U.S. Department of Housing
and Urban Development

Investing in People and Places

FY 2011 Budget

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Message from Secretary Donovan

I am pleased to submit the fiscal year 2011 Budget for the Department of Housing and Urban Development, Investing in People and Places.

This Budget is proposed in a far different environment from that faced by the nation and the Department just one year ago. At that time, the economy was hemorrhaging over 700,000 jobs each month, foreclosures were taking place at record rates, residential investment had dropped over forty percent in just eighteen months, and credit was frozen nearly solid. Many respected economic observers warned that a second Great Depression was a real possibility, sparked of course by a crisis in the housing market. Meanwhile, communities across the country—from newly built suburbs to small town rural America-- faced neighborhoods devastated by foreclosure, even as soaring jobless rates and eroding tax base crippled their ability to respond.

One year later, it is clear that the nation's housing market has made significant progress toward stability, with home prices having risen for two quarters in a row after two and one-half years of decline, interest rates near record lows, and home sales having rebounded to levels not seen since February 2007. Other promising economic indicators are also emerging steadily. This is due in significant part to the capacity of the Federal Housing Administration (FHA) to fulfill its counter-cyclical role -- growing from less than 2 percent of the home mortgage market in 2006 to nearly a third of it today, as it steps in to temporarily provide necessary liquidity while also working to bring private capital back to credit markets.

HUD has been essential to the Administration's efforts to confront the housing crisis directly and to spur economic recovery more broadly. HUD also played a central role in Administration efforts to help homeowners avoid foreclosure, by providing affordable and sustainable refinance and modification opportunities for at-risk borrowers. HUD partnered with the White House, the Department of Treasury, and other Federal regulatory agencies to develop the Making Home Affordable plan, and implement its two major initiatives – the Home Affordable Refinance Program and Home Affordable Modification Program. These programs have helped to preserve homeownership for more than 1 million families. In addition, the FHA has in the past year alone helped more than 800,000 homeowners refinance into stable, affordable fixed-rate mortgages and deployed its loss mitigation tools to protect more than half a million families from foreclosure. Coupled with record low interest rates and the successful homebuyer tax credit, the increased liquidity provided by FHA has enabled first-time homebuyers to enter the market, helped over 3.8 million homeowners refinance, and pumped $13 billion annually into local economies and businesses– generating additional revenues for our nation's cities, suburbs, and rural communities.

HUD is also a key player in implementing the American Recovery and Reinvestment Act (ARRA), which has put millions of Americans back work and the nation on track toward a full economic recovery. At present, HUD has allocated 98 percent of the $13.6 billion in ARRA funds stewarded by the Department, all of which will be obligated by late spring. Because HUD's ARRA funding is paid once construction or other work is complete, these obligated funds are already generating jobs in the hard hit sectors of housing renovation and construction by modernizing and 'greening" public and assisted housing, reviving stalled low-income housing tax credit projects, and stabilizing neighborhoods devastated by foreclosures, while also providing assistance to families experiencing or at risk of homelessness.

The Department's fiscal year 2010 Budget reflected a singular economic and organizational moment. During the last Administration, HUD's programs were chronically underfunded, and many came to regard the agency as slow moving, bureaucratic, and unresponsive to the needs of its partners and customers. HUD's fiscal year 2010 budget request, $43.72 billion (net of receipts generated by FHA and the Government National Mortgage Association, or 'Ginnie Mae') -- a 9 percent increase over the fiscal year 2009 enacted level of $40.045 billion-- sent the clear message that HUD's programs merited funding at levels sufficient to address the housing and community development needs of the economic crisis. It also represented the Administration's vote of confidence that HUD could transform itself into more the nimble, results-driven organization required by its status as an indispensable agency .

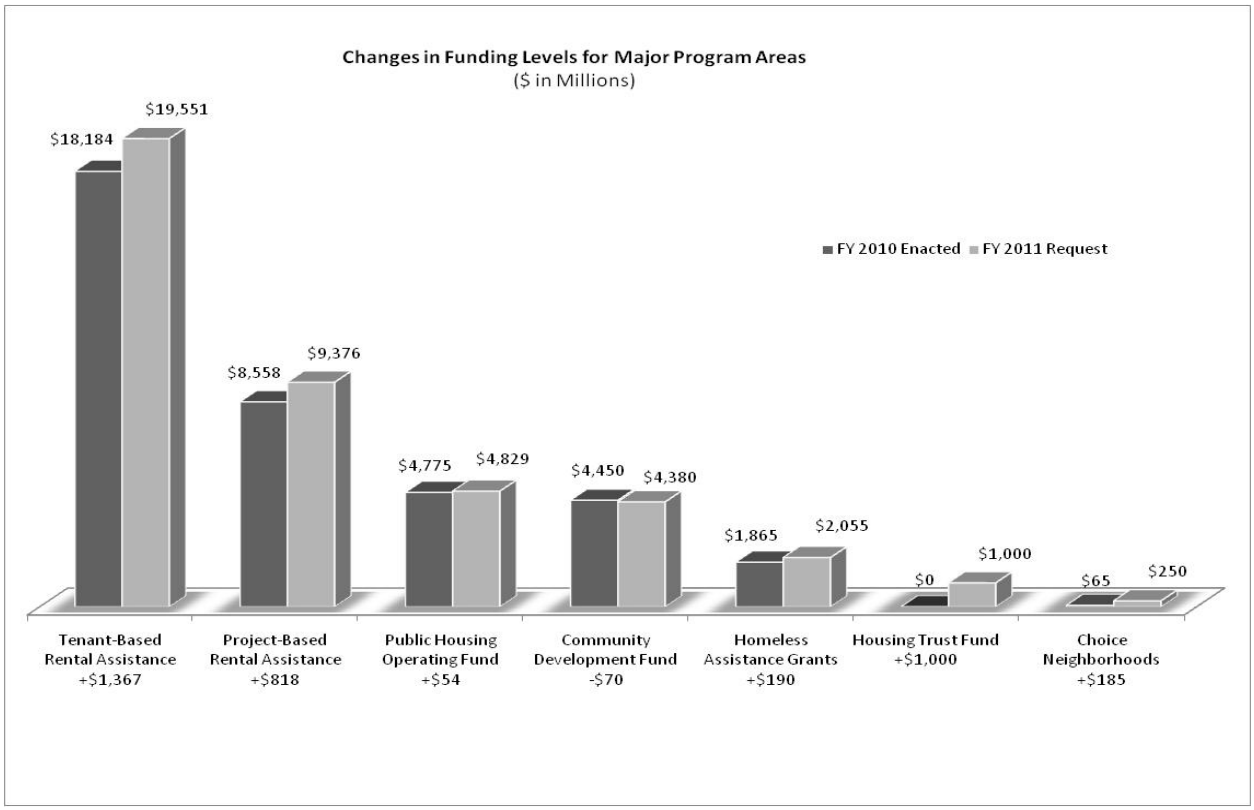
Congress agreed. Fiscal year 2010 appropriations legislation provided HUD programs $43.58 billion (net of receipts). Equally important, the Budget targeted $258.8 million to the Department's proposed Transformation Initiative, the cornerstone of the agency's efforts to change the way that HUD does business. For the first time, the Department has the flexibility to make strategic, cross-cutting investments in research and evaluation, major demonstration programs, technical assistance and capacity building, and next generation technology investments to bring the agency fully into the 21st century.

After a year of progress, we no longer confront an economy or a Department in extreme crisis. As a nation, we have pulled back from the abyss. And as HUD's full leadership team hit the ground running over the course of 2009, supported by a workforce re-energized by glimpses of what HUD could become, the Department proved itself up to the tasks of carrying out ARRA and reviving neglected programs. Moreover, these ARRA initiatives established a new standard of transparency and accountability across the agency and its partner organizations – exemplified by quarterly reporting, posted to the Web, on jobs, housing production and rehabilitation, people served by homelessness prevention programs, and energy savings.

But much work remains, in much changed fiscal circumstances. Now that the economic crisis has begun to recede, President Obama has committed to reducing the federal deficit. HUD's fiscal year 2011 budget reflects that fiscal discipline. Net of $6.9 billion in projected FHA and Ginnie Mae receipts credited to HUD's appropriations accounts, this Budget proposes overall funding of $41.6 billion, 5% below fiscal year 2010. This budget also makes difficult decisions to cut funding for a number of programs including the public housing capital fund, HOME Investment Partnerships, Native American Housing Block Grants (NAHBG), the 202 Supportive Housing Program for the Elderly, and the Section 811 Supportive Housing Program for Persons with Disabilities.

In some instances, these are programs that received substantial ARRA funding (e.g., public housing capital and NAHBG) or ones (e.g., HOME) for which we expect reduced production to be at least partially offset by other funding mechanisms (e.g., first year capitalization of the National Housing Trust Fund). In the case of reductions to new capital grants-- in public housing, Section 202, and 811-- the Department is recognizing that HUD's partners must increasingly access other private and public sources of capital. During this fiscal year, when we simultaneously propose to modernize these programs while also facing severe resource constraints, HUD's housing investments must be targeted to their most crucial and catalytic uses, primarily rental and operating assistance that best enables those partners to leverage additional resources.

Nonetheless, this is a bold budget—one that will achieve more with less. The carefully targeted investments in this Budget will enable HUD programs to: house over 2.4 million families in public and assisted housing (over 58% elderly or disabled); provide tenant based vouchers to more than 2.1 million households (over 47% elderly or disabled), an increase of 35,000 over 2009; more than double the annual rate at which HUD assistance creates new permanent supportive housing for the homeless; and create and retain over 112,000 jobs through the Department's housing and economic development investments in communities across the country. In total, by the end of fiscal year 2011, HUD expects its housing programs to assist nearly 5.5 million households, over 200,000 more than at the end of fiscal year 2009.



And in terms of reform, this Budget proposes fundamental change beyond the Department's fiscal year 2010 proposal. Then, urgent circumstances called for HUD's programs to be taken largely 'as is' in order to pump desperately needed assistance into the economy in time to make a critical difference. With the infusion of ARRA and fiscal year 2010 funding having stabilized HUD's

programs after years of slow starvation, the time has come to begin transforming them—to make HUD's housing and community development programs, and the administrative infrastructure that oversees them, more streamlined, efficient, and accountable.

This Budget is a major step in that direction. Specifically, it seeks to achieve five overarching goals:

First, the fiscal year 2011 budget will *strengthen the Nation's housing market to bolster the economy and protect consumers.* Since late 2007, the availability of FHA and Ginnie Mae credit guarantees have been important counter-cyclical responses to the tightening of the private credit markets. With fewer conventional options, borrowers and lenders have flocked to FHA and the ready access it provides to the secondary markets through securitization by Ginnie Mae. FHA's presence has supported the home-purchase market – FHA insures thirty percent of all home purchase loans today and nearly half of those for first-time homebuyers --and enabled existing homeowners to refinance at today's low rates, reducing their risk of foreclosure. FHA's reverse mortgage program, the Home Equity Conversion Mortgage (HECM) has also grown steadily in recent years, to a volume of $30.2 billion in FY 2009.

HUD is projecting that FHA will continue to play a prominent role in the mortgage market in fiscal year 2011 and, accordingly, requests increases in the mortgage insurance commitment limitations for its single and multifamily programs. But the Budget also shows the Department's commitment to striking the right balance between managing FHA's risk, continuing to provide access to underserved communities, and supporting the nation's economic recovery. Notably, it reflects the impact of a set of policy changes announced over the past several months designed to strengthen FHA's capital reserves and better position the FHA to manage risk. These measures-- which include increasing the mortgage insurance premium, updating the combination of FICO scores and down payment required of new borrowers, reducing seller concessions, and increasing lender enforcement-- not only put FHA on firmer footing, but also generate additional revenues in fiscal year 2011 to offset spending within HUD programs and contribute to deficit reduction.

The Department is equally committed to increasing consumer knowledge of mortgage products, helping them through the homeownership process more generally, and protecting them from fraud in any phase of that process. The Budget, therefore, includes $88 million for Housing Counseling Assistance, which is the only dedicated source of Federal funding for the full spectrum of housing counseling services and continues the FHA Combating Mortgage Fraud initiative ($20 million) launched in fiscal year 2010.

Second, the fiscal year 2011 Budget will *meet the need for quality affordable rental homes,* continuing the Department's effort to rebalance national housing policy and reassert Federal leadership on rental housing. The need for affordable rental housing among our nation's poorest and most vulnerable citizens is great. Based on estimates from the 2008 American Community Survey, 8.7 million renter households paid 50% or more of their income on housing, up from 8.3 million renter households in 2007. These figures do not include the over 664,000 people who experience homelessness on any given night.

As HUD Secretary, as well as the first Chair of the Interagency Council on Homelessness under President Obama, I am committed to making real progress in reducing these tragic figures. To

do so requires substantial investment even in this difficult fiscal year. For this reason, the Budget provides for $1 billion for capitalization for the National Housing Trust Fund, to increase development of housing affordable to the nation's lowest income families.

This Budget also substantially increases funding for the Department's core rental assistance programs—investing over $2.2 billion more than in fiscal year 2010 to meet the funding needs of the Tenant-based Rental Assistance (TBRA) program, the Project-based Rental Assistance (PBRA) program, and the public housing Operating Fund. TBRA, the Department's largest program, will assist an estimated 2.2 million households, approximately 35,000 more than was supported in the fiscal year 2010 appropriation and 112,304 more than at the end of fiscal year 2009. Full funding of the PBRA and Operating Fund accounts will help to preserve the over 2.3 million units within those programs' portfolios.

This submission also marks the launch of a long-term, Transforming Rental Assistance (TRA) initiative. It does not take a housing expert to see that HUD's rental assistance programs desperately need simplification. HUD currently provides deep rental assistance to more than 4.6 million households through thirteen different programs, each with its own rules, administered by three operating divisions with separate field staff. Too often over time, additional programs designed to meet the needs of vulnerable populations were added without enough thought to the disjointed system that would result. This unwieldy structure ill serves the Department, our government and private sector partners, and —most importantly—the people who live in HUD-supported housing.

Ultimately, TRA is intended to move properties assisted under these various programs toward a uniform funding stream, governed by a single set of rules and regulations, while retaining deep affordability. Equally important, TRA will help to preserve the millions of units receiving HUD rental assistance by opening them up to other public and private sources of financing to meet their capital needs[2] and ensure their long-term quality through the market discipline brought to bear in mixed finance projects. Additionally, TRA reflects the Department's commitment to enhancing tenant mobility—providing more tenants in HUD-assisted housing the option to 'vote with their feet' if their current housing is poorly operated or they have the chance to move to a neighborhood of greater opportunity—while simultaneously meeting the need for reliable, adequate rental assistance funding among project operators.

In fiscal year 2011, the initial phase of the initiative is focused on the preservation of public housing and a subset of HUD-assisted multifamily properties through their voluntary conversion to a simplified form of rental assistance that draws upon the desirable features of existing programs. More precisely, the Budget requests $350 million to preserve approximately 300,000 units of public and assisted housing and to increase the efficiency of operations of the tenant-based assistance program. Public and private owners will be offered the option of converting to long-term, property-based rental assistance contracts that include a resident mobility feature. These contracts will place participating properties on sound physical and financial footing, leveraging private financing to address properties' immediate and long-term capital needs and implement energy-efficiency improvements. Funding will also be made available to PHAs to offset costs of combining tenant-based rental assistance program administrative functions to increase efficiency and effectiveness and to recruit landlords in a broad range of neighborhoods. The results will include greatly stream-

[2] *These are drawn from HUD's current draft of its strategic plan, which will be posted to hud.gov for public comment.*

lined delivery and oversight of rental assistance as well as an increase in the share of vouchers used in lower poverty communities.

Fiscal year 2011 also marks the first year for implementation of the Homeless Emergency Assistance and Rapid Transition to Housing (HEARTH) Act, which – when signed by President Obama in the spring of 2009--restructured HUD's homeless assistance programs to incorporate nearly two decades of research and on-the-ground experience in addressing homelessness. To support implementation of this important legislation, the Budget proposes a nearly $200 million dollar increase in homeless assistance funding compared to fiscal year 2010 to increase investment in evidence-based practices, support the shift of local homeless assistance systems to a performance-based orientation, and to better meet the unique needs of rural communities. This will allow the Administration to maintain progress in reducing chronic homelessness and meet the growing needs among homeless families resulting from this period of economic hardship.

Third, the fiscal year 2011 Budget will *utilize housing as a platform for improving quality of life.* Stable housing is the foundation upon which all else in a family's or individual's life is built--absent a safe, affordable place to live, it is next to impossible to achieve good health, positive educational outcomes, or reach one's full economic potential. Indeed, for many persons with disabilities living in poverty, lack of stable housing leads to costly cycling through crisis-driven systems like emergency rooms, psychiatric hospitals, detoxes, and even jails.

By the same token, stable housing provides an ideal platform for the delivery of healthcare and other social services focused on improving life outcomes for individuals and families. A substantial body of research evidence has established, for example, that providing permanent supportive housing to chronically ill, chronically homeless individuals and families not only ends their homelessness, but also yields substantial cost savings in public health, criminal justice, and other systems—often nearly enough to fully offset the cost of providing the permanent housing and supportive services.

This Budget capitalizes on this insight through provision of 10,000 new homeless and special needs vouchers to support groundbreaking collaborations with the Department of Health and Human Services (HHS) and the Department of Education to: (1) bring Medicaid and other mainstream health funding resources—systems which stand to gain the most, financially, from expansion of permanent supportive housing-- to bear on the supportive services needs of formerly homeless tenants in HUD-assisted supportive housing; (2) ensure that homeless children identified by the Department of Education receive the support they require to maintain housing and educational stability; and (3) provide HHS-funded income support such as the Temporary Assistance for Needy Families (TANF) to homeless families receiving tenant-based assistance. This unprecedented, 'silo-busting' alignment of federal resources to address the needs of some of the country's most vulnerable individuals and families has the distinction of being both compassionate and cost-effective.

Fourth, the fiscal year 2011 Budget will help to *build inclusive and sustainable communities free from discrimination.* Its approach to this objective is informed by the Obama Administration's landmark, federal government-wide review of 'place-based' policies for the first time in over three decades.

Place is already at the center of every decision HUD makes. HUD's programs today reach nearly every neighborhood in America -- 58,000 out of the approximately 66,000 census tracts in the U.S. have one or more unit of HUD assisted housing. But we have taken this opportunity to renew our focus on place, with the result that the proposed FY 2011 Budget allows HUD to better nurture sustainable, inclusive neighborhoods and communities across America's urban, suburban, and rural landscape.

One aspect of HUD's refined place-based approach involves making communities sustainable for the long-term. Sustainability includes improving building level energy efficiency, cutting carbon emissions through transit-oriented development, and taking advantage of other locational efficiencies. But sustainability also means creating "geographies of opportunity," places that effectively connect people to jobs, quality public schools, and other amenities. Today, too many HUD-assisted families are stuck in neighborhoods of concentrated poverty and segregation, where one's zip code predicts poor educational, employment, and even health outcomes. These neighborhoods are not sustainable in their present state.

This Budget lays the groundwork for advancing sustainable and inclusive growth patterns at the metropolitan level, communities of choice at the neighborhood scale, and energy efficiency at the building scale. Central to the Department's place-based efforts is delivering on the President's commitment to fully fund the Community Development Block Grant (CDBG) program at $4.38 billion.

Within CDBG, the Budget includes $150 million for a second year of the Sustainable Communities Initiative, which will expand upon our burgeoning partnership with the Department of Transportation and the Environmental Protection Agency to stimulate more integrated regional planning to guide state, metropolitan, and local decisions to link land use, transportation and housing policy. Better coordination of transportation, infrastructure and housing investments will result in more sustainable development patterns—more walkable, transit-oriented, mixed-income and mixed-use communities that substantially reduce transportation costs (now as large a part of many family budgets as housing costs), create energy savings, reduce carbon emissions and enhance access to employment and education.

Also within CDBG, the Budget proposes an innovative, new $150 million Catalytic Investment Fund. A number of distressed communities –urban, suburban, and rural-- have been developing innovative approaches to create jobs and repurpose their economies for the decades to come. This competitive fund is intended to be the seed capital necessary to encourage development of more such plans and provide the catalytic investment to begin implementation of the best plans at scale. The proposed fund will provide economic development and gap financing to capitalize and implement innovative, targeted economic investment for neighborhood and community revitalization.

The Budget also proposes to expand Choice Neighborhoods from its $65 million funding level in 2010, for a demonstration of this important initiative, to $250 million in 2011. This will enable HUD and our local partners to transform distressed neighborhoods and public and assisted housing into functioning, sustainable mixed-income neighborhoods by linking housing improvements with appropriate services, schools, transportation, and access to jobs. A strong emphasis will be placed on local community planning and educational improvements including early childhood initiatives

and on HUD's coordination with other federal agencies, with the expected result that federal investments in education, employment, income support, and social services will be better aligned.

Finally, I want to emphasize that as HUD works through the Choice Neighborhoods initiative and across all of its programs to revitalize these neighborhoods, as well as enable families to make the choice to move to other neighborhoods with lower poverty and greater economic opportunity, HUD will strive to ensure that newly revitalized neighborhoods remain affordable, inclusive places for low-income people to live. The Budget also proposes $61.1 million in support of the Department's fair housing activities, through the Fair Housing Assistance Program (FHAP), at $28.5 million, and the Fair Housing Initiatives Program (FHIP), at $32.6 million, to redress discrimination in both the homeownership and rental housing markets.

Fifth, the fiscal year 2011 Budget will continue to *transform the way HUD does business*

In fiscal year 2010, HUD acknowledged a pressing need for adaptability and change. To become an innovative agency with the capacity to move beyond legacy programs, shape new markets and methods in the production and preservation of affordable housing, green the nation's housing stock, and promote sustainable development in communities across America, the Department had to remake itself.

We laid the foundation for this reinvention in 2009, with an extensive strategic planning process that engaged over 1500 internal and external stakeholders in defining the Department's high priority transformation goals and strategies. This initiative will focus on the following – building internal capacity; managing performance; simplifying programs, rules and regulations; and building a culture that embraces innovation and results. We followed up this work in 2010, when we launched a process for allocating resources from the Transformation Initiative Fund, which complements the transformation priorities defined in the strategic plan. The Fund provides targeted project investments to develop metrics to gauge our performance, research to evaluate our programs, demonstrations to test the impact of new federal interventions, technical assistance to identify and diffuse innovation and technology to increase efficiency, track spending, inform decisions and curb fraud, waste and abuse. The Budget again requests that up to one percent of program funding be transferred to the Transformation Initiative Fund. Building on this idea, the Budget requests the creation of a Salaries and Expenses Central Fund, funded through a one percent transfer from each of HUD's salaries and expenses accounts. The Fund will provide targeted, temporary infusions of resources to any of HUD's program offices in order to increase our responsiveness to unanticipated crises and new challenges– such as natural disasters or the recent need for FHA to step up its participation in the hobbled mortgage markets--- through the hiring of staff with appropriate expertise.

In sum, this Budget continues the transformation begun by the 2010 Budget. With the housing market showing signs of stabilization and the economy entering recovery, now is the time to exert fiscal discipline while retooling the Department and its programs to ensure that they serve American households and communities more effectively and more efficiently over decades to come. I am proud of the progress the fiscal year 2011 Budget will make on both fronts.

Secretary Shaun Donovan

Strengthening the Nation's Housing Market to Bolster the Economy and Protect Consumers

The U.S. housing market has begun to stabilize after a tumultuous downturn that began in the first quarter of 2006. A year ago our financial sector was on the brink of collapse and house prices were falling rapidly. Many were predicting a second Great Depression. A year later, with home prices up for two quarters in a row, interest rates near five percent and home sales rebounding – the nation's housing market is returning to stability. While the recovery is still fragile, we have come a long way from where we were when President Obama took office.

First, the coordinated efforts of the Treasury and the Federal Reserve have combined to maintain mortgage interest rates near record lows for nine months. But low interest rates alone don't benefit American families if no one is lending money. That's where the Federal Housing Administration, Ginnie Mae and the GSE's have come in – ensuring essential liquidity and credit available in our housing market. And by playing an essential, though temporary, role until the private market returns, the FHA is insuring almost 30 percent of purchases and 20 percent of refinances in cities and communities across America. The first-time homebuyer tax credit the President signed into law as part of the Recovery Act was so successful, it has been extended into this year. Together the record low interest rates, liquidity and the tax credit have enabled first-time homebuyers to enter the market, have helped over 3.8 million homeowners refinance, and are pumping $13 billion annually into our local economies and businesses every year – generating additional revenues for our nation's cities.

We've also provided billions in temporary financing and credit to state and local housing finance agencies to help them make affordable financing available to hundreds of thousands of new homebuyers and existing homeowners, as well as support the development and rehabilitation of affordable rental properties. Over 90 state and local HFAs representing 49 states participated in this program, at no expected cost to the taxpayer.

With housing still representing the largest asset for most American households, it is essential that home prices continue to stabilize to restore the confidence of American consumers. Americans held roughly $6.2 trillion in home equity in the third quarter of 2009, up from its lowest point of $5.3 trillion in the first quarter of 2009 The central role of housing in the U.S. economy demands that federal agencies involved in housing policymaking rethink and restructure programs and policy to support housing as a stable component of long-term wealth accumulation, not a vehicle for over exuberant risky investing.

To that end, the fiscal year 2011 Budget:

Ensures that FHA remains strong, solvent and capable of meeting the needs of the market

FHA provides mortgage insurance to help lenders reduce their exposure to risk of default. This assistance allows lenders to make financing available to many borrowers who would otherwise have no access to the capital needed to purchase a home. FHA thus plays a vital role in opening up access to homeownership for the underserved in our country. More than three-quarters of the purchase loans insured by FHA last year were for first-time homebuyers. Over half of all African Americans who purchased a home last year and forty-five percent of Hispanics did so with FHA financing.

As access to private capital has contracted in the recent difficult economic times, the number of those who depend on the FHA for access to the financing needed to purchase a home has increased greatly. In helping more Americans to buy a home, FHA has played an important counter-cyclical role in helping to stabilize the housing market generally. The increased presence of FHA in the market has ensured that the housing market has had liquidity to ride through these difficult times until private capital returns to its natural levels.

With this increased role, however, comes increased risk and responsibility. FHA has thus rolled out a series of measures over the last year to strengthen its risk and operational management. It has hired the first chief risk officer in its 75 year history, tightened its credit standards significantly and expanded its capacity to reign in or shut down lenders who commit fraud or abuse. FHA Commissioner David Stevens has announced a set of policy changes to strengthen the FHA's capital reserves, while enabling the agency to continue to fulfill its mission to provide access to homeownership for underserved communities and to support the nation's housing market recovery. The FHA has proposed taking the following steps: increase the mortgage insurance premium (MIP); update the combination of FICO scores and down payments for new borrowers; reduce seller concessions to three percent, from six percent; and implement a series of significant measures aimed at increasing lender enforcement. And to strengthen its operational capacity, it has begun implementing a plan to significantly upgrade its IT and increase its personnel, to ensure that both are in keeping with the increase of its portfolio and responsibility. In short, FHA has taken the kinds of steps necessary to make sure that it will remain strong and healthy enough to continue to fulfill its mission of serving the underserved and playing a vital counter-cyclical role in the housing market.

The Budget reflects the importance of this increased responsibility. It requests a mortgage insurance commitment limitation of $420 billion in fiscal year 2011 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 $20 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. 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-owned properties acquired through insurance claims to, or for use by low- and moderate-income families.

Protects consumers in difficult times

FHA is playing an important role for current and prospective homeowners during these difficult times in many other ways as well. FHA is helping homeowners get out of unsustainable mortgages by refinancing into FHA-insured loans at today's much lower rates. FHA is helping those already in FHA-insured loans modify those loans where they are unsustainable. FHA is helping prospective homeowners avoiding such unsustainable situations to begin with through homeownership counseling. Finally, FHA is working to end mortgage fraud at any stage of the purchase and homeownership process. Toward these ends, the Budget includes $88 million for the Housing Counseling Assistance program, which is the only dedicated source of Federal funding for the full spectrum of housing counseling services, and continues FHA's Combating Mortgage Fraud initiative ($20 million) launched in fiscal year 2010.

Strengthening the Housing Market, Protecting Consumers			
($ in millions)			
	2010 Enacted	**2011 Request**	**Difference 2011 vs 2010**
FHA MMI Loan Guarantee Limitation Level	[$400,000]	[$400,000]	……
Ginnie Mae Loan Guarantee Limitation Level	[$500,000]	[$500,000]	……
Positive Credit Subsidy, MMI/HECM	……	$250.0	$250.0
Housing Counseling	$87.5	$88.0	$0.5
Mortgage Fraud Initiative	$37.0	$20.0	($17.0)
FHA Mortgage Fraud Initiative	[$20.0]	[$20.0]	……
Fair Housing Programs (FHAP/FHIP)	[$13.0]	……	[$13.0]
Salaries & Expenses (OGC, FHA, FHEO)	[$4.0]	……	[$4.0]
Receipts from Offsetting Collections	($3,343.0)	($6,877.0)	($3,534.0)

Meeting the Need for Quality Affordable Rental Homes

Several recent national indicators have pointed to increasing stress in the U.S. rental housing market. Vacancy rates are on the rise as a result of the dampened demand and additional supply repurposed from the ownership market. Spreads between asking rents and effective rents are widening, asking rents are now $65 higher than effective rents (6.6% of the effective rent) - the largest gap over the past four years. While some new renters have been the beneficiaries of this softness, drawing concessions from distressed property owners, the budgets of many more low-income renters have been strained as household incomes fall, as a result of unemployment and lost hours worked.

Unfortunately, this softness in the broader rental market has done little to ease affordability concerns for low-income renters. Loss of income stemming from the recession is likely offsetting affordability gains from declining rents. Vacancies in HUD's assisted stock remain considerably lower than market levels, and the number of cost burdened low-income renters is on the rise. Based on estimates from the 2008 American Community Survey, 8.7 million renter households paid 50% or more of their income on housing, up from 8.3 million renter households in 2007.

In short, the Department's rental assistance programs have never been more needed nor has the imperative to operate them efficiently been clearer. This budget takes three critical steps to meet this challenge.

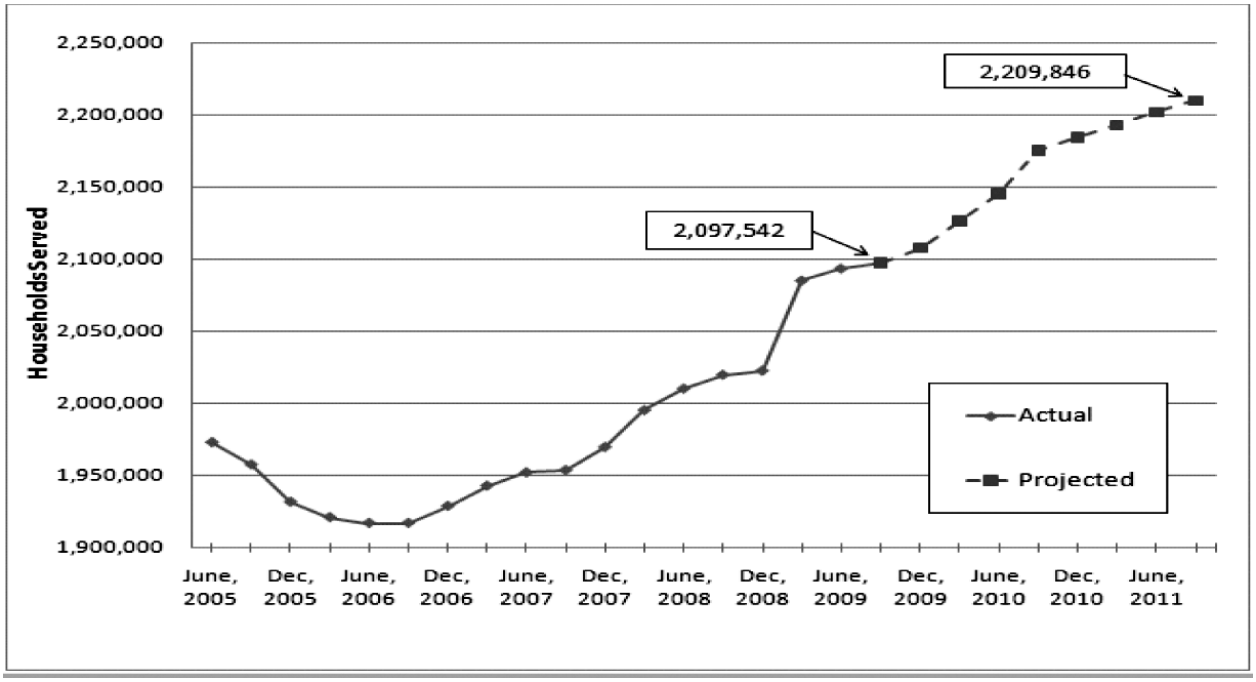
Increases investment in core rental assistance and operating subsidy programs

Tenant-based Rental Assistance

The Section 8 Tenant-Based Rental Assistance (TBRA) or Housing Choice Voucher (HCV) program is a cost-effective means for delivering decent, safe, and sanitary housing to low-income families in the private market, providing assistance so that participants are able to find and lease privately owned housing. In fiscal year 2009, the Department assisted over two million families with this program; and, in fiscal year 2010, the Department plans to assist over 76,000 more families through new incremental vouchers. Through the fiscal year 2010 budget, the Department is maximizing the effectiveness of the HCV program and is initiating plans to transform the program through investments in a Next Generation Voucher Management System (VMS), HCV Administrative Fee Study. Area Rent Survey, Moving to Work (MTW) Evaluation Study, and an Assessment of Recovery Efforts for Troubled PHAs.

This Budget represents the Department's renewed commitment to the transformation efforts initiated in fiscal year 2010. The calendar year request for 2011 is $19.6 billion, a $1.4 billion in-

crease from the 2010 Consolidated Appropriations Act and estimated to suffice to assist 2.2 million households, an increase of 34,466 families from fiscal year 2010 projections and 112,304 more than at the end of fiscal year 2009.



Of the $19.6 billion request, $17.3 billion will cover the renewal of expiring annual contribution contracts (ACC) in calendar year 2011; $1.8 billion for Administrative Fees; $125 million for Tenant Protection vouchers; $60 million will support Family Self-Sufficiency (FSS) activities; and $66 million will support disaster vouchers for families affected by Hurricanes Ike and Gustav. In addition, this Budget requests $85 million for incremental vouchers to help homeless individuals and families with special needs stabilize their housing situation and improve their health status, as well as $114 million for the shift of the renewal of mainstream vouchers from the Section 811 account to the TBRA account.

Through this Budget, the Department reaffirms its commitment to improving the Section 8 program by revolutionizing its line-of-business including: designing a comprehensive development strategy to improve HUD Information Technology systems to better manage and administer the Voucher program; implementing an improved Section 8 Management Assessment Program (SEMAP) that will ensure strengthened oversight, quality control, and performance metrics for the voucher program; continuing the study to develop a formula to allocate administrative fees based on the cost of an efficiently managed PHA operating the voucher program; developing a study to evaluate current Housing Quality Standards and improve the unit inspection process; and eliminating unnecessary caps on the number of families that each PHA may serve (imposed by recent Appropriations Acts.

Project-based Rental Assistance

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 criti-

cal 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.

The Department is requesting a total of $9.376 billion to meet PBRA program needs. This includes $8.976 billion to be available in FY 2011 and $400 million to be available in FY 2012. Within this amount, a contract renewals and amendments set-aside provides funding for the Department to renew and amend PBRA contracts. For fiscal year 2011, HUD requests $9.044 billion of new Budget Authority for contract renewals and amendments. 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 2011 will be $662 million. The Budget request is estimated to enable full 1 year renewal funding of expiring contracts and amendment needs.

Public Housing Operating Fund

The public housing Operating Fund operating subsidy payments to over 3,100 public housing authorities (PHAs) which serve 1.2 million households in public housing. The fiscal year 2011 Budget requests $4.8 billion, which will fully fund the Operating Fund. Full funding is essential to the proper operation of public housing, provision of quality housing services to residents, and effective use of Capital Fund resources.

Investing in Core Rental and Operating Assistance Programs ($ in millions)	2010 Enacted	2011 Request	Difference 2011 vs 2010
Tenant-Based Rental Assistance			
Section 8 Contract Renewals	$16,339.2	$17,310.0	$970.8
Administrative Fees	$1,575.0	$1,791.0	$216.0
Family Self-Sufficiency (FSS) Coordinators	$60.0	$60.0	……
Section 8 Rental Assistance (Tenant Protection Vouchers)	$120.0	$125.0	$5.0
Mainstream Voucher Renewals	……	$113.7	$113.7
Housing and Services for Homeless Persons Demonstration	……	$85.0	$85.0
Disaster Housing Assistance Program (DHAP)	……	$66.0	$66.0
Veterans Affairs Supportive Housing (VASH)	$75.0	……	($75.0)
Family Unification Program	$15.0	……	($15.0)
Advanced Appropriation	[$4,000]	[$4,000]	……
Total, Tenant-Based Rental Assistance	*$18,184.2*	*$19,550.7*	*$1,366.5*
Operating Subsidy	$4,775.0	$4,829.0	$54.0
Project-Based Rental Assistance			
Section 8 Contract Renewals (Housing)	$8,325.9	$9,044.0	$718.1
Tenant Resources Information and Outreach (TRIO)	……	$10.0	$10.0
Contract Administrators	$232.0	$322.0	$90.0
Advanced Appropriation	[$393.7]	[$400.0]	[$6.3]
Total, Project-Based Rental Assistance	*$8,557.9*	*$9,376.0*	*$818.1*

Begins to streamline the Department's rental assistance programs

It does not take a housing expert to see that HUD's rental assistance programs are in need of consolidation and simplification. The Department currently provides deep rental assistance to more than 4.6 million households through at least thirteen different programs (each with its own rules) administered by three operating divisions with separate field staff. The deep rental assistance programs (those with income-based rents) are implemented through an infrastructure of some 4,200 Public Housing Agencies (PHAs), 17,000 private owners with individual federal contracts, and hundreds of non-profit rental program administrators. This structure increases transaction costs for developers and communities.

The numerous programs and administrative entities also present many barriers to eligible low-income families seeking an effective, accessible rental assistance program. For example, an eligible low-income family seeking HUD rental assistance cannot apply at one location for all programs; instead, the family must apply on separate waiting lists at various locations. Depending on the type of assistance received, the family may be required to reside in a specific location and may lose its subsidy upon relocation to another dwelling.

The welter of entities that administer HUD rental assistance, combined with the geographical limits under which most operate, impede fair access to scarce resources, resulting in waiting times that vary substantially and often with adverse racial and other impacts. In addition, this balkanized administrative geography limits the use of federal rental assistance to decrease concentrations of poor and minority families or to expand opportunities to live in mixed -income sustainable neighborhoods.

Another challenge is the capital needs of the aging public and assisted housing stock, which hinders Federal efforts to provide safe, high-quality affordable housing. The Public Housing program

in particular has long wrestled with an old physical stock with a backlog of unmet capital needs. Moreover, highly prescriptive government regulations and the isolation of the program from market forces undermine effective and efficient property management.

To address these issues, HUD proposes to initiate a multi-year effort called the Transforming Rental Assistance (TRA) initiative. In 2011, the first phase of this initiative will provide $350 million to preserve approximately 300,000 units of public and assisted housing, increase administrative efficiency at all levels of program operations, and enhance housing choice for residents. When fully implemented, TRA will also improve families' access to HUD rental assistance. PHAs and private owners will be offered the option of converting to long-term property-based rental assistance contracts that include a resident mobility feature. Some $290 million will be used to fill the gap between the funds otherwise available for the selected properties and the first-year cost of the new contracts. These funds will place participating properties on a sustainable footing from both a physical and a financial standpoint, and enable owners to leverage private financing to address immediate and long-term capital needs and implement energy-efficiency improvements.

Up to $50 million will be available to PHAs for two purposes: (1) to offset the one-time costs of combining Housing Choice Voucher (HCV) program administrative functions in approximately 50 regions or areas where PHAs submit locally-designed plans to increase efficiency and effectiveness; and (2) for outreach to encourage landlords in a broad range of communities to participate in the program and to provide additional services to expand families' housing choices. Together with other policy changes HUD plans for 2011, these funds and the administrative changes they support will streamline and improve the delivery and oversight of rental assistance and increase the share of housing choice vouchers used in lower poverty communities.

Under this voluntary initiative, HUD will prioritize for conversion public housing owned by agencies that do not operate HCV programs and public housing or assisted multifamily properties owned by PHAs that also administer HCV programs and agree to combine HCV administration with PHAs serving adjacent communities. In addition to achieving economies of scale, this effort will enable residents, if they choose, to move with a portable voucher that becomes available. This resident mobility feature will not reduce the number of units with property-based assistance. Three types of privately-owned HUD-assisted properties will also be eligible for conversion to the proposed new form of rental assistance: Section 8 Moderate Rehabilitation contracts administered by PHAs, and properties assisted under the Rent Supplement or Rental Assistance Programs.

By the spring of 2010, the Administration will transmit to the Congress proposed legislation to amend the project-based voucher program under section 8(o)(13) of the U.S. Housing Act and authorize the long-term property-based rental assistance contracts (with a resident mobility feature) that would be funded by the Budget request. Enactment of a number of the provisions in the Section 8 Voucher Reform Act is also an integral part of the Transforming Rental Assistance initiative. The Administration will work with the Congress to finalize this vital legislation.

Increases investment in proven and restructured HUD homeless assistance programs

This budget requests $2.055 billion for homeless assistance funding—nearly $200 million over the fiscal year 2010 enacted level-- reflecting the Administration's commitment to address homelessness, the successful track record of HUD's Homeless Assistance Grants program, and recent

improvements made by the Homeless Emergency Assistance and Rapid Transition to Housing (HEARTH) Act, signed by President Obama on May 20th, 2009, which restructured this program to incorporate nearly two decades of research and on-the-ground experience in ending homelessness.

HUD homeless assistance funds are distributed through a unique competitive process called the Continuum of Care ("CoC") in which Federal funding is driven by the local decision-making process. The CoC systemis a community-based process that provides a coordinated housing and service delivery system that enables communities to plan for and provide a comprehensive response to homeless individuals and families. Communities have worked to establish more cost-effective continuums that identify and fill the gaps in housing and services that are needed to move homeless families and individuals into permanent housing. The CoC is an inclusive process that is coordinated with non-profit organizations, State and local government agencies, service providers, private foundations, faith-based organizations, law enforcement, local businesses, and homeless or formerly homeless persons. This planning model is based on the understanding that homelessness is not merely a lack of shelter, but involves a variety of unmet needs-—physical, economic, and social.

Among other things, the HEARTH Act codified the CoC process in statute. Fiscal year 2011 marks the first year for implementation of this and other key features of the HEARTH legislation including: increased investment in the evidence-based practices of homelessness prevention and permanent supportive housing for homeless individuals and families with special needs; improvement in the accuracy of the definition of homelessness; support for the project operation and local planning activities needed to continue the movement of the HUD-supported homeless assistance system to a more performance-based and outcome-focused orientation; and provision of assistance that better recognizes the needs of rural communities. This funding level will enable the Administration to continue progress in reducing chronic homelessness (20 percent reduction between 2006-2008) and meet the growing needs among homeless families during this period of economic hardship (9 percent increase from 2007-2008).

Investing in Restructured Programs
($ in millions)

	2010 Enacted	2011 Request	Difference 2011 vs 2010
Transforming Rental Assistance	……	$350.0	$350.0
Rental Assistance and Administrative Fees	……	[$290]	[$290]
Resident Mobility	……	[$50]	[$50]
Technical Assistance and Evaluation	……	[$10]	[$10]
Homeless Assistance Grants	$1,865.0	$2,055.0	$190.0

Utilizing Housing as a Platform for Improving Quality of Life

A growing body of evidence points to the role housing plays as an essential platform for human and community development. In particular, findings from studies on homelessness conducted beginning in the late 1990s gave rise to evidence-based programs for the chronically homeless that were proven to be more cost effective than the shelter system. More recently, scholars have focused on housing stability as an important ingredient for children's success in school. Building on these lessons, HUD is launching efforts to connect housing to services that improve the quality of life for people and communities. In fiscal year 2011, the Department will partner with the Department of Health and Human Services (HHS) and the Department of Education (DoE) on special initiatives to connect housing and services for homeless families and individuals, while also looking for other opportunities to improve the quality of life for low and moderate income households.

Connects formerly homeless tenants of HUD-housing to mainstream supportive services programs

The Department requests $85 million for incremental voucher assistance for the new *Housing and Services for Homeless Persons Demonstration*. This demonstration is premised on the Administration's firm belief targeted programs alone cannot end homelessness. Mainstream housing, health, and human service programs will have to be more fully engaged to prevent future homelessness and significantly reduce the number of families and individuals who are currently homeless. Two separate initiatives will be funded in an effort to demonstrate how mainstream programs can be aligned to significantly impact homelessness.

One initiative will focus on individuals with special needs who are homeless or at risk of homelessness. This initiative is designed to model ways that resources across two federal agencies can be brought to bear to address the housing and service needs of this vulnerable population. Recently released data from HUD's Annual Homeless Assessment Report (AHAR), points to the fact that over 42% of the homeless population living in shelters in 2008 (October 2007-September 2008), had a disabling condition. The primary goal is to offer a clear alternative to the only choice some persons with disabilities currently have, which is to move to an institutional setting inappropriate to the level of their needs or wishes, or to become homeless.

In recent years, a significant body of research has emerged suggesting the potential of housing to improve health outcomes of residents and reduce their high-cost use of publicly funded health and social services. The key to the success of the supportive housing approach in meeting the needs of homeless persons with special needs is access to affordable housing (often through a tenant based or project based subsidy) and, on a voluntary basis, to the array of human services needed to stabilize families and individuals in their housing.

This HUD-HHS demonstration would combine Housing Choice Vouchers with health, behavioral health and other support services to move and maintain up to 4,000 chronically homeless individuals with mental and substance use disorders into permanent supportive housing. The demonstration will target low income, single, childless adults who are homeless and who are already enrolled in Medicaid through coverage expansion under 1115 waivers or state only initiatives. Eligible individuals will receive a housing voucher through public housing agencies (PHAs) to provide subsidized access to permanent housing and health and behavioral health services through their existing Medicaid eligibility. In addition, HHS is seeking $16 million in their fiscal year 2011 budget request to provide wraparound funding through grants administered by the Substance Abuse and Mental Health Services Administration to promote housing stability and improvements in health outcomes for this population.

HUD and HHS will jointly design the competitive process and conduct and evaluation to determine: (1) the cost savings in the healthcare and housing systems of the proposed approach, (2) the efficacy of replication, and (3) the appropriate cost-sharing among federal agencies for underwriting services that increase housing stability and improve health and other outcomes.

Another initiative will establish a mechanism for HUD, HHS and DoE programs to be more fully engaged in stabilizing homeless families, ultimately resulting in reducing the costs associated with poor school performance and poverty. This initiative strategically targets these resources to: (1) identify families who are homeless or at risk of homelessness, (2) intervene with the appropriate array of housing assistance, income supports, and services to ensure that the family does not fall into the shelter system or onto the street (or if already homeless that the family is stably housed and does not return to homelessness), and (3) provide the tools necessary to assist the family to build on its resources to escape poverty and reach its highest possible level of economic security and self-sufficiency.

Recently released data from HUD's Annual Homeless Assessment Report (AHAR) shows a sharp 9% increase in homeless families with children living in shelters (from 473,542 to 516,724) between 2007 and 2008. Research has shown that homeless families that receive a housing subsidy are far more likely to remain housed than their counterparts who do not receive a voucher. Research also suggests that stable housing has a large positive impact for children – when children are not forced to move from place to place and school-to-school, they are more likely to succeed academically.

HUD will make available a minimum of 6,000 Housing Choice Vouchers on a competitive basis and jointly design the competitive process with HHS and DoE. Winning proposals will have to show that the new vouchers are being targeted to communities with high concentrations of homeless families. With guidance from HHS, states will need to demonstrate how they will integrate HUD housing assistance with other supports – including TANF--these families will need to stabilize their housing situation, foster healthy child development, and prepare for, find, and retain employment. HHS will provide guidance to state TANF agencies and other relevant programs to explain this initiative and their role in both the application for the vouchers and the implementation of the program. DoE will assist with identifying at-risk families with children through their network of school based homelessness liaisons, and providing basic academic and related supports for the children. Locally, applicants will need to show that they have designed a well-coordinated

and collaborative program with the TANF agency, the local public schools, and other community partners (e.g., Head Start, child welfare, substance abuse treatment, etc.).

Modernizes the 202 and 811 Supportive Housing Programs for the Elderly and Disabled

As the Department begins the process of restructuring its rental assistance programs, it must also ensure that its programs providing capital grants and rental assistance sized to actual costs to operate a project ('budget-based' or 'operating cost-based') are well designed for the world of housing finance in the 21st century. Beyond public housing, the most prominent examples of such funding streams are the Section 202 and 811 programs, which couple housing and services for the nation's poor elderly and disabled, respectively.

These programs have a distinguished and interconnected history. The 202 program is the Department's oldest active production program, predating the establishment of the agency itself. Indeed, examining the various financing strategies the Department, and its predecessors, have used during the program's half-century of operation is tantamount to a course in post-war affordable housing rental policy. Meanwhile, the 811 program, modeled on 202, was established in 1990 to assist the Department in redressing one of its greatest missteps, combining elderly and disabled public housing into dual-population projects that proved operationally unsustainable. To date, 202 has produced 400,000 units of permanent supportive housing for the elderly and 811 has produced 30,000 units for the disabled.

They are, however, in need of modernization. Simply put, 202 and 811 currently exhibit some of the worst elements of two different approaches to housing finance: project sponsors no longer receive enough funding per grant for the 202 and 811 programs to be a "one-stop shop" to capitalize and sustain a project, yet they are subject to bureaucratic oversight commensurate with such a model. This regulatory structure also makes it difficult for project sponsors to work with other financing streams, such as low income housing tax credits, even as the average grant size requires accessing other capital sources. As a result, project development is slowed and, coupled with outdated geographic allocation formulae, limited resources are spread too thin to reach scale at either the project or national programmatic levels. In 2009, the 202 program produced only 3,049 units with an average project size of 44 units and the 811 program produced only 661 units with an average project size of 10 units.

Accordingly, HUD requests a suspension of funding for Section 202 and 811 Capital Advance Grants in fiscal year 2011 in order to redesign them to better target the resources to meet the current housing and supportive service needs of frail elderly and disabled very low-income households. The redesigned programs will maximize HUD's financial contribution through enhanced leveraging requirements and will also encourage or require partnerships with HHS and other services funding streams to create housing that, while not medically licensed, still effectively meets the needs of very low-income elderly and disabled populations unable to live fully independently. The program reforms for both 202 and 811 will include the following: 1) new requirements to establish demand to ensure meaningful impact of dollars awarded; 2) raised threshold for sponsor eligibility to ensure the award of funds only to organizations with unique competency to achieve the program goals; 3) streamlined processing to speed development timeframes; 4) broader benefits of program dollars achieved by providing All-inclusive Care for the Elderly/All Services in One Location

(PACE) model services to 202 project residents and the larger community, and integrating 811 programs within larger mixed finance, mixed use projects.

Utilizing Housing As a Platform to Deliver Effective Support Services ($ in millions)	2010 Enacted	2011 Request		Difference 2011 vs 2010
Housing and Services for Homeless Demonstration	……	$85	a/	$85
Section 202 Housing for the Elderly				
Expansion - Capital Advance and Project Rental Assistance Contracts (PRAC)	$582.0	……		($582.0)
PRAC Renewals and Amendments	$93.0	$183.7		$243.0
Service Coordinators/Congregate Housing Service Program	$90.0	$90.0		……
Conversion to Assisted Living/Emergency Repairs	$40.0	……		($40.0)
Planning Grant	$20.0	……		($20.0)
Total, Section 202	**$825.0**	**$273.7**		**($551.3)**
Section 811 Housing for Persons with Disabilities				
Expansion - Capital Advance and Project Rental Assistance Contracts (PRAC)	$186.0	……		($186.0)
PRAC Renewals and Amendments	$26.9	$90.0		$63.1
PIH Amendment/Renewal of Mainstream Vouchers - TBRA	$87.1	……		($87.1)
Total, Section 811	**$300.0**	**$90.0**		**($210.0)**
a/ New demonstration proposed for 2011 under Tenant-Based Rental Assistance account.				

Building Inclusive and Sustainable Communities Free from Discrimination

The economic downturn and foreclosure crisis have significantly depleted resources in state and local governments while increasing demand for services. Revenue declines often turn quickly into layoffs and cuts in services for the poor. Meanwhile, community development investments have a heightened role in economic redevelopment and stabilization for neighborhoods and regions across the country. During these difficult economic times, it is critical that the Administration support and enhance community development programs and to partner with grantees in developing strategies to increase economic vitality, build capacity, and build sustainable communities and neighborhoods of opportunity.

The fiscal year 2011 Budget:

Supports and improves the federal government's premier community development program

In the long run, communities are only as strong as their people and neighborhoods. Since 1974, the Community Development Block Grant (CDBG) program has provided formula grants to cities and states to catalyze economic opportunity and create suitable living environments through an extensive array of community development activities that primarily benefit Americans of modest financial means. The fiscal year 2011 Budget proposes a total of $4.380 billion for the Community Development Fund, which includes:

- $3.99 billion for *CDBG formula distribution*, delivering on this Administration's promise to provide states and localities with the baseline CDBG funding needed to address the current economic crisis. Simultaneously, the Department proposes a number of improvements to the CDBG program, including revamping the consolidated plans developed by state and local governments, greater accountability, and better performance metrics.

- $150 million in funding for the second year of the *Sustainable Communities Initiative.* The initiative has four components in 2011.

    1) Sustainable Communities Planning Grants administered by HUD in collaboration with the Department of Transportation (DOT) and the Environmental Protection Agency (EPA). These grants will catalyze the next generation of integrated metropolitan transportation, housing, land use and energy planning using the most sophisticated data, analytics and geographic information systems. These integrated plans would inform state, metropolitan and local decisions on how and where to allocate Federal, state and

local transportation, infrastructure and housing investments. Better coordination of transportation, infrastructure and housing investments will result in more sustainable development patterns, more affordable communities, reduced greenhouse gas emissions, and more transit-accessible housing choices for residents and firms.

2) Sustainable Communities Challenge Grants to help localities implement the Sustainable Communities Plans. These investments would provide a local complement to the regional planning initiative, enabling local and multi-jurisdictional partnerships to put in place the policies, codes, tools and critical capital investments to achieve sustainable development patterns.

3) The creation and implementation of a capacity-building program and tools clearinghouse designed to support both Sustainable Communities grantees and other communities interested in becoming more sustainable. This clearinghouse and educational program will be designed to assist a wide array of stakeholders and build the capacity of all levels of government to implement sustainable communities strategies.

4) A joint HUD-DOT-EPA research effort designed to advance transportation and housing linkages on a number of levels. This effort would aggressively pursue data development, information platforms, analytic tools and research that support both HUD's mission of affordable housing and community development, DOT's mission of efficient transportation and EPA's mission of environmentally sustainable communities, thus laying a foundation for greater sustainability in the nation's built environment.

- $150 million for the *Catalytic Investment Competition Grants program* to provide economic development and gap financing to implement targeted economic investment for neighborhood and community revitalization. This new program uses the authorities of CDBG, but will provide capital to bring impactful and innovative economic development projects to scale. The competitive grants will fund applicants with targeted economic investments while leveraging other federal neighborhood revitalization programs, including mainstream CDBG funding. Unlike CDBG, consortia including high capacity non-governmental entities that have developed an innovative plan may apply along with governmental entities, and the grants will target areas experiencing significant economic distress. The program will create a competitive funding stream that is responsive to changes in market conditions and is intended to increase the economic competitiveness of distressed communities and neighborhoods.

  The outcomes of the grants will be measured improvement in economic activity and job creation in targeted neighborhoods. Activities funded with this grant will include a variety of development projects, including those that (1) implement projects designed to reclaim vacant property for the purposes of creating green infrastructure and other environmentally and economically sustainable uses, (2) remove or ameliorate property-related obstacles to economic recovery, (3) support facilitation of economic development and neighborhood viability in targeted neighborhoods and redevelopment into communities with attractive amenities and high quality infrastructure, including the provision of assistance and outreach to small and medium sized businesses, and (4) support economic activities related to transit-oriented development.

The Secretary may consider how much and to what extent the project will complement and leverage other community development and revitalization activities such as the Choice Neighborhoods Initiative, Promise Neighborhoods, HOPE VI, Sustainable Communities, or other place-based investments in targeted neighborhoods to improve economic viability, extend neighborhood transformation efforts, and foster viable and sustainable communities. Applicants must develop a plan that includes measurable outcomes for job creation and economic activity, exhibit capacity to implement such plan, and demonstrate approval for the plan from the local jurisdiction. Applicants will be required to leverage other appropriate federal resources, including but not limited to, Community Development Block Grant formula funding and Section 108 Loan Guarantees. This will support HUD's effort to partner with grantees to more effectively target community development investments towards neighborhoods with greatest need, disinvestment, or potential for growth.

- $25 million to consolidate four separate university partnership programs into one unified *University Community Fund*. With the restructuring of the United States economy, universities have emerged as growth engines for metropolitan and rural economies while serving as anchor institutions and major employers within their host communities. The consolidated University Community Fund will continue to leverage the potential of universities to serve as catalysts for broader revitalization in their surrounding communities. The University Community Fund will allow funding opportunities for colleges and universities interested in forming consortia with other minority-serving or non-minority-serving institutions to jointly address the community/economic development needs of local communities. Applicants will be encouraged to undertake projects that address a broad range of community and economic development activities.

Enhances and broadens capacity building for our partners

The fiscal 2011 Budget provides $60 million for a revamped Capacity Building program. HUD must embrace a 21st century vision for supporting the affordable housing and community development sector and will reframe the Section 4 program, including renaming the program to "Capacity Building", in order to reflect that vision. The objective is to expand HUD's funding capabilities, and encourage open competition through mainstream and consistent program funding for these activities.

Working with cities and states to readily understand how to meet the needs of their communities with depleting resources, leverage private and other kinds of resources, and align existing programs is fundamental to building resilience in tough economic times. Increasing capacity at the local level is critical as jurisdictions partner with the Administration in implementing key initiatives such as Choice Neighborhoods, Sustainable Communities, and the Catalytic Competition and work to restore the economic vitality of their communities. This enhanced program will include local governments as technical assistance service recipients.

Takes Choice Neighborhoods to scale

The Administration will also propose authorizing legislation for Choice Neighborhoods, funded at $65 million in fiscal year 2010 on a demonstration basis and which the Budget funds at $250 million.

This initiative will transform distressed neighborhoods and public and assisted projects into functioning, sustainable mixed-income neighborhoods by linking housing improvements with appropriate services, schools, public assets, transportation, and access to jobs. A strong emphasis will be placed local community planning for school and educational improvements including early childhood initiatives. Choice Neighborhood grants would build upon the successes of public housing transformation under HOPE VI to provide support for the preservation and rehabilitation of public and HUD-assisted housing, within the context of a broader approach to concentrated poverty. In addition to public housing authorities, the initiative will involve local governments, non profits and for profit developers in undertaking comprehensive local planning with input from the residents and the community.

Additionally, the Department is placing a strong emphasis on coordination with other federal agencies, with the expected result that federal investments in education, employment, income support, and social services will be better aligned in targeted neighborhoods. To date, the Departments of Education, Justice and and HHS are working with HUD to coordinate investments in neighborhoods of concentrated poverty, including those targeted by Choice Neighborhoods.

Protects consumers from discrimination in the housing market and affirmatively furthers the goals of the Fair Housing Act

The Budget proposes $61.1 million in support of the fair housing activities of HUD partners. Some sources estimate that more than 4 million acts of housing discrimination occur each year. To meaningfully address that level of discrimination, the Department, in addition to directing its own fair housing enforcement and education efforts, must engage outside partners. Therefore, this budget funds state and local government agencies to supplement HUD's enforcement role through the Fair Housing Assistance Program (FHAP) and provides funding also to nonprofit fair housing organizations that provide direct, community-based assistance to victims of discrimination through the Fair Housing Initiatives Program (FHIP). The entities participating in the two programs both help individuals seek redress for discrimination they have suffered and help eliminate more wide-scale systemic practices of discrimination in housing, lending, and other housing-related services. Their efforts ensure that housing markets, products, and services are truly open to all people and offered on an equal basis without regard to race, color, religion, national origin, sex, disability, or familial status. These efforts also help dismantle historic segregation and other practices which distort the housing and lending market. This Budget provides $28.5 million to state and local agencies in the FHAP and $32.6 million to fair housing organizations through the FHIP.

Since its passage in 1968, the Fair Housing Act has mandated that HUD shall "affirmatively further fair housing" in the operation of its programs. This requires that HUD and recipients of HUD funds not only prohibit and refrain from discrimination in the operation of HUD programs but also take pro-active steps to overcome effects of past discrimination and eliminate unnecessary barriers that deny some populations equal housing opportunities. To assist recipients in meeting these obligations, the Department is revising its regulations to clearly enumerate the specific activities one must undertake to "affirmatively further fair housing" and the consequences for the failure to comply. To support this effort, $2 million of the FHIP budget will support a pilot program whereby fair housing organizations help HUD-funded jurisdictions comply with these regulations. Fair housing organizations will provide testing and analysis to help communities assess whether they

are reducing housing barriers and promoting more inclusive communities. The results of this pilot will help the Department to assess the best way to assist the more than 1200 jurisdictions that must comply with the obligation to affirmatively further fair housing.

Building Inclusive, Sustainable Communities Free from Discrimination			
($ in millions)			
	2010 Enacted	2011 Request	Difference 2011 vs 2010
Community Development Fund (CDBG)			
Entitlement/Non-Entitlement	$3,983.1	$3,990.1	$7.0
Catalytic Competition Grants	……	$150.0	$150.0
Sustainable Communities	$150.0	$150.0	……
Insular Area CDBG Program	$7.0	……	($7.0)
Indian Tribes (Section 107)	$65.0	$65.0	……
Economic Development Initiative	$172.8	……	($172.8)
Neighborhoods Initiatives Program	$22.1	……	($22.1)
Rural Innovation Fund	$25.0	……	($25.0)
University Community Fund	$25.0	$25.0	……
Total, Community Developmentment	**$4,450.0**	**$4,380.1**	**($69.9)**
Choice Neighborhoods	$65.0 a/	$250.0	$185.0
Fair Housing and Equal Opportunity	$72.0 b/	$61.1	($10.9)
a/ 2010 enacted as $65 of $200 million under HOPE VI			
b/ 2010 enacted includes $13 million for initiative to combat mortgage fraud			

Transforming the Way HUD Does Business

In light of recent natural disasters and the housing and economic crises, last year HUD acknowledged a pressing need for adaptability and change. To become an innovative agency with the capacity to move beyond legacy programs, shape new markets and methods in the production and preservation of affordable housing, green the nation's housing stock, and promote sustainable development in communities across America, the Department had to remake itself.

To accelerate the Department's transformation, the fiscal year 2011 Budget:

Develops a basic data infrastructure and delivers on Presidential research and evaluation priorities

HUD requests $87 million for the Office of Policy Development and Research, an increase of $39 million from FY 2010, to continue the transformation of PD&R into the nation's leading housing research organization. These funds would be used for three critical activities:

Basic Data Infrastructure. Continue the investment made in fiscal year 2010 to support the collection and dissemination of the core data needed to support effective decision making about housing. HUD's request for this purpose is $55 million, which is $7 million more than the fiscal year 2010 appropriated level of $48 million. This will be used to conduct housing surveys, including full funding for the American Housing Survey, the Survey of New Home Sales and Completions, the Survey of Market Absorption of Multifamily Units, and the Survey of New Manufactured Housing Placements. This also supports enhanced research dissemination and clearinghouse activities and a Young Scholars research program.

Presidential Research and Development Initiative. As part of the Administration's Research and Development initiative that is tied to the President's national goals of energy, health and sustainability is $25 million for research on the linkages between the built environment and health, hazard risk reduction and resilience, and the development of innovative building technologies and building processes.

Presidential Evaluation Initiative. Also for fiscal year 2011, the President is proposing to fund extremely rigorous evaluations of critical programs to inform future policy discussions. The $7 million proposed will supplement funding from the Transformation Initiative set-aside to support rigorous evaluations of the Family Self-Sufficiency Program, potential Rent Reform strategies, and the Choice Neighborhoods program.

Maintains the Department's existing technology infrastructure

Working Capital Fund: HUD requests $315 million for the Working Capital Fund, to cover the steady state operations, corrective maintenance of HUD's existing technology systems, and the re-competition of HUD's infrastructure support contract, . As with FY 2010, this does not include the "next generation technology" development that would be funded through the Transformation Initiative, as described below. The bulk of the fiscal year 2011 request ($243.5 million) would be in the form of a direct appropriation. In addition, HUD seeks a $71.5 million transfer from FHA to pay for its share of infrastructure costs and system maintenance.

Provides flexibility and resources needed to fuel agency transformation

The Transformation Initiative: As in fiscal year 2010, the Department seeks the continued authority to set-aside up to 1 percent of HUD's total budget for an agency wide *Transformation Initiative*. This set-aside is necessary to build a transparent and accountable agency that uses metrics to gauge performance, research to evaluate programs, demonstrations to illustrate the broader impact of federal interventions, technical assistance to identify and diffuse innovation and technology to track spending, inform decisions and curb fraud, waste and abuse. Additionally, HUD seeks $20 million for the Combating Abusive and Fraudulent Mortgage Practices Initiative through this account.

The Transformation Initiative has four related components.

First, the Initiative enables HUD to have a predictable stream of funding for high quality *research and evaluation*. This would enable HUD to subject programs continuously to rigorous evaluation to highlight what works and to modify programs and policies that are not showing results. Several kinds of research would be consistently supported through this investment:

basic research, such as a Native American needs assessment and developing models to better predict rental assistance costs into the future;

trends analysis, such as measuring housing discrimination in America's housing markets and tracking the improvement of high poverty neighborhoods;

metric development to enable the measurement of HUD's progress toward meeting the goals outlined in the new strategic plan; and

program evaluation, to assess progress across all of its program areas, including supplementing the funds from the Presidential Evaluation Initiative being funded from the R&T account.

HUD strongly believes that this range of research would generate savings over time and improve program effectiveness. The National Academy of Sciences recently called for enhanced in house research capacity, mostly on the belief that a strong PD&R would generate programmatic savings as well as prevent waste and abuse.

Second, the Transformation Initiative would enable HUD to design and execute a series of major *research demonstrations* to test new ideas for improving its programs and helping state and local governments develop more effective housing and community and economic development strategies. The collection and dissemination of information on best-practices, while valuable, can only

take one so far. At some point, rigorous evidence is needed to help communities make better decisions and to help HUD strengthen its programs, and this requires both vision and resources. The findings generated by demonstrations conducted in the past, like Moving to Opportunity and Jobs Plus, have proven invaluable to practitioners and policymakers and dramatically advanced learning in the field.

Third, the Transformation Initiative would enable HUD to deliver a new level of *technical assistance and capacity building.* The housing and community development field is evolving to envision a more comprehensive sustainable approach to neighborhoods and cities. It includes a focus on economic and housing revitalization, but also other features that improve the lives of residents such as jobs, transportation, retail opportunities, education, and health. HUD has embraced this change with its new initiatives for Sustainable Communities, Choice Neighborhoods, Catalytic Competition, and Neighborhood Stabilization. In order to implement this expanded vision, the nation needs local practitioners, both local government and nonprofit partners who understand a more comprehensive approach, who can use current technology to assess needs and to measure success, and who have modern skills to advance the field and enhance the lives of residents. The Transformation Initiative will enable HUD to continue the delivery of a new level of technical assistance and capacity building to Federal funding recipients. The initiative recognizes that human capital, technical competence and institutional support are critical for the success of HUD's partner organizations, whether state or local, public or private.

As with the fiscal year 2010 request, HUD's fiscal year 2011 Budget would roll all existing technical assistance accounts into one broad program technical assistance account. The Secretary would be given the discretion to target funding for technical assistance to those programs that need the funding most, given the capacity of current grantees, new conditions in the program or broader economic and social imperatives (e.g., a spike in homelessness). In addition, the Secretary would have the latitude to provide technical assistance across programs, given the common challenges (e.g., energy efficiency) that face HUD's disparate programs.

Fourth, the Transformation Initiative would enable HUD to *develop next generation information technology systems.* In recent years, HUD's funding for Information Technology has not been sufficient to make major investments in developing, modernizing and enhancing our information systems. Instead, the Department has had to maintain and operate outdated technology, in some cases, in existence for twenty years or more. Reliance on these legacy systems has prevented the Department from taking full advantage of modern tools to capture, store, share and disseminate information.

Salaries and Expenses Central Fund: Building on the principle of the Transformation Initiative, the Budget requests the creation of a Salaries and Expenses Central Fund, funded through a one percent transfer from each of HUD's salaries and expenses accounts. The Fund will provide targeted, temporary infusions of resources to any of HUD's program offices in order to increase our responsiveness to unanticipated crises and new challenges through the hiring of staff with appropriate expertise.

Transforming HUD ($ in millions)	2010 Enacted	2011 Request	Difference 2011 vs 2010
PD&R	$48.0	$87.0	$39.0
Working Capital Fund			
Direct Appropriation	$200.0	$243.5	$43.5
Program Transfers to WCF	$70.8	$71.5	$0.7
Total WCF	*$270.8*	*$315.0*	*$44.2*
Transformation Initiative	$258.8	$475.6	$216.8

HUD's High Priority Performance Goals for Fiscal Year 2011

High Priority Performance Goal #1: Foreclosure Prevention

The FHA-MMI account supports the High Priority Performance Goal of foreclosure prevention with a particular focus over the next two years. An estimated 200,000 homeowners will be assisted to avoid foreclosure through FHA programs as well as 400,000 homeowners assisted through third-party lender lost mitigation initiatives mandated by FHA but not receiving FHA subsidy. This goal also projects that an additional 2.4 million homeowners will be assisted thorough joint HUD-Treasury programs.

Foreclosure prevention and the recovery of the housing market is a critical component of the broader Administration's plan for economic recovery, including the Administration's Making Home Affordable program, in which HUD plays a leadership role.

In the Department, there are several initiatives that address foreclosure prevention including:

- Enacting FHA-Home Affordable Modification Program (FHA-HAMP) that complements long-existing FHA loss mitigation programs to assist homeowners with FHA-insured mortgages.
- Implementing new and improved program features for the Hope for Homeowners (H4H) program authorized by the "Helping Families Save Their Homes Act of 2009."
- Utilizing a vast network of counselors and nonprofits to provide critical assistance to the record number of homeowners at-risk of foreclosure.

High Priority Performance Goal #2: Rental Assistance

This program is part of an overall High Priority Performance Goal to meet more of the growing need for affordable housing serving an estimated 5.46 million families, an increase of 207,000 more than in fiscal year 2009. The main contributors to this goal are Housing Choice Vouchers, Public Housing, Tax Credit Assistance Program (TCAPS), Gulf Coast Disaster Housing, Low Income Housing Tax Credit (LIHTC), Project Rental Assistance Contracts (PRAC), and HOME Investment Partnerships Program (HOME).

Affordability problems have been exacerbated by the recession and the increasing demand for rental housing generated by the foreclosure crisis. At the same time, the freeze in the credit markets and the sharp reduction in demand for LIHTC have greatly diminished the private capital available to improve and expand the supply of affordable rental housing.

Only about one in four families are eligible for HUD/federal rental assistance programs receives assistance. The number of families struggling to make ends meet in the face of severe rent burdens has increased substantially during this decade. The federal government has not sustained its role in helping offset the limitations of the private rental market in providing housing that all families can afford. Federal policies have allowed hundreds of thousands of federally-subsidized units to be lost since the mid-90s while funding limitations have prevented their replacement.

One of HUD's critical strategic goals is to catalyze affordable rental housing. After eight years of drift, the federal leadership on affordable housing issues must be restored. HUD envisions a strategic partnership that strives to address the persistent un-affordability of housing in three ways:

- Supplementing incomes via an enhanced commitment to rental vouchers;
- Preserving existing affordable housing through smart investments in public, Native American and assisted housing; and
- Expanding supply by capitalizing the new national Housing Trust Fund.

High Priority Performance Goal #3: Veterans Homelessness

This program supports the High Priority Performance Goal shared with the Department of Veterans Affairs (VA) to jointly reduce homelessness among veterans. The efforts will reduce the number of homeless veterans from the estimated 131,000 in fiscal year 2009 to 59,000 in fiscal year 2012; and without intervention, this population would have numbered an estimated 194,000.

At HUD, the Office of Special Needs Assistance Programs (SNAPS) in Community Planning and Development (CPD) will be the lead for data collection, evaluation and reporting related to the stated goal, the Office of Public and Indian Housing (PIH) is also critical to the success of the goal. PIH operates the voucher portion of the HUD VASH program, which represents a large proportion of the new housing resources available to veterans and their families. HUD partners with the VA on VASH. While HUD provides the housing resources, VA controls the intake and eligibility screening process and provides an array of needed services. Therefore, VA will be an integral partner in relation to this goal.

High Priority Performance Goal #4: Energy and Green Retrofits

This program is part of an overall High Priority Performance Goal shared by HUD and the Department of Energy (DOE). DOE and HUD will work together to support the achievement of the President's goal of weatherizing one million homes per year by enabling the cost effective energy retrofits of a total of 1,226,000 homes in fiscal year 2010 and fiscal year 2011. Of this

number, HUD will complete cost effective energy retrofits of an estimated 126,000 HUD-assisted and public housing units. Apart from our joint energy retrofit goal with DOE, HUD will complete green and healthy retrofits of 33,000 housing units.

The largest number of retrofits will be in the Public Housing inventory followed by the Multi-family inventory as well as significant contributions through HOME Investment Partnerships Program (HOME) and the Office of Healthy Homes and Lead Hazard Control (Healthy Homes). Approximately, one-third of the effort will be accomplished via Recovery Act funding. In addition, approximately 20 percent of the units will involve green housing methodologies.

Increasing energy efficiency, reducing greenhouse gas emissions, and reducing dependency on foreign oil are priorities of the Obama Administration. Secretary Donovan has committed to creating energy efficient housing as part of a broader commitment to supporting the development of inclusive, sustainable communities. The residential sector is responsible for fully 20 percent of the nation's greenhouse gas emissions. The President has established a goal of retrofitting 1 million homes annually as part of a long-term strategy to reduce the environmental impact of these buildings and reduce utility costs for both owners and residents, with specific attention to the affordable housing stock serving low- and moderate income families.

Much of HUD's own portfolio was built before the advent of energy codes, and therefore does not have the level of energy efficiency that has resulted from more recent energy codes. The outdated HUD housing stock therefore has both environmental and affordability impacts. Currently, families in poverty pay $1,485 annually for energy in 2005, or 9 percent of the 3-person poverty threshold, while families with incomes near the median family income paid $1,924 (EIA 2005). HUD itself has significant outlays associated with energy costs – more than $5 billion each year - both for public housing and for voucher holders.

Budget Authority by Program

BUDGET AUTHORITY BY PROGRAM
COMPARATIVE SUMMARY, FISCAL YEARS 2009-2011
(Dollars In Millions)

	2009 ENACTED	2010 ENACTED	2011 ESTIMATE
DISCRETIONARY PROGRAMS			
PUBLIC AND INDIAN HOUSING			
Tenant-Based Rental Assitance (TBRA):			
Section 8 Contract Renewals	$15,206	$16,339	$17,310
Central Fund	[100]	[150]	[150]
Administrative Fees	1,436	1,575	1,791
Set-Aside	[50]	[50]	[…]
Family Self-Sufficiency Coordinators	50	60	60
Section 8 Rental Assistance (Tenant Protection Vouchers)	150	120	125
Family Unification Program	20	15	...
Advanced Appropriation for FY 2009	[4,158]	[…]	[…]
Advanced Appropriation for FY 2010	[(4,000)]	[4,000]	[…]
Advanced Appropriation for FY 2011	...	[(4,000)]	[4,000]
Advanced Appropriation for FY 2012	...	[…]	[(4,000)]
Mainstream Voucher Renewals	...	...	114
Housing and Services for Homeless Persons Demonstrations	…	…	85
Non-Elderly Disabled Vouchers	30	...	...
Veterans Affairs Supportive Housing	75	75	...
Disaster Displacement Assistance - Ike	...	...	66
Transfers to Working Capital Fund	8	[TI]	[TI]
Subtotal, TBRA	16,975	18,184	19,551
Rescission	(750)	(…)	(…)
Total, TBRA	16,225	18,184	19,551
Public Housing Capital Fund			
Formula Grants	2,341	2,366	2,000
Technical Assistance	10	[TI]	[TI]
ROSS (within CDBG until FY 2003)	40	50	...
Emergency Capitalization Needs	20	20	20
Administrative Receivership	9	9	9
Early Childhood Education, Job Training Facilities	...	40	...
Financial and Physical Assessment Support	15	15	15
Transfer to Working Capital Fund	15	[TI]	[TI]
Subtotal, PIH Capital Fund	2,450	2,500	2,044
Supplemental	4,000	...	...
Total, Public Housing Capital Fund	6,450	2,500	2,044
Revitalization of Severely Distressed Public Hsg (HOPE VI)			
Revitalization Grants	118	125	...
Choice Neighborhoods Initiative Demonstration	…	65	...
Technical Assistance	2	10	...
Total, HOPE VI	120	200	...
Choice Neighborhoods	…	[65]	250
Public Housing Operating Fund			
Operating Subsidy	4,449	4,775	4,829
Federalization	[…]	[…]	[99]
Asset-Based Management Transition Fund	6	...	...
Subtotal, Public Housing Operating Fund	4,455	4,775	4,829
Native American Housing Block Grants			
Formula Grants	635	690	578
Technical Assistance	4	4	[TI]
Native American Housing Interests TA and Capacity Building	4	4	...
Title VI Federal Guarantees for Tribal Housing Activities:			
Program Account	2	2	2
Loan Guarantee Limitation	[17]	[18]	[20]
Subtotal	645	700	580
Supplemental	510	...	...
Total, Native American Housing Block Grants	1,155	700	580
Indian Housing Loan Guarantee Fund:			
Program Account	8	6	8
Loan Guarantee Contracts	1	1	1
Limitation Level	[420]	[919]	[994]
Total, Indian Housing Loan guarantee	9	7	9
Native Hawaiian Loan Guarantee Fund			
Program Account	1	1	...
Limitation Level	[$42]	[$42]	[...]
Total, Section Native Hawaiian Loan Guarantee	1	1	...
Native Hawaiian Housing Block Grants			
Formula Grants	10	13	10
Technical Assistance	...	...	[TI]
Total, Native Hawaiian Housing Block Grants	10	13	10
Subtotal, Public and Indian Housing	**28,425**	**26,380**	**27,273**
COMMUNITY PLANNING AND DEVELOPMENT			
Community Development Block Grant (CDBG) Funds			
Entitlement/Non-entitlement	3,635	3,983	3,983
Hold Harmless Requirement	[…]	[…]	[…]
Catalytic Investment Competition	…	…	150
Sustainable Communities	…	150	150
Insular Area CDBG	7	7	7

	2009 ENACTED	2010 ENACTED	2011 ESTIMATE
Indian Tribes (Section 107)	65	65	65
Technical Assistance	5	[TI]	[TI]
Economic Development Initiative	165	173	...
Neighborhoods Initiative Program	20	22	...
Transfer to Working Capital Fund	3	[TI]	[TI]
Rural Housing Fund	...	25	...
University Community Fund	...	25	25
Subtotal, CDBG	3,900	4,450	4,380
Supplemental (P.L. 111-5)CDBG	1,000	...	...
Supplemental (P.L. 111-5) NSP	2,000	...	...
Total, CDBG	6,900	4,450	4,380
HOME Investment Partnerships Program			
Formula Grants	1,805	1,821	1,647
Transfer to Working Capital Fund	4	[TI]	[TI]
Technical Assistance	12	[TI]	[TI]
Insular	4	4	3
Subtotal, HOME	1,825	1,825	1,650
Supplemental	2,250	...	...
Total, HOME	4,075	1,825	1,650
Community Development Loan guarantees (Section 108)			
Credit Subsidy	6	6	[Fee-Based]
Loan Guarantee Limitation	[275]	[275]	[500]
Total, Section 108	6	6	...
Self-Help and Assisted Homeownership (SHOP)			
SHOP	27	27	...
Section 4 Capacity Building for Community Development and Affordable Housing	34	50	...
Rural Capacity Building Activities	...	[5]	...
Housing Assistance Council	3	5	...
Technical Assistance	...	[TI]	...
Total, SHOP	64	82	...
Capacity Building	...	...	[$60]
Total, Capacity Building	...	...	[$60]
Homeless Assistance Grants			
Grants	1,652	1,859	...
Competetive Grant Renewals (Shelter Plus Care and Supportive Housing)	...	...	1,849
Emergency Shelter Grants Formula	...	...	200
Homeless Data Analysis Project	8	6	6
Evaluation of Demonstration	1	...	...
Nation's Veterans Demonstration	10	...	...
Homeless Research	3	...	...
Shelter Plus Care Renewals	[.....]	[...]	...
Transfer to Working Capital Fund	3	[TI]	[TI]
Subtotal, HAG	1,677	1,865	2,055
Supplemental	1,500	...	...
Total, Homeless	3,177	1,865	2,055
Housing Opportunities for Persons with AIDS (HOPWA)			
Formula Grants	276	302	306
Competitive Grants	31	33	34
Technical Assistance	1	[TI]	[TI]
Transfer to Working Capital Fund	2	[TI]	[TI]
Subtotal, HOPWA	310	335	340
Brownfields Economic Development Initiative	$10	$18	...
Rural Housing and Economic Development			
Program	18	[25]	[...]
Economic Development Assistance for Federally Recognized Indian Tribes	7	...	...
Indian Tribes Technical Assistance	1	...	
Total, Rural	26	...	...
Subtotal, Community Planning and Development	**14,567**	**8,581**	**8,425**
HOUSING PROGRAMS			
Project-Based Rental Assistance			
Section 8 Contract Renewals (incl. Mod Rehab & Mod Rehab SRO)	6,868	8,316	9,044
Tenant Resources Information and Outreach (TRIO)	...	10	10
Contract Administrators	222	232	322
Advanced Appropriation for FY 2010	[(400)]	[400]	[...]
Advanced Appropriation for FY 2011	[....]	[(394)]	[394]
Advanced Appropriation for FY 2012	[....]	[...]	[(400)]
Transfer to Working Capital Fund	10	[TI]	[TI]
Subtotal, PBRA	7,100	8,558	9,376
Supplemental	2,000	...	...
Voucher for Disaster Relief	30	...	...
Total, Project-Based Rental Assistance	9,130	8,558	9,376
Energy Innovation Fund	...	50	...
Housing Counseling Assistance			
Program	63	85	85
Administrative Contract Services	2	3	3
Total, Housing Counseling Assistance	65	88	88
Housing for the Elderly			
Expansion	523	547	...

	2009 ENACTED	2010 ENACTED	2011 ESTIMATE
PRAC Renewals/Amendments	103	128	184
Service Coordinators/Congregate Housing Service Program	90	90	90
Conversion to Assisted Living/Emergency Repairs	25	40	...
Planning Grant	20	20	...
Technical Assistance	2	[TI]	[TI]
Transfer to Working Capital Fund	2	[TI]	[TI]
Total, Housing for the Elderly	765	825	274
Housing for the Elderly Contract Renewals and Amendments			
PRAC Renewals/Amendments	…	...	...
Service Coordinators/Congregate Housing Service Program	…	...	...
Conversion to Assisted Living/Emergency Repairs	...	...	...
Subtotal, Elderly Contract Renewals	...	...	...
Total, Housing for the Elderly and Contract Renewals	765	825	274
Disabled Housing (Section 811)			
Expansion-Capital Advance and PRAC	127	164	...
PRAC Renewals	34	49	90
Mainstream Voucher Renewals	87	87	...
Transfer to Working Capital Fund	2	[TI]	[TI]
Total, Disabled Housing	250	300	90
Housing for Persons with Disabilities Contract Renewals and Amendments			
PRAC Renewals/Amendments	…	...	...
Mainstream Voucher Renewals	...	...	...
Subtotal, Disabled Contract Renewals and Amendments	...	...	...
Total, Disabled and Contract Renewals	250	300	90
FHA Funds:			
Mutual Mort. Ins. and Coop. Mgt. Housing Ins. Funds:			
Management Housing Insurance (CMHI)			
Administrative Expenses	$80	$110	$136
Education and Outreach	8	8	...
Transfer to Working Capital Fund	58	71	71
Direct Loan Limitation	[50]	[50]	[50]
Loan Guarantee Limitation Level	[400,000]	[400,000]	[400,000]
Positive Credit Subsidy (MMI/HECMs)	…	...	250
Total, MMI/CMHI	146	189	457
General Insurance and Special Risk Insurance Funds:			
Positive Credit Subsidy (MMI/HECMs)	9	9	...
Administrative Expenses	48	...	...
Education and Outreach	$1	...	...
Discount Sales of Multifamily Property and Loans	(5)	...	...
Transfer to Working Capital Fund	...	[TI]	[TI]
Direct Loan Limitation	[50]	[20]	[20]
Loan Guarantee Limitation Level	[45,000]	[15,000]	[20,000]
Total GI/SRI	53	9	...
Subtotal, FHA Funds	199	198	457
Manufactured Housing Fees Trust Fund	3	16	14
Manufactured Housing General Fund Appropriation	5	9	7
Rent Supp./Section 236 Contract Amendments	28	40	41
Rescission - Other Assisted Housing	(38)	(72)	(41)
Green Retrofit	250	...	...
Subtotal, Housing Programs	**10,657**	**10,011**	**10,306**
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION			
Guarantees of Mortgage-Backed Securities:			
MBS Guarantee Limitation	[400,000]	[500,000]	[500,000]
POLICY DEVELOPMENT AND RESEARCH			
Research and Development	...	...	25
Evaluation Initiative	...	...	7
Research and Technology	35	48	55
Office of University Partnerships	23	[25]	[25]
Subtotal, PD&R	**58**	**48**	**87**
FAIR HOUSING & EQUAL OPPORTUNITY			
Fair Housing Assistance Program	25	29	28
Limited English Proficiency	1	1	...
Fair Housing Initiatives Program	26	42	33
Activities to Protect Public from Mortgage Rescure Scams	2	...	...
Subtotal, Fair Housing Activities	**54**	**72**	**61**
OFFICE OF LEAD-BASED PAINT AND POISONING PREVENTION			
Lead-Based Paint Hazard Reduction			
Lead Hazard Control Grants	70	68	96
Technical Studies	5	4	4
Healthy Homes	17	20	40
Lead Hazard Control Demonstration Program	48	48	...
Subtotal, OHHLHC	140	140	140
Supplemental (ARRA, P.L. 111-5)	100	...	...
Subtotal, OHHLHC	**240**	**140**	**140**

	2009 ENACTED	2010 ENACTED	2011 ESTIMATE
MANAGEMENT AND ADMINISTRATION			
Salaries and Expenses, HUD	1,303	1,346	1,379
HUD Remodel	...	...	[11]
Salaries and Expenses, OIG	120	125	122
Supplemental	15	...	...
Subtotal, OIG	135	125	122
Working Capital Fund			
Working Capital Fund (Direct)	220	200	244
Transfers	[121]	[71]	[72]
Improvement Planning for FHA applicants and infrastructure	4	...	...
Total, Working Capital Fund	[345]	[271]	[315]
Subtotal, Management and Administration	**1,662**	**1,671**	**1,745**
Presidential Initiatives			
Combating Mortgage Fraud	...	20	20
Affordable Housing Trust Fund	[…]	[…]	[1,000]
Subtotal, HUD Discretionary Budget Authority (Gross)	**55,663**	**46,924**	**48,057**
New and Cross-Cutting Initiatives			
Transforming Rental Assistance	...	...	$350
Housing and Services for Homeless Persons Demonstration	...	...	[85]
Catalytic Investment Competition	...	...	[150]
Choice Neighborhoods	...	[$65]	[$250]
Sustainable Communities	....	[150]	[150]
Transfers	…	[239]	[456]
Combating Mortgage Fraud	…	[20]	[20]
Subtotal, HUD Transformation Initiative Fund	...	[259]	[476]
Capacity Building	...	...	60
Subtotal, New and Cross-Cutting Initiatives	...	...	410
Subtotal, HUD Discretionary Budget Authority (Gross with 2011 Initiatives)	**55,663**	**46,924**	**48,467**
Offsetting Receipts			
MMI Capital Reserve Account	(926)	(2,014)	(5,772)
GNMA	(888)	(914)	(679)
FHA (GI/SRI Negative Subsidy)	(146)	(399)	(412)
Manufactured Housing Fees Trust	(3)	(16)	(14)
Total Receipts	(1,963)	(3,343)	(6,877)
Total, HUD Discretionary Budget Authority (Net)	**53,700**	**43,581**	**41,590**
Supplementals	[13,655]	(…)	(…)
Total, HUD Discretionary Budget Authority (Net Supplementals)	**53,700**	**43,581**	**41,590**
MANDATORY PROGRAMS			
Indian Guarantee	...	1	...
Low-Rent Public Housing Loans	($104)	($99)	($96)
Community Development Fund - Neighborhood Stabilization Program	...	...	...
Community Development Loan Guarantee Program Account	3	3	...
Revolving fund for Liquidating Programs	1	1	1
FHA General and Special Risk Program Account	6,793	863	...
FHA General and Special Risk Liquidating Account	97	201	172
FHA Mutual Mortgage Insurance Capital Reserve Account	926	2,014	5,772
Interstate Land Sales	...	1	1
Guarantees of Mortgage-backed Securities	...	…	…
GNMA Guarantees of Mortgage-backed Securites	...	...	...
Housing Trust Fund	...	...	1,000
Home Ownership Preservation Equity Fund	461	3,000	500
Fair Housing and Equal Opportunity	37	...	...
Subtotal, Gross Mandatory Budget Authority	8,214	5,985	7,350
Mandatory Receipts	(103)	(217)	(25)
Total, Net Mandatory Budget Authority	**8,111**	**5,768**	**7,325**
General Fund Proprietary Interest Receipts	…	(2)	(2)
Total, Net HUD Budget Authority	**61,811**	**49,347**	**48,913**

Comparative Summary - FY 2009 - 2011

HUD TRANSFORMATION INITIATIVES BY PROGRAM
COMPARATIVE SUMMARY, FISCAL YEARS 2009-2011
(Dollars In Millions)

	2009 ENACTED	2010 ENACTED	2011 ESTIMATE
FUNDING FOR HUD TRANSFORMATION INITIATIVES a/			
Tenant-Based Rental Assistance	...	$100	$195
Public Housing Capital Fund	...	25	20
Public Housing Operating Fund	...	15	48
Choice Neighborhoods	...	...	3
Native American Housing Block Grants	...	...	6
Indian Housing Loan Guarantees	...	...	0 b/
Native Hawaiian Housing Block Grants	...	...	0 b/
Project Based Rental Assistance	...	...	90
Housing Counseling Assistance	...	1	1
Housing for the Elderly (Section 202)	...	8	...
Housing for the Elderly (Section 202) Contract Renewals	...	...	3
Housing for Persons with Disabilities (Section 811)	...	3	...
Housing for Persons with Disabilities (Section 811) Contract Renewals	...	...	1
MMI/CHMI Fund	...	1	1
GI/SRI Fund	...	0 b/	…
Energy Innovation Fund	...	1	...
Payment to Manufactured Housing Fees Trust Fund	...	0 b/	0 b/
Rental Assistance Program (Section 236)	...	0 b/	0 b/
CDBG	...	45	44
HOME	...	18	17
SHOP / Capacity Building	...	1	1
Homeless Assistance Grants	...	13	21
HOPWA	...	3	3
Brownfields	...	0 b/	…
Fair Housing Activities	...	1	1
OHHLHC	...	2	1
HOPE VI	...	2	...
Combating Mortgage Fraud	...	20	20
Total Transformation Initiative	**...**	**259**	**476**

a/ TI calculations vary - some have flat amounts, others use a 1% calculation based on certain bases.
b/ Amount rounds to zero.

Summary Budget Table FY 2010 - 2011

HUD SUMMARY BUDGET TABLE
FISCAL YEARS 2009-2011
(Dollars In Millions)

	2010 ENACTED	2011 PROPOSED	DIFFERENCE
DISCRETIONARY AUTHORITY			
PUBLIC AND INDIAN HOUSING	26,380	27,273	893
HOUSING PROGRAMS	10,011	10,306	295
COMMUNITY PLANNING AND DEVELOPMENT	8,581	8,425	(156)
POLICY DEVELOPMENT AND RESEARCH	48	87	39
FAIR HOUSING & EQUAL OPPORTUNITY	72	61	(11)
OFFICE OF HEALTHY HOMES AND LEAD HAZARD CONTROL	140	140	...
MANAGEMENT AND ADMINISTRATION	1,671	1,745	74
COMBATING MORTGAGE FRAUD	20	20	...
SUBTOTAL, HUD DISRETIONARY BUDGET AUTHORITY (GROSS)	**46,924**	**48,057**	**1,133**
NEW AND CROSS-CUTTING INTIATIVES			
TRANSFORMING RENTAL ASSISTANCE	...	350	350
HOUSING AND SERVICES FOR HOMELESS PERSONS DEMONSTRATION	...	[85]	[85]
CATALYTIC INVESTMENT COMPTETITION	...	[150]	[150]
CHOICE NEIGHBORHOODS	[65]	[250]	[185]
SUSTAINABLE COMMUNITIES	[150]	[150]	…
TRANSFERS	[239]	[456]	[217]
COMBATING MORTGAGE FRAUD	[20]	[20]	…
SUBTOTAL HUD TRANSFORMATION INTIATIVE FUND	[259]	[476]	[217]
CAPACITY BUILDING	...	60	60
SUBTOTAL NEW AND CROSS-CUTTING INTIATIVES	...	410	410
Subtotal, HUD Discretionary Budget Authority (Gross with 2011 Initiatives)	**46,924**	**48,467**	**1,543**
RECEIPTS	(3,343)	(6,877)	(3,534)
TOTAL, HUD Discretionary Amount (Net)	**43,581**	**41,590**	**(1,991)**

Notes

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Investing in People and Places

FY 2011 Budget