guarantees, as well as for the net costs to the Federal Government of the program, including administrative costs.

NA= Not Applicable

HOUSING
HOPE FOR HOMEOWNERSHIP
Justification of Proposed Changes in Appropriations Language

Explanation of Changes

No change
.

HOUSING
HOPE FOR HOMEOWNERSHIP
Program Offsets
(Dollars in Thousands)

Administrative Costs	Amount
2008 Appropriation	$29,535
2009 Appropriation/Request	30,000
2010 Request	30,000
Program Improvements/Offsets	...

Proposed Actions

None.

HOUSING
HOPE FOR HOMEOWNERSHIP
Program Offsets
(Dollars in Thousands)

Positive Credit Subsidy	Amount
2008 Appropriation	...
2009 Appropriation/Request	$209,000
2010 Request	1,250,000
Program Improvements/Offsets	+1,041,000

HOUSING
HOPE FOR HOMEOWNERSHIP
Crosswalk of 2008 Availability
(Dollars in Thousands)

Budget Activity	2008 Enacted	Supplemental/ Rescission	Approved Reprogrammings	Transfers	Carryover	Total 2008 Resources
Administrative Costs	$29,535	...	...	...	...	$29,535
Positive Credit Subsidy	...	...	...	...	...	...
Total	29,535	...	...	...	...	29,535

HOUSING
HOPE FOR HOMEOWNERSHIP
Crosswalk of 2009 Changes
(Dollars in Thousands)

Budget Activity	2009 President's Budget Request	Congressional Appropriations Action on 2009 Request	2009 Supplemental/ Rescission	Reprogrammings	Carryover	Total 2009 Resources
Administrative Costs	$30,000	$30,000	...	...	$10,000	$40,000
Positive Credit Subsidy	209,000	209,000	...	...	...	209,000
Total	239,000	239,000	...	...	10,000	249,000

HOUSING
HOUSING FOR THE ELDERLY (SECTION 202)
2010 Summary Statement and Initiatives
(Dollars in Thousands)

HOUSING FOR THE ELDERLY (SECTION 202)	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2008 Appropriation	$735,000	$831,177	-$12,887	$1,553,290[a]	$778,344	$1,008,028
2009 Appropriation/Request	765,000	772,987[a]	...	1,537,987[a]	784,485	973,141
2010 Request	522,000	750,601[a]	...	1,272,601[a]	522,000	746,000
Program Improvements/Offsets	-243,000	-22,386	...	-265,386	-262,485	-227,141

a/ Appropriation/request includes Working Capital fund non-expenditure transfer amounts of $1.4 million in fiscal year 2008 and $1.6 million in fiscal year 2009. These amounts are excluded from carryover, obligations and outlays but reflected in Working Capital Fund account.

Summary Statement

The Department proposes an appropriation of $522 million for fiscal year 2010. This is a decrease of $243 million from the fiscal year 2009 Appropriation due to the proposal to fund renewal costs in a separate account (see initiatives below); HUD estimates that $530.7 million of available 2009 funds will be used for expansion. Expansion activities include capital grants for construction of new low-income housing units, initial project rental assistance contracts (PRAC), and amendments. The program funds the following: 1) the construction of new units via capital advance grants to non-profit owners, provided that the owner reserves the units for very low-income elderly individuals for no less than 40 years; and 2) project rental assistance contracts to fund the difference between a HUD-approved per-unit operating cost and the tenant's income (usually 30 percent of the adjusted income). The Section 202 Program is widely used and the proposed amount is the minimum necessary to provide supportive housing for the growing number of elderly with very low incomes.

The Section 202 Program provides affordable rental housing to a large segment of America’s elderly population. HUD’s administrative data show that, as of September 30, 2008, over 6,000 Section 202 facilities housed approximately 278,000 households of older persons. Waiting lists for Section 202 facilities are long, the relatively high demand for this housing means that applicants frequently must wait over 2 years for a unit. The majority of residents are elderly women living alone with incomes between $5,001 and $15,000. In fiscal year 2008, the median income of about $11,080 was well below the income eligibility limit for the program.

The requested funding will support the development of an estimated 3,499 additional assisted units. Also, HUD is working with project sponsors to move projects out of the development pipeline more rapidly.

Initiatives

The fiscal year 2010 Budget proposes separate account funding for supportive housing for the elderly for project rental assistance contracts (PRAC) renewals and amendments, service coordinators and congregate services, conversion to assisted living, and other operating expenses. This will allow the display of "fixed costs" associated with existing units to be separate from the "variable costs" of building new units. For initial PRAC, an extension of the period of availability is proposed to ensure the department has ample time to disburse obligated funds. The language also includes a proposal that authorizes the transfer of funds to the Housing for the Elderly Contract Renewals and Amendments account if necessary to avoid delays in timely payment of operating subsidies to existing project owners.

The Transformation Initiative allows the Secretary the necessary flexibility to undertake an integrated and balanced effort to improve program performance and test innovative ideas. Up to 1 percent of the funds appropriated for Housing for the Elderly account will be transferred to the Transformation Initiative account to undertake research, demonstrations, technical assistance, and technology improvements. Within 30 days of enactment, the Secretary will provide a detailed operating plan to the Committees on Appropriations with the specific activities that will be undertaken toward achieving transformation at HUD.

The Department is also requesting a new administrative provision that provides more flexibility for HUD in allocating capital advance award funds for non-metropolitan areas under the Section 202, Housing for the Elderly program. The change will make it easier to use funds which have to be reallocated when the 15 percent allocated to non-metropolitan areas cannot be used fully.

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

Budget Activity	2008 Budget Authority	2007 Carryover Into 2008	2008 Total Resources	2008 Obligations	2009 Budget Authority/ Request	2008 Carryover Into 2009	2009 Total Resources	2010 Request
Elderly Expansion	$549,226	$713,573	$1,262,799	$593,740	$530,732	$668,647	$1,199,379	$522,000
Elderly PRAC Renewal/Amendment	79,502	1,168	80,670	78,535	95,668	2,135	97,803	...
Service Coordinators/ Congregate Housing Service Program	59,849	18,763	78,612	55,539	90,000	22,936	112,936	...
Conversion to Assisted Living/Emergency Repairs	24,570	38,227	62,797	22,631	25,000	40,166	65,166	...
Planning Grant	7,566	55,486	63,052	27,898	20,000	35,143	55,143	...
Technical Assistance ..	...	...	...	...	2,000	...	2,000	...
Working Capital Fund ..	1,400	...	1,400	...	1,600	...	1,600	...
Intergenerational Families Demonstration Project	...	3,960	3,960	...	...	3,960	3,960	...
Total	722,113	831,177	1,553,290	778,343	765,000	772,987	1,537,987	522,000

NOTE: Elderly Expansion includes $1 million for the Delegated Processing Program. This funding will enhance the Department's ability to provide timely, high quality underwriting and to maintain a steady supply of rental housing while expanding affordable housing opportunities for the elderly as authorized by Section 2835(b) of the Housing and Economic Recovery Act of 2008 (HERA).

FTE	2008 Actual	2009 Estimate	2010 Estimate
Headquarters	30	31	30
Field	251	253	253
Total	281	284	283

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

Elderly Expansion	**Amount**
2008 Appropriation	$549,226
2009 Appropriation/Request	530,732
2010 Request	522,000
Program Improvements/Offsets	-8,732

Elderly Expansion	**Units**
2008 Appropriation	3,774 a/
2009 Appropriation/Request	3,682 b/
2010 Request	3,499 c/
Program Improvements/Offsets	-133

a/ Actual capital advance and PRAC awards in fiscal year 2008 amounted to $525,876,000 for 3,774 units.
b/ Unit estimate for fiscal year 2009.
c/ Unit estimate for fiscal year 2010.

Proposed Actions

The Department is proposing $522 million for expansion activities which include new capital advances and associated PRAC, including amendments to the capital advance through final closing and if applicable, up to execution of the PRAC contract, inspection activities, delegated processing activities, property disposition costs.

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

Section 202 Direct Loan Program (Mandatory)	Direct Loans Outstanding	Outlays
2008 Appropriation	$4,594,435	-$996,670
2009 Estimate	4,142,363	-1,050,000
2010 Estimate	3,690,292	-1,050,000
Program Improvements/Offsets	-452,071	...

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. New project development activity was ended with the enactment of the Cranston-Gonzales National Affordable Housing Act in 1990 that replaced loans with capital advance awards to finance new construction, 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. Many 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**
2008 Appropriation	$59,849
2009 Appropriation/Request	90,000
2010 Request	...
Program Improvements/Offsets	-90,000

Proposed Actions

In fiscal year 2010, the Service Coordinators/Congregate Housing Services Program funding is being proposed in a separate account, Housing for the Elderly Contract Renewals and Amendments.

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

Conversion to Assisted Living/Emergency Repairs	**Amount**
2008 Appropriation	$24,570
2009 Appropriation/Request	25,000
2010 Request	...
Program Improvements/Offsets	-25,000

Proposed Actions

The set-aside for Conversion to Assisted Living and emergency capital repairs funding is being proposed in a separate account, Housing for the Elderly Contract Renewals and Amendments.

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

Elderly PRAC Renewal/Amendment	**Amount**
2008 Appropriation	$79,502
2009 Appropriation/Request	95,668
2010 Request	...
Program Improvements/Offsets	-95,668

Elderly PRAC Renewal	**Units**
2007 Appropriation	21,528
2008 Appropriation/Request..	26,878
2009 Request	...
Program Improvements/Offsets	-26,878

Proposed Actions

In an attempt for greater transparency, the funding for renewal and amendment of Project Rental Assistance Contracts (PRAC) is being proposed in a separate account in fiscal year 2010, Housing for the Elderly Contract Renewals and Amendments.

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

Planning Grant	Amount
2008 Appropriation	$7,566
2009 Appropriation/Request	20,000
2010 Request	...
Program Improvements/Offsets	-20,000

Proposed Actions

No additional funding is requested, for Planning Grant. This is an eligible activity that can be funded out of the Section 202 expansion funds.

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

Working Capital Fund	**Amount**
2008 Appropriation	$1,400
2009 Appropriation/Request	1,600
2010 Request	...
Program Improvements/Offsets	-1,600

Proposed Actions

In fiscal year 2010, Working Capital Fund will be funded through the Department's Transformational Initiative. The Transformation Initiative allows the Secretary the necessary flexibility to undertake an integrated and balanced effort to improve program performance and test innovative ideas. Up to 1 percent of the funds appropriated for Housing for the Elderly account will be transferred to the Transformation Initiative account to undertake research, demonstrations, technical assistance, and technology improvements. Within 30 days of enactment, the Secretary will provide a detailed operating plan to the Committees on Appropriations with the specific activities that will be undertaken toward achieving transformation at HUD.

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

Technical Assistance	**Amount**
2008 Appropriation	...
2009 Appropriation/Request	$2,000
2010 Request	...
Program Improvements/Offsets	-2,000

Proposed Actions

In fiscal year 2010, Technical Assistance activities will be funded through the Department's Transformational Initiative. The Transformation Initiative allows the Secretary the necessary flexibility to undertake an integrated and balanced effort to improve program performance and test innovative ideas. Up to 1 percent of the funds appropriated for Housing for the Elderly account will be transferred to the Transformation Initiative account to undertake research, demonstrations, technical assistance, and technology improvements. Within 30 days of enactment, the Secretary will provide a detailed operating plan to the Committees on Appropriations with the specific activities that will be undertaken toward achieving transformation at HUD.

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

Intergenerational Families Demonstration Project	**Amount**
2008 Appropriation	...
2009 Appropriation/Request	...
2010 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 2010.

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 Housing Act of 1959 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**	
		2008 Plan	2008 Actual	2009 Plan	2010 Plan
The share of assisted and insured privately owned multifamily properties that meet HUD established physical standards are maintained at no less than 92 percent.	Real Estate Assessment Center's Physical Assessment Subsystem	No less than 95%	94%	No less than 92%	No less than 92%
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%	100%	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	100 projects (4,000 Section 202 units to initial closing during FY 2008)	114 projects (4,641 units Section 202	90 projects/ 3600 units (Section 202)	90 projects/ 3000 units (Section 202)

Performance Indicators	Data Sources	Performance Report		Performance Plan	
		2008 Plan	2008 Actual	2009 Plan	2010 Plan
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 2007 level 353,765 households	347,922 households	Maintained at FY 2008 level (347,922) households)	Maintain at FY 2009 level (347,922 households)
At least 80 percent of Section 202 projects have completed the initial closing process within 24 months and of these, 35 percent will have completed the process within 18 months.	HEREMS-F24D, based on the Development Applications Processing System, Tracking Sub-module	70%/24 months 25%/18 months	71%/24 months 24%/18 months	70% /24 months 25%/18 months	80% overall/24 months 35%/18 months
The number of Section 202 units serving the elderly is maintained at 98 percent of the fiscal year 2009 level, excluding new units that are added to the inventory.	MF Program Office	98%	99%	98%	98%

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 2010 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, [$765,000,000] *$522,000,000*, to remain available until September 30, [2012, of which up to $626,400,000 shall be for capital advance and project-based rental assistance awards]*2013*: *Provided*, That amounts *for project rental assistance contracts are to remain available for the liquidation of valid obligations for ten years following the date of such obligation:* Provided[, That of the amount provided under this heading] *further, That amounts provided under this heading shall be available for Real Estate Assessment Center inspections and inspection-related activities for section 202 capital advance projects*[:, up to $90,000,000 shall be for service coordinators and the continuation of existing congregate service grants for residents of assisted housing projects, and of which up to $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 substantial and 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 up to $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-Gonzales National Affordable Housing Act: *Provided further*, That of the total amount made available under this heading, not to exceed $1,600,000 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*: Provided further, That amounts made available under this heading may be transferred to the account under the heading "Housing for the Elderly Contract Renewals and Amendments" for renewal of project based rental assistance contracts: Provided further, That the appropriation for such account shall not be increased by more than 10 percent by such transfers*. *(Department of Housing and Urban Development Appropriations Act of 2009)*

Explanation of Changes

The deleted language identifies those activities being transferred to be separate account rather than setting aside specific set- **asides for the activities in the Housing for the Elderly account. A new account titled Housing for the Elderly Contract Renewals and Amendments, has been proposed for the renewal and amendment of project rental assistance contracts (PRAC). The service coordinators and conversion to assisted living set-asides are also being proposed to be funded out of the new account. For initial PRAC, an extension of the period of availability is proposed to ensure the department has adequate time to disburse obligated funds. The language also includes a proposal that authorizes the transfer of funds to the Housing for the Elderly Contract Renewals and Amendments account, if necessary to assure timely payment of exiting project owners of needed operating subsidies.**

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

Budget Activity	2008 Enacted	Supplemental/ Rescission	Approved Reprogrammings	Transfers	Carryover	Total 2008 Resources
Elderly Expansion	$549,348	-$122	...	...	$713,573	$1,262,799
Elderly PRAC Renewal/Amendment	79,502	...	...	...	1,168	80,670
Service Coordinators/ Congregate Housing Service Program	60,000	-151	...	...	18,763	78,612
Conversion to Assisted Living/Emergency Repairs	24,750	-180	...	...	38,227	62,797
Planning Grant	20,000	-12,434	...	...	55,486	63,052
Technical Assistance	...	...	...	...	...	...
Working Capital Fund	1,400	...	...	...	...	1,400
Intergenerational Families Demonstration Project	...	...	...	...	3,960	3,960
Total	735,000	-12,887	...	...	831,177	1,553,290

HOUSING
HOUSING FOR THE ELDERLY (SECTION 202)
Crosswalk of 2009 Changes
(Dollars in Thousands)

Budget Activity	2009 President's Budget Request	Congressional Appropriations Action on 2009 Request	2009 Supplemental/ Rescission	Reprogrammings	Carryover	Total 2009 Resources
Elderly Expansion	$335,732	$530,732	...	...	$668,647	$1,199,379
Elderly PRAC Renewal/Amendment	95,668	95,668	...	...	2,135	97,803
Service Coordinators/ Congregate Housing Service Program	80,000	90,000	...	...	22,936	112,936
Conversion to Assisted Living/Emergency Repairs	25,000	25,000	...	...	40,166	65,166
Planning Grant	...	20,000	...	...	35,143	55,143
Technical Assistance	2,000	2,000	...	...	...	2,000
Working Capital Fund	1,600	1,600	...	...	...	1,600
Intergenerational Families Demonstration Project	...	...	...	...	3,960	3,960
Total	540,000	765,000	...	...	772,987	1,537,987

NOTE: Fiscal year 2009 President's budget request for Elderly Expansion includes $15 million for Leverage Financing Demonstration.

HOUSING
HOUSING FOR THE ELDERLY CONTRACT RENEWALS AND AMENDMENTS
2010 Summary Statement and Initiatives
(Dollars in Thousands)

HOUSING FOR THE ELDERLY CONTRACT RENEWALS AND AMENDMENTS	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2008 Appropriation	...	...	...	...	...	...
2009 Appropriation/Request	...	...	...	...	...	...
2010 Request	$243,000	...	...	$243,000	$230,000	$94,000
Program Improvements/Offsets	+243,000	...	...	+243,000	+230,000	+94,000

Summary Statement

The Department requests $243 million of fiscal year 2010 funding for Housing for the Elderly Contract Renewals and Amendments program in an appropriations account separate from the Housing for the Elderly Program where it is currently funded. This request of $243 million includes $128 million to renew expiring PRAC and amendments of such contracts; up to $90 million for service coordinators and congregate programs to provide services for the elderly and persons with disabilities; and $25 million for conversion to assisted living, and other operating expenses.

Providing separate accounts for funds dedicated to Disabled Housing new construction versus renewals and amendments of operating subsidies to existing units will more clearly identify the fixed-cost nature of a large portion of the budget for this program. This new renewal account will display growth in the amount of budget authority needed to maintain operating assistance for existing projects.

HOUSING
HOUSING FOR THE ELDERLY CONTRACT RENEWALS AND AMENDMENTS
Summary of Resources by Program
(Dollars in Thousands)

Budget Activity	2008 Budget Authority	2007 Carryover Into 2008	2008 Total Resources	2008 Obligations	2009 Budget Authority/ Request	2008 Carryover Into 2009	2009 Total Resources	2010 Request
Elderly PRAC Renewals and Amendments	...	...	...	...	...	...	...	$128,000
Service Coordinators/Congregate Housing Services ...	...	...	...	...	...	...	...	90,000
Conversion to Assisted Living/Emergency Repairs	...	...	...	...	...	...	...	25,000
Total	...	...	...	...	...	...	...	243,000

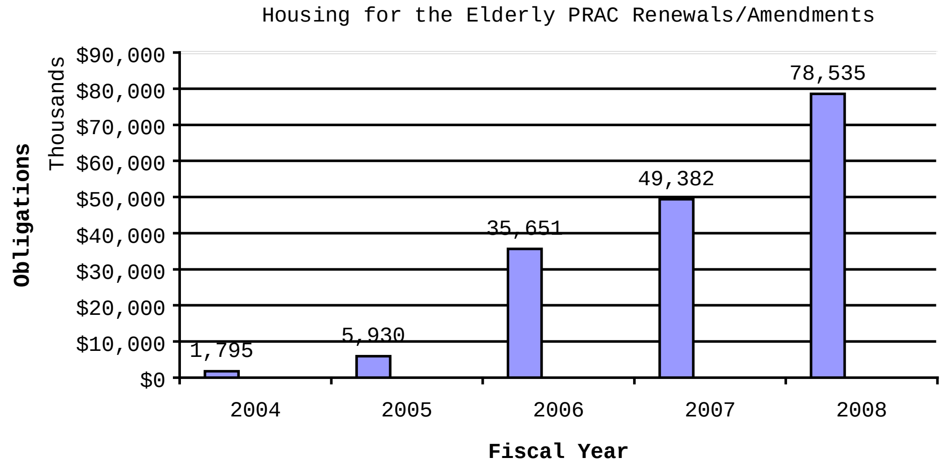
HOUSING
HOUSING FOR THE ELDERLY CONTRACT RENEWALS AND AMENDMENTS
Program Offsets
(Dollars in Thousands)

Elderly PRAC Renewal/Amendment	Amount
2008 Appropriation	...
2009 Appropriation/Request	...
2010 Request	$128,000
Program Improvements/Offsets	+128,000

Proposed Actions

The Department is proposing $128 million for renewal and amendment of Project Rental Assistance Contracts (PRAC). This estimate 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.

The following chart shows the amount of PRAC renewal/amendment obligations incurred since fiscal year 2004.



This chart illustrates the growth in the amount of budget authority that must be obligated annually to maintain operating assistance for Section 202 projects. As new projects and units come out of the construction pipeline, this budget authority requirement will continue to grow with a similar trend. The fiscal year 2010 estimate reflects an analysis of subsidy balances on currently active PRAC contracts that are expected to require renewal or amendment.

HOUSING
HOUSING FOR THE ELDERLY CONTRACT RENEWALS AND AMENDMENTS
Program Offsets
(Dollars in Thousands)

Service Coordinators/Congregate Housing Services	**Amount**
2008 Appropriation	...
2009 Appropriation/Request	...
2010 Request	$90,000
Program Improvements/Offsets	+90,000

Proposed Actions

The Budget proposes up to $90 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 Service grants. The budget request of $90 million will provide $81.8 million to extend 1,330 grants serving approximately 133,000 units and $8.2 million to fund approximately 44 new grants. The 44 new grants would serve approximately 4,400 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. 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 Coordinators 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 service coordinators 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 program.

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 three or more activities of daily living) or are persons with disabilities age 18 or older.

CHSP funds allow residents of subsidized housing to afford supportive service 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 CONTRACT RENEWALS AND AMENDMENTS
Program Offsets
(Dollars in Thousands)

Conversion to Assisted Living/Emergency Repairs	**Amount**
2008 Appropriation	...
2009 Appropriation/Request	...
2010 Request	$25,000
Program Improvements/Offsets	+25,000

Proposed Actions

The fiscal year 2010 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 cover basic physical conversion of existing project units, common areas, and service spaces. 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 service (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 CONTRACT RENEWALS AND AMENDMENTS
Justification of Proposed Changes in Appropriations Language

The fiscal year 2010 President's Budget included proposed changes in the appropriations language listed and explained below. New language is italicized and underlined, and language for deletion is bracketed.

For renewal of project rental assistance for supportive housing for the elderly under section 202(c)(2) of the Housing Act of 1959, including amendments to contracts for such assistance, $243,000,000, to remain available until September 30, 2013: Provided, That, of the amount provided under this heading, up to $90,000,000 shall be for service coordinators and the continuation of existing congregate service grants for residents of assisted housing projects and not to exceed $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 to assisted living or related use or for substantial and emergency capital repairs as determined by the Secretary: Provided further, That the Secretary may waive the provisions of section 202 governing the terms and conditions of project rental assistance: Provided further, That up to 10 percent of the funds made available under this heading may be transferred to the account under the heading "Housing for the Elderly" for new project awards.

Explanation of Changes

The 2010 President's budget proposes a separate appropriations paragraph for Housing for the Elderly Contract Renewals and Amendments. In previous years, this activity has been funded through a set-aside in the Housing for the Elderly program appropriation.

HOUSING
HOUSING FOR THE ELDERLY CONTRACT RENEWALS AND AMENDMENTS
Crosswalk of 2008 Availability
(Dollars in Thousands)

Budget Activity	2008 Enacted	Supplemental/ Rescission	Approved Reprogrammings	Transfers	Carryover	Total 2008 Resources
Elderly PRAC Renewal/Amendment	...	...	...	...	...	...
Service Coordinators/Congregate Housing Services	...	...	...	...	...	...
Conversion to Assisted Living/Emergency Repairs	...	...	...	...	...	...
Total	...	...	...	...	...	...

HOUSING
HOUSING FOR THE ELDERLY CONTRACT RENEWALS AND AMENDMENTS
Crosswalk of 2009 Changes
(Dollars in Thousands)

Budget Activity	2009 President's Budget Request	Congressional Appropriations Action on 2009 Request	2009 Supplemental/ Rescission	Reprogrammings	Carryover	Total 2009 Resources
Elderly PRAC Renewal/Amendment	...	...	...	...	...	...
Service Coordinators/Congregate Housing Services	...	...	...	...	...	...
Conversion to Assisted Living/Emergency Repairs	...	...	...	...	...	...
Total	...	...	...	...	...	...

HOUSING
HOUSING FOR PERSONS WITH DISABILITIES (SECTION 811)
2010 Summary Statement and Initiatives
(Dollars in Thousands)

HOUSING FOR PERSONS WITH DISABILITIES (SECTION 811)	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2008 Appropriation	$237,000[a/]	$229,101	-$5,315	$460,786[a/]	$255,779	$320,926
2009 Appropriation/Request	250,000[a/]	204,407	...	454,407[a/]	224,189	292,437
2010 Request	114,000	230,218	...	344,218[a]	114,000	225,000
Program Improvements/Offsets	-136,000	+25,811	...	-110,189	-110,189	-67,437

a/ Appropriation/request includes a non-expenditure transfer to the Working Capital Fund of $600 thousand in fiscal year 2008 and $1.6 million in fiscal year 2009.

Summary Statement

A total of $114 million is proposed for housing for persons with disabilities for expansion. This is a decrease of $136 million from the fiscal year 2009 Appropriation due to the proposal to fund renewals costs in a separate account; HUD estimates that $129.8 million of available 2009 funds will be used for expansion. Expansion funds include capital grants for new housing unit construction and the initial project rental assistance (usually 3 years) for each new project.

The Section 811 Program provides affordable rental housing to a large segment of America’s persons with disabilities. HUD’s administrative data show that, as of September 30, 2008, Section 811 facilities housed over 26,000 households of persons with disabilities. Residents have incomes between $5,001 and $10,000. In fiscal year 2008, the median income of about $8,760 was well below the income eligibility limit for the program.

The requested funding will support the development of an estimated 818 additional assisted units. Also, HUD is working with project sponsors to move projects out of the development pipeline.

Initiatives

A new account is being proposed in fiscal year 2010, for renewal of project rental assistance contracts (PRAC), amendments, and operating expenses. This will allow the display of "fixed costs" associated with existing units to be separate from the "variable costs" of building new units. For initial PRAC, an extension of the period of availability is proposed to ensure the department has ample time to disburse obligated funds. The language also includes a proposal that authorizes the transfer of funds to the Housing for Persons with Disabilities Contract Renewals and Amendments account if necessary to avoid delays in timely payment of operating subsidies to existing project owners.

HOUSING

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

Budget Activity	2008 Budget Authority	2007 Carryover Into 2008	2008 Total Resources	2008 Obligations	2009 Budget Authority/ Request	2008 Carryover Into 2009	2009 Total Resources	2010 Request
Disabled (Capital Advance and PRAC)	$133,325	$200,232	$333,557	$136,401	$129,791	$197,156	$326,947	$114,000
Disabled PRAC Renewal/Amendment	23,015	2,007	25,022	23,899	31,509	1,123	32,632	...
PIH Amendment/Renewal of Mainstream Vouchers (Tenant-Based)	74,745	26,862	101,607	95,479	87,100	6,128	93,228	...
Working Capital Fund ..	600	...	600	...	1,600	...	1,600	...
Total	231,685	229,101	460,786	255,779	250,000	204,407	454,407	114,000

NOTE: Fiscal years 2008 and 2009 carryover for PIH Amendment/Renewal of Mainstream includes $29 thousand for Mainstream Vouchers.

FTE	2008 Actual	2009 Estimate	2010 Estimate
Headquarters	18	18	18
Field	116	117	117
Total	134	135	135

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

Disabled (Capital Advance and PRAC)	**Amount**
2008 Appropriation	$133,325
2009 Appropriation/Request	129,791
2010 Request	114,000
Program Improvements/Offsets	-15,791

Disabled (Capital Advance and PRAC)	**Units**
2008 Appropriation	930[a/]
2009 Appropriation/Request	950[b/]
2010 Request	818[c/]
Program Improvements/Offsets	-126

a/ Actual units funded through Capital Advance and PRAC awards totaling $124.5 million for 930 units in fiscal year 2008.
b/ Unit estimate for fiscal year 2009.
c/ Unit estimate for fiscal year 2010.

Proposed Actions

For fiscal year 2010, the Department is proposing $114 million for new capital advances and associated PRAC, including amendments to the capital advances through final closing and, if applicable, up to execution of the project rental assistance contract, inspection activities and property disposition costs.

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

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

Disabled PRAC Renewal/Amendment	**Amount**
2008 Appropriation	$23,015
2009 Appropriation/Request	31,509
2010 Request	...
Program Improvements/Offsets	-31,509

Disabled (PRAC Renewal)	**Units**
2008 Appropriation	5,613
2009 Appropriation/Request	7,534
2010 Request	...
Program Improvements/Offsets	-7,534

Proposed Actions

In fiscal year 2010, a separate account is proposed for PRAC Renewals and Amendments and tenant-based rental assistance contracts (PIH Mainstream Vouchers).

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

PIH Amendment/Renewal of Mainstream Vouchers (Tenant-Based)	Amount
2008 Appropriation	$74,745
2009 Appropriation/Request	87,100
2010 Request	...
Program Improvements/Offsets	-87,100

PIH Renewal of Mainstream Vouchers (Tenant-Based)	Units
2008 Appropriation	11,061
2009 Appropriation/Request	11,327
2010 Request	...
Program Improvements/Offsets	-11,327

Proposed Actions

In fiscal year 2010, a separate account is proposed for PRAC Renewals and Amendments and tenant-based rental assistance contracts (PIH Mainstream Vouchers).

HOUSING

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

Working Capital Fund	**Amount**
2008 Appropriation	$600
2009 Appropriation/Request	1,600
2010 Request	...
Program Improvements/Offsets	-1,600

Proposed Actions

In fiscal year 2010, Working Capital Fund will be funded through the Department's Transformational Initiative. The Transformation Initiative allows the Secretary the necessary flexibility to undertake an integrated and balanced effort to improve program performance and test innovative ideas. Up to 1 percent of the funds appropriated for Housing for Persons with Disabilities account will be transferred to the Transformation Initiative account to undertake research, demonstrations, technical assistance, and technology improvements. Within 30 days of enactment, the Secretary will provide a detailed operating plan to the Committees on Appropriations with the specific activities that will be undertaken toward achieving transformation at HUD.

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**	
		2008 Plan	2008 Actual	2009 Plan	2010 Plan
The share of assisted and insured privately owned multifamily properties that meet HUD established physical standards are maintained at no less than 92 percent.	Real Estate Assessment Center's Physical Assessment Subsystem	No less than 95%	96%	No less than 92%	No less than 92%
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%	100%	No less than 98%	No less than 98%
Increase the availability of affordable housing for 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	100 projects 1,100 units	110 projects/ 1,138 units	90 projects/950 units	90 projects/800 units

Performance Indicators	Data Sources	Performance Report		Performance Plan	
		2008 Plan	2008 Actual	2009 Plan	2010 Plan
At least 80 percent of Section 811 projects have completed the initial closing process within 24 months and of these, 35 percent will have completed the process within 18 months.	HEREMS-F24D, based on the Development Applications Processing System, Tracking Sub-module	70%/24 months 25%/18 months	68%/24 months 30%/18 months	70%/24 months 25%/18 months	80%/24 months 35%/18 months
The number of Section 811 units serving persons with disabilities is maintained at 98 percent of those at the FY 2008 level (uses the FY 2007 level 23,000 units as a baseline), excluding new units that are added to the inventory.		98%	100%	98%	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 provide 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
HOUSING FOR PERSONS WITH DISABILITIES (SECTION 811)
Justification of Proposed Appropriations Language

The fiscal year 2010 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.

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, $250,000,000, of which up to $161,300,000 shall be for capital advances and project-based rental assistance contracts,] *$114,000,000*, to remain available until September 30, [2012] *2013: Provided, That amounts for project rental assistance contracts are to remain available for the liquidation of valid obligations for ten years following the date of such obligation*: [That of the total amount made available under this heading, not to exceed $1,600,000 may be transferred to the Working Capital Fund: Provided further, That, of the amount provided under this heading, $87,100,000 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,] 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, 2009.)

Explanation of Changes:

The deleted language identifies those activities being transferred to be paid out of other accounts rather than setting aside specific earmarks for the activities in the Housing for Persons with Disabilities account. A new account titled Housing for Persons with Disabilities Contract Renewals and Amendments, has been proposed for the renewal and amendment of project rental assistance contracts (PRAC) and tenant-based rental assistance contracts (PIH Mainstream Vouchers). For initial PRAC, an extension of the period of availability is proposed to ensure the department has ample time to disburse obligated funds. The language also includes a proposal that authorizes the transfer of funds to the Housing for Persons with Disabilities Contract Renewals and Amendments account if necessary to avoid delays in timely payment of operating subsidies to existing project owners.

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

Budget Activity	2008 Enacted	Supplemental/ Rescission	Approved Reprogrammings	Transfers	Carryover	Total 2008 Resources
Disabled (Capital Advance and PRAC) .	$138,640	-$5,315	...	...	$200,232	$333,557
Disabled PRAC Renewal/Amendment	23,015	...	...	...	2,007	25,022
PIH Amendment/Renewal of Mainstream Vouchers (Tenant-Based)	74,745	...	...	...	26,862	101,607
Working Capital Fund	600	...	...	...	...	600
Total	237,000	-5,315	...	...	229,101	460,786

HOUSING
HOUSING FOR PERSONS WITH DISABILITIES (SECTION 811)
Crosswalk of 2009 Changes
(Dollars in Thousands)

Budget Activity	2009 President's Budget Request	Congressional Appropriations Action on 2009 Request	2009 Supplemental/ Rescission	Reprogrammings	Carryover	Total 2009 Resources
Disabled (Capital Advance and PRAC) .	$39,791	$129,791	...	...	$197,156	$326,947
Disabled PRAC Renewal/Amendment	31,509	31,509	...	...	1,123	32,632
PIH Amendment/Renewal of Mainstream Vouchers (Tenant-Based)	87,100	87,100	...	...	6,128	93,228
Working Capital Fund	1,600	1,600	...	...	...	1,600
Total	160,000	250,000	...	...	204,407	454,407

NOTE: Fiscal year 2009 President's budget request for Disabled (Capital Advance and PRAC) includes $10 million for Leverage Financing Demonstration.

HOUSING
HOUSING FOR PERSONS WITH DISABILITIES--CONTRACT RENEWALS AND AMENDMENTS
2010 Summary Statement and Initiatives
(Dollars in Thousands)

DISABILITIES CONTRACT RENEWALS AND AMENDMENTS	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2008 Appropriation	...	...	...	...	...	...
2009 Appropriation/Request	...	...	...	...	...	...
2010 Request	$136,000	...	...	$136,000	$129,000	$50,000
Program Improvements/Offsets	+136,000	...	...	+136,000	+129,000	+50,000

Summary Statement

The Budget requests $136 million of fiscal year 2010 funding for the Housing for Persons with Disabilities Contract Renewals and Amendments program in an appropriations account separate from the Housing for Persons with Disabilities Program where it is currently funded. The 2010 Budget proposes separate account funding for supportive housing for persons with disabilities for renewal of project rental assistance contracts (PRAC), and renewal and amendment vouchers for persons with disabilities.

Providing separate accounts for funds dedicated to Disabled Housing new construction versus renewals and amendments of operating subsidies to existing units will more clearly identify the fixed-cost nature of a large portion of the budget for this program. This new renewal account will display growth in the amount of budget authority needed to maintain operating assistance for existing Section 811 projects.

HOUSING
HOUSING FOR PERSONS WITH DISABILITIES--CONTRACT RENEWALS AND AMENDMENTS
Summary of Resources by Program
(Dollars in Thousands)

Budget Activity	2008 Budget Authority	2007 Carryover Into 2008	2008 Total Resources	2008 Obligations	2009 Budget Authority/ Request	2008 Carryover Into 2009	2009 Total Resources	2010 Request
Disabled PRAC Renewal/Amendment	...	...	...	...	...	...	...	$48,900
PIH Amendment/Renewal of Mainstream Vouchers	...	...	...	...	...	...	...	87,100
Total	...	...	...	...	...	...	...	136,000

FTE	2008 Actual	2009 Estimate	2010 Estimate
Headquarters	...	...	...
Field	...	...	...
Total	...	...	...

HOUSING
HOUSING FOR PERSONS WITH DISABILITIES--CONTRACT RENEWALS AND AMENDMENTS
Program Offsets
(Dollars in Thousands)

Disabled PRAC Renewal/Amendment	**Amount**
2008 Appropriation	...
2009 Appropriation/Request	...
2010 Request	$48,900
Program Improvements/Offsets	+48,900

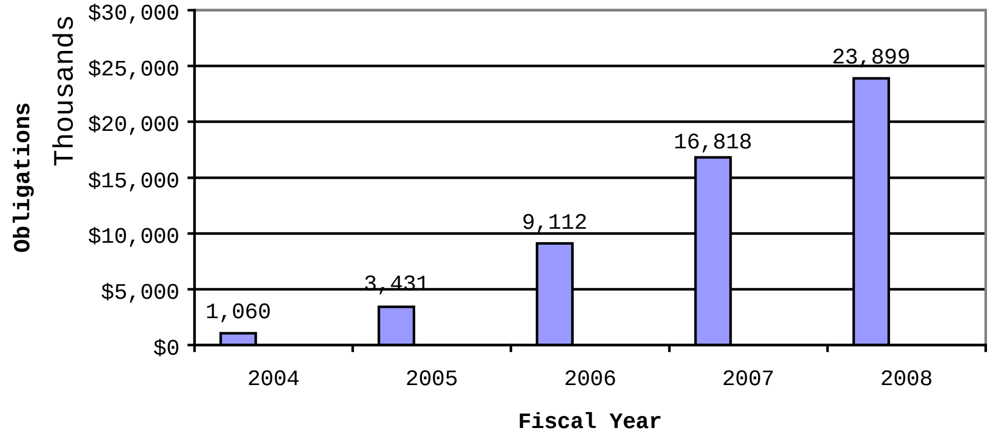
Proposed Actions

The Department is proposing $48.9 million for renewal and amendment to Project Rental Assistance Contracts (PRAC). These funds are used to cover the difference between the HUD-approved expense to operate the project and tenants' payment for rent (generally based on 30 percent of adjusted income). After the initial 3-year funding agreement, PRACs are renewed for 1-year terms. Amendments are provided for PRAC contracts that are not due for a renewal but have exhausted available funding. These contracts are funded until their anniversary or expiration date.

HOUSING
HOUSING FOR PERSONS WITH DISABILITIES--CONTRACT RENEWALS AND AMENDMENTS
2010 Summary Statement and Initiatives
(Dollars in Thousands)

The following chart shows the amount of PRAC renewal and/or amendment obligations incurred since fiscal year 2004.

Housing for Persons with Disabilities PRAC Renewals and Amendments



This chart illustrates the growth in the amount of budget authority that must be obligated annually to maintain operating assistance for Section 811 projects. As new projects and units come out of the construction pipeline, this budget authority requirement will continue to grow with a similar trend. The fiscal year 2010 estimate reflects an analysis of subsidy balances on currently active PRAC contracts that are expected to require renewal or amendment.

HOUSING
HOUSING FOR PERSONS WITH DISABILITIES--CONTRACT RENEWALS AND AMENDMENTS
Program Offsets
(Dollars in Thousands)

PIH Amendment/Renewal of Mainstream Vouchers	**Amount**
2008 Appropriation	...
2009 Appropriation/Request	...
2010 Request	$87,100
Program Improvements/Offsets	+87,100

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--CONTRACT RENEWALS AND AMENDMENTS
Justification of Proposed Changes in Appropriations Language

The fiscal year 2010 President's Budget included proposed changes in the appropriations language listed and explained below. New language is italicized and underlined, and language for deletion is bracketed.

<u>*For renewal of project rental assistance 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), including amendments to contracts for such assistance, $136,000,000, to remain available until September 30, 2013: Provided, That, of the amount provided under this heading, $87,100,000 shall be for amendments to or renewal of tenant-based assistance contracts entered into prior to fiscal year 2006 (only one amendment is 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: Provided further, That up to 10 percent of the funds made available under this heading may be transferred to the account under the heading "Housing for Persons with Disabilities" for new project awards.*</u>

<u>Explanation of Changes</u>

The 2010 President's Budget proposes a separate appropriations account for Housing for Persons with Disabilities--Contract Renewals and Amendments. In previous years, this activity has been funded through as a set-aside in the Housing for Persons with Disabilities program appropriation.

HOUSING
HOUSING FOR PERSONS WITH DISABILITIES--CONTRACT RENEWALS AND AMENDMENTS
Crosswalk of 2008 Availability
(Dollars in Thousands)

Budget Activity	2008 Enacted	Supplemental/ Rescission	Approved Reprogrammings	Transfers	Carryover	Total 2008 Resources
Disabled PRAC Renewal/Amendment	...	...	...	...	...	...
PIH Amendment/Renewal of Mainstream Vouchers	...	...	...	...	...	...
Total	...	...	...	...	...	...

HOUSING
HOUSING FOR PERSONS WITH DISABILITIES--CONTRACT RENEWALS AND AMENDMENTS
Crosswalk of 2009 Changes
(Dollars in Thousands)

Budget Activity	2009 President's Budget Request	Congressional Appropriations Action on 2009 Request	2009 Supplemental/ Rescission	Reprogrammings	Carryover	Total 2009 Resources
Disabled PRAC Renewal/Amendment	...	...	...	...	...	...
PIH Amendment/Renewal of Mainstream Vouchers	...	...	...	...	...	...
Total	...	...	...	...	...	...

HOUSING
HOUSING COUNSELING ASSISTANCE
2010 Summary Statement and Initiatives
(Dollars in Thousands)

HOUSING COUNSELING ASSISTANCE	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2008 Appropriation	...	...	...	...	...	...
2009 Appropriation/Request	$65,000	...	...	$65,000	$2,000	...
2010 Request	100,000	$63,000	...	163,000	73,000	$59,000
Program Improvements/Offsets	+35,000	+63,000	...	+98,000	+71,000	+59,000

Until fiscal year 2009, the Housing Counseling Assistance program had 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 $100 million of fiscal year 2010 funding for the Housing Counseling Assistance program. The requested funding is a $35 million (54 percent) increase from the enacted fiscal year 2009 appropriation of $65 million. The significant increase in appropriations is necessary to provide assistance to the record number of homeowners at risk of foreclosure, as well as to counsel new borrowers preparing to purchase homes. HUD recognizes that the demand for housing counseling, as described in this justification, exceeds the level of services that would be supported by this requested funding level.

The Housing Counseling Assistance program represents one of the most cost-effective ways to assist the thousands of households nationwide facing mortgage delinquency and foreclosure. HUD-approved and funded housing counselors apply their skills and expertise so that loss mitigation, and other tools and strategies are available to affected households to help them modify their loans, refinance, or otherwise escape high interest rates, hidden costs, prepayment penalties, and other often predatory practices. While combating the foreclosure crisis has to be a priority for the Federal government and this Budget request, it is essential to still adequately fund pre-purchase, rental, reverse mortgage and other types of housing counseling. This proposed appropriation is an investment in preventing future defaults and foreclosures, producing mortgage ready homebuyers, and helping households that have been displaced from their housing as a result of the foreclosure crisis.

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 these appropriations will be competed in late fiscal year 2010, serving as many as 571,000 low- to moderate-income individuals and families, and training over 7,000 counselors, during fiscal year 2011. This increased funding request is a smart investment, the returns on which will be manifold and measured in the approximate 70,000 households for whom foreclosure was prevented, and the approximately 500,000 households otherwise helped with meeting their housing needs. This program, administered by the Office of Housing, is the only dedicated source of Federal funding for the full spectrum of housing counseling services.

Of critical importance, housing counseling agencies also help qualify and prepare households for the various Federal, State and local foreclosure prevention assistance programs now available. This role makes counseling agencies a key factor in making the foreclosure prevention programs successful. For example, Housing Counseling is crucial to the efficacy of the Making Homes Affordable (MHA), program announced by the Administration in March 2009. The MHA program is part of President Obama’s broad, comprehensive strategy to get the economy and the housing market back on track. The plan potentially could help up to 9 million families restructure or refinance their mortgages to avoid foreclosure. Housing counselors will help households access these resources by evaluating their eligibility and preparing the necessary documentation for mortgage servicers. Moreover, housing counseling is required for borrowers who are eligible for a loan modification, but have high debt to income ratios. However, no housing counseling funding was appropriated in conjunction with MHA. Housing Counseling is also a requirement for households assisted through the $5.92 billion Neighborhood Stabilization Program (NSP) to help state and local governments purchase, rehab and sell foreclosed property. Failure to adequately fund housing counseling could result in these ambitious Federal programs not realizing their full potential, and a vast number of families, who otherwise could be assisted, unable to access these resources and therefore susceptible to foreclosure.

The Transformation Initiative, discussed as a separate Congressional Justification, allows the Secretary the necessary flexibility to undertake an integrated and balanced effort to improve program performance and test innovative ideas. One percent of the funds appropriated for the Housing Counseling Assistance program will be transferred to the Transformation Initiative account to undertake research, demonstrations, technical assistance, and technology improvements. Within 30 days of enactment, the Secretary will provide a detailed Operating Plan to the Committees on Appropriations with the specified activities that will be undertaken toward achieving transformation at HUD. An example of a demonstration project that could be undertaken with Transformation Initiative funding with respect to the Housing Counseling Assistance account is a Housing and Economic Recovery Act (HERA) of 2008-mandated demonstration to measure the impact of requiring pre-purchase counseling for certain homebuyers. The Transformation Initiative can provide the necessary funding to answer this long-standing question about the merits and size of impact of pre-purchase housing counseling at reducing defaults and delinquencies.

Combating Mortgage Fraud and Fair Lending Abuse

During the current mortgage crisis, housing counselors have met with many clients that they suspect may have been victims of mortgage fraud or fair lending abuse. However, the housing counseling industry does not have a standardized set of tools to identify potential cases of mortgage fraud and does not have easy access to information regarding where to refer clients to report potential fraud. In order to make housing counseling services a more integral part of the Administration’s efforts to combat mortgage fraud and fair lending abuse, HUD estimates that as much as $2 million of the proposed appropriation will be spent on supplementing traditional pre-purchase and default counseling with a thorough loan document review designed to identify potential cases of mortgage fraud and fair lending abuse for referral and investigation. Eight thousand households would be served with this investment.

Specifically, with this funding housing counselors would offer a new service, which would be to review specific loan documents, for example the Good Faith Estimate (GFE) and HUD-1, of clients seeking default counseling as well as for clients that are about to buy a home and want to avoid potential mortgage fraud or fair lending abuse. Housing counselors would use a standard protocol with the purpose of identifying potential cases of mortgage fraud and fair lending abuse and would refer these cases to an organization or organizations, which are qualified and dedicated, and contracted by HUD, to do intensive fair lending and mortgage fraud analysis and follow-up. These loan review services would be offered free to consumers and be available on demand. This approach solves the problem of counselors not knowing where to turn to for assistance with these types of case. Flagged cases could be referred to an organization with capacity to do the necessary analysis and follow-up.

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.

Foreclosure Tsunami

While foreclosures reached crisis levels in 2008, experts predict the housing crisis will continue and will remain a daunting challenge. The economic crisis and related job losses the country is experiencing, and the decline in home values resulting in millions of borrowers being “underwater,” or owing more than their homes are worth, is resulting in record numbers of households facing foreclosure, unable to sell their homes or refinance. According to the HOPE NOW Alliance, there were 217,000 foreclosure starts in January, 2009, a higher total than for any month in 2008. According to NeighborWorks America, as many as 8 million homeowners are expected to face foreclosure through 2012. The Treasury Department estimates that 9 million households will benefit from the *Making Home Affordable* loan modification and refinancing programs, which run through 2012. The most likely to need housing counseling are the four million households Treasury estimates will benefit from the loan modification program, which is designed to assist households already in default or at imminent risk of default. In fact, housing counseling is required for program participants with debt to income ratios higher than 55 percent. This is smart policy to help ensure that households that have high debt in addition to their mortgages will be able to sustain homeownership; however, the demand on counseling agencies will be enormous.

Current funding levels, including the $360 million appropriated in 2008 to NeighborWorks America for the National Foreclosure Mitigation Counseling (NFMC) Program, are inadequate to meet this demand. While at the beginning of 2009 more than $200 million of the NFMC funds were still available, at $500 session, for counseling in conjunction with the Making Home Affordable Program, these funds will cover only approximately 400,000-500,000 counseling sessions, a small portion of the approximately 4 million borrowers that will be eligible for loan modification through the MHA Program.

Housing Counseling program activity data reflect the rapidly growing percentage of the Housing Counseling appropriation that is being consumed by foreclosure prevention counseling. For fiscal year 2008, counseling agencies in HUD’s Housing Counseling program report having provided mortgage delinquency and default resolution counseling to approximately 708,000 households, using both HUD and non-HUD housing counseling funds. This level represents nearly 40 percent of all counseling session types provided by agencies participating in the program. By contrast, in fiscal year 2007, counseling agencies in HUD’s Housing Counseling program provided mortgage delinquency and default resolution counseling to 265,000 households, or 15.7 percent of all activity. For 2009–2012, foreclosure prevention counseling could represent the majority of the services provided by agencies in the program.

HUD estimates that as much as $28.3 million of the proposed appropriation will be spent on default counseling, serving approximately 71,000 households at a cost of $400 per household. 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 servicer funded counseling. This emphasis on default counseling will help counter the foreclosure rates, which are reaching critical levels.

Combating Rescue Scams

According to the FBI, the decline in the housing market has created an ideal climate for predators in the form of mortgage rescue scams. Households at risk of foreclosure are increasingly desperate for help. The so-called mortgage rescue companies use simple messages in ads to lure homeowners facing foreclosure or other financial difficulties. They may imply they are associated with HUD, the Federal Housing Administration (FHA), and other reputable organizations to gain the homeowner’s trust, personal information and money. Sufficient funds are necessary to ensure that desperate families can turn to a reputable HUD-approved counseling agency for assistance instead of compounding their problems by being duped by a rescue scam.

Pre-Purchase and Rental Counseling Still Critical

To bring home price stability to local real estate markets, and break the cycle of foreclosures, the Government needs to focus some resources on programs that will help homebuyers purchase the excess supply of vacant properties. Pre-purchase counseling services would be the best way to prepare families to purchase these homes. Pre-purchase counseling is critical to help get homebuyers into the growing inventory of foreclosed properties and other properties that remain on the market for long periods of time. With home prices and interest rates low, it is an excellent time for first-time homebuyers. Moreover, billions are being invested to help local and state governments buy, rehab and sell foreclosed property. The Neighborhood Stabilization Program (NSP) actually requires eight hours of homebuyer education for households assisted through NSP. The proposed Housing Counseling funding could support those and other efforts to sell foreclosed and other properties, and help generate demand for home purchases, which is critical to stabilizing neighborhoods and so desperately needed right now.

If anything has been learned during this crisis, it is that many families simply do not understand the complex homebuying process. Many have no sense of how much home they can afford, what types of financing make the most sense for them, or how to improve their credit. A large portion of the American population lacks basic financial literacy. The crisis has created a level of awareness about the risks of making uninformed home financing decisions and, frankly, presents an incredible opportunity for the government to fully fund pre-purchase counseling services that are designed to prepare families for homeownership.

Housing counselors arm homebuyers with the information they need to make smart choices regarding homeownership. 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. In their 2001 study entitled *A Little Knowledge is a Good Thing: Empirical Evidence of the Effectiveness of Pre-Purchase Homeownership Counseling*, Hirad and Zorn concluded that one-on-one counseling provided to first-time homebuyers can reduce delinquency by as much as 34 percent.

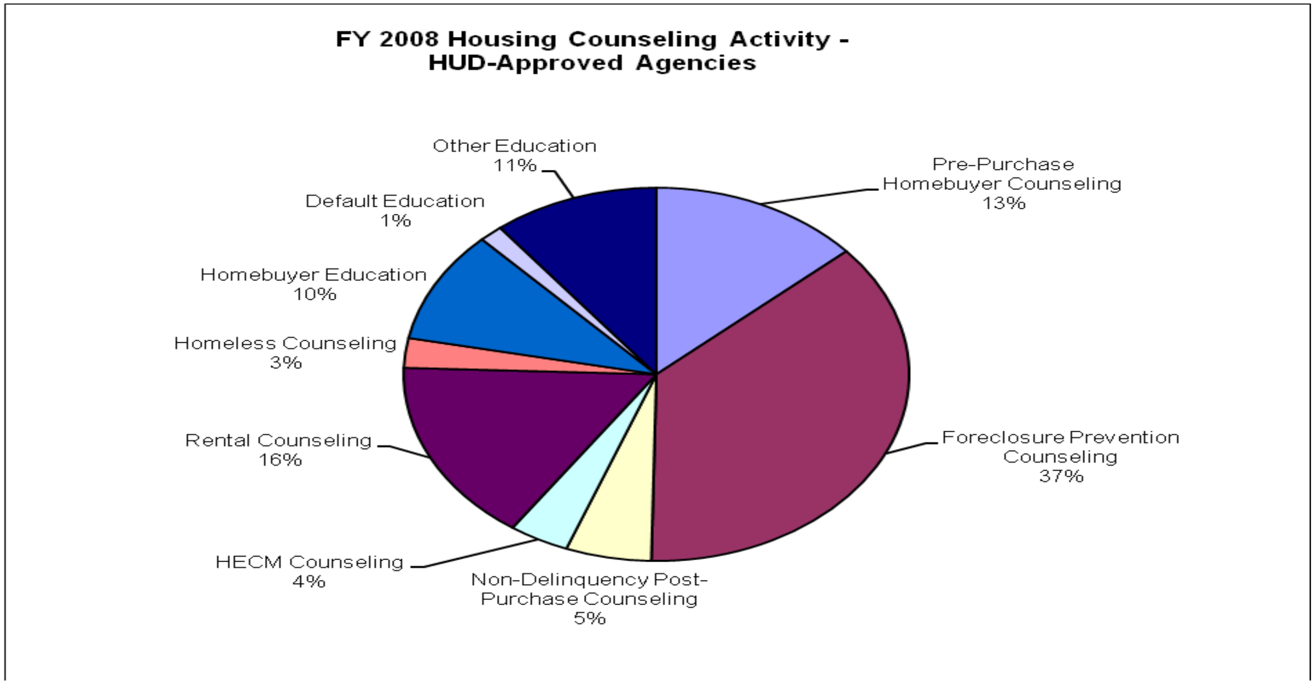
This Budget request supports innovative and aggressive efforts to educate individuals in identifying and avoiding predatory lending. Housing counseling helps ensure that individuals making the transition to homeownership are not taken advantage of by unscrupulous lenders. Many of the homeowners currently victimized by exotic subprime loans were simply unaware of less expensive and safer options, such as FHA insured mortgages, for which they could qualify. Inadequate funding of the program could result in homebuyers continuing to make suboptimal choices regarding financing products and options. As part of the fall-out from the crisis, it has become clear that a number of families were defrauded by some party to the real estate or home financing transaction. These people often need legal expertise, which often comes from lawyers who work in conjunction with counseling agencies. The HUD network today includes some agencies who specialize in this type of service and some that partner with Legal Aid-type organizations to assist families who have fallen prey to predatory practices.

For fiscal year 2008, pre-purchase homebuyer counseling and homebuyer education comprised approximately 14 percent and approximately 10 percent, respectively, of total activities reported by agencies participating in the program. HUD estimates that as much as $10.15 million of the proposed appropriation will be spent on pre-purchase counseling, serving approximately 41,000 households. HUD estimates that as much as $7.25 million of the proposed appropriation will be spent on homebuyer education, serving approximately 104,000 households. Of these totals, approximately 68,000 of the households assisted will be minorities. In 2008, 47 percent of all households counseled were minorities.

Rental counseling is also critical during the current foreclosure crisis. Many households are transitioning from homeownership to the rental market, or are being forced to find new rental housing. Given the depth of the economic crisis, many families simply will not be in a position to retain homeownership. The foreclosure crisis is also affecting many landlords, so with increasing frequency tenants are finding themselves being forced to move and locate new rental housing. Those who have been affected by poor economic conditions, who have suffered job losses, and whose source of income is no longer sufficient to make even minimal mortgage payments will need alternative housing. Therefore, the larger Housing Plan must address this broader problem and offer solutions that will help families transition gracefully from one type of housing arrangement to another. A clear socioeconomic objective will be to keep families in their communities, where they have access to social support networks, health care, jobs, and where their children attend school. One of the best forms of assistance that could bolster any other government programs and efforts designed to address this larger social goal is rental counseling. Housing counselors traditionally provide housing “search” services, helping families find and access affordable rental housing and or rental assistance. This type of service will continue to be critical and must be funded.

For fiscal year 2008, rental counseling comprised approximately 16 percent of total activities reported by agencies participating in the program. HUD estimates that as much as $11.6 million of the proposed appropriation will be spent on rental counseling, serving approximately 58,000 households.

The following chart demonstrates the prominent role that pre-purchases, rental and other forms of counseling and education play in the Program:



<u>Demand for Housing Counseling At All-Time High</u>

The demand for housing counseling services is at an all-time high, due in large part to the state of the economy and housing market. Moreover, counseling services are also increasingly being required for Federal, State and local assistance. For example, both the Neighborhood Stabilization program (NSP) and Making Home Affordable Program (MHA), two major pieces of President Obama’s strategy to address the housing crisis and the economic downturn, contain housing counseling requirements. Counseling is also statutorily required for FHA’s Home Equity Conversion Mortgage (HECM). Many state and local governments require homebuyer education and/or counseling for recipients of downpayment assistance, for example through the HOME Investment Partnerships program.

Support FHA

The proposed budget will strongly support the FHA, which is experiencing a surge in business, due to the overall contraction in the mortgage market. Housing counseling plays a critical role by helping borrowers learn about the benefits, including low costs and safety, of 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 will also help ensure the successful performance of FHA-insured loans, once again a major portion of the U.S. mortgage market, and help ensure the long term health of the FHA insurance funds. Housing counseling assistance is also particularly critical as FHA's Home Equity Conversion Mortgage (HECM) becomes increasing popular for seniors interested in access to equity for health care needs, home repairs, and other emergencies. HECMs are also a significant foreclosure prevention tool for seniors that have experienced drastic and unexpected losses in retirement savings. One of the best forms of foreclosure prevention available to seniors who are struggling to make their mortgage payments is to pay off an existing lien against the property with a reverse mortgage. To be eligible for FHA's Home Equity Conversion Mortgage (HECM), borrowers are required by statute to complete reverse mortgage counseling.

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

Budget Activity	2008 Budget Authority	2007 Carryover Into 2008	2008 Total Resources	2008 Obligations	2009 Budget Authority/ Request	2008 Carryover Into 2009	2009 Total Resources	2010 Request
New Appropriation	...	...	...	...	$65,000	...	$65,000	$100,000
Total	...	...	...	...	65,000	...	65,000	100,000

FTE	2008 Actual	2009 Estimate	2010 Estimate
Headquarters	9	9	9
Field	89	97	97
Total	98	106	106

HOUSING
HOUSING COUNSELING ASSISTANCE
Program Offsets
(Dollars in Thousands)

New Appropriation	Amount
2008 Appropriation	...
2009 Appropriation/Request	$65,000
2010 Request	100,000
Program Improvements/Offsets	+35,000

Proposed Actions

Housing Counseling Grants

The great majority of the fiscal year 2010 requested funds, $89.5 million, are expected to be distributed competitively 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 2009, approximately $47 million of fiscal year 2008 appropriations was awarded to approximately 400 groups nationally, including 21 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.

Housing Counseling Activities	**Estimated Distribution** (in millions)
Pre-Purchase Homebuying	$10.2
Foreclosure Prevention	$28.3
Non-delinquency Post-Purchase	$ 3.6
HECM	$15.0
Rental	$11.6
Homeless	$ 2.1
Homebuyers	$ 7.3
Default	$ 1.5
Other Education	$ 7.9
Loan Document Review	$ 2.0
TOTAL	**$89.5**

Multi-year Awarding of Funding

As in fiscal year 2009, the Housing Counseling Assistance program wants to continue its authority to award fiscal year 2010 funds as multi year awards to high-performing agencies, based on availability of sufficient funds from future appropriations. Of the $100 million requested for fiscal year 2010, up to 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 2011 appropriations, but would be awarded in accordance with the competitive requirements of the fiscal year 2010 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 2010 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.

Reverse Mortgage Counseling

Approximately $15 million of the $89.5 million being competed for direct counseling provision will be used to support reverse mortgage counseling. Reverse mortgages, like FHA'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 $15 million for reverse mortgage counseling is necessary in order to ensure that a sufficient supply of reverse mortgage counseling is available to meet that statutory requirement. During fiscal year 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, and leave them vulnerable to predatory lenders, annuity sales pitches, and other aggressive guidance that may not be in their best interest.

One of the best forms of foreclosure prevention available to seniors who are struggling to make their mortgage payments is to pay off an existing lien against the property with a reverse mortgage. Because the reverse mortgage product does not require lenders to credit qualify the borrowers, seniors with little income and/or poor credit scores (due to missed mortgage payments) would still be eligible. More importantly, the reverse mortgage requires no repayment until the borrower leaves the home. AARP has been advocating and promoting the use of reverse mortgages to assist seniors in need as well. While HECM counseling services are mandated by law, funding for reverse mortgage counseling has always been inadequate.

With the rapid decline in the stock market, older Americans are becoming increasingly desperate as they look for income sources to support them in their retirement years. Consequently, the demand for HECM loans is rising dramatically. In fiscal year 2003, nationwide HECM endorsements totaled slightly over 18,000 loans. In fiscal year 2008, HECM endorsements reached over 112,000 loans. For fiscal year 2010, HUD estimates over 121,000 HECM endorsements will occur. Several legislative changes to the HECM program will increase the demand for reverse mortgages. For example, in 2009, the national loan limit for HECMs was raised from $362,790 to $625,500, making a HECM practical for a larger portion of the population, including high cost areas. Additionally, HERA contained a HECM for Purchase provision, new authority allowing seniors to purchase a home and obtain a HECM loan in a single transaction. These changes will increase the demand for reverse mortgages.

Based on current trends the total cost of HECM counseling nationwide could exceed $30 million in fiscal year 2011. This Budget requests only a portion of that projected total, with the anticipated balance to be paid with fees charged to consumers. Notably, HERA also prohibited all lender funding of reverse mortgage counseling, eliminating a primary source of funding for this required counseling.

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 $8 million of the proposed budget will support this competitive training initiative, making quality training accessible and affordable to the 7,100 counselors from the approximately 2,600 HUD-approved agencies. This budget request represents a $3 million increase in the training budget as compared to the fiscal year 2009 request. This increase is justified by the necessity to ensure that counselors are prepared to deliver the high quality and sophisticated counseling services, such as default and HECM counseling, demanded nationwide. Also justifying this increase in training funds is the requirement in the Housing and Economic Recovery Act (HERA) of 2008 that all HECM counselors meet qualification standards. To meet this requirement, HUD is publishing a HECM counseling roster rule which will require all reverse mortgage counselors in the program to pass an exam every 3 years, and demonstrate the receipt of ongoing training. This investment in training will help ensure that the reverse mortgage counseling services available through the Program are provided by knowledgeable and skilled counselors that are trained to provide high quality services that help protect the interests of elderly households. Moreover, the loan document review role for counselors proposed in this justification is not currently widely performed by housing counselors in the Program. To add this service to pre-purchase and/or foreclosure prevention counseling, counselors would need extensive training to learn how to carefully examine loan documentation and identify potential indicators of mortgage fraud and fair lending abuse. The Department would contract with, or grant to, a qualified entity or entities to provide this necessary training, and make it affordable (preferably free) and accessible to housing counselors.

Contract Expenses

The fiscal year 2009 Appropriations Act allows up to $2 million of the funds appropriated for administrative contract services. The fiscal year 2010 Budget requests $2.5 million for administrative contract services, which 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, and improve the quality and impact of counseling services. Currently, the appropriations language permits the direct provision of counseling services and training. Without broader contract authority, HUD has limited flexibility to creatively address, through the Housing Counseling Assistance program, critical and timely issues facing the nation, such as mortgage fraud and fair lending abuse. Contract authority and funding would allow timely production of items, such as revised handbooks, as well as innovative activities, such as: expert mortgage fraud and fair lending analysis; developing standards for internet and other forms of counseling; targeted marketing and outreach, for example to disaster victims; and supporting Presidential initiatives such as the Making Home Affordable program. For example, proposed contract authority could be used to procure expert mortgage abuse and fair lending analysis and follow-up services, providing counselors in the program with a centralized place to refer suspected cases of mortgage fraud and fair lending abuse, a centralized place to find information, training and technical assistance regarding mortgage fraud and fair lending abuse, and the resources to have experts thoroughly investigate those cases.

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		**2008 Plan**	**2008 Actual**	**2009 Plan**	**2010 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.	71.4 percent.	At least 70 percent.	At least 70 percent.
At least 40 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.	45.5 percent.	At least 40 percent.	At least 40 percent.
Minority clients are at least 45 percent of total clients receiving housing counseling.	Housing Counseling Agency FY Activity Reports (HUD 9902)	At least 50 percent.	45.7 percent	At least 45 percent.	At least 45 percent.
More than 90 percent of total mortgagors seeking help with resolving or preventing mortgage delinquency, completing counseling, and for whom an outcome is known, will successfully avoid foreclosure.	Housing Counseling Agency FY Activity Reports (HUD 9902)	More than 80 percent.	96.6 percent	More than 90 percent.	More than 90 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 2010 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. In fiscal year 2008, more than 71 percent of clients receiving rental or homeless counseling will have either found suitable housing or received social service assistance to improve their housing situation.

At least 40 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 2010 goal is to ensure that at least 40 percent of clients receiving pre-purchase counseling achieve the outcome goal of purchasing a home or becoming mortgage-ready within 90 days. In fiscal year 2008, 45.5 percent of clients receiving pre-purchase counseling from HUD-approved agencies purchased a home or became mortgage-ready within 90 days. 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 45 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. The fiscal year 2010 goal is to ensure that minority clients are at least 45 percent of total clients receiving HUD-funded housing counseling. In fiscal year 2008, 45.7 percent of all clients receiving counseling from HUD-approved housing counseling agencies were minorities. HUD expects to improve this figure through incentives in the Notice of Funding Availability for outreach by counseling agencies targeting minority communities.

More than 90 percent of total mortgagors seeking help with resolving or preventing mortgage delinquency completing counseling and for whom outcome is known, 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 2010 goal is to ensure that more than 90 percent of total mortgagors seeking help with resolving or preventing mortgage delinquencies, who complete counseling and for whom an outcome is known, successfully avoid foreclosure. In fiscal year 2008, 96.6 percent of total mortgagors seeking help with resolving or preventing mortgage delinquency, and who completed counseling and for whom an outcome is known, successfully avoided foreclosure.

HOUSING
HOUSING COUNSELING ASSISTANCE
Proposed Appropriations Language

The 2010 President's budget includes proposed appropriations language listed and explained below. New language is italicized and underlined.

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] *$100,000,000*, including up to [$2,000,000] *$2,500,000* for administrative contract services, to remain available until September 30, [2010]*2011*: *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. *(Department of Housing and Urban Development Appropriations Act, 2009)*

Explanation of Proposal

Authority is proposed to make available up to $2,500,000 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 2008 Availability
(Dollars in Thousands)

Budget Activity	2008 Enacted	Supplemental/ Rescission	Approved Reprogrammings	Transfers	Carryover	Total 2008 Resources
New Appropriation	...	...	...	...	...	...
Total	...	...	...	...	...	...

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
HOUSING COUNSELING ASSISTANCE
Crosswalk of 2009 Availability
(Dollars in Thousands)

Budget Activity	2009 President's Budget Request	Congressional Appropriations Action on 2009 Request	2009 Supplemental/ Rescission	Reprogrammings	Carryover	Total 2009 Resources
New Appropriation	$65,000	$65,000	...	...	...	$65,000
Total	65,000	65,000	...	...	...	65,000

HOUSING
MANUFACTURED HOUSING STANDARDS PROGRAM
2010 Summary Statement and Initiatives
(Dollars in Thousands)

MANUFACTURED HOUSING STANDARDS PROGRAM	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2008 Appropriation	$5,707	$3,322	...	$9,029	$6,564	$6,671
2009 Appropriation/Request	16,000	2,465	...	18,465	15,400	16,000
2010 Request	16,000	3,065	...	19,065	16,000	16,000
Program Improvements/Offsets	...	+600	...	+600	+600	...

NOTE: In fiscal year 2008, $16 million was appropriated, however, due to decreased industry production and the program's budgetary inability to implement the new installation and dispute resolution programs, only $5.7 million in fees were collected and available (plus carryover) to fund the program. The fiscal year 2008 carryover includes $115 thousand of actual recaptures.

Summary Statement

The budget proposes $16 million for Manufactured Housing for fiscal year 2010. Prior to fiscal year 2009, the program office was funded solely by certification label fees collected from manufacturers for each transportable unit of manufactured housing produced. Due to both severe annual declines in industry production since 2000 and new statutory responsibilities for installation and dispute resolution, Congress provided a first-time direct appropriation of $5.4 million in fiscal year 2009 to help the program meet its $16 million appropriation. While industry production is expected to reach historically low levels in fiscal year 2010, the program office's responsibilities for manufactured home construction and safety, installation and dispute resolution will remain unchanged. Therefore, the program office is requesting a direct appropriation of $9 million to supplement projected HUD certification label fees of approximately $4 million. The request is based on an increase of the per unit label fee from $39 to approximately $49 for each transportable unit in order to raise approximately $4 million at projected rates of production. The request of $7 million also includes $3 million in user fee income collected from the dispute resolution and installation programs.

This combined budget of direct appropriations, certification label fees and user fees will allow the program office to administer the construction and safety, installation and dispute resolution programs, and will moderate the increase in the label fee necessitated by reduced production rates. The Budget will also support the transformation of the program office's enforcement approach from one based on inspection for defects to one based on the elimination of defects through quality control.

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. There are approximately 8 million manufactured homes in the United States. In 2008, over 82,000 homes were produced on over 160 production lines throughout the United States. The Federal Manufactured Housing Program is responsible for maintaining a library of designs of all manufactured homes built in the past 35 years and still in use, along with the oversight of the design and construction of all manufactured housing (mobile homes) in the United States. The program is also responsible for regulating manufactured housing installation in the 17 states that have no installation program, estimated to be over 8,000 homes in primarily rural states. The program also provides dispute resolution services in the 23 states that have no dispute resolution program. These are both rural and densely populated states with over 26,000 homes. The program is administered from the Department's Headquarters with no Field Office staff support. The requested fiscal year 2010 Budget will allow the program office to continue monitoring the performance of manufacturers through oversight of the 16 primary inspection agencies and 38 state administrative agencies. The funds will also allow the program office to continue the transformation of its enforcement efforts to emphasize quality control as the best way to eliminate defects and imminent safety hazards in manufactured housing. With the responsibility to ensure that manufacturers and their in plant inspection agencies are producing code-compliant homes, HUD's enforcement must become more cost-efficient and effective.

Installation and Dispute Resolution

The combination of the direct appropriation and the proposed 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 ensuring the inspection of over 8,000 manufactured home installations annually, but also the training and licensing of over 2,000 installers in the 17 HUD-administered states. The program must also maintain a Federal dispute resolution program in the 23 states that have no such programs. For Installation the funding will allow the program to ensure that installers in the 17 HUD-administered states only operate after demonstrating they have received the required levels of training and HUD certification. Fair and efficient enforcement action will allow the program to identify and take action against non-complying installers or installers shown to provide a non-complying installation service or system. The appropriation will allow the program to carry out enforcement action that will identify non-complying installers and poor installations, and take actions as allowed by the federal regulations. 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 2010 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 combination of the direct appropriation and 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 severe reduction in 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	2008 Budget Authority	2007 Carryover Into 2008	2008 Total Resources	2008 Obligations	2009 Budget Authority/ Request	2008 Carryover Into 2009	2009 Total Resources	2010 Request
Fees	$5,707	$3,322	$9,029	$6,564	$16,000	$2,465	$18,465	$16,000
Total	5,707	3,322	9,029	6,564	16,000	2,465	18,465	16,000

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

FTE	2008 Actual	2009 Estimate	2010 Estimate
Headquarters	10	12	12
Field	...	...	...
Total	10	12	12

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

Fees	**Amount**
2008 Appropriation	$5,707
2009 Appropriation/Request	16,000
2010 Request	16,000
Program Improvements/Offsets	...

In fiscal year 2008, $16 million was appropriated however, only $5.7 million in fees were collected.

Proposed Actions

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 the 17 states that have no installation program, as well as for a dispute resolution program the 23 states that have no dispute resolution program.

The Appropriation is intended to: (1) cover the contractual costs of the program, required for the program to carry out the multiple oversight and enforcement aspects of the program; (2) make the required payments to the States to offset the states' 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 contractual services and HUD staffing are sufficient for proper program administration and enforcement of standards.

The 2010 budget estimates currently projects label fee income of only about $4.0 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 2010 Budget therefore requests a direct appropriation of $9.0 million to carry out the Department's current responsibilities to administer the new dispute resolution and installation standard programs and to mitigate what would need to be the tripling of the label fee to meet the $16 million appropriation.

To carry out the multiple oversight and enforcement aspects of the manufactured housing program, 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 the design review and construction quality control, 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. Establishment of Construction and Safety, and Installation Standards. 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. Compliance with the Construction and Safety Standards. 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. Enforcement of Non-compliance with Construction and Safety Standards. 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. Establishment and Enforcement of Installation Standards. 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. Dispute Resolution Program. 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.

Manufactured Housing Consensus Committee (MHCC). 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 program has the non-discretionary responsibility to distribute a fixed portion of the income received from certification labels to the 38 state administrative agencies. The program also has the non-discretionary responsibility to pay staff salaries and expenses. Taken together, these two financial responsibilities are projected to account for approximately 33 percent, or $5.3 million, of the fiscal year 2010 Budget.

Manufactured Housing Consensus Committee (MHCC) Support Contract. The program uses both staff resources and contract services to support the MHCC. The Act established the MHCC to recommend new and revised program standards and regulations. The MHCC must meet periodically carry out its statutory responsibilities. This is primarily accomplished through a contract with an Administering Organization (AO). The AO's contract activities are projected to cost approximately $200,000 during fiscal year 2010.

Construction and Safety Support Contract. The program uses both staff resources and contract services to monitor the performance of 17 approved primary inspection agencies and 38 approved state administrative agencies. This contractor also maintains a design library and distributes HUD certification labels. These contract activities are projected to account for approximately 20 percent, or $3.15 million, of the fiscal year 2010 Budget.

Installation and Dispute Resolution Support Contracts. The program uses both staff resources and contract services to administer its responsibilities for installation and dispute resolution. The installation contract procures services necessary to oversee the installation program in those states for which HUD is responsible. The dispute resolution contract procures the services of an alternative dispute provider in those states for which HUD is responsible. These contract activities are projected to account for approximately 40 percent, or $6.35 million, of the fiscal year 2010 Budget and other contracts total $1 million.

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**	
		2008 Plan	**2008 Actual**	**2009 Plan**	**2010 Plan**
By September 30, 2010, 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 2010 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]*$7,000,000* 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 [2009] *2010* so as to result in a final fiscal year [2009] *2010* appropriation from the general fund estimated at not more than [$5,400,000] *$9,000,000* and fees pursuant to such section 620 shall be modified as necessary to ensure such a final fiscal year [2009] *2010* 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, 2009)

Explanation

The proposed language proposes a new direct appropriation of $9.0 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 2008 Availability
(Dollars in Thousands)

Budget Activity	2008 Enacted	Supplemental/ Rescission	Approved Reprogrammings	Transfers	Carryover	Total 2008 Resources
Fees	$5,707[a]	...	...	...	$3,322	$9,029
Total	5,707	...	...	...	3,322	9,029

a/ In fiscal year 2008, $16 million was appropriated however, only $5.7 million in fees were collected.

HOUSING
MANUFACTURED HOUSING STANDARDS PROGRAM
Crosswalk of 2009 Changes
(Dollars in Thousands)

Budget Activity	2009 President's Budget Request	Congressional Appropriations Action on 2009 Request	2009 Supplemental/ Rescission	Reprogrammings	Carryover	Total 2009 Resources
Fees	$16,000	$16,000	...	...	$2,465	$18,465
Total	16,000	16,000	...	...	2,465	18,465

HOUSING
INTERSTATE LAND SALES AND REAL ESTATE SETTLEMENT PROCEDURES ACT (RESPA)
2010 Summary Statement and Initiatives
(Dollars in Thousands)

INTERSTATE LAND SALES	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2008 Appropriation	$577	...	...	$577	$577	$650
2009 Appropriation/Request	540	...	...	540	540	540
2010 Request	540	...	...	540	540	540
Program Improvements/Offsets	...	...	...	...	...	...

Summary Statement

For fiscal year 2010, the Budget reflects $540 thousand of estimated revenue from filing fees and other charges under the Interstate Land Sales Full Disclosure Act. Fees paid to the Department's salaries and expenses account under a permanent indefinite appropriation partially defray administrative costs. These fees are collected from developers who file subdivision plans, as well as developers who request Advisory Opinions and Exemption Orders.

The goal of the Interstate Land Sales (ILS) program is to protect all consumers from fraud and abuse in the sale or lease of land through a statute which is patterned after the Securities Law of 1933 and requires land developers to register subdivisions of 100 or more non-exempt lots with the Department of Housing and Urban Development (HUD). Developers also provide each purchaser with a disclosure document called a Property Report. The Property Report contains information about the subdivision and must be delivered to each purchaser before the signing of the contract or agreement. Typically, 20,000 lots are registered on an annual basis.

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 statute prohibits fraudulent sales practices. For example, it prohibits such abusive practices as those involved in development of Colonias, which the ILS office investigated. Developers on the Mexican-Americans border targeted many people who spoke little English. Purportedly, although sales pitches were made to these purchasers in Spanish, all documents were written in English, which violates HUD's regulations.

In addition to Administration of Interstate land Sales, the Department is responsible for the Real Estate Settlement Procedures Act (RESPA) which is also a consumer protection statute. The program cost is funded with appropriations under the Salaries and Expenses account, and both consumer protection activities are reflected in the accompanying FTE data.

The Office also plays an important role in the Departmentwide fraud prevention initiative, as it exercises the regulatory enforcement authorities in the Real Estate Settlement Procedures Act (RESPA) and the Secure and Fair Enforcement Mortgage Licensing Act (SAFE Act). The office will enforce RESPA's disclosure requirements to protect real estate consumers from fraud and abuse. The Office will also enforce the SAFE Act's mortgage originator licensing requirements to protect mortgage consumers from fraud and abuse. In addition, the Office will provide comprehensive training on both statutes to state regulators, consumer advocacy groups and regulated industries. (See Combating Abusive and Fraudulent Mortgage Practices Initiative and Transformation Initiative Fund justifications for a more detailed description of this program.)

Interstate Land Sales and Real Estate Settlement Procedures Act (RESPA)

RESPA is a consumer protection statute enacted in 1974. RESPA's goal is to protect consumers in the home buying and mortgage settlement process by mandating several consumer disclosures and prohibiting certain practices which would increase consumers' costs, such as payment of kickbacks. RESPA covers virtually all residential real estate transactions in the United States, or approximately 12 million a year. The HUD-1 Settlement Statement is the standard mortgage settlement document.

RESPA requires that lenders give borrowers a HUD-prepared booklet about the costs of the real estate transaction, settlement services, and consumer protection laws. When applying for a loan, lenders must provide borrowers a Good Faith Estimate or "GFE" of closing costs. The seller and borrower are entitled to a "HUD-1" settlement statement at closing.

In order to lower closing costs, RESPA prohibits certain abusive practices. It outlaws kickbacks, referral fees and unearned fees. Sellers may not force borrowers to purchase title insurance from specific companies. Restrictions on "Affiliated Business Arrangements" (ABAs) prohibit businesses from requiring use of their affiliates.

RESPA also covers loan servicing issues and prohibits lenders from requiring high escrow payments. RESPA requires annual escrow account statements, notifications when servicing is transferred, scheduled payment of taxes and insurance, and requires lenders to respond to borrowers on a timely basis. It also places limits on the amount that can be escrowed. Borrowers also have rights if the loan servicer makes errors in escrow accounting.

In 2008, the RESPA office responded to over 6,600 inquiries per year. Through these responses, staff counsel consumers and industry professionals on RESPA compliance issues. This assures that consumers receive proper disclosures. In conjunction with staff educational presentations to industry professionals and investigations of kickback violations, these efforts also hold down mortgage and settlement costs for all consumers. Further, investigations by compliance professionals result in recoveries to consumers. Staff also investigate servicer errors, which result in direct "consumer redress"--correction in loan accounts and payments to consumers.

The Office anticipates 7,000 inquiries and complaints in 2010. Full Time Equivalent costs (FTEs) are discussed separately.

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

Budget Activity	2008 Budget Authority	2007 Carryover Into 2008	2008 Total Resources	2008 Obligations	2009 Budget Authority/ Request	2008 Carryover Into 2009	2009 Total Resources	2010 Request
Fees	$577	...	$577	$540	$540	...	$540	$540
Total	577	...	577	540	540	...	540	540

FTE	2008 Actual	2009 Estimate	2010 Estimate
Headquarters	30	35	36
Field	...	...	...
Total	30	35	36

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

Fees	Amount
2008 Appropriation	$577
2009 Appropriation/Request	540
2010 Request	540
Program Improvements/Offsets	...

Proposed Actions

There are three major management challenges. Half of the ILS staff is eligible for retirement. If the staff retires, institutional memory vanishes, and program knowledge disappears. New staff to manage transition is essential. Further, the current case management system has three different databases which do not integrate, and it is primarily a paper based system. These documents must be retained by the Interstate Land Sales office as long as the subdivisions remain active and for seven years after the registration has been suspended. The Office is requesting Transformation Initiative (see separate Transformative Initiative justification) funds to have documents converted from paper to portable document format (PDF), which could reduce the response time of the staff to consumer inquiries from ten days to one. RESPA management faces several challenges. A primary challenge is a deficient case management database system. The RESPA office is requesting Transformation Initiative funding to re-platform the system, as described below. Further, program filing fees have not increased to cover the costs associated with program administration.

The Department is currently educating industry professionals by explaining the new 2008 RESPA disclosure regulations that make it easier for consumers to comparison shop for mortgages and settlement costs. The new rules support the Department's goal of increasing homeownership opportunities while assuring that consumers make informed decisions and that homeownership is sustainable.

This rule affects virtually all home purchase loans, refinancings, reverse mortgages and property improvement loans—typically 12 million transactions on an annual basis. Mortgage lenders and brokers, closing agents, attorneys, and other settlement service providers are implementing or preparing to implement the new rule. As a result, the Office is currently fielding a large number of complex and detailed inquiries about the new rule. RESPA expects that these inquiries will increase in early 2010 as the January 2010 deadline for implementation approaches, and real estate professionals actually begin retooling and implementing changes. This is the first time the HUD-1 has been changed in 30 years.

The Department is also preparing a new and expanded homebuyer booklet required by RESPA to advise homebuyers of their rights under the statute and regulations, as well as providing other information to help consumers understand the nature and costs of mortgages, real estate settlement services, and sustainable homeownership. It will be issued in early 2010, and is likely to generate additional adoption questions.

Legislative proposals include initiatives to impose civil monetary penalties and deliver the HUD-1 three days in advance of settlement. Further, the Department is currently researching means to achieve a reduction in administrative expenses borne by consumer beneficiaries of RESPA settlement agreements. Currently, RESPA has no "Victims Fund" authority. In a recent settlement agreement, the Department had to seek court approval to have an outside law firm, which was compensated through settlement agreement funds, to administer a victim's compensation fund. The current practice needlessly reduced consumer benefits.

Interstate Land Sales and Real Estate Settlement Procedures Act (RESPA)

RESPA and Interstate Land Sales Transformation Initiative. The office is proposing re-platforming the current ILS and RESPA Lotus Notes case management system to transition to electronic filing of developer registrations and consumer oriented property reports, and conversion of existing paper filings to electronic records. This would facilitate meeting a goal of easier consumer access to registration and disclosure information and will increase Departmental responsiveness. These efforts will allow consumers access to this information on the web on a 24-hour basis, and will facilitate informed land purchases. The current Lotus Notes case management system does not integrate communication from the Department's e-mail system, limiting integration of RESPA investigations. Further, the ILS system has three different databases which need to be purged and integrated. Also, in response to consumer inquiries, ILS often must retrieve paper documents from offsite storage. Transitioning to electronic filing and delivery will free up staff for investigative purposes and make the process more transparent.

Interstate Land Sales. The Department is currently researching modifying the Interstate Land Sales filing fees, which may require legislative or regulatory changes.

For fiscal year 2010, the budget reflects $540 thousand of estimated revenue from filing fees and other charges under the Interstate Land Sales Full Disclosure Act. Collections are paid to the Department's Salaries and Expenses account under a permanent indefinite appropriation to partially defray administrative costs.

The goal of the Interstate Land Sales program is to protect all consumers from fraud and abuse in the sale or lease of land through a statute which is patterned after the Securities Law of 1933 and requires land developers to register subdivisions of 100 or more non-exempt lots with the Department of Housing and Urban Development (HUD). Developers also provide each purchaser with a disclosure document called a Property Report. The Property Report, and consumer friendly disclosure documents, contain information about the subdivision and must be delivered to each purchaser before the signing of the contract or agreement. Typically, 20,000 units are registered on an annual basis.

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. RESPA's goal is to protect consumers in the home buying and mortgage settlement process by mandating several consumer disclosures and prohibiting certain practices which would increase consumer's costs, such as payment of kickbacks. RESPA covers virtually all residential real estate transactions in the United States, or approximately 12 million a year. The HUD-1 Settlement Statement is the standard mortgage settlement document.

The RESPA office responds to over 6600 inquiries per year, and through this process counsels consumers and industry professionals on RESPA compliance issues. This assures that consumers receive proper disclosures. In conjunction with staff activities to educate industry professionals, and investigations of kickback violations, these efforts also hold down costs for all consumers. Further, investigations by compliance professionals result in recoveries to consumers. Staff also investigate servicer errors, which result in direct "consumer redress"--corrections in loan accounts and payments to consumers.

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**	
		2008 Plan	2008 Actual	2009 Plan	2010 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 5,578 inquiries and complaints	Respond to 3,000 inquiries and complaints	Respond to 3,000 inquiries and complaints
Respond to 2,000 inquiries, complaints, and subdivision registrations related to the Interstate Lands Sale Full Disclosure Act.	PO 30 Case Tracking System and Website Email Box	Respond to 2,000 inquiries and complaints	Responded to 7,701 inquiries and complaints	Respond to 2,000 inquiries and complaints	Respond to 2,000 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.

The office is seeking Transformation Initiative Funding of $300,000 to re-platform from an 8-year old-Lotus Notes system to the Departmental system--Sharepoint--in order to allow developers to file registrations required under the Interstate Land Sales Act electronically. This would expedite registrations, and improve consumer access to filings. The Office would also like to improve tracking of RESPA complaints and investigations in order to allow staff to identify patterns and trends in complaints and facilitate identification of consumer fraud and abuse. This would help eliminate mortgage fraud. Further, the Office is seeking $500,000 to convert offsite paper records to electronic filing to allow the Office to be more responsive to consumer inquiries and eliminate an impediment to transactions.

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

Budget Activity	2008 Enacted	Supplemental/ Rescission	Approved Reprogrammings	Transfers	Carryover	Total 2008 Resources
Fees	$577	...	...	...	...	$577
Total	577	...	...	...	...	577

HOUSING
INTERSTATE LAND SALES AND REAL ESTATE SETTLEMENT PROCEDURES ACT (RESPA)
Crosswalk of 2009 Changes
(Dollars in Thousands)

Budget Activity	2009 President's Budget Request	Congressional Appropriations Action on 2009 Request	2009 Supplemental/ Rescission	Reprogrammings	Carryover	Total 2009 Resources
Fees	$540	$540	...	...	...	$540
Total	540	540	...	...	...	540

HOUSING
FLEXIBLE SUBSIDY FUND
2010 Summary Statement and Initiatives
(Dollars in Thousands)

FLEXIBLE SUBSIDY FUND	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2008 Appropriation	...	$101,805[a]	...	$101,805	...	-$37,056
2009 Appropriation/Request	...	132,805[b]	...	132,805	...	-31,000
2010 Request	...	159,805[c]	...	159,805	...	-27,000
Program Improvements/Offsets	...	+27,000	...	+27,000	...	+4,000

a/ Includes unobligated balance of $64.6 million carried forward from fiscal year 2007 and $37.2 million of offsetting collections in fiscal year 2008.

b/ Includes unobligated balance of $101.8 million carried forward from fiscal year 2008 and $31 million of offsetting collections anticipated for fiscal year 2009.

c/ Includes unobligated balance of $132.8 million carried forward from fiscal year 2009 and $27 million of offsetting collections anticipated for fiscal year 2010.

Summary Statement

The unobligated balance remaining in this account in fiscal year 2010 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 2010.

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 2010.

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

Budget Activity	2008 Budget Authority	2007 Carryover Into 2008	2008 Total Resources	2008 Obligations	2009 Budget Authority/ Request	2008 Carryover Into 2009	2009 Total Resources	2010 Request
Flexible Subsidy	...	$101,805	$101,805	...	...	$132,805	$132,805	...
Total	...	101,805	101,805	...	...	132,805	132,805	...

2007 Carryover into 2008. The balance consists of an unobligated balance of $64.6 million carried forward from fiscal year 2007 and $37.2 million of offsetting collections in fiscal year 2008.

2008 Carryover into 2009. The balance consists of an unobligated balance of $101.8 million carried forward from fiscal year 2008 and $31 million of offsetting collections anticipated for fiscal year 2009.

FTE	2008 Actual	2009 Estimate	2010 Estimate
Headquarters	...	...	...
Field	6	6	6
Total	6	6	6

HOUSING
FLEXIBLE SUBSIDY FUND
Program Offsets
(Dollars in Thousands)

Flexible Subsidy	**Amount**
2008 Appropriation	...
2009 Appropriation/Request	...
2010 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**	
		2008 Plan	2008 Actual	2009 Plan	2010 Plan
The share of assisted and insured privately owned multifamily properties that meet HUD-established physical standards are maintained at no less than 92 percent.	Real Estate Assessment Center's Physical Assessment Subsystem	No less than 95%	93.0%	No less than 92%	No less than 92%

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 2008 Availability
(Dollars in Thousands)

Budget Activity	2008 Enacted	Supplemental/ Rescission	Approved Reprogrammings	Transfers	Carryover	Total 2008 Resources
Flexible Subsidy	...	...	...	...	$101,805[a]	$101,805
Total	...	...	...	...	101,805	101,805

Carryover. The carryover balance consists of an unobligated balance of $64.6 million carried forward from fiscal year 2007 and offsetting collections of $37.2 million in fiscal year 2008.

HOUSING
FLEXIBLE SUBSIDY FUND
Crosswalk of 2009 Changes
(Dollars in Thousands)

Budget Activity	2009 President's Budget Request	Congressional Appropriations Action on 2009 Request	2009 Supplemental/ Rescission	Reprogrammings	Carryover	Total 2009 Resources
Flexible Subsidy	...	...	...	...	$132,805[b]	$132,805
Total	...	...	...	...	132,805	132,805

Carryover. The carryover balance consists of the $101.8 million of unobligated balances from fiscal year 2008 carried forward into fiscal year 2009 and $31 million of offsetting collections anticipated for fiscal year 2009.

HOUSING
HOUSING PAYMENTS
SUMMARY OF ASSISTED UNITS AND OUTLAYS
2010 Summary Statement and Initiatives

PROGRAM HIGHLIGHTS

	ACTUAL 2008	CURRENT ESTIMATE 2009	ESTIMATE 2010	INCREASE + DECREASE – 2010 vs. 2009
		(Dollars in Thousands)		
Units Eligible for Payment, End of Fiscal Year a/	4,745,366	4,812,605	4,797,114	-15,491
Budget Outlays................................	29,275,602	30,087,372	33,097,378	+3,010,006

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 2009 and 2010.

Summary Statement

2010 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 2008	ESTIMATE 2009	ESTIMATE 2010
Section 8:			
Tenant-Based Assistance a/....................	$2,067,922	$2,131,803	$2,165,729
Project-Based Assistance......................	1,285,331	1,311,282	1,308,948
	3,353,253	3,443,085	3,474,677
Section 202 and Section 811:			
Housing for the Elderly (Section 202).....	99,221	106,134	113,530
Housing for Persons with Disabilities (811)	28,014	29,991	32,078
Tenant-Based (Section 811)	14,811	14,811	14,811
Subtotal, Section 202 and Section 811.....	142,046	150,936	160,419
Rent Supplement..............................	13,904	12,904	11,904
Section 235:			
Original....................................	4,284	3,898	3,170
Revised.....................................	18	38	22
Total, Section 235........................	4,302	3,936	3,192
Section 236..................................	280,636	259,642	238,755
Public Housing b/............................	1,140,294	1,131,171	1,097,236
Total Units Under Payment.....................	4,934,435	5,001,674	4,986,183
Less: "Piggy Back" Subsidies c/.............	-189,069	-189,069	-189,069
Total (Net) Units Under Payment...........	4,745,366	4,812,605	4,797,114

a/ This reflects the actual vouchers in use according to Voucher Management System data as of December 2008, and the Department's projections for end of year leasing in 2009 and 2010.
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 2008	ESTIMATE 2009	ESTIMATE 2010
		(Dollars in Thousands)	
Section 8 a/	24,467,370	25,194,000	27,136,000
Section 202 and Section 811			
Housing for the Elderly (Section 202)	1,008,028	973,141	840,000
Housing for Persons with Disabilities (811)	320,926	292,437	275,000
Subtotal, Section 202 and Section 811	1,328,954	1,265,578	1,115,000
Rent Supplement	50,579	50,579	50,579
Section 235:			
Original	2,544	1,499	832
Revised	941	941	941
Total, Section 235	3,485	2,440	1,773
Section 236	524,465	530,000	537,281
College Housing	5,745	5,745	5,745
Public Housing b/	2,895,004	3,039,000	4,251,000
Total	29,275,602	30,087,342	33,097,378

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

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

HOUSING
RENT SUPPLEMENT PROGRAM
2010 Summary Statement and Initiatives
(Dollars in Thousands)

RENT SUPPLEMENT PROGRAM	**Enacted/ Request**	**Carryover**	**Supplemental/ Rescission**	**Total Resources**	**Obligations**	**Outlays**
2008 Appropriation	$8,300[a]	$107,855[b]	...	$116,155	$11,488	$50,579
2009 Appropriation/Request	8,300[c]	134,666[d]	...	142,966	14,118	50,579
2010 Request	9,000[e]	158,848[f]	...	167,848	9,000	50,579
Program Improvements/Offsets	+700	+24,182	...	+24,882	-5,118	...

a/ Included in the total of $27.6 million appropriated for contract amendments, pursuant to the fiscal year 2008 Consolidated Appropriations Act (P.L. 110-161);there remains a balance of $19.3 million is in the separate Rental Housing Assistance program.
b/ Includes $75.9 million of carryover from fiscal year 2007 and $31.9 million of recaptures in fiscal year 2008.
c/ Part of the total $27.6 million in the Omnibus Appropriation Act, 2009 (P.L. 111-8). The balance of the appropriation ($19.3 million) is in the Rental Housing Assistance program.
d/ Includes carryover of $104.6 million from fiscal year 2008 into fiscal year 2009 and $30 million anticipated recaptures in fiscal year 2009.
e/ Included in the total request of $40 million for contract amendments; the remaining $31 million is in the separate Rental Housing Assistance program.
f/ Includes carryover of $128.8 million from fiscal year 2009 into fiscal year 2010 and $30 million anticipated recaptures in fiscal year 2010.

Summary Statement

HUD requests $9.0 million to provide Amendments to State-aided Rent Supplement projects in fiscal year 2010. Amendment requirements under the Section 236 RAP Program are also funded under the Other Assisted Housing heading. The total budget request under the Other Assisted Housing heading is $40 million, including $9.0 million for Rent Supplement and $31 million for Section 236 RAP.

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 271 active Rent Supplement contracts with 13,683 rent supplement units remaining in HUD’s inventory as of March 2009. Most of these are associated with non-insured State-aided Section 236 projects.

Since 1983, these amendments were supported with funding under the 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.

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

Budget Activity	2008 Budget Authority	2007 Carryover Into 2008	2008 Total Resources	2008 Obligations	2009 Budget Authority/ Request	2008 Carryover Into 2009	2009 Total Resources	2010 Request
Amendments to State								
Agency RS Contracts ..	$8,300	$107,855	$116,155	$11,488	$8,300	$134,666	$142,966	$9,000
Total	8,300	107,855	116,155	11,488	8,300	134,666	142,966	9,000

2008 Budget Authority. It is part of a total of $27.6 million appropriated for contract amendments, pursuant to the Consolidated Appropriations Act, 2008 (P.L. 110-161). The balance ($19.3 million) is in the Rental Housing Assistance Program.

2007 Carryover Into 2008. Includes $75.9 million of carryover from fiscal year 2007 and $31.9 million of recaptures in fiscal year 2008.

2009 Budget Authority. It is part of a total of $27.6 million appropriated for contract amendments, pursuant to the Omnibus Appropriations Act, 2009 (P.L.111-8). The balance ($19.3 million) is in the Rental Housing Assistance Program. The Budget proposes a total of $37.6 million in cancellations. It is anticipated that these will be contributed by the Section 236 program.

2008 Carryover into 2009. Includes carryover of $104.6 million from fiscal year 2008 and $30 of million anticipated recaptures in 2009.

2010 Request. $9.0 million of total request of $40 million anticipated for Rent Supplement amendment requirements.

FTE	2008 Actual	2009 Estimate	2010 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**
2008 Appropriation	$8,300
2009 Appropriation/Request	8,300
2010 Request	9,000
Program Improvements/Offsets	+700

2008 Appropriation. Reflects amounts made available pursuant to the Consolidated Appropriations Act, 2008 (P.L. 110-161). There were no rescissions applied to Rent Supplement balances in 2008. The full $37.6 million rescission requirement was accommodated in the Section 236 RAP program.

2009 Appropriation. $8.3 million of the $27.6 million provided by the Omnibus Appropriation Act, 2009 (P.L.111-8) is anticipated for amendment needs. An additional $5.8 million of carryovers will also be available for 2009 requirements.

2010 Request. $9.0 million for Amendment activity for Rent Supplement is requested.

Proposed Actions. $9.0 million for amendments to State-aided Rent Supplement contracts.

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**	
		2008 Plan	2008 Actual	2009 Plan	2010 Plan
The share of assisted and insured privately owned multifamily properties that meet HUD-established physical standards are maintained at no less than 92 percent.	Real Estate Assessment Center's Physical Assessment Subsystem	No less than 95%	95%	No less than 92%	No less than 92%

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
RENT SUPPLEMENT PROGRAM
Justification of Proposed Changes in Appropriations Language

The fiscal year 2010 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***]** *<u>$40,000,000</u>, to remain available until expended. (Department of Housing and Urban Development Appropriations Act, 2009.)*

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

Of the amounts recaptured from terminated contracts under section 101 of the Housing and Urban Development Act of 1965 (12 U.S.C. 1701s) and section 236 of the National Housing Act (12 U.S.C. 1715z-1) **[**$37,600,000**]** <u>$27,600,000</u> are **[**rescinded**]** *<u>hereby permanently cancelled</u>*: *Provided, That no amounts may be cancelled from amounts that were designated by the Congress as an emergency requirement pursuant to the Concurrent Resolution on the Budget or the Balanced Budget and Emergency Deficit Control Act of 1985, as amended. (Department of Housing and Urban Development Appropriations Act, 2009.)*

<u>Explanation of Changes</u>

This language includes amendment funding for both the Rent Supplement ($9.0 million) and the Rental Housing Assistance Payment ($31.0 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.

HOUSING
RENT SUPPLEMENT PROGRAM
Crosswalk of 2008 Availability
(Dollars in 8housands)

Budget Activity	2008 Enacted	Supplemental/ Rescission	Approved Reprogrammings	Transfers	Carryover	Total 2008 Resources
Amendments to State Agency RS						
Contracts	$8,300	...	...	...	$107,855	$116,155
Total	8,300	...	...	...	107,855	116,155

HOUSING
RENT SUPPLEMENT PROGRAM
Crosswalk of 2009 Changes
(Dollars in Thousands)

Budget Activity	2009 President's Budget Request	Congressional Appropriations Action on 2009 Request	2009 Supplemental/ Rescission	Reprogrammings	Carryover	Total 2009 Resources
Amendments to State Agency RS Contracts	$8,300	$8,300	...	...	$134,666	$142,966
Total	8,300	8,300	...	...	134,666	142,966

HOUSING
RENTAL HOUSING ASSISTANCE PROGRAM (SECTION 236)
2010 Summary Statement and Initiatives
(Dollars in Thousands)

RENTAL HOUSING ASSISTANCE PROGRAM (SECTION 236)	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2008 Appropriation	$19,300[a]	$561,048[b]	-$78,874[c]	$501,474	$34,758	$524,465
2009 Appropriation/Request	19,300[d]	504,316[e]	-37,600[f]	486,016	21,719	530,000
2010 Request	31,000[g]	491,896[h]	-27,600[i]	495,296	31,000	537,281
Program Improvements/Offsets	+11,700	-12,420	+10,000	+9,280	+9,281	+7,281

a/ Included in the total of $27.6 million appropriated for contract amendments, pursuant to the Consolidated Appropriations Act, 2008 (P.L. 110-161); the balance of the appropriation, $8.3 million, is in the Rent Supplement program.
b/ Includes $482 million carried over from fiscal year 2007 and $79 million recaptured in fiscal year 2008.
c/ $37.6 million of RAP balances and $41.3 million of IRP balances were rescinded pursuant to HUD’s 2008 Departmental rescission requirements enacted in P.L. 110-161.
d/ Part of the total of $27.6 million in appropriation enacted for fiscal year 2009, pursuant to Omnibus Appropriation Act, 2009 (P.L. 111-8). Balance of the appropriation, $8.3 million, is in the Rent Supplement program.
e/ Includes $467 million carried over from fiscal year 2008 and $37 million of recaptures anticipated in fiscal year 2009.
f/ The Omnibus Appropriations Act, 2009 (P.L. 111-8) rescinded a total of $37.6 million, all of which are expected to be taken from the Rental Housing Assistance program.
g/ Included in a total request of $40 million for contract amendments; the remaining $9.0 million is anticipated for Rent Supplement.
h/ Includes $464 million anticipated to be carried over from fiscal year 2009 and $28 million of recaptures anticipated in fiscal year 2010.
i/ All of the $27.6 million total cancellation proposed for Other Assisted Housing programs in fiscal year 2010 is expected to be taken from the Rental Housing Assistance program.

Summary Statement

HUD requests $31 million to provide Amendments to State-aided Sec 236 Rental Assistance Payments (RAP) projects in fiscal year 2010. Amendment requirements for the Rent Supplement program (86x0129) are also funded under the Other Assisted Housing heading. The total budget request under the Other Assisted Housing heading is $40 million, including $9.0 million for Rent Supplement and $31 million for Sec 236 RAP.

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 16,170, as of March 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	2008 Budget Authority	2007 Carryover Into 2008	2008 Total Resources	2008 Obligations	2009 Budget Authority/ Request	2008 Carryover Into 2009	2009 Total Resources	2010 Request
Section 236 Rental Assistance Payments (RAP)	-$18,300	$195,584	$177,284	$34,758	-$18,300	$180,126	$161,826	$31,000
Section 236 Interest Reduction Payments (IRP)	-41,274	365,464	324,190	...	...	324,190	324,190	...
Total	-59,574	561,048	501,474	34,758	-18,300	504,316	486,016	31,000

2008 Budget Authority. The -$18.3 million for RAP reflects $19.3 million of the $27.6 million appropriated for contract amendments pursuant to the Consolidated Appropriations Act, 2008 (P.L. 110-161), offset by $37.6 million RAP balances rescinded in 2008. An additional $41.3 million of IRP balances were also rescinded in 2008 to meet Departmental rescission requirements. The balance of the fiscal year 2008 appropriation, $8.3 million, is in the Rent Supplement Program.

2007 Carryover Into 2008. The $195.6 million RAP carryover consists of $154.7 million of carryover from fiscal year 2007, $40.5 million of recaptures and $0.4 million of adjustments.

2009 Budget Authority. The Section 236 RAP program appropriation of $19.3 million for amendment needs will be offset with a rescission of $37.6 million anticipated from RAP balances pursuant to the Omnibus Appropriations Act, 2009, P.L. 111-8.

2008 Carryover Into 2009. The $180.1 million RAP carryover consists of fiscal year 2008 carryover of $142.5 million and estimated fiscal year 2009 recaptures of $37.6 million.

2010 Request. The $31 million reflects part of the $40.0 million total request. The remaining $9.0 million are requested for Rent Supplement.

FTE	2008 Actual	2009 Estimate	2010 Estimate
Headquarters	1	1	1
Field	24	24	24
Total	25	25	25

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

Section 236 Rental Assistance Payments (RAP)	**Amount**
2008 Appropriation	-$18,300
2009 Appropriation/Request	-18,300
2010 Request	31,000
Program Improvements/Offsets	+49,300

2008 Appropriation/Request. This reflects the net effect of $19.3 million provided pursuant to the fiscal year 2008 Consolidated Appropriations Act offset by $37.6 million of rescissions in the Section 236 RAP program, resulting in the -$18.3 million shown in the table above.

2009 Appropriation/Request. This reflects the net effect of $19.3 million provided pursuant to the fiscal year 2009 Omnibus Appropriations Act offset by $37.6 million of anticipated rescissions in the Section 236 RAP program, resulting in the -$18.3 million shown in the table above.

2010 Request. This reflects part of the $40.0 million total request for contract amendments. The remaining $9.0 million is requested for Rent Supplement in a separate justification.

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

Provides $31 million for amendments to State-aided Sec 236 RAP contracts, offset by a cancellation of $27.6 million from Section 236 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
(Dollars in Thousands)
Program Offsets

Section 236 Interest Reduction Payments (IRP)	**Amount**
2008 Appropriation	-$41,274
2009 Appropriation/Request	...
2010 Request	...
Program Improvements/Offsets	...

2008 Appropriation. Reflects rescission implemented in 2008 pursuant to the Department's overall rescission requirement in the fiscal year 2008 Consolidated Appropriations Act, P.L. 110-161.

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**	
		2008 Plan	2008 Actual	2009 Plan	2010 Plan
The share of assisted and insured privately owned multifamily properties that meet HUD-established physical standards are maintained at no less than 92 percent.	Real Estate Assessment Center's Physical Assessment Subsystem	No less than 95%	93.0%	No less than 92%	No less than 92%

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
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***]** *$40,000,000, to remain available until expended. (Department of Housing and Urban Development Appropriations Act, 2009.)*

RENT SUPPLEMENT

[*(RESCISSION)***]** *(CANCELLATION)*

Of the amounts recaptured from terminated contracts under section 101 of the Housing and Urban Development Act of 1965 (12 U.S.C. 1701s) and section 236 of the National Housing Act (12 U.S.C. 1715z-1) **[***$37,600,000***]** *$27,600,000 are* **[***rescinded***]** *hereby permanently cancelled: Provided, That no amounts may be cancelled from amounts that were designated by the Congress as an emergency requirement pursuant to the Concurrent Resolution on the Budget or the Balanced Budget and Emergency Deficit Control Act of 1985, as amended. (Department of Housing and Urban Development Appropriations Act, 2009.)*

Explanation of Changes

This language includes amendment funding for both the Rent Supplement ($9.0 million) and Rental Housing Assistance Payment ($31.0 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.

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

Budget Activity	2008 Enacted	Supplemental/ Rescission	Approved Reprogrammings	Transfers	Carryover	Total 2008 Resources
Section 236 Rental Assistance Payments (RAP)	$19,300	-$37,600	...	...	$195,584	$177,284
Section 236 Interest Reduction Payments (IRP)	...	-41,274	...	...	365,464	324,190
Total	19,300	-78,874	...	...	561,048	501,474

2008 Enacted. The $19.3 million for RAP is included in a total of $27.6 million appropriated for contract amendments, pursuant to the Consolidated Appropriations Act, 2008 (P.L. 110-161); the balance of the appropriation, $8.3 million, is in the Rent Supplement program.

Supplemental/Rescission. $37.6 million of RAP balances and $41.3 million of IRP balances were rescinded pursuant to HUD's 2008 Departmental rescission requirements.

Carryover.

See details below:

	2007 Carryover	2008 Recaptures	Account Adjustment	Total
236 RAP:	$154,745,907	$40,478,382	$359,677 a/	$195,583,966
236 IRP	326,851,423	38,611,893	…	365,463,316
Total	481,597,330	79,090,275	359,677	561,047,282

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a/ The Account Adjustment was made in fiscal year 2008 to record fiscal year 2007 recaptures.

HOUSING
RENTAL HOUSING ASSISTANCE PROGRAM (SECTION 236)
Crosswalk of 2009 Changes
(Dollars in Thousands)

Budget Activity	2009 President's Budget Request	Congressional Appropriations Action on 2009 Request	2009 Supplemental/ Rescission	Reprogrammings	Carryover	Total 2009 Resources
Section 236 Rental Assistance Payments (RAP)	$19,300	$19,300	-$37,600	...	$180,126	$161,826
Section 236 Interest Reduction Payments (IRP)	...	...	...	...	324,190	324,190
Total	19,300	19,300	-37,600	...	504,316	486,016

Congressional Appropriations Action on 2009 Request. The $19.3 million for RAP reflects part of a total of $27.6 million in appropriation enacted for fiscal year 2009 (P.L. 111-8). The balance of the appropriation, $8.3 million, is in the Rent Supplement program.

2009 Supplemental/Rescission. The Omnibus Appropriations Act, 2009 (P.L.111-8) rescinds a total of $37.6 million, which is anticipated to be derived from Section 236 RAP balances.

Carryover.

	2008 Carryover	2009 Anticipated Recaptures	Total
236 RAP:	$142,525,960	$37,600,000	$180,125,960
236 IRP	324,189,508	-	324,189,508
Total	466,715,468	37,600,000	504,315,468