

**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
PROGRAM OFFICE SALARIES AND EXPENSES
OFFICE OF HOUSING**

Program Area Overview

The Office of Housing facilitates the Department's efforts to provide vital public services through its nationally administered programs. It oversees the Federal Housing Administration (FHA), the largest mortgage insurer in the world, and regulates housing industry business. The Office of Housing, through its insurance programs, plays a countercyclical role in the market, as evidenced by the last housing crisis, and operates as a Partner in Opportunity with its stakeholders.

The missions of the Office of Housing are to:

- Contribute to building and preserving healthy neighborhoods and communities;
- Maintain and expand homeownership, rental housing and healthcare opportunities;
- Stabilize credit markets in times of economic disruption;
- Operate with a high degree of public and fiscal accountability; and
- Recognize and value its customers, staff, constituents and partners.

Continuing resolutions and staff reductions due to attrition have made it difficult to address significant risks posed to the insurance fund and taxpayers. This is especially challenging given FHA's countercyclical role and it is one of the clearest lessons HUD has learned from the recent financial crisis.

In addition to Executive Direction and supporting offices that work on finance, budget and operations, there are five program offices within the Office of Housing. These consist of the Office of Multifamily Housing Programs, the Office of Healthcare Programs, the Office of Risk Management and Regulatory Affairs, the Office of Single Family Housing Programs and the Office of Housing Counseling.

Office of Multifamily Housing Programs: HUD's Multifamily programs serve the nation's renters with a focus on underserved communities and market segments. The Office of Multifamily Housing provides mortgage insurance and administers the Section 202, Section 811, Section 8 Project-Based Rental Assistance programs, Rental Assistance Demonstration (RAD), and Promise Zone programs.

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Multifamily Transformation Initiative

Through fiscal years 2015 and 2016, the Office of Multifamily Housing (MFH) will continue the implementation of the Multifamily for Tomorrow (MFT) transformation, as amended by Congress.

As a result of the Transformation, MFH is streamlining its operation with the consolidation of several functions into broader, less specialized offices. Therefore, the Grant Administration and Subsidy Administration functions have been incorporated into the Asset Management & Portfolio Oversight and Production & Processing functions of the MFH organization.

Furthermore, as part of the Transformation, Housing has separated in fiscal year 2015 the Recapitalization function from the Multifamily Asset Management and Recapitalization function. This reflects the repurposing of the Office of Affordable Housing Preservation into the Office of Recapitalization. This Office is processing multiple financing-related activities related to mandated or needed refinancing, restructuring, recapitalization and preservation of assisted multifamily properties, including the Rental Assistance Demonstration (RAD).

In fiscal year 2016 MFH anticipates the completion of the modified transformation and the consolidation of all the functions into the four remaining functions: Recapitalization, Asset Management & Portfolio Oversight, Policy Development, and Production & Processing. The request assumes that Housing non-personnel funds will be used, in addition to central funding included under the Office of Administration appropriation, for the construction, space build-out, utility, and other such costs associated with the completion of the Multifamily Transformation Initiative.

RAD Department-wide Cross-cutting Initiative

The Office of Multifamily Housing Programs requests additional FTE, based on an estimated 700 transactions, to support its RAD workload functions as part of the Department-wide RAD initiative in 2016. This is in addition to the existing staff currently assigned to support RAD from within the Office of Recapitalization. The Office of Recapitalization Staff in Washington, DC and Chicago will act as Transaction Managers to support RAD actions, Multifamily Production Staff in the field will manage FHA-insured RAD transactions, and Multifamily Asset Management Staff in the field will support the management of RAD transactions that are either FHA-insured or have Project-Based Rental Assistance, post RAD conversion.

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Promise Zones Government-wide Initiative

Multifamily Housing requests 10 FTEs to support the Promise Zones initiative, providing strategic leadership and coordinating among stakeholders. The Promise Zone initiative will revitalize high-poverty communities across the country by creating jobs, increasing economic activity, improving educational opportunities, reducing serious and violent crime, leveraging private capital, and assisting local leaders in navigating federal programs and cutting through red tape.

Office of Healthcare Programs: HUD's Healthcare programs provide mortgage insurance on loans that finance the construction, renovation, acquisition, or refinancing of healthcare facilities such as hospitals and residential care facilities. Healthcare Asset Management and Recapitalization includes all activities associated with monitoring, loan servicing, claim prevention and (if a claim occurs) asset recovery in the insured hospital and residential care facility loan portfolio. Healthcare Production and Processing activities are associated with pre-application and full review of applications for mortgage insurance for hospitals and residential care facilities.

Office of Risk Management and Regulatory Affairs: The major objectives of the Office of Risk Management and Regulatory Affairs are to conduct analysis and recommend actions to reduce exposure to FHA insurance funds while meeting FHA's housing mission; ensure that FHA operates in compliance with statutory capital requirements; and promote a well-controlled operational infrastructure. The scope of the risk management staff encompasses Program Area (Single Family, Multifamily and Healthcare) activities conducted at headquarters and the field offices. The office also administers the Manufactured Housing Program, which the Department proposes to fund exclusively from fees for Program operations.

Office of Single Family Housing Programs: HUD's Single Family programs include mortgage insurance on loans to purchase new or existing homes, condominiums, manufactured housing, houses needing rehabilitation, and reverse mortgages under the Home Equity Conversion Mortgage (HECM) program that allows seniors to convert the equity in their home to cash. Single Family Housing has experienced unprecedented demand. Single Family Housing is managing a high volume of endorsements and increasing operational risk on multiple dimensions: quality assurance, lender/servicer oversight, loss mitigation, and asset disposition. Risks are measured in billions of dollars. To mitigate these risks, Single Family Housing is focused on improving operational efficiency, enhancing loan level quality assurance, and improving Real Estate Owned (REO) recoveries through a variety of actions, including:

- The eSignature policy, which allows the industry and FHA to leverage newer technologies to make it easier to do business with FHA and to create efficiencies for the industry when working with customers.
- Manual underwriting guidelines were updated to clarify use of the process and to provide access to credit for those borrowers who cannot be sufficiently underwritten using automated underwriting systems.
- ML 2013-41, Lender Self-Reporting Requirements, clarified requirements for self-reporting.

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- ML 2014-09, Annual Recertification and Post-Approval Updates, implemented the use of the Lender Electronic Assessment Portal (LEAP) as part of the FHA Transformation Initiative to improve FHA's ability to manage risk.
- Adoption of new defect taxonomy and sampling methodologies.

Office of Housing Counseling: HUD's Housing Counseling programs provide counseling through intermediaries to consumers on seeking, financing, maintaining, renting, or owning a home. HUD's Housing Counseling program provides support to a nationwide network of Housing Counseling Agencies (HCAs) and counselors. HCA's are trained and approved to provide tools to current and prospective homeowners and renters so that they can make responsible choices to address their housing needs in light of their financial situations.

Office of Finance and Budget: The Office of Finance and Budget provides critical financial and budgetary oversight for the Office of Housing. The office is responsible for all Housing-FHA accounting records, the preparation of the annual audit and Housing's budget formulation activities, timely and accurate financial management reports prepared in conformity with generally accepted accounting principles, the sale and disposition of FHA mortgage notes, and managing Housing's IT investment portfolio. The office serves in an advisory role on all issues involving financial management, budgetary and accounting policy.

The office serves as the principal advisor to the FHA Commissioner on fiscal and budgetary matters and has primary leadership responsibilities for the financial integrity of the Office of Housing-FHA programs. Finance and Budget staff is responsible for the integrity of transactional data and internal controls within Housing programs. In collaboration with the Office of the Chief Financial Officer, this office works closely with Congressional Appropriation Committees on Housing's budgetary matters and assists the program offices with reviewing and interpreting program legislation language and policies for human capital and other resource needs.

Office of Operations: The Office of Housing Operations provides resources and services that are essential for Housing's program offices relating to: personnel, strategic management and workforce plans, Employee Labor Relations, procurement and contracting, business process re-engineering, correspondence, Continuity of Operations Plan (COOP), training and Web Administration and support. The Office of Housing Operations is comprised of two components, the Office of Business Development and the Office of Management.

Among its administrative support staffs, the Office of Housing Operations is building on the efficiencies gained from its process improvement efforts to streamline operations and identify non-value added work that is being done. By focusing on value-added work, creating more generalized position descriptions and utilizing cross training, Operations will be able to reduce administrative support staff by 3.6 percent or 5 FTEs in fiscal year 2016. Additionally, Operations will utilize information technology, such as Live Meeting, webcasts and video conferencing to reduce costs associated with travel and focus on identifying critical needs across the organization and hiring in-house facilitators to develop targeted training to reduce critical skills gaps.

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Executive Direction: The immediate Office of the Assistant Secretary coordinates communication, policy implementation, and legislative tracking across the entire Office of Housing and with respect to all Housing programs. This office also engages in a variety of day-to-day business activities that support the Office of Housing, including contracting, oversight, and process management.

This table presents details on the total full-time equivalents (FTE) by program office:

| Summary of FTE | | | | |
|--------------------------------------|----------------|----------------|----------------|-------------------------------|
| Offices | FY 2014 | FY 2015 | FY 2016 | FY 2015 to FY 2016 |
| Multifamily Housing Programs | 1,371.5 | 1,298.2 | 1,342.1 | 43.9 |
| Risk Management & Regulatory Affairs | 50.3 | 57.1 | 64.0 | 6.9 |
| Housing Counseling | 61.4 | 68.2 | 71.0 | 2.8 |
| Single Family Housing Programs | 825.6 | 879.1 | 901.1 | 22.0 |
| Healthcare Programs | 145.5 | 147.8 | 145.2 | (2.6) |
| Finance & Budget | 231.7 | 236.4 | 245.7 | 9.3 |
| Operations | 137.8 | 131.0 | 136.5 | 5.5 |
| Executive Direction | 16.1 | 16.0 | 16.0 | - |
| GRAND TOTAL | 2,839.9 | 2,833.8 | 2,921.6 | 87.8 |

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The following table presents details on the total salaries and expenses (S&E) and full-time equivalents (FTE) for Housing:

| TOTAL - SALARIES AND EXPENSES | | | | |
|--------------------------------------|------------------|------------------|------------------|-------------------------------|
| (Dollars in Thousands) | | | | |
| | FY 2014 | FY 2015 | FY 2016 | FY 2015 to FY 2016 |
| Personnel Services | \$365,017 | \$369,714 | \$387,635 | \$17,921 |
| Non-Personnel Services | | | | |
| Travel | 3,295 | 3,235 | 3,332 | 97 |
| Transportation of Things | 555 | 600 | 700 | 100 |
| Rent/Utilities | 2 | 4 | 4 | - |
| Printing | 35 | 45 | 45 | - |
| Other Services/Contracts | 3,601 | 3,210 | 3,281 | 72 |
| Training | 1,107 | 1,640 | 1,644 | 5 |
| Supplies | 427 | 553 | 558 | 6 |
| Non-Personnel Subtotal | 9,024 | 9,286 | 9,565 | 279 |
| GRAND TOTAL | \$374,041 | \$379,000 | \$397,200 | \$18,200 |
| Associated FTE | 2,839.9 | 2,833.8 | 2,921.6 | 87.8 |

DESCRIPTION OF CHANGES FROM FY 2015 TO FY 2016

The Office of Housing requests \$397,200K and 2,921.6 Full Time Equivalents (FTE) in fiscal year 2016, an increase from fiscal year 2015 enacted of \$18,200K.

- Personnel Services: The Office of Housing is requesting \$387,635K and 2,921.6 FTE. This request represents an increase from fiscal year 2015 enacted of \$17,921K and 87.8 FTE. Funding is included to fund the pay raise, promotions, and within grade increases. The FTE changes by office are explained below:
 - Multifamily Housing increase of 43.9 FTE – This increase includes FTE for RAD for an estimated 700 new transactions, to support RAD workload functions as part of the Department-wide RAD initiative in 2016, and a decrease in FTE for both Multifamily Asset Management & Portfolio Oversight and Multifamily Production and Processing.

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- Single Family Housing increase of 22 FTE – This will allow Housing to implement pilot alternative disposition strategies for the Single Family REO portfolio and changes in Single Family’s Quality Assurance framework, and to ensure timely and quality responses to Departmental and FPM requests. The FTE increase is mainly for Single Family Production/Processing and Policy Development functions.
 - Finance & Budget increase of 9.3 FTE – This reflects the fiscal year 2015 enacted level of FTEs and a projected end of year staffing level of 246 employees. These additional FTEs are needed to backfill critical positions that are essential to the Finance & budget normal operations.
 - Risk Management & Regulatory Affairs increase of 6.9 FTE – 4.9 of these will further build risk management capacities. These FTEs in particular will focus on developing the agency’s analytical capacity dedicated to commercial credit portfolios and establishing a robust operational risk group. The other 2.0 FTEs are for the Office of Manufactured Housing to administer the new installation and dispute resolution, process the renewals of the State Administrative Agencies (SAA) cooperative agreements and the approved state installation programs, and review third party inspection agency audit findings and follow up with enforcement actions.
 - Operations increase of 5.5 FTE – Operations’ target going into fiscal year 2016 is to reduce FTEs by 5 from its fiscal year 2014 staffing level ceiling of 141. In fiscal year 2015 Operations was 10 FTEs below its fiscal year 2014 staffing ceiling, and the Office will be backfilling to reach the 136 FTE target in fiscal year 2016. The additional FTEs requested will be used to build internal capacity to support Housing's continuous improvement and employee engagement efforts.
 - Housing Counseling increase of 2.8 FTE – The Office is being impacted by new requirements that are driving the increase in its resource needs. This increase is requested to assist with the required testing and certification of individual counselors and to work on policy initiatives such as designing and implementing major modifications to the Home Equity Conversion Mortgage (HECM) counseling protocol and program handbook; creating and updating performance impact reports; and working with other HUD programs that have a counseling element to ensure program consistency with OHC and Dodd-Frank requirements.
 - Healthcare decrease of 2.6 FTE
- Non-Personnel Services: The Office of Housing requests \$9,565K. This request represents an increase from the fiscal year 2015 enacted of \$279K.

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**End of Year Staffing
Fiscal Years 2010 through 2016**

| | FY 2010 Actual | FY 2011 Actual | FY 2012 Actual | FY 2013 Actual | FY 2014 Actual | FY 2015 Est. | FY 2016 Request | FY 2015 to FY 2016 |
|------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|-------------------------|----------------------------|-------------------------------|
| Multifamily | 1,577 | 1,582 | 1,526 | 1,438 | 1,311 | 1,314 | 1,348 | 34 |
| Other Housing Offices | 1,658 | 1,590 | 1,570 | 1,513 | 1,483 | 1,579 | 1,579 | 0 |
| End of Year, Staffing | 3,235 | 3,172 | 3,096 | 2,951 | 2,794 | 2,893 | 2,927 | 34 |
| FTE Usage | 3,221.5 | 3,220.7 | 3,137.5 | 2,961.1 | 2,839.9 | 2,833.8 | 2,921.6 | 87.8 |

| Multifamily Transformation (Dollars in Thousands) | FY 2014 Actual | FY 2015 Request | FY 2016 Request | FY 2015 Request to FY 2016 Request |
|--|---------------------------|----------------------------|----------------------------|---|
| MF Buyout | \$2,100 | \$1,300 | \$2,400 | 1,100 |
| MF Severance | \$0 | \$259 | \$1,072 | 813 |
| Terminal Leave | \$360 | \$1,290 | \$1,120 | (170) |
| MF Relocation | \$3,056 | \$3,840 | \$3,960 | 120 |
| Total Multifamily Transformation | \$5,516 | \$6,689 | \$8,552 | \$1,863 |

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| Function | Personnel Services Functional Summary | | | | | |
|---|---------------------------------------|------------------|----------------|------------------|----------------|------------------|
| | (Dollars in Thousands) | | | | | |
| | FY 2014 | | FY 2015 | | FY 2016 | |
| | FTE | Cost | FTE | Cost | FTE | Cost |
| Healthcare Asset Management and Recapitalization | 78.1 | \$10,038 | 78.1 | \$10,189 | 75.5 | \$10,017 |
| Healthcare Policy Development | 8.3 | 1,067 | 8.3 | 1,083 | 8.3 | 1,101 |
| Healthcare Production and Processing | 59.1 | 7,596 | 61.4 | 8,011 | 61.4 | 8,147 |
| Multifamily Asset Management & Portfolio Oversight | 523.5 | 67,282 | 904.1 | 117,960 | 894.1 | 118,629 |
| Multifamily Grant Administration | 72.5 | 9,319 | - | - | - | - |
| Multifamily Policy Development | 54.8 | 7,044 | 33.0 | 4,300 | 33.0 | 4,378 |
| Multifamily Production and Processing | 586.2 | 75,346 | 303.1 | 39,544 | 281.0 | 37,283 |
| Multifamily Subsidy Administration | 134.5 | 17,288 | - | - | - | - |
| Manufactured Housing | 8.8 | 1,131 | 9.9 | 1,292 | 11.7 | 1,552 |
| Risk Management | 41.5 | 5,334 | 47.2 | 6,158 | 52.3 | 6,939 |
| Single Family Asset Management | 230.8 | 29,665 | 251.7 | 32,838 | 255.1 | 33,847 |
| Single Family Customer Service | 43.3 | 5,565 | 70.1 | 9,146 | 70.1 | 9,301 |
| Single Family Lender Oversight | 174.6 | 22,442 | 179.1 | 23,366 | 179.1 | 23,760 |
| Single Family Policy Development | 81.5 | 10,475 | 94.1 | 12,277 | 102.5 | 13,600 |
| Single Family Production/Processing | 295.4 | 37,969 | 284.1 | 37,065 | 294.3 | 39,048 |
| Housing Counseling Outreach and Capacity Building | 25.6 | 3,290 | 26.9 | 3,510 | 26.9 | 3,569 |
| Housing Counseling Policy and Grants Administration | 21.8 | 2,802 | 25.9 | 3,379 | 28.7 | 3,808 |
| Housing Counseling Program Oversight and Accountability | 14.0 | 1,799 | 15.4 | 2,009 | 15.4 | 2,043 |
| Finance and Budget | 231.7 | 29,781 | 236.4 | 30,842 | 245.7 | 32,599 |
| Business Development | 59.2 | 7,609 | 56.4 | 7,358 | 57.3 | 7,603 |
| Housing Human Capital & Procurement | 78.6 | 10,103 | 74.6 | 9,733 | 79.2 | 10,508 |
| Executive Direction | 16.1 | 2,069 | 16.0 | 2,087 | 16.0 | 2,123 |
| Multifamily Recapitalization | - | - | 58.0 | 7,566 | 134.0 | 17,779 |
| Total | 2,839.9 | \$365,017 | 2,833.8 | \$369,714 | 2,921.6 | \$387,635 |

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| KEY WORKLOAD INDICATORS | | | | |
|------------------------------------|----------------|----------------|----------------|---------------------------|
| Workload Indicator | FY 2014 | FY 2015 | FY 2016 | FY 2015 to FY 2016 |
| # Insured Sec-held Loans - 232 (I) | 2,995 | 3,145 | 3,302 | 157 |
| # of Application Received (D) | 453 | 476 | 499 | 23 |
| # Active Projects (Mgmt) (I) | 25,098 | 26,353 | 27,671 | 1,318 |
| # Open Grants | 1,527 | 1,603 | 1,684 | 81 |
| # MAP Application Processed (I) | 463 | 486 | 510 | 24 |
| # HUD-Admin Sec 8 Contracts (I) | 6,560 | 6,888 | 7,232 | 344 |
| # Technical Reviews | 356 | 374 | 392 | 18 |
| # M&M Contracts Monitored | 50 | 53 | 55 | 2 |
| # Inquiries Registered | 93,877 | 98,571 | 103,499 | 4,928 |
| # On-Site Lender Reviews (D) | 298 | 313 | 329 | 16 |
| # FHA Application Received | 1,137,644 | 1,194,526 | 1,254,253 | 59,727 |
| # PETRs Conducted (D) | 29,432 | 30,904 | 32,449 | 1,545 |
| # Housing Counseling Agencies (I) | 2,353 | 2,471 | 2,594 | 123 |
| # Performance Review Letters (D) | 234 | 246 | 258 | 12 |
| # Claims Processed (Mortgages) | 595,270 | 625,034 | 656,285 | 31,251 |
| # Systems Managed | 6 | 6 | 6 | - |
| # Contracts Administered | 1,065 | 1,118 | 1,174 | 56 |

SUMMARY OF SYSTEMS/TOOLS REQUIRED TO MANAGE PROGRAM

FHA Transformation: The goal of this initiative is to develop and maintain a modern financial services Information Technology (IT) environment to better manage and mitigate risk across all of FHA’s Mortgage Insurance Programs. It enables risk detection and fraud prevention by capturing critical data points at the front-end of the loan life cycle, and leverages a set of risk and fraud tools, rules-based technology, and transactional controls to minimize exposure to FHA’s Insurance Funds. It provides decision-makers with higher quality data and lower data latency to facilitate enhanced business analytics and informed decision-making. This will enable FHA’s leadership to analyze portfolio trends and patterns across the lending community and will help with the identification of fraudulent lenders, reducing risk to the FHA portfolio.

FHA Transformation Initiative will soon begin the careful process of migrating relevant portions of Housing’s legacy applications into a modern financial service automated environment and will bring a new level of intelligent rules-based activities such as automated risk

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analysis and lender targeting according to a risk scoring framework. The federal Financial Services Platform will be leveraged across other lines of business in the Housing program by migrating off the 30-year old Computerized Home Underwriting Management System (CHUMS). This will decrease the CHUMS footprint and therefore reduce operations & maintenance costs over the long term. The FHA Transformation Initiative will enable FHA to better recognize risk and fraud trends in borrower attributes, collateral attributes, and appraisal valuation accuracy during the transaction process, to help identify cases that may be detrimental to the Mutual Mortgage Insurance fund.