FY 2012 Budget Summary

Creating Strong, Sustainable, Inclusive Communities and Quality Affordable Housing

U.S. Department of Housing and Urban Development

February 2011

FY 2012 BUDGET

Creating Strong, Sustainable, Inclusive Communities and Quality Affordable Housing

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Message from Secretary Donovan

I am pleased to submit the fiscal year 2012 Budget for the Department of Housing and Urban Development, Creating Strong, Sustainable, Inclusive Communities and Quality Affordable Homes. This budget proposal builds on HUD's two prior budgets during this Administration—Roadmap to Transformation (2010) and Investing in People and Places (2011)—helping lead America out of an unprecedented economic crisis and ensure our economy is competitive – growing and working for all Americans.

We submit this budget in an economic environment that is significantly improved from when the President took office. An economy that was shrinking is growing again – and instead of rapid job loss, more than a million private sector jobs were created in the last year. But we know there's still more work to be done to ensure that America and its workers can compete and win in the 21st century. And we have to take responsibility for our deficit, by investing in what makes America stronger and cutting what doesn't.

HUD's FY 2012 budget tackles these challenges head on: by helping responsible families at risk of losing their homes and meeting the need for quality affordable rental housing; by transforming neighborhoods of poverty and ensuring that children there have access to the quality education we need to compete in the 21st century; by rebuilding the national resource that is our federally-assisted public housing stock and ensuring that its tenants are part of the mobile, skilled workforce our new global economy requires, and by leveraging private sector investments in communities to create jobs and generate the economic growth we need to out-innovate, out-educate and out-build the rest of the world.

This budget also reflects the need to ensure that America's future isn't built on a mountain of debt. As a down payment toward reducing the deficit, the President has proposed a freeze on domestic spending for the next five years, cutting the deficit by $400 billion over 10 years and bringing non-security discretionary spending to the lowest share of the economy since President Eisenhower. Every department shares a responsibility to make tough cuts so there's room for investments to speed economic growth. HUD's fiscal year 2012 budget more than meets the President's goal – the Department's $47.8 billion in gross budget authority is offset by $6 billion in projected FHA and Ginnie Mae receipts credited to HUD's appropriations accounts, leaving net budget authority of $41.7 billion, or 2.8% below the fiscal year 2010 actual level of $42.9 billion. To maintain this commitment to fiscal discipline, we have protected existing residents and made the difficult choice to reduce funding for new units and

projects, including cuts to the Community Development Block Grant, HOME Investment Partnerships, and new construction components of the Supportive Housing Programs for the Elderly (202) and Disabled (811).

And because winning the future also means reforming government so it's leaner, more transparent, and ready for the 21st century, we are also reforming the administrative infrastructure that oversees those programs. Through the Section 8 Voucher Reform Act legislative proposal that is part of this budget, the Department will simplify and rationalize the rent setting provisions of our largest program, yielding—if enacted—over $150 million in savings in the first year and over $1 billion in savings over the next half decade. Finally, the Transformation Initiative—important funding and programmatic flexibility Congress provided in 2010—is enabling the Department to conduct the kinds of research and demonstrations that will ensure that we are funding what works and identifying what doesn't and what we need to do better.

Responding to the Crisis

Much has happened in the two years since HUD submitted its fiscal year 2010 budget. Only weeks before the Bush Administration and Congress had taken dramatic steps to prevent the financial meltdown, the nation was losing 753,000 jobs a month, our economy had shed jobs for 22 straight months and house prices had declined for 30 straight months.

In the face of an economic crisis that experts across the political spectrum predicted could turn into the next Great Depression, the Obama Administration had no choice but to step in aggressively. The Federal Reserve and Treasury helped keep mortgage interest rates at record lows. Because low interest rates only matter if there are mortgages available at those rates, the Administration also provided critical support for Fannie Mae and Freddie Mac, while HUD's Federal Housing Administration (FHA) stepped into play its critical countercyclical role in stabilizing the housing market enabling a robust refinancing market to emerge. The Administration proposed, and Congress enacted, a homebuyer tax credit to spur demand in the devastated housing sector. And we took steps to help families keep their homes – through mortgage modification s and FHA's loss mitigation efforts.

The results of these extraordinary but necessary actions are clear. More than 4.1 million borrowers have received restructured mortgages since April of 2009, including more than 1.4 million HAMP trial modification starts, more than 650,000 FHA loss mitigation and early delinquency interventions, and nearly 2 million proprietary modifications under HOPE Now – more than twice the number of foreclosures completed in that time. The 30-month slide in home prices was stopped. And as of this writing, the private sector has created jobs for 13 straight months.

Given that much of the economic pain was triggered by a crisis in the housing market, HUD has been central to many of this Administration's efforts to spur the economy. This began with

the Department's careful and effective stewardship of $13.61 billion in American Recovery and Reinvestment Act (ARRA) funding. As of this writing, HUD has obligated nearly 100% of its ARRA grant and loan funds and expended over 63.5% of this funding – more than 5 months ahead of the aggressive timelines the Administration set down and to which the Vice President has held every Department accountable. These funds have led to the development and renovation of more than 360,000 homes (Public Housing Capital Fund, Native American Housing Block Grant, Tax Credit Assistance Program, Community Development Block Grant, Lead Hazard Reduction and Healthy Homes grants). Through homelessness prevention assistance (Homelessness Prevention and Rapid Re-Housing Program/HPRP), local partners have prevented or ended homelessness for more than 850,000 people. Lastly, through Lead Hazard Reduction and the Healthy Homes Program, over 3,800 children have been protected from lead paint-based hazards and other home health and safety risks. As a result of these activities, in the third quarter of calendar year 2010 alone, HUD ARRA recipients reported over 31,000 jobs saved or created.

Winning the Future

Now, having prevented our economy from falling into a second Great Depression, the Administration is focused on ensuring that America wins the future. The Department's budget for fiscal year 2012 follows the roadmap the President has laid out for keeping America at the forefront of the rapidly changing global economy. As discussed further below and in the pages that follow, this budget helps America:

- **Win the Race to Educate our Kids.** America cannot out-educate the rest of the world if a lack of quality, affordable housing prevents Americans from accessing good schools in safe neighborhoods, or if homelessness threatens the schooling of a young child. That is why the budget continues the Choice Neighborhoods initiative (closely linked with the Department of Education's Promise Neighborhoods initiative), and proposes to target housing vouchers—coupled with educational and other supportive services—to homeless and at risk families with school age children. Simply put, America needs all of our players in the game if we hope to compete successfully in the 21st century global economy.

- **Win the Future Through Innovation.** A clean energy economy is vital for America to compete in the new century. Building on the Recovery Act's dramatic investments to green America's housing stock, under which HUD is improving efficiency in 245,000 publicly-owned affordable homes and providing comprehensive energy retrofits that will reduce energy costs by as much as 40 percent for an additional 35,000 public housing units, the funding in this budget will continue to improve energy efficiency and save money for the taxpayer. It will also allow us to work more closely with the private sector to scale up energy retrofits that pay for themselves through loan products like the FHA PowerSaver and Green Refinance Plus.

- **Outbuild the Rest of the World.** The President's focus on repairing our existing infrastructure and building new ways to move people, goods and information will not only put people to work now, but also spur investments that build a stronger economy. Building on the successful Partnership for Sustainable Communities with the Department of Transportation and the Environmental Protection Agency, the Budget includes $150 million to create incentives for communities to develop comprehensive housing and transportation plans that spur jobs, reduce the combined cost of housing and transportation and attract more private investment.

- **Reform Government So that It's Leaner, Smarter, More Transparent, and Ready for the 21st Century.** President Obama said in his State of the Union that removing overlapping and contradictory rules and regulations is essential to generating economic growth. That's why we continue to make it our focus to improve and simplify the way HUD works with other agencies. The level of interagency cooperation with both our federal and non-federal partners is unprecedented – from the Sustainable Communities Partnership (discussed above) to initiatives targeting housing and services to the homeless (with the Department of Health and Human Services and the Department of Education) to a new multi-agency economic development initiative led by HUD and the Economic Development Administration in the Department of Commerce , this Department is committed to removing barriers to local innovation at the federal level. Through our Transformation Initiative, HUD can continue to deliver the kind of cutting edge technical assistance and research that our local stakeholders need to innovate and grow their economies. But this improved partnership with local stakeholders also means holding them accountable for their use of federal resources. As noted, the Transformation Initiative is already supporting research and demonstrations that will allow the Department to closely monitor local strategies for expending the taxpayers' money. And through the newly instituted HUDStat internal reporting system (discussed further below), the Department is holding itself accountable for the funds it invests.

Meeting Our Responsibilities

The need for HUD's investments is clear. The devastating effect that the economic downturn has had on the housing circumstances of poor Americans was underscored in early February, when HUD released its Worst Case Housing Needs study results. HUD defines worst case needs as: renters with very low incomes who do not receive government housing assistance and who either paid more than half their income for rent, lived in severely inadequate conditions, or both. The report showed an increase of fully 20 percent in worst case needs renters between 2007 and 2009. This is the largest increase in worst case housing needs in the quarter-century history of the survey, and caps an increase of 42 percent since 2001. These numbers show the scale of the challenge inherited by the Obama Administration, with a historic increase in need during the two years before we took office. Indeed, the critical housing assistance

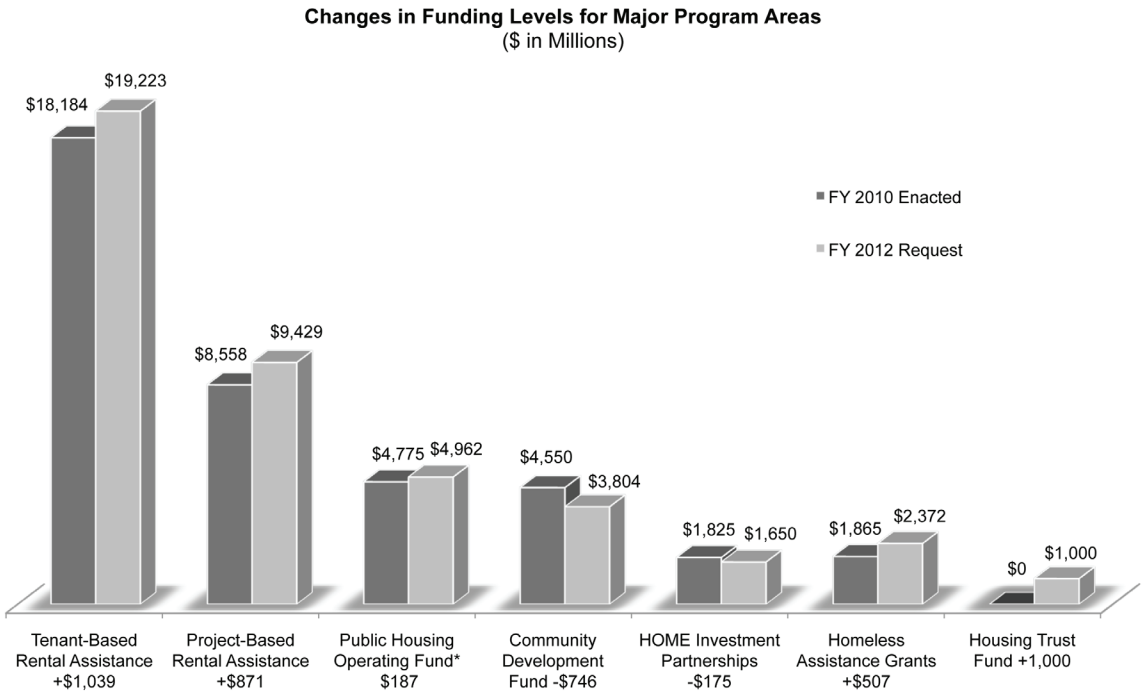
offered by HUD through the Recovery Act is a key part of HUD's response to this challenge. The report shows a clear link between unemployment and housing needs —one of the reasons President has been so focused on creating jobs.

In short, this budget will achieve substantial results not only for vulnerable, low income Americans but also for hard-hit local and state economies across the country. Its carefully targeted investments will enable HUD programs to: house almost 2.5 million families in public and assisted housing (over 60% elderly and/or disabled); provide tenant-based vouchers to more than 2.2 million households (over 45% elderly and/or disabled), an increase of over 86,000 from 2010; more than double the annual rate at which HUD assistance creates new permanent supportive housing for the homeless; and create and retain over 100,000 more jobs than in 2010 through the Department's housing and economic development investments in communities across the country. Critically, in this time of focus on job growth—particularly in the hard-hit construction and broader housing sectors—this funding, collectively, will not only generate 300,000 jobs directly but can also be expected to create or retain over 350,000 jobs elsewhere in the economy.

As in fiscal year 2011, HUD's fiscal year 2012 budget is structured around the five overarching goals the Department adopted in its Strategic Plan 2010-2015. These goals reflect the Department's—and my—commitment to 'moving the needle' on some of the most fundamental challenges facing America as we try to win the future. Indeed, every month, I hold "HUD Stat" meetings on one or more of these goals, to assess progress and troubleshoot problems in order to: 1) ensure that HUD is as streamlined and effective as possible in the way that we administer our own programs and partner with other federal agencies; and 2) hold our grantees accountable for their expenditure of your hard-earned dollars.

Further detail on the Department's proposed investments and savings are provided in the following pages. Overall, this budget reflects the Obama Administration's recognition of the critical role the housing sector must play for the nation to experience a robust, long-term economic recovery. Equally important, it expresses the confidence of the President in the capacity of HUD's programs and the Department to meet a high standard of performance. In short, while it requires hard choices to reduce the deficit, this blueprint for fiscal year 2012 is one that will deliver results for the vulnerable people and often-distressed places that HUD helps.

Secretary Shaun Donovan



** The fiscal year 2012 funding level for the Public Housing Operating Fund includes new budget authority of $3.962 billion and $1 billion in offsetting reserves that will be used to fully fund the Public Housing Operating Fund at $4.962.*

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

We project that FHA will insure $218 billion in mortgage borrowing in 2012. These guarantees will support new home purchases and re-financed mortgages that significantly reduce borrower payments. Since taking office, FHA has helped over 2 million families buy a home – 80 percent of whom were first-time buyers. FHA also has helped nearly 1.5 million existing homeowners refinance into stable, affordable products, with monthly savings exceeding $100 in most cases. FHA financing was used by 38 percent of all homebuyers, insuring, along with the VA and federal farm programs, 81 percent of loans to African Americans and 73 percent for Hispanics in 2009. It is a vital financing source for first-time homeowners, roughly 30 percent of whom use FHA insured financing.

It is critical, however, that we pave the way toward a robust private mortgage market. To that end, the FHA will raise premiums pursuant to authority granted by Congress last year, which – along with the Administration's proposal to reform the Government Sponsored Enterprises (GSEs) Fannie Mae and Freddie Mac-- will incentivize private sector actors. But FHA is also a vital resource for homeowners facing foreclosure. FHA's loss mitigation program minimizes the risk that financially struggling borrowers go into foreclosure. Since the start of the mortgage crisis, it has helped more than half a million homeowners.

The Department is equally focused on assisting consumers throughout the homeownership process, from increasing their knowledge of the mortgage products they are considering to protecting them from fraud in any phase of that process. Accordingly, the budget also includes $168 million for housing and homeowner counseling through HUD and the Neighborhood Reinvestment Corporation (NeighborWorks). Over 4 million households have benefited from housing counseling since April 2009.

Meet the Need for Quality, Affordable Rental Homes

As in fiscal year 2011, this budget maintains HUD's commitment to its core rental assistance programs. The budget requests $19.2 billion for the Housing Choice Voucher program to help more than two million extremely low- to low-income families with rental assistance live in decent housing in neighborhoods of their choice. The budget funds all existing mainstream vouchers and provides new vouchers targeted to homeless veterans, families, and the chronically homeless. The Administration remains committed to working with the Congress to improve the management and budgeting for the Housing Choice Voucher program, including reducing inefficiencies, and re-allocating Public Housing Authority reserves based on need and performance. The budget also provides $9.4 billion for Project-Based Rental Assistance to preserve approximately 1.3 million affordable units through increased funding for contracts with private owners of multifamily properties. This critical investment will help extremely low- to low-income households to obtain or retain decent, safe and sanitary housing. Similarly, full funding of the Public Housing Operating and Capital Fund will help to preserve the over 1 million units within that program's portfolio.

The preservation of critically needed rental housing in this country is among our top priorities, including putting the Department's stock of public housing on sound, rational financial and regulatory footing for the long-term. We also remain committed to the goals of preserving public and assisted housing, regulatory reform, and choice. To this end, the budget includes $200 million for a demonstration and rigorous process evaluation of the conversion of up to 255,000 public housing units to long-term project-based rental assistance contracts. Public housing authorities will then be able to leverage private capital to make repairs. Through similar conversions, the demonstration will preserve 7,600 privately-owned, HUD-assisted units at risk of leaving the affordable housing stock. This funding request will allow us, working with key stake holders, to develop new preservation tools that will ensure that we protect our affordable rental and public housing stocks.

The Department's overall preservation agenda is complemented in the Department of Treasury's budget for fiscal year 2012, which proposes two reforms to the Low Income Housing Tax Credit (LIHTC) that will:

- Replace the current cap on household income at 60 percent of area median income with the option that properties serve households whose average income is no greater than 60 percent of AMI and with no individual household above 80 percent of AMI. These

changes to the Code's low-income occupancy threshold requirements will accomplish three things: (i) allow greater income-mixing at the project level, creating opportunities for workforce housing; (ii) help align LIHTC with HUD's and USDA's affordable housing programs (which define low-income at 80 percent of area median income); and (iii) lead to the creation of more units targeted to the lowest income households.

It's important to note that this income averaging proposal increase our ability to preserve HUD-assisted properties. 69,224 households living in public housing and 23,271 households in multifamily housing have incomes above 60% of AMI. This proposal allows these units to be counted in basis, increasing the equity flowing to these projects for preservation.

- Make the 4% credit a more viable source of funding for the preservation of the federal affordable housing stock by giving qualifying properties a 30% basis boost in the context of preserving, recapitalizing, and rehabilitating existing affordable housing, particularly public housing targeted by TRA (as well as Multifamily Housing, 236s, BMIRs, RAP, Rent Sup, 202, 811, HOME, McKinney and CDBG funded units, USDA-RD (515s)). This means that a greater amount of equity could be raised per credit even at the higher yields required by investors for 4% investments, which in turn will generate more interest in LIHTC preservation deals within the investor and developer community.

Finally, the budget once again calls for funding of the National Housing Trust Fund (NHTF) at $1 billion. The recent Worst Case Housing Needs report underscores what has been the case since well before the recent recession, namely, that extremely low income renters (those whose household incomes are below 30 percent of median) face the most severe housing shortage and cost burden of any Americans. In addition to the Worst Case Housing Needs report, the most recent data available from the American Housing Survey shows that, for renters below 50 percent of area mean income, the shortage of affordable and available units increased from 5.2 to 6 million from 2007 to 2009, with just 39 affordable and available units for every 100 renters in 2009, compared to 44 two years prior. Enacted in 2008, the NHTF was designed to provide capital resources to build and rehabilitate housing to fill this precise – and growing – gap in the nation's rental housing market. The time has come for Congress to provide this crucial funding.

Utilize Housing as a Platform for Improving Quality of Life

HUD, as well as state and local policymakers and our private sector partners recognize that stable, affordable housing provides an ideal launching pad for the delivery of healthcare and

[1] $1 billion of the amount needed to fully fund the Operating Fund at $4.962 billion will be provided through a targeted reduction of PHA reserves, which have grown substantially over the past several years. The Department will ensure that PHAs have sufficient remaining reserves to stay on sound financial footing.

[2] Ludwig, Jens and Steven Raphael, "The Mobility Bank: Increasing Residential Mobility to Boost Economic Mobility." Hamilton Project Discussion Paper, 2010, The Brookings Institution, *http://www.brookings.edu/papers/2010/10_mobility_bank_ludwig_raphael.aspx.*

other social services focused on improving life outcomes for individuals and families. Nowhere is this clearer than in the successful efforts in communities around the country to address homelessness. These efforts have yielded a substantial body of research demonstrates that providing permanent supportive housing to chronically ill, chronically homeless individuals and families not only ends their homelessness, but also yields substantial cost saving in public health, criminal justice, and other systems.

This year, we have made a specific effort to target homeless veterans. As our young men and women return from Afghanistan and Iraq, they deserve to be treated with dignity and honor. Yet our nation's Veterans are fifty percent more likely than the average American to become homeless. More than 11,000 service members returning from those wars have already been forced to live on the streets or in homeless shelters. And still, more Vietnam-era Veterans remain homeless today than troops who died during the war itself. Nowhere is our obligation to our citizens, and to those who have defended our nation, more important, more visible, or more urgently necessary than in our commitment to end homelessness.
As the outgoing Chair of the Interagency Council on Homelessness, I am pleased that this budget provides over $2.5 billion to make progress toward the ambitious goals of Opening Doors, the Federal strategic plan to end homelessness, which was released by the Administration in June 2010. Opening Doors establishes a five year timeline for ending chronic and veterans homelessness and commits to ending family homelessness over a decade. This budget will enable our stakeholders to make substantial progress on these ambitious timelines. It includes:

- Over $2.3 billion for Homeless Assistance Grants to maintain existing units and expand prevention, rapid-re-housing, and permanent supportive housing;

- $145 million in new housing vouchers for over 19,000 homeless veterans and homeless persons who receive education, health care and other services through the Departments of Education (DoE), Health and Human Services (HHS) and Veterans Affairs (VA).

- $50 million to test new incentives—including additional service coordinators and special payments or insurance—to encourage housing authorities and private landlords to serve more homeless persons.

These funding increases will enable HUD to assist approximately 78,000 additional homeless individuals and families.

The budget also provides a total of $953 million for the Housing for the Elderly (Section 202) and Housing for Persons with Disabilities Programs (Section 811). This not only preserves assistance in all existing units, but also includes $499 million for new construction and incremental project rental assistance contracts. The Administration remains committed to further updating and reforming these crucial programs, building on a foundation that was

provided by two bipartisan bills passed in the 111th Congress. Those bills offered key steps forward – for Section 811, authorizing HUD to provide operating-assistance-only funding through States which demonstrated an integrated health care and housing approach to serving disabled households and for Section 202, authorizing key preservation tools including new Section 8 like contracts to maintain long-term affordability on aging properties. In 2012, the Administration will seek to improve targeting of new supportive housing projects for seniors and persons with disabilities to the most vulnerable populations.

Build Inclusive Sustainable Communities Free from Discrimination

Attracting new businesses to our shores depends on urban, suburban and rural areas that feature more housing and transportation choices, more energy independence and more clean air and water. Unfortunately, today congestion on our roads costing us five times as much wasted fuel and time as it did 25 years ago and Americans spend 52 cents of every dollar they earn on housing and transportation combined.

Communities from Dallas to Denver have demonstrated that by planning for "sustainable communities" parents can spend less time driving and more time with their children; more families can live in safe, stable communities near good schools and jobs; more kids can be healthy and fit; and more businesses have access to the capital and talent they need to grow and prosper. Indeed, communities that embrace sustainability have a built-in competitive edge when it comes to attracting the jobs and private investment we need to win the future.

Regions across the country understand this, which is why this budget continues one of the most robust, groundbreaking cross-agency collaborations in recent history: the Partnership for Sustainable Communities, including HUD, DOT and EPA. The Budget includes $150 million to create incentives for more communities to develop comprehensive housing and transportation plans that result in jobs, economic growth, and easier commutes. Up to $5 million will be used to improve energy efficiency in HUD-assisted public and privately-owned housing through better energy use data collection and analysis.

The demand for these grants has been extremely high. When the Obama Administration announced the availability of local planning grants for sustainable communities, we received applications from every state and two territories – from central cities to rural areas and tribal governments. These grants weren't just about central cities. Over half of the grants were awarded to regions with populations less than 500,000 and rural places with fewer than 200,000 people.

At a time when every dollar the federal government invests in jumpstarting the economy is critical, the Partnership ensures that all these agencies are coordinating efforts and targeting resources with precision. Reflecting this new collaboration, the initial round of grants was

judged by a multidisciplinary review team, drawn from eight federal agencies and from partners in philanthropy. We have heard clearly from our local partners that the HUD, DOT, EPA and joint grants supported by the Partnership are helping them achieve their own local visions: working across their own jurisdictional lines to coordinate land use, housing, and transportation investments on a regional basis; creating more sustainable development patterns that reduce the crushing financial housing and transportation cost burden too many working families face today; and putting in place an infrastructure that will make them competitive in the global, 21st century economy.

The budget also brings federal partnership to connect historically isolated people and neighborhoods to local, regional, and national economies by providing a third year of funding ($250 million) for another signature element of the Administration's place-based approach -- the Choice Neighborhoods initiative. Choice Neighborhoods builds upon the HOPE VI program launched by previous HUD Secretaries Jack Kemp and Henry Cisneros and congressional champions like Senator Kit Bond . HOPE VI leveraged twice the government investment in additional private development capital. This funding will continue transformative mixed-finance investments in high-poverty neighborhoods where distressed HUD-assisted public and privately owned housing is located. The budget will bring private capital and mixed-use, mixed income tools to transform affordable housing in 5 to 7 neighborhoods with grants that primarily fund the preservation, rehabilitation and transformation of HUD-assisted public and privately-owned multifamily housing. Like HOPE VI, it will also engage the private sector and the "third sector" of non-profits, philanthropies and community development corporations who have become some of our most sophisticated affordable housing developers and civic institutions.

Choice Neighborhoods is a central element of the Administration's inter-agency strategy to provide local communities with the tools they need to revitalize neighborhoods of concentrated poverty into neighborhoods of opportunity. The budget reflects a strategy in which HUD, the Department of Justice, the Department of Education, the Department of Health and Human Services, and other agencies will work together, co-investing, and pooling their expertise as part of a focused Neighborhood Revitalization Initiative. In particular, through coordination with Education's Promise Neighborhoods initiative, Choice Neighborhoods will help ensure that the President's commitment to out-educating the rest of the world applies to every child in America, regardless of their neighborhood or the kind of housing they grow up in.

The Department's administration of the first rounds of funding for Choice Neighborhoods and the Sustainable Communities Regional and Community Challenges grants exemplify how we are changing our practices to become a more effective partner. For too long, federal grant programs to support local housing and community development efforts followed a rigid, top-down, 'one-size fits all' approach that dictated what local policymakers could and couldn't do rather than listening to them and providing the tools they need to meet local needs. Having served in local government myself, I am committed to changing that dynamic

– and believe the results thus far demonstrate that we are making good on that commitment. The Administration has placed a significant emphasis on ensuring America's rural communities are competitive in the 21st century economy. Rural communities generally have less access to public transportation, higher poverty rates and inadequate housing. This Administration recognizes that residents of these communities also face unique challenges when it comes to accessing health care, grocery stores, adult education opportunities, among others. That is why, in addition to the billions of dollars that HUD invests in rural communities through its core rental assistance programs and block grants, as well as the special category of funding we created for small towns and rural places in the Sustainability Regional Grant program, this budget requests $790 million to fund programs that are specifically targeted to housing and economic development activities in rural communities including:

- $25 million for the Rural Innovation Fund to support innovative approaches dedicated to addressing the problems of concentrated rural housing distress and community poverty through comprehensive community development, housing and economic development activities. The fund builds on the Rural Housing and Economic Development program which has built and rehabbed over 15,000 homes, created credit unions and business incubators that have helped more than 1,600 businesses get off the ground, and supported housing counseling and homeownership programs – creating nearly 12,000 jobs, providing job training to nearly 30,000 people and leveraging more than three times the quarter billion dollars HUD has invested in this program over the last decade in other funds providing an excellent return for the taxpayer. With the Rural Innovation Fund, we will support these kinds of efforts on the larger scale these challenges require. Indeed, in developing the Rural Innovation Fund, HUD worked closely with federal partners, including the Department of Agriculture and the Economic Development Administration at the Commerce Department, to ensure that other federal programs serving rural communities can be leveraged for additional impact. Increasing the maximum award from $300,000 to $2 million, the fund sets aside $5 million for Native American tribes, but will make them eligible for broader funding by linking up with other partners to develop innovative proposals. Using a new online Rural Mapping Tool, applicants will be able to measure poverty and community housing distress – so they can spend less time and money doing paperwork and more on how they can best meet the needs of their communities.

- $25 million for the Rural Housing Stability program to assist homeless persons in rural communities. Since 2010, HUD has provided targeted Homeless Assistance Grants to persons living in small communities through a set aside. As part of the Homeless Emergency Assistance and Rapid Transition to Housing (HEARTH) Act, the Rural Housing Stability program was specifically authorized in order to provide housing, training, and services for homeless individuals and families, as well as those families at risk of becoming homeless.

- $715 million to fund programs that will support housing and development initiatives

in American Indian, Alaska Native, and Native Hawaiian communities. As the single largest sources of funding for housing Indian tribal lands today, HUD initiatives in Indian country continue to have some of the Department's most successful track records. Programs like Indian Housing Block Grants, Indian Home Loan Guarantees, and Indian Community Development Block Grants support development in remote areas where safe, decent, affordable housing is desperately needed. HUD also directly supports housing and economic development initiatives in remote areas of Hawaii, through the Native Hawaiian Housing Block Grant Program and Native Hawaiian Loan Guarantee Program. HUD recognizes, moreover, the right of Indian self-determination and tribal self-governance, allowing the recipients the flexibility to design and implement appropriate, place-based housing programs, according to local needs and customs.

This budget reduces funding for the Community Development Block Grant (CDBG) by 7.5 percent or $300 million and HOME Investment Partnerships by 9.5 percent, or $175 million relative to current funding levels. These are extraordinarily tough choices that balance the need to decrease the budget deficit with the tough fiscal conditions confronting state and local governments. The remainder of these funds, over $5.5 billion in total, will provide substantial, flexible resources that allow State and local grantees to improve infrastructure, build and rehab affordable housing, provide rental assistance, and create and retain jobs.

The budget also includes a multi-agency initiative to **assist communities in using their funds more effectively to support job creation—an improved successor to the Empowerment Zones that expire this year. Coupling targeted tax benefits and grant funding**, the budget supports the launch of an interagency effort led by HUD and the Department of Commerce's Economic Development Administration (EDA) to help communities to better employ the Federal investments they already receive (such as CDBG and HOME), promote high-impact strategies, and build the local capacity needed to execute those strategies in economically distressed areas. This effort will enable these communities to create more effective partnerships with businesses and non-profits that will attract critical private investments to promote job creation. With leveraged support from HUD, other Federal agencies, and the philanthropic community, the Federal Government offers targeted EDA funds, technical assistance, and a National Resource Bank – a "one-stop shop" of experts that communities can draw upon for a full range of services, including fiscal reforms, re-purposing land use, and business cluster and job market analysis.

Finally, an sustainable community is one in which all people—regardless of race, ethnicity, religion, sex, disability, or familial status—have equal access to housing and economic opportunities. Throughout its portfolio of programs, HUD is committed to maintaining that inclusivity and providing accountability in housing and lending practices nationwide. Through inclusive development, education, enforcement of fair housing laws, and participation of historically underrepresented populations in HUD policies and planning, HUD will affirmatively further fair housing and the ideals of an open society. To that

end, the Department is requesting $72 million—$11 million more than the fiscal year 2011 request - to support the division of Fair Housing and Equal Opportunity's administration of the Fair Housing Initiative Program (FHIP) and Fair Housing Assistance Program (FHAP).

Transform the Way HUD Does Business

Winning the future means reforming government so it's leaner, transparent, and ready for the 21st century. As big of a difference as HUD programs make in the lives of ordinary Americans, this Administration is committed to making government more efficient, more effective and more accountable. Particularly in today's tight fiscal environment, the need for responsible budgeting has never been higher – and making smart, responsible choices depends on quality information. That is why this budget demonstrates a strong commitment to conducting the research and collecting the data we need to understand what works, what doesn't, and what we need to do better – so that HUD can better serve the American people, better protect the American taxpayer and better partner with communities to meet the challenges of the decades ahead.

The budget allocates $120 million to the Transformation Initiative Fund (TI Fund). In fiscal years 2010 and 2011, thanks to the TI Fund, HUD began to fundamentally alter how we approached our investments in delivering technical and capacity-building assistance, conducting research demonstrations, and maintaining and upgrading our IT systems so that we can hold ourselves and our local partners accountable for the outcomes needed to achieve the Department's strategic goals.

Technical Assistance

The community development field is evolving to a more comprehensive, sustainable approach to neighborhoods and cities. As noted, HUD has embraced this change with new initiatives like Sustainable Communities, Choice Neighborhoods, and the Neighborhood Stabilization Program. In order to realize this expanded vision, the nation needs local practitioners—both local government and non-profit 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 deliver results and save money for the taxpayer.

The Transformation Initiative recognizes that enhanced and focused information, and more targeted support for grantees, will result in better program administration and more integrated planning and action that cross programs and jurisdictions. Effective responses to urban and housing issues increasingly require coordination and awareness of diverse areas of knowledge: housing finance as well as land use planning; economics as well as energy efficient design; community development as well as transportation planning; accessible design as well as job creation strategies.

The Transformation Initiative is helping HUD to develop a new level of technical assistance and capacity building to Federal funding recipients. Traditionally, HUD has delivered compliance-oriented technical assistance, funded through individual program accounts that ensure grantees are fully aware of the rules governing HUD's disparate programs. HUD's fiscal years 2010 and 2011 Budgets proposed rolling these accounts into one broad technical assistance effort to be funded from global transfers to the Transformation Initiative Fund. Central funding through the TI has allowed the Department to develop comprehensive technical assistance efforts that focus on skills needed to improve program outcomes, rather than merely reinforcing program compliance.

In the 2012 Budget, HUD once again requests discretion to target technical assistance funding to those programs that need it most based on the capacity of current grantees, new program requirements (e.g., the continued implementation of the HEARTH Act, or implementation of new programs such as Choice Neighborhoods or Sustainable Housing and Communities), broader economic and social imperatives (e.g., a spike in homelessness, or the impact of high energy and housing costs on housing affordability), or unanticipated crises (e.g., natural disasters). In order to ensure that these critical but limited resources are targeted appropriately, HUD will continue to evaluate the technical assistance needs of its grantee communities in fiscal year 2011 with Transformation Initiative funds and build on those findings with funds from fiscal year 2012.

In particular, the Department will implement a new initiative—involving twelve other agencies including the White House—aimed at improving the capacity of local governments in chronically distressed cities and developing partnerships to support job creation. Many of the cities that have historically driven America's economic growth are now amongst its most economically distressed. These cities have struggled to return to a place of economic productivity and opportunity after decades confronting the ramifications of industrial decline—a challenge made even more difficult by the recent economic downturn. This initiative is designed, not to provide additional funding, but instead to ensure that communities are using the resources already available to them more effectively and efficiently so they can compete in the global economy.

As part of this effort, the Transformation Initiative will support the creation of a National Resource Bank (NRB). The Bank is so named because it will be a repository of technical assistance for local governments across the nation, but will not provide direct financial resources. The NRB will align and aggregate public and private funds to provide cities tailored technical support through a "one-stop-shop" of national experts with wide-ranging skills that are critical for economic development. These include fiscal reforms, repurposing land use, and business cluster and job market analysis, to name a few. The NRB will help lay the foundation for economic recovery and transformation in these cities through truly place-based support that leverages existing strategic partnerships between local governments, Federal regional office staff, and the philanthropic community and helps to foster further

linkages for the long-term benefit of these cities. The local demand for the capacity-building assistance that the NRB will provide is broad and sustained. Cities have had few options for building organizational capacity since the 1970s, and recent budget cuts and retirements have created even greater strains on capacity at the same time that local challenges are growing more complex. The NRB will play an essential role in helping to coordinate and direct Federal technical assistance functions at a time of severe local government need.

Research and Demonstrations

A key element of HUD's transformation strategy is to provide a predictable stream of funding for high quality research and evaluation that can inform sound policymaking. Allocating a small increment of program funds to this account will enable HUD to subject programs continuously to rigorous evaluation. Absent investment in key evaluations, demonstrations and analysis, HUD's capacity to support program refinement, measure progress toward goals and engage in robust policy development is extremely limited. This new era of evidence-based policymaking demands that HUD build back its internal research capacity and work in partnership with the research community to evaluate existing programs and design new policy approaches to solving America's housing and community development challenges.

The Research, Evaluation, and Performance Metrics initiative will supplement Research and Technology (R&T) appropriations in order to provide the nation's basic infrastructure of housing data. . The more careful and scientific approach enabled by these additional research investments will highlight for policymakers what works and what needs reform. Systematic research enables HUD to monitor results and undertake timely modifications of programs and policies that fail to produce results. A component of this research and evaluation will develop the right set of metrics to track program performance between evaluations to inform management decision-making. For example, in fiscal year 2010, the Department was able to supplement a $48 million R&T appropriation with $26 million in Transformation Initiative Research, Evaluation, and Program Metrics funds. This funding permits the Department to determine how much some program functions ought to cost or ought to operate. For example, the current allocation system for Housing Choice Voucher (HCV) administrative funds is not based on rigorous and objective studies, and may over-compensate some public housing agencies (PHAs) while underfunding others. The Department has used TI funds to develop and sustain a careful examination of the costs of implementing the HCV program at high-performing and efficient PHAs in a wide variety of communities.}For fiscal year 2012, the Department anticipates approximately $25 million to be allocated for research projects. HUD's proposed transformational approach to research would also inform the decisions of a broad network of public and private sector actors. A key feature of the new approach is to partner with other Federal agencies, such as the Departments of Transportation and Energy, and the Environmental Protection Agency, on research topics of mutual interest. HUD will confer with OMB and the appropriate Congressional Appropriations and Authorizing committees before finalizing the research agenda for funding under the Transformation

Initiative. Combined with efforts already in progress, HUD expects that research will both improve program effectiveness and generate substantial savings over time.

An additional strategic thrust of the Transformation Initiative was to enable HUD to design and execute a series of major research demonstrations. These trials of new program ideas provide a controlled mechanism to improve programs and help state and local governments develop more effective strategies for housing and community and economic development. Demonstrations are necessary to test innovative program approaches to improve the delivery and reduce the cost of public services. In short, well run demonstration programs—such as the Jobs Plus, Moving to Opportunity, and Effects of Housing Vouchers on Families demonstrations of the early 1990s—enable the federal government and our local partners to fund what works, and defund what does not. However, demonstrations generally require funding over several years and often allow waiver of program rules when conducted to pilot ideas for existing program changes. Flexible funding may be needed to cover design resources, additional program costs, such as incentives for participating households, and evaluation of the impacts over several years.

Using funding flexibility granted in fiscal year 2010, HUD launched important demonstrations to test policy interventions in the Family Self Sufficiency program, rent reforms in our major rental assistance programs, and the first round of Choice Neighborhoods grants, among others. For instance, the Family Self Sufficiency program, which encourages public housing tenants to increase earnings by allowing them to set aside the rent increases they would otherwise pay for specific goals such as education and homeownership, will test whether this is a cost-effective approach to increasing self-sufficiency that can be taken to scale. HUD anticipates allocating $15 million in fiscal year 2012 TI funding to program demonstrations, and, as in fiscal years 2010 and 2011, HUD will confer with the appropriate Congressional Appropriations Committees before finalizing planned demonstrations under the Transformation Initiative. These demonstrations will, in conjunction with HUD Stat, be critical for informing funding decisions, as well as the re-engineering and streamlining of business processes and procedures in HUD's programs.

Information Technology (IT)

Funding for IT modernization and development is not requested under the TI fund for fiscal year 2012. Having assessed the fiscal year 2010 planning and implementation efforts, HUD has determined that funding these activities under the Working Capital Fund in fiscal year 2012 will allow the Department to better align the account structure and decision-making process with budget planning and investment lifecycle management policies. Within the TI Fund, HUD will utilize significant balances from fiscal year 2010, as well as funds appropriated in fiscal year 2011, to continue the execution of priority IT development, modernization, and enhancement efforts, including FHA Transformation and the Next Generation Voucher Management System.

The FHA Transformation project involves the development of a modern financial services IT environment to better manage and mitigate counterparty risk across all of FHA's Insurance Programs. The system will minimize the exposure of our Insurance Funds and support the restoration of the capital reserve ratio to congressionally mandated levels by enabling risk detection, fraud prevention and the capture of critical data points at the front-end of the loan lifecycle. More simply put – FHA Transformation will enable HUD to identify trends, and seamlessly take action, before problems occur. This approach will protect consumers and the economy by ensuring that safe underwriting standards are adhered to, as FHA approaches $1 Trillion of Insurance-in-Force. Importantly, FHA Transformation will also allow the Department to start the careful process of migrating relevant portions of our legacy applications, most of which were built in a 1970's era programming language, to a more cost effective platform.

The Next Generation Voucher Management Systems (NGVMS) performs a Department-wide reengineering of the current voucher management business models and processes across the Department. NGVMS will replace 20 year old legacy systems and Excel-based budget spreadsheets with a solution that establishes uniform processes and a standard set of rules and regulations that support all of HUD's rental assistance programs. The system will support enhanced budget planning and forecasting capabilities, improve grantee reporting and data integrity, and ensure that programs comply with the requirements of the Section 8 Voucher Reform Act (SEVRA).

In addition to improving systems that support HUD's programs, the agency is also investing in technology to improve HUD's administrative processes. For example, the HUD Integrated Acquisition Management System (HIAMS) will automate all phases of the acquisition lifecycle to create greater accountability and transparency, as well as enable timely processing of procurement actions. The agency's current process is manual intensive and highly susceptible to errors. HIAMS will reduce processing inefficiencies, increase visibility into the acquisition process, and enable HUD to obtain services faster. The system utilizes the most widely adopted federal acquisition management software, a solution that is currently used by more than 80 organizations across the civilian, intelligence and defense sectors.

An Overview of the HUD Budget: How HUD Funding Furthers Our Mission

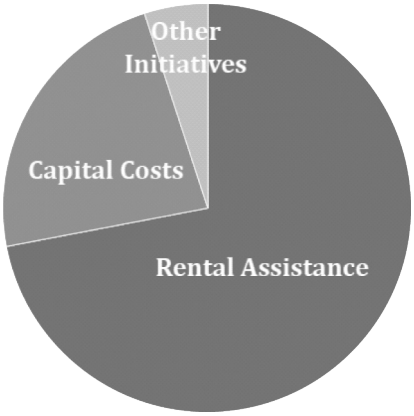
An Overview of the HUD Budget: How HUD Funding Furthers Our Mission

In order to achieve the overarching mission of creating strong, sustainable, inclusive communities and quality, affordable homes for all, HUD has developed a portfolio of programs and policy initiatives to approach housing and development challenges. And while these programs serve a diverse array of communities nationwide, with challenges almost as wide-ranging as the individual families themselves, HUD's budget can broadly be divided into three categories:

72% **Rental Assistance** provides an ongoing stream of funding that makes up the gap between that low-income tenants can afford to pay in rent and the cost of operating housing

23% **Capital Costs allow HUD** to partner with communities to develop and repair affordable housing or support economic development activities and infrastructure

5% **Other Initiatives** include a diverse array of programs, including Fair Housing and Equal Opportunity, Healthy Homes and Lead Hazard Reduction, and service coordination programs, just to name a few.



Taken together, these broad categories encapsulate an overall HUD budget of $47.9 billion (pre-receipts) that provides direct housing and services to millions of families and thousands of communities across the country. For the population that HUD serves, we are committed to providing access to the opportunities that result from living in homes and neighborhoods that are safe, healthy, affordable, and inclusive.

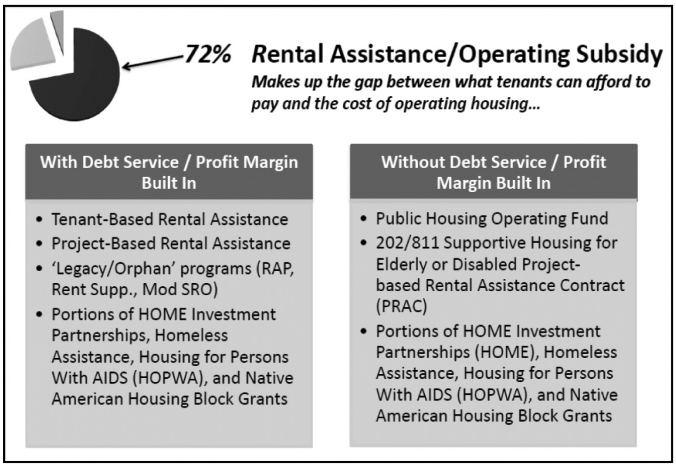
RENTAL ASSISTANCE

Throughout the country, over 4.5 million families receive assistance through HUD's rental programs, which include Tenant-Based Rental Assistance (TBRA), Project-Based Rental Assistance (PBRA), Public Housing, and a handful of smaller initiatives. These programs provide crucial funding to low-income tenants to make up the difference between what they can afford to pay in rent and what housing actually costs. Under most HUD rental programs, the resident family pays at least 30 percent of their income for rent and HUD subsidizes the remainder to cover operating costs or a fixed local fair market rent

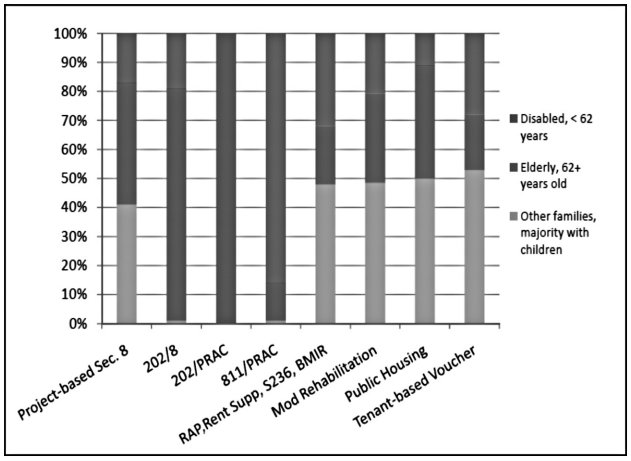
HUD's top priority for rental assistance is to maximize the resources available to provide assistance to the neediest of our nation's citizens, which include low- to extremely low-income

families, elderly, homeless, disabled persons, veterans and at-risk youth.

Altogether, the median income of a HUD-assisted household is $10,200 or 17 percent of area median income. As one example, **while the median U.S. family income in 2010 was over $60,000 the average adjusted income of a TBRA family was just $10,440.** Moreover, 72 percent of HUD-assisted households are extremely low-income, which places them below 30 percent of area median income. These characteristics put the tenants of HUD-assisted housing at risk of being particularly affected by economic conditions.



In addition to dedicating the majority of funding to serve families with the greatest financial needs, HUD spends a significant portion of its funding on our nation's most vulnerable families. Altogether, **54 percent of HUD-assisted households are elderly or disabled, in addition to over 58,000 households served through HUD's Housing for Persons with AIDS (HOPWA) program.** HUD remains committed to working together with other agencies, including the Departments of Health and Human Services (HHS) and Veterans Affairs (VA) to coordinate services and ensure the most effective and efficient utilization of funds for these unique populations. Through cross-agency grant announcements, best practice analysis, and capacity building, HUD has refined and reformed its programs to most effectively serve these families.



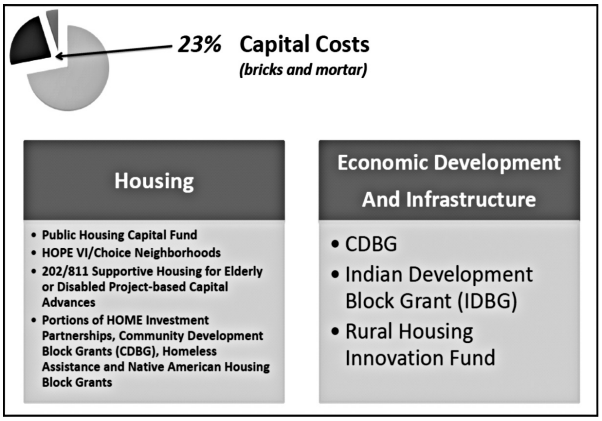
In Fiscal Year 2012, HUD remains committed to continuing to serve households with the most pressing housing and financial needs, dedicating **approximately $34.5 billion to rental assistance for our nation's most vulnerable families.** This request includes:

- $19.22 billion in TBRA, delivering safe and affordable housing on the private market
- $9.43 billion in PBRA, allowing families to obtain safe and affordable housing in privately owned affordable housing
- $3.96 billion in Public Housing Operating Funds, coupled with $1 billion from PHAs operating reserves, to support a valuable asset in our nation's housing stock

Still, in many communities around the country, the supply of affordable units is grossly inadequate to meet demand, and many families go without assistance. HUD's recent findings on "worst case needs" for affordable rental housing discussed in the Message from the Secretary simply drive home this point. In particular, the nation needs an increased supply of affordable rental homes in safe, mixed-income communities that provide access to jobs, good schools, transportation, high-quality services, and, most importantly, economic self-sufficiency. HUD will work to expand the supply of affordable rental housing and the capital needed to increase the supply, while sharpening our ability to target the needs of individuals and neighborhoods. The Department will also improve the effectiveness of tools for creating supply and streamline policies and programs to increase the efficiency of program practices.

CAPITAL COSTS

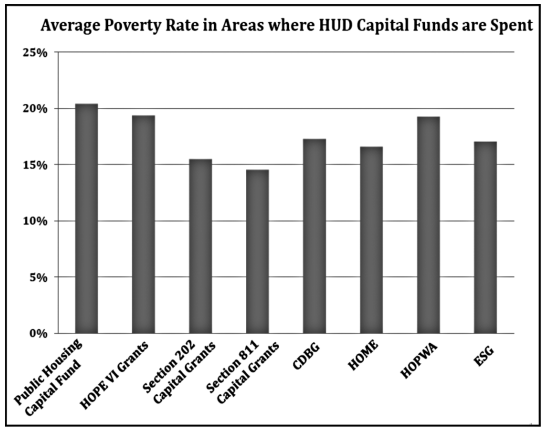
In addition to providing our nation's most vulnerable families with the rental assistance that they desperately need, each year HUD funds the capital costs of housing and economic development projects throughout the country. Capital costs, which can loosely be considered the 'bricks and mortar' of project development, are crucial sources of funding for the communities hardest hit by our country's economic downturn.



Each year, HUD awards capital grants to communities nationwide for housing and economic development initiatives. Through these grants, HUD remains committed to providing real opportunity for people living in neighborhoods of concentrated poverty and segregation and offering choices that help families live closer to jobs and schools. These priorities reflect a core belief: when you choose a home, you do not just choose a home—you also choose transportation to work, schools for your children, and public safety. You choose a community—and the choices available in that community. Programs such as the Community Development Block Grant (CDBG), the Rural Innovation Fund, and Choice Neighborhoods are targeted to areas of need, to provide locally-driven solutions to overarching economic development challenges.

As with HUD's rental assistance programs, capital grant awards are prioritized to areas of concentrated need. One particularly useful proxy of such need is unemployment figures. In total, 61 percent of HUD capital dollars are invested in cities and counties with an unemployment rate greater than the national average, and the average HUD capital dollar is dedicated to a city or county with an unemployment rate of 10.5 percent, nearly one full

percentage point above the national unemployment rate. In Fiscal Year 2012, HUD is requesting approximately $11 billion to fund capital grants towards locally-driven housing and economic development initiatives across the country. This request includes:

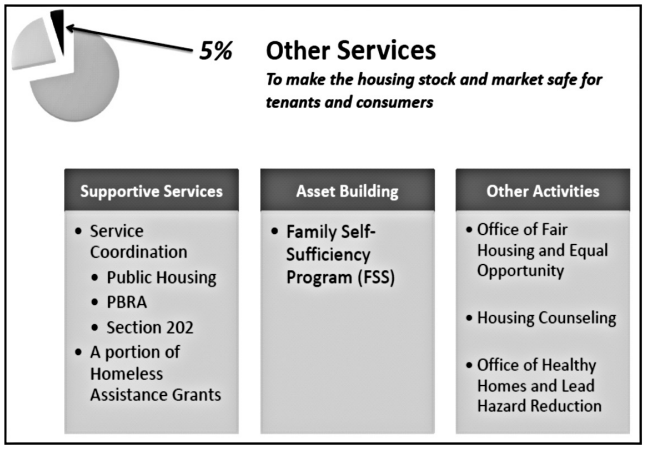


- $3.69 billion for CDBG, the largest and most flexible community development program in the Federal portfolio
- $2.41 billion in Public Housing Capital funds to address the needs of affordable rental housing, including modernization capital grants, administrative receiverships, and financial and physical assessment support
- $250 million for Choice Neighborhoods, to transform neighborhoods of extreme poverty into sustainable mixed-income communities
- $65 million for Indian Community Development Block Grants, a flexible source of grant funds for Federally-recognized tribes or eligible Indian entities nationwide

Taken together, HUD remains committed to providing affordable rental housing for our most vulnerable families, as well as partnering with local organizations to provide community-driven, innovative solutions to some of our country's most crucial economic development challenges.

OTHER INITIATIVES

Each year, approximately 5 percent of HUD's overall budget goes to a diverse series of key activities that support the provision of housing and services to families throughout the country.



In Fiscal Year 2012, HUD is requesting approximately $2.4 billion in other important initiatives that will ensure that millions of families nationwide are provided with quality, safe affordable housing and services, as well as homeownership opportunities. Specifically, this request includes:

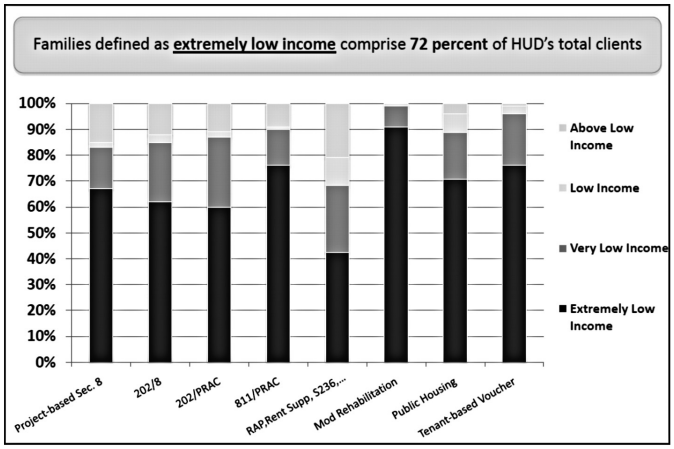
- $140 million for Lead-Based Paint Hazard Reduction, to improve the health and safety of

families by making smart investments to yield positive health outcomes

- $88 million for Housing Counseling, to expand and preserve homeownership, as well as improve access to affordable housing for families nationwide
- $72 million for Fair Housing and Equal Opportunity, to maintain inclusivity and provide accountability in housing and lending practices nationwide.
- $60 million for Family Self-Sufficiency Coordinators, to provide crucial services to families so that they can achieve employment goals, and accumulate assets to become financially self-sufficient.
- $57 million for Policy Development and Research, to provide data collection, research, policy analysis, and program evaluation to assist HUD in making informed decisions and hold programs accountable.

FULFILLING HUD'S MISSION

Every day, thousands of communities, and millions of families across the country directly benefit from HUD rental assistance, capital funding and grants, as well as other ongoing initiatives. These programs have kept Americans in their homes, provided communities with much-needed sustainable development, and improved the overall economic outlook of families nationwide. Without such assistance, many of these families would face housing and economic challenges, including, in the most severe cases, homelessness.



For these reasons, HUD remains committed to continuing its responsibilities of serving our nation's poorest, most vulnerable families and the neighborhoods and communities hardest-hit by the economic downturn. In that sense, HUD bases its 2012 budget request on what has arguably been its mission all along: to create strong, sustainable, inclusive communities and quality, affordable homes for all.

The pages that follow outline the specific policy and programmatic priorities through which HUD intends to achieve its mission. Several of the initiatives will appear in multiple priority categories, and there's a reason for that. Over the years, we have learned that it takes more than just one office or program to create sustainable, lasting solutions to our country's most challenging dilemmas. Instead, HUD is focused on cross-cutting initiatives that break silos and effect change. In 2012, the Department will continue to firmly root that goal in reality.

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

In FY 2012, HUD will continue to provide mortgages, foreclosure prevention, and other crucial homeownership services to millions of families nationwide.

The activities of the federal government are critical to both supporting the housing market in the short term and providing access to homeownership opportunities over the long term, while minimizing the risk to taxpayers. Over the past two years, HUD has worked to collaborate with the Department of the Treasury and other administration partners to construct a housing finance system that relies on an actuarially sound pricing structure, effective lending oversight, and adequate organizational capacity to ensure consistent access to, and liquidity and stability in, the capital markets.

THE FEDERAL HOUSING ADMINISTRATION

HUD's Federal Housing Administration (FHA) is the largest government insurer of mortgages in the world, insuring over 39 million home mortgages and 52,000 multifamily project mortgages since 1934. FHA provides mortgage insurance on single-family, multifamily, manufactured homes and healthcare loans made by FHA-approved lenders throughout the United States and its territories. In recent years, FHA has experienced significant swings in its market share as it has stepped in to provide capital for qualified borrowers who would otherwise be shut out of the mortgage market. A strong FHA is critical to the recovery of the housing market and our economy at large. The widespread availability of FHA mortgage insurance encourages the provision of mortgage credit by lenders and provides liquidity and stability for the mortgage market. FHA serves borrowers that the conventional market does not adequately provide for, including first-time homebuyers, minorities, low-income families and residents of underserved communities. **In Fiscal Year 2012, HUD is requesting $400 billion in loan guarantee authority for the Mutual Mortgage Insurance Fund,** which will provide an estimated 1.2 million single family mortgages. **In addition, HUD is requesting $25 billion in loan guarantee authority for the General and Special Risk Insurance Fund,** which will provide an estimated 190,000 units in multifamily housing properties and an estimated 98,000 beds in healthcare facilities.

FHA remains active and available in all markets during times of economic disruption. This can be seen now as the number of those who depend on the FHA for access to mortgage financing has increased greatly as access to private capital has contracted in the recent difficult economic times. FHA has played an important counter-cyclical role in helping to ensure that the housing market has the liquidity to ride through these times until private capital returns to its natural levels.

FHA is playing an important role for current and prospective homeowners during these difficult times in 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 also helping those already in FHA-insured loans modify those loans where they are unsustainable. The contraction of conventional, private sources of loan guarantees has meant a dramatic increase in the credit quality of loans coming to FHA. As housing markets continue to be stressed, FHA is taking on business that is resulting in a portfolio of historically high credit quality. These new loan guarantees and mortgage insurance premiums that they generate are providing net income that can be used both to offset claim expenses on the earlier books and to start rebuilding FHA's capital position. The quality of recent originations increased the economic value of FHA's Mutual Mortgage Insurance (MMI) Fund by almost $9 billion.

Over the last three years, FHA's market share increased dramatically, especially attracting homebuyer borrowers with low incomes and from minority communities. The most recent data shows that 60 percent of African American and Latino homebuyers purchase homes with FHA. FHA thus plays a vital role in opening up access to homeownership for the underserved in our country. Over half of all African Americans who purchased a home last year and forty-five percent of Hispanics did so with FHA financing.

During the past two years, FHA helped over 1.5 million homeowners refinance into stable, affordable mortgages and insured loans for over 2 million homebuyers – more than 80 percent of whom were first-time homebuyers. By providing liquidity at a time when it was desperately needed, FHA has served hundreds of thousands homeowners and has had a positive effect on the many industries involved in the housing market – realtors, homebuilders, lenders and those who service new homes with furniture and appliances.

This Administration has a deep commitment to FHA's role in facilitating the recovery of the housing market and to its mission of providing access to homeownership for first-time homebuyers and underserved populations. After 77

FHA MULTIFAMILY MORTGAGE INSURANCE

Multifamily mortgage insurance programs make critical contributions toward the Department's mission of creating strong, sustainable, inclusive communities and quality affordable homes for all by expanding the supply of rental housing in areas where they are most needed and by preserving the affordability and quality of both federally assisted and private unassisted rental housing. The role of FHA's multifamily mortgage insurance programs is especially significant in the current economic climate. Driven by low interest rates, more constrained lending in the conventional mortgage market, and improvements in HUD business operations, demand for FHA multifamily programs has increased dramatically. At this time of unprecedented stress in the financial markets, FHA Multifamily programs provide the necessary liquidity so that apartment construction and rehabilitation can continue.

years, FHA remains a stabilizing force in the housing market and an important door to homeownership in the United States.

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GINNIE MAE)

Ginnie Mae finances more government-insured products than any other corporation in the world. Through its mortgage-backed securities program (MBS), Ginnie Mae funds single-family mortgages, apartment buildings, nursing homes, and hospitals. Ninety-nine percent of all government insured mortgages are financed by Ginnie Mae. In fact, Ginnie Mae MBS serve as the primary financing vehicle for loans insured or guaranteed by the Federal Housing Administration (FHA), Department of Veterans Affairs (VA), U.S. Department of Agriculture Rural Development and Community Facilities Program (RD), and HUD's Office of Public and Indian Housing (PIH). In FY 2012, HUD, through Ginnie Mae, will continue to finance a wide array of government-insured products, increasing liquidity and stabilizing the housing market.

Since its inception in 1968, Ginnie Mae has guaranteed more than $3.7 trillion in mortgage-backed securities helping. millions of Americans obtains safe and affordable housing. Our current securities portfolio represents the financing of more than 7.2 million single-family homes and 1.1 million rental housing units, with the financing of more than 1.9 million households in FY 2010, alone. In FY 2012, HUD is requesting $500 billion in limitation on new commitments of single class mortgage-backed securities (MBS) to continue its mission of providing liquidity and stability for the mortgage markets.

In Fiscal Year 2010, FHA multifamily housing commitments totaled $11.4 billion, which was 3.4 times 2009 volume and 4.9 times 2008 volume. This activity is projected to increase further to $13.1 billion in 2011 and $12.8 billion in 2012. Direct jobs created by these volumes of construction spending are estimated to be 85,000 annually. One third of the nation's households are currently renters and most of these are families earning less than the median income and are in need of decent, affordable housing units. FHA financing is often paired with low-income house tax credits, rental subsidies for low- and moderate-income families, tax-exempt bond financing, and/or other state and local resources to expand the offering of affordable units in areas where they are needed most. Multifamily mortgage insurance programs also contribute significantly to local revitalization efforts and economies by providing liquidity to uniquely sustainable projects located in centers of job growth, near transportation and other community opportunities.

Ginnie Mae provides this liquidity and stability by guaranteeing securities backed by single-family, multifamily, and reverse mortgage loans. Lenders can easily sell government insured loans in the form of a Ginnie Mae MBS. Selling the loans and obtaining the proceeds allows lenders to recycle capital and continually fund new FHA,

VA, PIH, and RD loans. The ability of lenders to finance their government insured loans through Ginnie Mae MBS has helped to stabilize the market during the current housing crisis. Recently, Ginnie Mae has experienced significant growth, with annual issuance volume growing from $220 billion in FY 2008 to $413 billion in FY 2010. In FY 2010, Ginnie Mae's market share of agency MBS was approximately 30 percent. In FY 2010, Ginnie Mae earned $541 million. Ginnie Mae is well positioned to deal with the current economic environment, with more than $14 billion in reserve funds.

Ginnie Mae is committed to supporting the housing market during the current crisis by supporting efforts to mitigate the foreclosure crisis by facilitating a secondary market for the modified loans. In FY 2010, the demand for government backed securities pushed Ginnie Mae's portfolio past $1 trillion for the first time in its history. That demand is linked to the housing crisis, the collapse of the private label securities market, and the subsequent credit freeze. During this economic crisis Ginnie Mae has stepped up and made it possible for lenders to continue funding government insured mortgages.

In Fiscal Year 2012, HUD will reaffirm its commitment to supporting foreclosure prevention and mitigation, including funding of targeted assistance and broad-based economic development initiatives.

The state of the housing market plays a big role in shaping our well-being as individuals, the stability of our neighborhoods, and the strength of our national economy. That is why the recent downturn of the housing market—with high rates of foreclosure, increases in vacant properties, and plummeting home values—has been so devastating for families and communities alike. Although the largest factors contributing to this crisis were market driven, the American people have turned to Congress and the administration for leadership and action in righting our nation's housing market. HUD remains firmly committed to working together with communities and individuals to cope with these unprecedented challenges. This year, through a series of innovative, locally-driven efforts, as well as proposed increased funding for HUD housing programs, the Department will help communities and families get the help they need as we slowly begin to recover from this housing crisis. While this recovery will take place over time, HUD continues to strengthen its efforts to prevent avoidable foreclosures and stabilize the housing market.

CHANGING REALITIES

Over the course of just a few years, HUD's role in the housing market has increased substantially. In 2007, HUD's Federal Housing Administration (FHA) insured only 2-3 percent of loans in the housing market. Since then, FHA's market share has increased to an estimated 30 percent of home mortgage purchases and 20 percent of refinances. The FHA portfolio currently stands at over $1 trillion in insured loans. HUD remains committed to effectively serving this increased population, while tailoring its programs to fit these changing realities.

While there is work still to be done, HUD is proud of the progress this Administration has made in tackling ongoing foreclosure challenges. Since April 2009, servicers report that more than 3.3 million homeowners have received restructured mortgages – more than twice the number of foreclosures completed in that time – as a result of the government's Home Affordable Modification Program (HAMP) and FHA's loss mitigation programs. An estimated 300,000 homeowners will be assisted in avoiding foreclosure through FHA programs as well as 400,000 homeowners assisted through third-party lender loss mitigation initiatives mandated by FHA but not receiving FHA subsidy. An additional 2.4 million

homeowners will be assisted through joint HUD-Treasury programs. Moreover, HUD has developed several initiatives that address foreclosure prevention, including:

Emergency Homeowner Loan Program (EHLP)
In 2010, HUD announced $1 billion of funding, which provides bridge loans of up to $50,000 each to help families keep up with their mortgage payments while they seek employment

National First Look Program
A partnership between HUD, the National Community Stabilization Trust and large financial institutions that offers Neighborhood Stabilization Program grantees an exclusive 12-14 day window to evaluate and bid on foreclosed properties.

Short Refinance Option
In 2010, FHA made available an option that offers underwater non-FHA borrowers, who are current on their existing mortgage and whose lenders agree to write off at least 10 percent of the unpaid principal balance of the first mortgage, the opportunity to qualify for a new FHA-insured mortgage

In addition, following the significant increase in market share that the Federal Housing Administration (FHA) has experienced during the recent housing crisis, as well as the period of riskier lending that preceded it, HUD is protecting taxpayer resources by investing in a set of technological and organizational changes aimed at reducing the risk in the FHA portfolio. HUD is using $20 million in Transformation Initiative Program funds to develop robust, state-of-the-art systems and data-driven analytic tools that detect high-risk loans and protect the portfolio from borrower default, as well as following industry best practices and creating an Office of Risk Management, to be led by a Chief Risk Officer.

HOUSING COUNSELING ASSISTANCE

Each year, HUD awards grants to hundreds of local counseling agencies and State Housing Finance Agencies that offer a variety of services, which are especially critical in today's economic climate. HUD-approved counselors help clients learn how to avoid foreclosure, how to purchase or rent a home, how to improve credit scores, and how to qualify for a reverse mortgage. In 2009, HUD assisted over 2.5 million families through its housing counseling program, including 1.58 million potential and current homeowners with issues pertaining to mortgages and financing of their homes. In 2010, HUD awarded $79 million for housing counseling grants, a 27 percent increase over its 2009 funding.

In Fiscal Year 2012, HUD is requesting $88 million in Housing Counseling Assistance. The primary benefits of the program are to expand homeownership opportunities, improve access to affordable housing and preserve homeownership. With this level of funding, HUD

anticipates serving as many as 318,187 low- to moderate-income families, as well as training approximately 4,400 counselors.

NEIGHBORHOOD STABILIZATION PROGRAM (NSP)

NSP was created to address the housing crisis, create jobs, and grow local economies by providing communities with the resources to purchase and rehabilitate vacant homes. In response to the foreclosure crisis specifically, NSP helps communities acquire, rehabilitate, and resell foreclosed and abandoned properties more quickly to prevent further decline in hard-hit neighborhoods. In the first round of NSP, funding grants went directly to state and local governments, many of which did not have the capacity to deal with the crisis on their own. Eligible nonprofit organizations had to be funded by state and local government grantees to purchase properties and carry out stabilization programs. In recognition of the needed capacity and leadership role that nonprofits, for-profits, and other consortia play, HUD changed the eligibility requirements in the second round of funding to enable these new partners to play a lead role in the program. NSP grants are helping state and local governments, and non-profit developers acquire land and property; demolish or rehabilitate abandoned properties; and/or offer down-payment and closing cost assistance to low- to middle-income homebuyers. Grantees can also stabilize neighborhoods by creating "land banks" to assemble, temporarily manage, and dispose of foreclosed homes.

In September 2010, HUD announced $1 billion in third-round NSP funds to provide targeted emergency assistance to state and local governments to acquire, redevelop, or demolish foreclosed properties. These awards are aimed at helping reverse the effects of the foreclosure crisis – and will reduce blight, bolster neighborhood home values, create jobs, and produce affordable housing. **Altogether, HUD has funded $7 billion in three rounds of NSP, which is estimated to impact over 100,000 properties in the nation's hardest hit markets.**

Meeting the Need for Quality, Affordable Rental Homes

Meeting the Need for Quality, Affordable Rental Homes

In Fiscal Year 2012, HUD is requesting $35.22 billion to provide affordable rental housing for low-income families across the country.

In an era when more than one-third of all American families rent their homes and 7.10 million of these families spend more than 50 percent of their income on rent , it remains more important than ever to provide a sufficient supply of affordable rental homes for low-income families. In many communities, affordable rental housing does not exist without public support. Each year, HUD spends the lion's share of its budget maintaining and improving crucial public housing resources, and helping families find affordable housing in private markets. Together with federal, state, and private partners, HUD is working to keep rents affordable for all families nationwide.

TENANT-BASED RENTAL ASSISTANCE

HUD's Section 8 Tenant-Based Rental Assistance (TBRA), also called the Housing Choice Voucher program, is the nation's largest and preeminent rental assistance program for low-income families. For over 35 years it has served as a cost-effective means for delivering safe and affordable housing in the private market. **In Fiscal Year 2012, HUD is requesting $19.22 billion for TBRA programs.** With this request, HUD expects to assist over 2.2 million families by renewing existing vouchers and issuing new incremental vouchers to homeless veterans, victims of natural disasters and other vulnerable families.

HUD's top priority for the TBRA program is to maximize the resources available to provide assistance to the neediest of our nation's citizens, which include elderly, homeless, disabled persons, veterans and at-risk youth. HUD will also continue the award-winning initiative it launched in 2010 to develop tools for local housing agencies that improves the administration and utilization of vouchers. Specifically, the TBRA request includes:

- $17.19 billion for the renewal of existing Section 8 vouchers, maintaining affordable housing for over 2.2 million families in need, including the renewal of special purpose vouchers funded in previous years
- $1.65 billion for administrative fees associated with operating TBRA, HUD's largest program
- $114 million for Mainstream Section 811 vouchers to enable persons with disabilities access to affordable, private housing of their choice, and accommodate the provision of supportive services

- $75 million in Tenant Protection vouchers to families at risk of displacement from public housing, due to moderate rehabilitation, or as a result of HUD Multifamily Housing programs through no fault of their own
- $75 million in Veterans Affairs Supportive Housing (HUD-VASH) to provide affordable housing and case management to thousands of homeless veterans across the country
- $60 million for Family Self-Sufficiency Coordinators to provide crucial services to families so that they can achieve employment goals, and accumulate assets to become financially self-sufficient
- $57 million in Housing and Services for Homeless Population vouchers

PUBLIC HOUSING

On its own, the nation's housing market has not developed sufficient housing for America's poorest families. Private rental housing is in particularly short supply, a situation that has been exacerbated by shrinking incomes across the nation's workforce. HUD's public housing stock has proved to be a small but valuableasset for addressing this shortage, especially as over half of the program's 1.1 million families are headed by someone who is elderly, disabled or both. HUD's Public Housing program provides funds to locally-controlled housing authorities to supplement tenant rents, maintain the buildings and manage the programs. **In Fiscal Year 2012, HUD is requesting a total of $6.37 billion to operate public housing and address the capital needs of its physical assets.** This request includes:

- $3.96 billion in Public Housing Operating Funds, coupled with $1 billion from PHAs operating reserves, will fully fund 3,100 PHAs to operate and manage approximately 6,980 Public Housing properties nationwide
- $2.41 billion in Public Housing Capital Funds to address the needs of affordable rental housing, including modernization capital grants, administrative receiverships, and financial and physical assessment support

PROJECT-BASED RENTAL ASSISTANCE

HUD's Project Based Rental Assistance (PBRA) program provides rental assistance funding to privately-owned multifamily rental housing projects. Eligible private owners include for-profit and non-profit organizations, cooperatives, Limited Liability Corporations, Limited Partnerships and other types of joint ownership structures. The amount of PBRA funding paid to each owner is the difference between what a household can afford (up to 30% of

income) and the approved rent for an affordable housing unit in a multifamily rental housing project. These properties are financed in the same manner as entirely market rate rental developments; utilizing private financing and equity or FHA insurance. In Fiscal Year 2012, HUD is requesting a total $9.43 billion in funding for PBRA programs. This includes:

- $9.14 billion for the renewal and amendment of existing PBRA contracts, including Project-Based Section 8 contracts, Moderate Rehabilitation contracts, and Single-Room Occupancy contracts
- $289 million for Project-Based Contract Administrators to effectively administer the PBRA program

With this funding, HUD expects to serve over 1.2 million low-income families, many of whom would face worst case housing or homelessness without such assistance. In addition, communities benefit from projects receiving this funding, as owners must hire and maintain local property management firms, maintenance workers, and other construction/rehabilitation firms to ensure that the project provides the decent, safe and sanitary housing for the residents, as well as professional legal, security, and insurance services. Taken together, PBRA directly supports an estimated 55,000 jobs annually at projects throughout the country. In addition, owners of PBRA housing contract for services with local businesses and service providers that are estimated to produce another 45,000 indirect or induced jobs, totaling employment generation of 100,000 jobs annually. PBRA also serves as both a redevelopment and preservation tool for private multifamily rental housing owners, creating a credit enhancement for the financing of the project, and in turn allowing owners to refinance, redevelop and preserve their assets.

[3] "Worst Case Housing Needs 2009: Report to Congress" *http://www.huduser.org/Publications/pdf/worstcase_HsgNeeds09.pdf.* HUD defines "worst case housing needs" as very low-income renters who do not receive government housing assistance and who either paid more than one-half of their income for rent or lived in severely inadequate conditions, or both.

In Fiscal Year 2012, HUD is requesting $200 million to cover the incremental cost of converting public housing, Section 8 Moderate Rehabilitation, Rent Supplement, and Rental Assistance programs to long-term project-based Section 8 contracts **under a demonstration of HUD's proposed Transforming Rental Assistance (TRA) initiative.**

Over the last 75 years, the Federal Government has invested billions in the development and maintenance of public and multifamily housing. To protect the considerable Federal investment and respond to the growing demand for affordable rental housing, we must continue to make standard life-cycle improvements to this inventory, modernize or replace obsolete units, and stem the loss of stock from private sector partners choosing to opt-out of affordable housing programs.

Particularly for public housing, this trend shows no sign of slowing, as the stock **decreases by between .5 percent and 1.0 percent each year.** Additionally, HUD estimates that the public housing inventory faces a **capital needs backlog ranging from $20 to $30 billion.** Given this large backlog and fiscal constraints, the Department must find alternative means, other than direct capital grants, to meet these needs. At the same time, the structure of the affordability covenants associated with the public housing program impedes private investment in the stock. This $200 million is estimated to allow for the conversion of approximately **255,000 public housing units,** in addition to the Rent Supplement, Rental Assistance Program and Moderate Rehabilitation units. The portion of these funds used for Public Housing conversions alone will enable PHAs to **leverage over $6 billion in private debt and equity capital, creating more than 60,000 direct jobs.** HUD estimates that full conversion of the entire public housing stock (with additional funding in future years), would **allow PHAs to raise nearly $28 billion in capital in order to address the large existing backlog of capital needs and create an estimated 270,000 direct jobs, and over 500,000 jobs elsewhere in the economy.** Beyond the public housing stock, the Section 8 Moderate Rehabilitation (25,000 units), Rent Supplement (9,500 units), and Rental Assistance programs (11,300 units) either offer no option to renew and risk being lost from the affordable housing stock or cannot renew on terms that attract sufficient capital to preserve long-term affordability

CONVERSION OF PROPERTIES

HUD is committed to utilizing its operating and capital funds in the most effective ways possible. At the same time though, the Department continues to face challenges in maintaining an aging public housing stock, of which half the units were constructed prior to 1970. These

older units require continued investment to remain viable, with an increasing backlog of modernization needs estimated at $20-30 billion, and an estimated 15.5 percent of units not meeting HUD's physical standards. It is incumbent upon the Department to find alternative, sustainable means, other than direct capital grants, to meet these needs – particularly because public housing serves tremendously vulnerable families who have few options in the event that their housing is lost. Because of these realities, **$200 million for the Transforming Rental Assistance (TRA) initiative demonstration is designed to preserve public and assisted housing by increasing access to private capital and management techniques.**

Specifically, this TRA funding request will be used for the incremental cost of converting public housing, Section 8 Moderate Rehabilitation, Rent Supplement, and Rental Assistance programs to an improved form of long-term, project-based Section 8 contracts. **These funds are estimated to allow for the conversion of approximately 255,000 public housing units, 1,600 Rent Supplement and Rental Assistance Program units, and 6,000 Moderate Rehabilitation units.** Participation in the initiative will be voluntary. HUD intends through the conversion process to assure the physical and financial sustainability of properties and enable owners to leverage private financing to address immediate and long-term capital needs, improve operations, and implement energy-efficiency improvements. PHAs and private owners will be offered the option of converting their current subsidy to long-term project-based rental assistance contracts that include a resident mobility feature.

To support the conversion process, HUD will use existing funds to train HUD staff in the asset and property management skills needed to support local agencies and owners that convert projects to project-based Section 8 contracts. In addition, Transformation Initiative (TI) funds will be used to provide technical assistance to assist PHAs and other owners of converted properties to understand the provisions in TRA, comply with new regulations, and develop new property management and administration techniques that conform to new regulations. TI funds will also be used to support a process assessment of the project conversions.

Taken together, HUD is committed to responding to the growing demand for safe, decent, and sanitary affordable housing with creative solutions to meet those needs. TRA will provide project owners the resources to make affordable housing physically and financially stable for the long-term, stem the loss of Public Housing units, and target the RAP, Rent Sup and Mod Rehab units at greatest risk of leaving the affordable housing stock.

In Fiscal Year 2012, HUD is requesting $2.65 billion to fund programs that will promote the production of affordable housing for low- to extremely low-income families and those with special needs.

The nation needs an increased supply of affordable rental homes in safe, mixed-income communities that provide access to jobs, good schools, transportation, high-quality services, and, most importantly, economic self-sufficiency. Also important is ensuring that the supply of rental housing enables communities to build their own "geographies of opportunity" – places that effectively connect people and families to jobs, transportation, quality public schools, and other key community assets. In partnering with communities to create locally-driven solutions to rental housing challenges, HUD will work to expand the supply of affordable rental housing and the capital needed to increase the supply, while sharpening our ability to target the needs of individuals and neighborhoods.

HOME INVESTMENT PARTNERSHIPS

The HOME Investment Partnerships program is the primary departmental program, and principal tool of state and local governments, for the production of affordable rental and for-sale housing for low- to extremely-low income families, including mixed-income housing and housing for persons with special needs (e.g., the homeless and persons with HIV-AIDS). For many states and local governments, HOME is the only reliable stream of affordable housing development funds available to them. HOME funds traditionally have provided critical gap financing that make Low-Income Housing Tax Credit (LIHTC) projects feasible. In the last 5 years, 147,919 HOME-assisted rental units have been completed. Of that number, 47 percent or nearly 70,000 units were part of LIHTC projects. In all, HOME gap financing helped complete 132,198 LIHTC units. In the current economic climate, Tax Credits are selling at much reduced prices or not at all. Consequently, HOME funds are being used to supplement reduced LIHTC proceeds. The investment of HOME funds in rental projects often increases affordability for families at the very lowest income levels. Of the tenants occupying HOME units completed during the same five year period, 49 percent of were extremely low-income (income less than 30% of the Area Median Income) and another 38 percent were very low-income (income less than 50 percent of AMI but greater than 30 percent). Reflecting the critical role played by HOME funds in affordable housing development, each dollar of HOME funds expended for HOME rental and homebuyer projects leverages $3.90 of other public and private investment. Over the life of the program, HUD has leveraged more than $80 billion of other funds for affordable housing.

In Fiscal Year 2012, HUD is requesting $1.65 billion in HOME funds, which will provide formula grants to States and localities that communities use—often in partnership with local non-profit groups—to fund a wide range of activities that build, buy, and/or rehabilitate affordable housing for rent or homeownership or provide direct rental assistance to low-income people. From program inception through September 30, 2010, the HOME program has created 978,885 units of affordable housing, and has assisted 233,867 low-income households with tenant-based rental assistance. The Department is committed to continuing this contribution in 2012, when HUD expects that HOME will assist an additional 64,842 families with new affordable housing units and tenant-based rental assistance.

NATIONAL AFFORDABLE HOUSING TRUST FUND

In Fiscal Year 2012, HUD is requesting $1 billion for the National Affordable Housing Trust Fund (HTF). Eighty percent of NHTF funds will be used to acquire, construct or rehabilitate rental units. The HTF will distribute funds by formula to States for affordable housing projects that increase and preserve the supply of rental housing for extremely low- and very low-income families, including homeless families.

According to American Housing Survey data, in 2009 41 percent of the 17.12 million very low-income American renters had worst case needs (i.e., paying more than 50 percent of their incomes for rent or living in severely inadequate housing.) Two out of three renters that had worst case housing needs in 2009 had extremely- low incomes. Affordability problems have been exacerbated by the recent 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 Low Income Housing Tax Credits (LIHTCs) have greatly diminished the private capital available to improve and expand the supply of affordable rental housing.

The HTF is an essential part of HUD's strategy to provide affordable housing to extremely-low and very-low income households. HTF funds are expected to help to leverage other public or private funds in these projects. However, in the current market, in which private funds for affordable housing is scarce, these funds may be necessary to take the place of the private capital and debt financing needed to subsidize units to make them affordable to this group of renters.

With $1 billion in funding, assuming that HTF funding leverages approximately 60 percent of the funds needed to pay for the production of these units, approximately 10,496 unit of

housing affordable to extremely low-income households are expected to be produced as part of mixed-income affordable housing projects.

LOW INCOME HOUSING TAX CREDITS

The Low Income Housing Tax Credit (LIHTC) is the primary tool for developing and rehabbing affordable rental housing. The LIHTC program supports the development of low-income rental housing by providing tax forgiveness to investors of low-income rental properties. Specifically, investors "purchase" a 10-year stream of tax credits and limited ownership rights in exchange for upfront equity to build or rehabilitate rental units. In exchange for receiving tax credits, developers must agree to restrict rents of the low-income units to no more than 30 percent of 60 percent of the area median income. Tenants are also restricted to having no more than 60 percent of area median income adjusted for household size. Thus the rent restriction generally conforms to HUD's guideline that housing costs exceeding one-third of a household's annual income is "unaffordable".

Since its inception in the late 1980s, the LIHTC program has been used to create 1.8 million in affordable rental-housing units across the country. Annually, the program supports 180,000 jobs and boosted local communities' economies by $1.5 billion in taxes and other revenues. **In Fiscal Year 2012, HUD will continue to partner** with the Departments of Treasury and Agriculture as well as the Domestic Policy Council (DPC), Office of Management and Budget (OMB), the National Economic Council (NEC), **to identify ways to make the LIHTC a more flexible and nimble tool for the creation and preservation of affordable housing.** By allowing greater flexibility to state and local agencies who administer LIHTC programs, as well as providing greater incentives to developers to participate in the program, it is anticipated that the LIHTC program will continue to enable the creation of affordable housing in markets where it is needed the most. Specifically, the Fiscal Year 2012 budget includes two new proposals:

- Basis Boost, which would give federally-assisted housing a 30 percent increase in eligible basis for bond-financed projects, in the context of preserving, recapitalizing, and rehabilitating existing affordable housing.
- Income Averaging, which would replace the cap on household income – currently, 60 percent of Area Median Income (AMI) – with an option that properties serve households whose average income is no greater than 60 percent of AMI and with no individual household above 80 percent AMI. Developers would be required to create or preserve units that are comparable in terms of size and quality for all households served.

Utilizing Housing as a Platform for Improving Quality of Life

Utilizing Housing as a Platform for Improving Quality of Life

In Fiscal Year 2012, HUD is requesting a total of $1.07 billion to fund programs that will directly support housing and services for elderly and disabled individuals and their families.

HUD remains solidly committed to providing housing and services for our nation's most vulnerable families, including very-low income elderly individuals and persons with disabilities. While several HUD programs serve these populations, the $1.07 billion request will be entirely dedicated to elderly and disabled individuals. To ensure effective provision of housing and services, HUD continues to make necessary changes to the Section 202 and 811 programs to best fit the needs of the families they serve. This includes streamlining program structure, improving administrative processing to speed timeframes, leveraging related state and federal investments in affordable housing and elderly healthcare, and improving geographic allocations to better meet local market needs.

HOUSING FOR THE ELDERLY (SECTION 202)

Over the last 50 years, HUD's Section 202 program has provided over 400,000 affordable homes for very-low income elderly individuals. Specifically, the 202 program provides capital advances and operating subsidies to non-profit sponsors to construct and manage properties. HUD is working to better target its programs, bring new units on line faster, and better leverage each program dollar. This includes aligning new Section 202 developments with healthcare reforms at the state and federal level to better support elderly as they age in place in the community.

In 2012, HUD is requesting a total of $757 million for Section 202, which is a $483 million increase over the 2011 request. This request will provide crucial funding to initiatives including:

- $387 million for elderly expansion activities, including the new construction, rehabilitation, or preservation of approximately 2,813 new units
- $91 million for service coordinators, who are responsible for linking residents of eligible housing with supportive services provided by community agencies
- $20 million for conversion to assisted living and emergency repairs grants, which will target owners who demonstrate a strong commitment to promoting resident autonomy, independence, choice and control
- $259 million for Project Rental Assistance Contract (PRAC) Renewals/Amendments for 75,936 units

HOUSING FOR PERSONS WITH DISABILITIES (SECTION 811)

HUD's Section 811 program provides access for persons with disabilities to affordable housing that meets their physical needs and accommodates the provisions of supportive services. Specifically, HUD provides capital advances and operating subsidies to non-profit sponsors to construct and manage multifamily housing for low-income people with disabilities. As

appropriate, HUD delegates award and oversight of Section 811 funding to States which have evidenced a high level of collaboration between their housing and healthcare agencies for persons with disabilities. In addition, through the Section 811 Mainstream program, HUD provides vouchers to individuals with disabilities so that they can access affordable housing of their choice on the private market. Administering agencies of Mainstream Section 811 help persons with disabilities in locating and making physical modifications to rental units, and allow those individuals to voluntarily connect with supportive services.

In 2012, HUD is requesting $196 million for the Section 811 program. This request will provide crucial funding to initiatives including:

- $111 million for new capital advance and operating assistance to eligible non-profit organizations for the development of new units.
- $85 million for Project Rental Assistance Contracts (PRAC) for 19,107 units

In addition, through the Tenant-Based Rental Assistance (TBRA) account, **HUD is requesting $114 million for the renewal of Section 811 mainstream vouchers,** enabling persons with disabilities to access affordable housing of their choice on the private market. HUD also remains committed to supporting housing and services for individuals with disabilities through specialized vouchers. Since 2009 a total of 7,745 special vouchers have to non-elderly persons with disabilities, including those individuals who wish to transition out of institutions.

INTERAGENCY COLABORATION

HUD has developed a close partnership with the Department of Health and Human Services (DHHS) to better align housing programs with health and social service programs for individuals with disabilities. Specifically, this partnership has included:

- 1,000 Non-Elderly Disabled Vouchers to be released in connection with the "Money Follows the Person" Program, to target disabled individuals wishing to transition from institutional settings to the community.
- Housing Resource Coordinators to facilitate the linkages between Medicaid services and the resources available through Public Housing Agencies.
- Capacity Building Effort to promote collaboration between human service agencies and housing agencies at the federal, state and local levels to improve the support of persons with disabilities.

SECTION 202 AND 811 PROGRAM REFORM

HUD remains committed to tailoring its programs to meet the unique needs of persons with disabilities and elderly individuals, as well as to making necessary changes to ensure that dollars are used effectively and efficiently. To that end, in 2012, HUD is proposing legislation to modernize the 811 and 202 programs, building on a foundation that was provided by two bipartisan bills passed and enacted into law during the 111th Congress. Those laws offer key steps forward through practical improvements for Section 811 by authorizing HUD to provide operating-assistance-only funding through States, which demonstrates an integrated health care and housing approach to serving disabled households; and, for Section 202, by authorizing key preservation tools including new Section 8-like contracts to maintain long-term affordability on aging properties.

Today, in an environment where affordable housing for the elderly and disabled are primarily funded through State and local sources, it is incumbent on HUD to operate the Section 202 and 811 programs in ways that integrate non-federal sources of financing and align with local best practices. As part of this effort HUD is proposing to shift away from PRAC to project-based section 8 rental assistance contracts. Not only does this align with a larger HUD effort to streamline its operating assistance programs, but, by providing more operating assistance over the life of the project, sponsors can better leverage private sources of capital upfront. This 21st century financing model will both increase the total number of, and accelerate the delivery of, Section 202 and Section 811 units. HUD is also proposing to convert the existing Section 202 predevelopment grant to a planning grant in order to enable non-profits without access to capital to increase their capacity for the initial project planning, design and financing and to help them better compete for Section 202 or Section 811 grants. The proposed legislation would prioritize projects whose sponsors set aside a number of units for Medicaid-eligible frail or near frail elderly and/or through co-locating Section 202 projects with community-based healthcare facilities.

Taken together, this legislative agenda puts in place the framework for a new generation of housing targeted at populations most in need of affordable housing. It creates and sustains more affordable units at a lower initial cost than under the status quo. It streamlines the program to reduce administrative processing and increase the likelihood of units successfully being completed under a shorter timeframe. And it ensures that new housing serves as a platform for the elderly and disabled to access key services required to live independently.

In Fiscal Year 2012, HUD is requesting $2.5 billion to fund targeted initiatives and work collaboratively across Federal agencies in the effort to end homelessness.

On a single night in January 2010, there were over 650,000 sheltered and unsheltered homeless people nationwide. Over the course of the year, approximately 2 million people experience homelessness. HUD continues to focus on the needs of this population as well as the emerging needs of families and veterans through both its targeted homeless programs and its mainstream housing programs using successful methods and interventions. As part of this commitment, HUD has worked to develop a series of policy initiatives to maximize resources and provide the most effective services possible to men, women and children experiencing homelessness.

FEDERAL STRATEGIC PLAN TO END HOMELESSNESS

President Obama has stated that no one should be without a safe, stable place to call home. As part of this commitment, under the leadership of Secretary Donovan, the U.S. Interagency Council on Homelessness released its Federal Strategic Plan to End Homelessness (FSP) in 2009, with overarching goals including ending chronic homelessness in five years and setting a path to eradicate all types of homelessness. Throughout this process, HUD has forged new partnerships with Federal agencies like the Department of Health and Human Services (HHS) and the Department of Labor (DOL), in order to focus on cross-cutting initiatives to capitalize on resources and experience. HUD also intends to utilize best practices developed through current programs like the Veterans Affairs Supportive Housing program (HUD-VASH).

As part of the FSP, HUD will tailor existing programs to meet the specific goals set out by this administration, as well as use innovative strategies to tackle unique challenges in eradicating homelessness nationwide. In addition to the decrease in the total number of chronically homeless persons and homeless families and veterans, HUD expects that the implementation of the FSP will result in greater use of mainstream resources and benefits by these populations as a result of high-level coordination between Federal agencies.

HOMELESS ASSISTANCE GRANTS

HUD's Homeless Assistance Grants (HAG) program provides Federal support to one of the nation's most vulnerable populations while working to reduce overall homelessness and end chronic homelessness. **In Fiscal Year 2012, HUD is requesting a total of $2.37 billion for Homeless Assistance Grants.**

HUD is requesting that **$2.030 billion** in HAG funds be distributed through a unique competitive process known as the Continuum of Care (CoC), in which Federal funding is driven by local decision-making processes. This provides locally-driven coordination of housing and service delivery that enables communities to plan for and provide a comprehensive response to homeless individuals and facilities. 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. It therefore includes coordination with non-profit organizations, State and local government agencies, service providers, private foundations, faith-based organizations, law enforcement, and local businesses. In addition, HUD is requesting that **$286 million** in HAG funds be used for the Emergency Solutions Grant (ESG) formula. As a key component of the FSP, ESG funds are used for a variety of purposes related to emergency shelter operations, transitional housing, and essential services, as well as Rapid Re-Housing interventions and homelessness prevention. These funds are distributed to approximately 360 State and local government entities annually.

SPECIAL PURPOSE VOUCHERS

HUD is committed to providing affordable housing units to the homeless population, and has partnered with the Departments of Health and Human Services (HHS) and Veterans Affairs (VA) to develop targeted approaches to serve the most vulnerable homeless populations.

In FY 2012 HUD is requesting $75 million in Veterans Affairs Supportive Housing (HUD-VASH) vouchers. As part of an overarching FSP goal of ending veteran's homelessness in five years, HUD is working with VA to develop innovative strategies. The HUD-VASH program combines tenant-based voucher assistance with case management and clinical services tailored to veterans and their families. Public Housing Authorities (PHAs) awarded HUD-VASH vouchers develop critical partnerships with VA medical centers to help homeless veterans find permanent supportive housing.

In FY 2012 HUD is requesting $56.9 million in HUD-HHS vouchers. This program will fund tenant-based rental assistance targeted to assist homeless families and chronically homeless persons.

SERVICE COORDINATION & INCENTIVE FEES

For those people who are without housing or who are at risk of losing their homes, the provision of supportive services can help stabilize their situation and put them on a path toward

their highest possible level of self-sufficiency. These services require that housing providers establish partnerships with a variety of public and private health, human service, and job training and placement organizations. In addition to service coordination, HUD recognizes the need for providing incentives to Public Housing Authorities (PHAs) and housing owners to target homeless tenants. Although a number of PHAs and HUD project-based assisted housing owners have successfully targeted homeless populations, those that have hesitated to do so raise common concerns – specifically, the possibility that homeless households will damage the unit beyond the amount covered by the security deposit, or vacate the unit with rent in arrears. Additionally, for homeless individuals and families with supportive services needs, PHAs and owners fear that those needs will go unmet in the absence of reliable service coordination – these unmet service needs may also result in problems for the tenancy.

HUD's homeless programs have, for many years, worked closely with landlords to address these types of concerns. HUD proposes to use these lessons to encourage PHA and private owners (including landlords who participate in the Housing Choice Voucher program) to serve homeless individuals and families targeted by the FSP. I**n Fiscal Year 2012, HUD will utilize $50 million in FSP funding for an initiative to encourage PHAs and private owners to serve homeless individuals and families targeted by the FSP.** Eligible uses of this fund include: service coordination, payment of incentive/administrative cost fees, and indemnifying PHAs (in the case of public housing) and owners (in the case of project-based assistance or Housing Choice Vouchers) for the loss of security deposits, damages in excess of security deposits, rent-skipping, and other potential obstacles to targeting homeless households to be determined. The purpose of this initiative is to test the combination of federal supports that will help to increase targeting of mainstream housing resources to homeless households.

In Fiscal Year 2012, HUD is requesting a total of $272 million to fund programs that will directly support the provision of housing and services to improve health outcomes for families nationwide.

The connection of the built environment to health is an important one, and HUD is uniquely poised to affect this relationship to improve health outcomes. Stable housing provides an ideal platform for delivering a wide variety of health and social services to improve economic, health, and broad-based societal outcomes. For some, such stable housing alone is sufficient to ensure healthy outcomes, while others require housing with supportive services to assist with activities of daily living or long-term self-sufficiency, as well as proximity to crucial services. In this regard, HUD remains solidly committed to providing the crucial housing and services required for our nation's most vulnerable families.

OFFICE OF HEALTHY HOMES AND LEAD HAZARD CONTROL

The Office of Healthy Homes and Lead Hazard Control (OHHLHC) provides capital grants, contract support, and technical studies that improve the health and safety of individuals and families by making smart investments that will yield positive health outcomes and has the potential to drastically and permanently change the way housing, energy, and health concerns are addressed in cities across our nation. In particular, these programs strive to achieve the Federal goal of eliminating childhood lead poisoning.

In Fiscal Year 2012, HUD is requesting $140 million for OHHLHC programs that will provide direct support in improving health and safety outcomes of families nationwide. This request includes:

- $96 million in Lead Hazard Reduction Grant Program to communities for lead hazard reduction in low-income housing, research on improving and reducing the cost of methods for evaluating and controlling lead hazards in housing, and enforcing lead safety regulations which cover older housing
- $40 million in Healthy Homes grants and contract support to fund local programs to correct housing-related hazards, as well as evaluate program effectiveness and build capacity
- $4 million in Lead Technical studies and programmatic support to ensure that HUD's grantees make the most efficient and innovative use of funding

Widespread adoption of a comprehensive "healthy homes" approach, including physical interventions and education, can help prevent housing-related injuries and illnesses, and yield reductions in associated healthcare and social services costs, and improvements in the quality

of life. By targeting housing improvements at early intervention in communities most likely at risk, substantial returns may be realized.

INSURED HEALTHCARE FACILITIES

The Office of Healthcare Programs (OHP) administers the Section 232 Residential Care Facilities Program and Section 242 Hospitals Program, which provide mortgage insurance for loans supporting the construction, renovation, equipping, and/or refinancing of healthcare facilities through HUD's Federal Housing Administration (FHA). These facilities include nursing homes, assisted living facilities, and board and care facilities, and acute care hospitals ranging from large urban teaching institutions to small rural critical access hospitals. FHA's healthcare facilities serve an ever-growing needy population of Medicare, Medicaid, and uninsured patients. FHA mortgage insurance decreases healthcare costs by reducing the cost of capital for healthcare facilities and increases accessibility to care by enabling facilities to access financing for much-needed improvements or projects. Both healthcare programs maintain a negative credit subsidy rate and operate at no cost to the American taxpayer.

Healthcare facilities are major economic engines in our nation's communities. Nationwide, healthcare facilities employ 7.9 million people and support $2.7 trillion in economic activity. Both of FHA's healthcare programs are significant contributors to increasing economic stimulus and job creation in communities nationwide. Using the widely respected IMPLAN economic model, OHP calculated the economic benefits for all hospitals that received mortgage insurance commitments in 2010. For Fiscal Year 2010, total construction expenditures for all hospital commitments were $1.4 billion, resulting in an estimated 15,465 new jobs and $3.9 billion of overall economic benefit. Following construction, these projects will generate an estimated annual new economic activity of $1.4 billion and 8,464 new jobs.

INTERAGENCY PARTNERSHIPS

HUD has developed close partnerships with a variety of Federal agencies in order to better align housing programs with health and social service programs for families across the country. In one such partnership HUD is working together with the Departments of Health and Human Services (HHS), and Education to link health and social services with housing vouchers in order to further the goal of ending homelessness and help model future partnering opportunities to assist homeless families and individuals. **In FY 2012 HUD is requesting $56.9 million in HUD-HHS vouchers.** With this request, HUD expects to fund 10,000 vouchers, of which 6,000 will be targeted towards chronically homeless, and another 4,000 will assist families with school-aged children.

In another partnership with HHS, HUD is working to help individuals with disabilities by improving alignment of housing programs and health and social service programs. Specifically, this partnership has included:

- 1,000 Non-Elderly Disabled Vouchers to be released in connection with the Center for Medicare and Medicaid Services' "Money Follows the Person" Program, to target disabled individuals wishing to transition from institutional settings to the community.
- Housing Resource Coordinators to facilitate the linkages between Medicaid services and the resources available through Public Housing Agencies.
- Capacity Building Effort to promote collaboration between human service agencies and housing agencies at the federal, state and local levels to improve the support of persons with disabilities.

HUD has also developed a close partnership with the Department of Veterans Affairs (VA) to target assistance to veterans across the country. Veterans Affairs Supportive Housing vouchers (HUD-VASH) provide tenant-based rental assistance, case management and clinical services tailored to veterans and their families. **In FY 2012 HUD is requesting $75 million in Veterans Affairs Supportive Housing (HUD-VASH) vouchers,** which will support an estimated 11,500 veterans nationwide. With this funding, Public Housing Authorities (PHAs) awarded HUD-VASH vouchers develop critical partnerships with VA medical centers to help homeless veterans find permanent supportive housing.

Taken together, through partnerships at the federal, state, and local levels, HUD strives to utilize its housing platform to deliver a wide variety of services to improve the quality of life of its residents and the surrounding community. HUD aims to accomplish this by building formal and informal relationships with public and private healthcare providers and with health education organizations to provide access to healthcare information and services for recipients of HUD assistance. HUD will also encourage management practices that enhance the health of housing residents, and, where possible, HUD will partner with clinical service providers to provide physical space for healthcare service delivery on site at HUD-funded facilities.

Building
Inclusive Sustainable Communities
Free from Discrimination

Building Inclusive Sustainable Communities Free from Discrimination

In Fiscal Year 2012, HUD is requesting $400 million to fund sustainable, community-driven solutions to creating neighborhoods of opportunity nationwide.

For too long, housing finance drove the development of homes in the least sustainable places—far away from jobs and schools, disconnected from transportation networks, while also increasing housing and transportation costs to the point where those two expenses now account for over 50 percent of many families' budgets. Due in large part to "silo-ed" investment strategies from the Federal government, many local governments attempted to address these challenges at the neighborhood scale rather coordinating investments and policies across regions. In addition, the nation's rental assistance programs built, financed, and managed housing in a parallel universe from private housing, and discriminatory patterns of development trapped millions of families in neighborhoods of concentrated poverty, segregation, and limited opportunity.

Families across the country in addition to business leaders, builders, developers, and elected officials have all echoed the same sentiment: Our communities need more housing choices. And they need the federal government to help them develop those choices by balancing how it invests in communities. With this budget, HUD continues its commitment to helping communities build their own "geographies of opportunity" – places that effectively connect people and families to jobs, transportation, quality public schools, and other key community assets. In partnering with communities to create locally-driven development initiatives, HUD will continue to help communities leverage Federal funds to strengthen regional economies, which are the heart of economic activity throughout the nation.

Central to providing more choices to families and to creating a more balanced federal housing strategy is the Partnership for Sustainable Communities, a landmark interagency effort between the Department of Transportation (DOT), the Environmental Protection Agency (EPA), and HUD. The Partnership is grounded by six Livability Principles that aim to improve the efficiency of federal programs to:

- **Provide more transportation choices** – Develop safe, reliable and economical transportation choices to decrease household transportation costs, reduce our nation's dependence on foreign oil, improve air quality, reduce greenhouse gas emissions and promote public health.
- **Promote equitable, affordable housing** – Expand location- and energy-efficient housing choices for people of all ages, incomes, races and ethnicities to increase mobility and lower the combined cost of housing and transportation.
- **Enhance economic competitiveness –** Improve economic competitiveness through reliable and timely access to employment centers, educational opportunities, services

and other basic needs by workers as well as expanded business access to markets.

- **Support existing communities** – Target federal funding toward existing communities to increase community revitalization, improve the efficiency of public works investments, and safeguard rural landscapes.
- **Coordinate policies and leverage investment** – Align federal policies and funding to remove barriers to collaboration, leverage funding and increase the accountability and effectiveness of all levels of government to plan for future growth, including smart energy choices like locally generated renewable energy.
- **Value communities and neighborhoods** – Enhance the unique characteristics of all communities by investing in healthy, safe and walk-able neighborhoods – urban, suburban, or rural.

HUD is committed to putting these principles into practice—and more choice—in the Department's core community development work, including rental assistance, homeownership, capital grants, and other programs.

SUSTAINABLE HOUSING AND COMMUNITIES

The Office of Sustainable Housing and Communities (OSHC) was established in 2010 with a mission to manage two competitive grant programs that provides funding to communities to develop long-term plans that link housing, transportation and other fundamental economic levers. OSHC is also charged with working within the Department to support program leadership and staff as they align their programs with the sustainability principles. OSHC represents HUD on the Sustainable Communities Partnership that is working with DOT and EPA to align resources, reinforce local and regional development strategies to support economic growth, and reduce bureaucratic barriers so that communities can meet the demand for more sustainable communities. OSHC is also responsible for coordinating the Department's initiatives to expand energy efficiency and renewable energy in affordable housing, through financing, technical assistance and industry partnerships. HUD's sustainable housing strategy utilizes market-based approaches and leverages the Department's existing authority to support private sector investment and consumer choice.

In FY2012, HUD is requesting $150 million in Sustainable Housing and Communities funding. A majority of this funding will be used for the Sustainable Communities Regional Planning grant program, with an objective of stimulating integrated regional planning to guide state, metropolitan, and local investments in economic development, housing and transportation. In addition, HUD is seeking funding to continue its oversubscribed Community Challenge grant program which supports local efforts to reduce regulatory barriers that allow builders and developers to meet the market demand for more sustainable communities, and greater housing choice for more families.

CHOICE NEIGHBORHOODS

The Choice Neighborhoods program funds competitive grants to transform neighborhoods of extreme poverty into sustainable, mixed-income neighborhoods with well-functioning services, schools, public assets, transportation, and access to jobs. Choice Neighborhoods grants primarily fund the redevelopment and preservation of distressed public and/or assisted housing developments. Building on the lessons learned in the HOPE VI program, grantees will also be assisted in leveraging a wide range of other federal, state, local, and private resources to concurrently implement a comprehensive neighborhood plan for supporting local economic development and job creation as well as improving schools and promoting family self-sufficiency.

In Fiscal Year 2012, HUD is requesting $250 million for the Choice Neighborhoods program. This appropriation would provide competitive Implementation Grants in the range of $35-$45 million to transform 5-7 neighborhoods. In addition, up to 10 percent of the funding request will be available to local partnerships for Planning Grants to initiate a comprehensive neighborhood planning process centered around distressed assisted and/or public housing.

POWERSAVER LOANS

In 2010, HUD announced the creation of PowerSaver, a new pilot program to offer credit-worthy borrowers low-cost loans to make energy-saving improvements to their homes. Backed by HUD's Federal Housing Administration (FHA), PowerSaver loans will offer homeowners up to $25,000 to make energy-efficient improvements of their choice, including the installation of insulation, duct sealing, doors and windows, HVAC systems, water heaters, solar panels, and geothermal systems. The two-year pilot program, slated to being in mid 2011, will select lenders to participate based on their capacity and commitment to provide affordable home energy improvement financing. Lenders will be required to serve communities that have already taken affirmative steps to expand home energy improvements in suburban, rural or urban areas nationwide.

PowerSaver has been carefully designed to meet a need in the marketplace for borrowers who have the ability and motivation to take on modest additional debt to realize the savings over time from a home energy improvement. By catalyzing innovations in the residential energy efficiency sector, the PowerSaver program will incentivize sustainable energy solutions for families across the country.

In Fiscal Year 2012, HUD is requesting $4.76 billion to fund local economic development initiatives in thousands of communities nationwide.

With impact of economic recovery now being seen across the country, local communities have sought HUD's leadership in helping to address their economic development challenges. Long-standing trends of urban decline, as well as the recent economic crises, have put stress on America's neighborhoods as they work to find innovative strategies to address housing and broader economic development issues that are key to their economic future. Through partnerships with local governments, non-profits, faith-based associations, and other community organizations, HUD provides grants to cities and states to catalyze economic opportunity, particularly in addressing neighborhoods of concentrated poverty. Taken together, HUD remains committed to investing in place-based results and creating sustainable development solutions that benefit Americans nationwide.

COMMUNITY PLANNING AND DEVELOPMENT

Through both formula and competitive grants, HUD has partnered with local organizations and state and local governments to fund innovative solutions to community development challenges. Underpinning these partnerships is the fundamental philosophy that local decision-makers are best poised to drive a cohesive development strategy, based on a keen perception of local needs, interests, and priorities. Consistent with that philosophy, most Community Planning and Development (CPD) grantees determine the use of funding with minimal Federal influence. **In Fiscal Year 2012, HUD is requesting a total $3.78 billion in funding for the Community Development Fund.** CPD's programs aim to support of economic development initiatives and projects that demonstrate the ability to connect private sector growth to low income people and places.

As part of CPD programming, the Community Development Block Grant (CDBG) remains the largest and most flexible community and economic development program in the Federal portfolio. Since its inception in 1974, CDBG has invested over $131 billion in community/economic development at the local level, providing housing and creating jobs primarily for low-and moderate-income families. **In 2012, HUD is requesting that $3.69 billion in CPD funds be dedicated to the CDBG program.** All together, CDBG funding annually reaches an estimated 7,000 local governments across the country, in communities of all shapes and sizes.

Another potent public investment tool that HUD offers to state and local governments is

the **Section 108 Loan Guarantee program.** Section 108 is the loan guarantee provision of the CDBG program and allows states and local governments to leverage their CDBG funds into federally guaranteed loans large enough to pursue physical and economic revitalization projects that can renew entire neighborhoods or provide affordable housing to low- and moderate-income persons. HUD is requesting loan guarantee authority of $500 million in 2012 (a 100 percent increase over 2011) and is proposing to implement a fee based program that will eliminate the need for budget authority to cover the program's credit subsidy.

In addition to CDBG, CPD's overall 2012 budget request will fund partnerships with localities to develop economic development strategies, including $50 million in Capacity Building Grants to develop the capacity of community development corporations to undertake development programs and affordable housing projects for low-income families.

SUSTAINABLE HOUSING AND COMMUNITIES

HUD's Office of Sustainable Housing and Communities (OSHC) was established in 2010 with a mission to infuse sustainability into HUD policies and programs so that a larger portion of the Department's funds lead to sustainable outcomes in line with the Livability Principles jointly established by HUD, EPA, and DOT. Through internal initiatives and partnerships with other Federal agencies, HUD has developed the Sustainable Communities Initiative (SCI) to align resources, reinforce local and regional economic development efforts, and to provide incentives that encourage market pick-up of sustainable planning and development strategies in communities of all shapes and sizes.

In 2012, HUD is requesting $150 million in Sustainable Housing and Communities funding. A majority of this funding will be used for the SCI program, with an objective of stimulating integrated regional planning to guide state, metropolitan, and local investments in economic development. In addition, HUD is committed to supporting localities to undertake zoning and land use reforms that allow the real estate market to efficiently build sustainable communities.

ECONOMIC DEVELOPMENT IN INDIAN COUNTRY

Through innovative programming, HUD has found new ways to partner with American Indian and Alaska Native tribal governments to help these communities craft and implement sustainable, locally-driven solutions to economic development challenges. HUD recognizes the right of Indian self-determination and tribal self-governance, and has fostered partnerships

that allow tribal recipients the flexibility to design and implement appropriate, place-based housing programs according to local needs and customs. In most of these communities, housing and infrastructure needs are severe and widespread, disconnected from transportation networks and isolated from key community assets including jobs, schools and healthcare facilities. **In Fiscal Year 2012, HUD is requesting a total of $782 million to fund programs that will directly support housing and economic development in American Indian, Alaskan Native, and Native Hawaiian communities nationwide.** This funding request includes:

- *$700 million for Indian Housing Block Grant program,* which is the single largest source of funding for housing on Indian tribal lands today
- *$65 million for Indian Community Development Block Grants,* a flexible source of grant funds for Federally-recognized tribes or eligible Indian entities nationwide
- *$10 million for Native Hawaiian Housing Block Grant program,* to develop homeownership units as well as support the prevention of foreclosures and the promotion of responsible homeownership.
- *$7 million for Native Hawaiian Loan Guarantee Fund,* which provides credit subsidies to directly support the stabilization of Native Hawaiian neighborhoods on the Hawaiian Home Lands.

In communities large and small, HUD remains committed to building "geographies of opportunity" – places that effectively connect people to jobs, transportation, quality public schools, and other amenities. Today, too many families are stuck in neighborhoods of concentrated poverty and segregation, where a family's zip code predicts poor educational, employment, and even health outcomes. These neighborhoods are not sustainable. Through community-based economic development initiatives, HUD will continue to leverage Federal funds to strengthen regional development and spur economic activity throughout the nation.

In Fiscal Year 2012, HUD is requesting a total of $832 million to fund programs that will directly support housing and economic development in rural communities.

Small towns and rural communities across America are facing an acute need for more affordable housing, while also pursuing sustainable economic development strategies that link rural housing and transportation to job centers. Recognizing the unique challenges in these decentralized areas, HUD continues to tailor its programs to provide rural communities with the resources they need to craft innovative solutions. HUD's partnership with rural communities spans from direct funding of rural competition grants to supporting the housing needs of hundreds of thousands of families through larger programs like HOME investment partnerships, FHA insurance for homeowners, and the Housing Choice Voucher Program (HCVP). HUD's field offices in rural communities continue to serve as technical assistance resources and a link to other HUD programs and other federal agencies. Moreover, through programs like the Indian Housing Block Grant, HUD partners with rural American Indian and Alaska Native tribal governments to support efforts to create locally-driven solutions to economic development challenges.

RURAL INNOVATION FUND

HUD's Rural Innovation Fund supports a variety of innovative approaches to addressing the problems of concentrated rural housing distress and community poverty through comprehensive housing, community, and economic development activities. The Rural Innovation Fund supports bold ideas that lead to better housing conditions and economically viable communities with a strong potential for sustaining those benefits.

In 2012, HUD is requesting $25 million for the Rural Innovation Fund. Building on the former Rural Housing and Economic Development program, the Rural Innovation Fund promotes the ideas of pioneering rural communities to affordable housing and economic development. The program offers grants to support new approaches to old problems proposed by tribes, local non-profits and community development corporations, and state housing and economic development agencies. Applicants identify targeted affordable housing and economic development interventions, either geographically or through an innovative overall approach applicable over a wider area, to assist low-income rural communities.

RURAL HOUSING STABILITY PROGRAM

On May 20, 2009, President Obama signed the Homeless Emergency and Rapid Transition to Housing (HEARTH) Act, which includes first-time funding for the Rural Housing Stability Program (RHSP). RHSP is designed to assist individuals and families who are homeless, in imminent danger of losing housing, or in the worst case housing situations in rural communities. **In 2012, HUD is requesting an additional $25 million for the Rural Housing Stability program.** These grant funds will be awarded outside of the existing Continuum of Care competition, and will introduce activities that have not historically been available through HUD's homeless assistance programs.

In addition to this focused RHSP initiative, rural communities will continue to have access to HUD's targeted homeless assistance, through the Continuum of Care competition grant, the Emergency Shelter Grant (ESG) program, and the Homelessness Prevention and Rapid Re-Housing Program (HPRP). Rural areas have increasingly gained access to HUD's competitive homeless assistance grants, primarily through the creation of Balance of State and Statewide Continuums of Care, with funds allocated directly to the state. In 2010, the Continuum of Care competition included a selection priority for new projects proposing to serve 100 percent rural areas. Organizations in 69 rural communities submitted applications for 108 new projects, requesting $19 million.

AMERICAN INDIAN, ALASKA NATIVE, AND NATIVE HAWAIIAN PROGRAMS

As the single largest sources of funding for housing on Indian tribal lands today, HUD initiatives in Indian country continue to have some of the Department's most successful track records. Programs like Indian Housing Block Grants, Indian Home Loan Guarantees, and Indian Community Development Block Grants support development in remote areas where safe, affordable housing is desperately needed. HUD also directly supports housing and economic development initiatives in remote areas of Hawaii, through the Native Hawaiian Housing Block Grant Program and Native Hawaiian Loan Guarantee Program. HUD recognizes the right of Indian self-determination and tribal self-governance by allowing the recipients the flexibility to design and implement appropriate, place-based housing programs according to local needs and customs. All together, **in Fiscal Year 2012, HUD is requesting $782 million to fund programs that will support housing and development in American Indian, Alaska Native, and Native Hawaiian communities, which directly support over 6,000 jobs.**

SUSTAINABLE HOUSING AND COMMUNITIES

HUD's Office of Sustainable Housing and Communities (OSHC) was established in 2010 with a mission to infuse sustainability into HUD policies and programs so that a larger portion of the Department's funds lead to sustainable outcomes in line with the Livability Principles jointly established by HUD, EPA, and DOT. Through partnerships with other Federal agencies to align resources, along with internal initiatives, HUD has developed the Sustainable Communities Initiative (SCI) to provide incentives to encourage market pick-up of sustainable planning and development strategies in communities of all shapes and sizes. Specifically, the application criteria for SCI funds recognize the unique challenges in rural communities in terms of needs, desires, data and capacity. **In 2010, $25.6 million** of the SCI grant funding was designated for small and mid-sized regions, and **every small community application that met the funding threshold was awarded funds.** In 2012, HUD is requesting $150 million in SCI funding, of which a portion will once again be designated for small and mid-sized communities.

ONGOING RURAL ASSISTANCE

Beyond targeted efforts to alleviate housing and development issues in rural America, HUD serves families in small towns and rural communities through almost every major program it funds. **The State Community Development Block Grant (CDBG) program provides approximately $840 million to rural areas, supporting over 8,500 direct jobs,** providing needed infrastructure, economic development, and affordable housing. HUD also funds over $500 million in rural areas for affordable housing and homeownership programs through its HOME Investment Partnership program, directly supporting over 4,300 jobs.

In addition, HUD and the Department of Agriculture meet regularly through an interagency rental housing policy group to better align and coordinate the affordable rental housing programs each operates. Altogether, **over 800,000 families in rural communities are directly assisted through the HCVP, Public Housing, and Multifamily programs,** with another 450,000 assisted through USDA. For homeowners, HUD's Federal Housing Administration (FHA) helps first-time homebuyers and other qualified families all over the country purchase their own home. **More than 1.5 million of the homes currently insured by the FHA are in rural areas.** HUD recognizes the unique challenges in these rural areas, and continues to develop innovative, community-based programming to meet those needs.

In Fiscal Year 2012, **HUD is requesting a total of $782 million** to fund programs that will support housing and development initiatives **in American Indian, Alaska Native, and Native Hawaiian communities.**

Housing and infrastructure needs in Indian Country are severe and widespread, and far exceed the funding currently provided to tribes and designated entities. Nationwide, the poverty rate for American Indians is more than twice the average for all non-Indians, making economic development particularly crucial in these communities. Through innovative programming, American Indian and Alaska Native tribal governments have worked to create sustainable and community-driven solutions. HUD recognizes the right of Indian self-determination and tribal self-governance, by allowing the recipients the flexibility to design and implement appropriate, place-based housing programs, according to local needs and customs.

INDIAN HOUSING BLOCK GRANT PROGRAM (IHBG)

IHBG remains the single largest sources of funding for housing on Indian tribal lands today, where safe, decent, affordable housing is desperately needed. IHGB funds provide a formula grant for housing and housing related assistance, directly to eligible tribes or through their tribally designated housing entities. These funds are often leveraged and used as catalysts for community and economic development. The program substantially contributes to stabilizing neighborhoods and growing sustainable economies within American Indian and Alaska Native communities.

HUD's 2012 IHBG request of $700 million is expected to be distributed to approximately 364 recipients, representing 555 tribes in 34 states. It is expected that grantees will use approximately 45 percent of those funds **to complete the construction, acquisition, and rehabilitation of 4,415 homeownership units and 1,380 rental units.** In addition, the program will support the essential activities of operating and maintaining almost 50,000 low-income housing units that were developed before IHBG was implemented. Other uses of the funds will include down payment assistance, housing counseling, revolving loan funds, energy auditing, crime prevention, transitional housing, and others.

INDIAN HOUSING LOAN GUARANTEE FUND (SECTION 184)

The Section 184 loan guarantee program addresses the special needs of Native Americans, making it possible to achieve homeownership with market-rate financing. In recent years, HUD has made substantial increases in the use of commitment authority and loan guarantees in the Section 184 program. Significant progress has been made in working with Ginnie Mae and the Federal Home Loan Bank of Chicago in opening their portfolios to purchase Section 184 loans. HUD has expanded outreach and is working with Community Development financial institutions and credit unions that serve Native American communities to increase access to borrowers at the grassroots level. From 2005 to 2010, the dollar volume associated with new Section 184 loan applications has increased from $140.5 million to $660 million, and the corresponding loan guarantee activity over the same period has increased from $77 million to $492 million. HUD expects loan guarantee activity to continue to grow and demonstrate stellar performance in the future.

HUD's 2012 Section 184 request of $7 million in credit subsidy is anticipated to support loan guarantee authority of $479 million. This request **will assist 2,900 families by building, acquiring, or rehabilitating homeownership units or assisting families in their purchase.** Since 2002, the Section 184 program has become very popular in Native communities, a trend that can be traced to HUD's shift from a broad-based national outreach campaign to a more localized grassroots marketing approach. To achieve the desired result, HUD identified and targeted lenders, tribes, and markets that offered the greatest opportunity for immediate success.

NATIVE HAWAIIAN HOUSING BLOCK GRANTS (NHHBG)

The NHHBG program directly supports the stabilization of Native Hawaiian neighborhoods and the growth of sustainable economies on the Hawaiian Home Lands. Using NHHBG funds, the program's sole recipient, the (state) Department of Hawaiian Home Lands (DHHL), carries out affordable housing activities for Native Hawaiian families who are eligible to reside on the Hawaiian Home Lands. From 2005 thru 2009, 304 homes were built, acquired, or substantially rehabilitated using NHHBG funds.

HUD's 2012 NHHBG request of $10 million is expected to be distributed to the DHHL toward the development of 65 homeownership units. In addition to development of units, NHHBG funds will also support the prevention of foreclosures and the promotion of responsible homeownership. Services funded include direct assistance to

qualified homeowners through counseling programs, down payment assistance, subsidies, low-interest rate loans, and matching funds for individual development accounts.

NATIVE HAWAIIAN LOAN GUARANTEE FUND (SECTION 184A)

The Section 184A program makes possible the private financing of home mortgages by private financial institutions, which would otherwise not be feasible because of the unique legal status of Hawaiian Home Lands. Lenders are hesitant to provide home mortgage financing when legal title to the real property cannot be used as collateral. Through this program eligible Native Hawaiians can obtain a mortgage with a market rate of interest to purchase, acquire and rehabilitate or build a single-family home on Hawaiian Home Lands. In 2012, HUD is requesting no new funds for the Section 184A program, due to significant carryover funding from past appropriations. HUD is working with the DHHL and lenders to increase program activity. From 2005 to 2010, Section 184A assisted 124 homebuyers with a loan guarantee, and the program utilization rate is expected to increase significantly in the coming years, with an additional 125 loans anticipated in 2011. **In 2012, Section 184A is expected to assist 140 families in becoming homeowners.**

INDIAN COMMUNITY DEVELOPMENT BLOCK GRANT (ICDBG)

Since 1974, the ICDBG program has been the backbone of improvement efforts in many communities, providing a flexible source of grant funds for Federally-recognized tribes or eligible Indian entities nationwide. The program provides funds that they, with the participation of local citizens, can devote to a wide range of activities that best serve their development priorities, provided that these projects: benefit low-income families; prevent or eliminate slums or blight; or meet other urgent community development needs. Since 1978, approximately $1 billion in ICDBG grants have been awarded to tribes across the country. **In Fiscal Year 2012, HUD is requesting $65 million for the ICDBG program.**

In Fiscal Year 2012, HUD is requesting $72 million to ensure inclusivity in housing.

HUD's Section 3 Program

Section 3 of the Housing and Urban Development Act of 1968, 12 U.S.C. 1701u (Section 3), and the regulation at 24 CFR Part 135, requires that to the greatest extent feasible, economic opportunities are provided to low and very low income residents and qualified businesses in the area where HUD assistance is received, particularly persons who receive federal financial assistance. Section 3 recognizes that HUD funding represents one of the largest sources of federal dollars in distressed communities, and these funds typically generate new employment and contracting opportunities. The Section 3 statute and regulation targets low- and very low-income persons residing in the community where the funding is spent (regardless of race or gender), and the businesses that substantially employ these persons, for HUD-funded employment, training, and contracting opportunities to the greatest extent feasible.

The requirements of Section 3 apply to more than 5,000 agencies, that receive approximately $12.2 billion in HUD funds (e.g. Units of State, county, and local government, Public Housing Authorities, Property-owners, certain NOFA grantees, etc). In 2009, 52% of the total number of new jobs that were created as a result of HUD funding was provided to Section 3 residents. Approximately 9.8% of the total dollar amount of all construction contracts (over $419 million) was awarded to businesses that are either owned by or substantially employ Section 3 residents (i.e., Section 3 businesses). Additionally, over 9 percent of the total dollar amount of non-construction contracts was provided to Section 3 businesses.

An inclusive community is one in which all people—regardless of race, ethnicity, religion, sex, disability, or familial status—have equal access to housing and economic opportunities. Throughout its portfolio of programs, HUD is committed to maintaining that inclusivity and providing accountability in housing and lending practices nationwide. Through inclusive development, education, enforcement of fair housing laws, and participation of historically underrepresented populations in HUD policies and planning, HUD will affirmatively further fair housing and the ideals of an open society.

FAIR HOUSING INITIATIVES PROGRAM

The Fair Housing Initiatives Program (FHIP) is critical to building and sustaining inclusive communities. FHIP is the only grant program within the Federal Government whose primary purpose support private efforts to educate the public about fair housing rights and conduct private enforcement of the Fair Housing Act. Enforcement work and testing by FHIP organizations significantly strengthen complaints filed with the Department and Fair Housing Assistance Program (FHAP) agencies – cases filed by FHIP grantees are seven times more likely to result in finding of discrimination than other cases. Through FHIP, HUD assists non-profit fair housing organizations to protect the public from lending schemes that prey upon minority homeowners and to educate the public about lending discrimination and mortgage refinance schemes. The efforts and intervention of FHIP grantees, not only

provide homeowners with monetary recovery, but allow people to remain in their homes.

In Fiscal Year 2012, HUD is requesting $42.5 million in FHIP funds, representing the Department's commitment to fair housing, including $25.3 million to support the efforts of private fair housing organizations that conduct private enforcement of the Fair Housing Act. The Private Enforcement Initiative (PEI) grantees investigate and test housing providers alleged to have engaged in discrimination.

FAIR HOUSING ASSISTANCE PROGRAM

The Fair Housing Assistance Program (FHAP) is a critical component of HUD's effort to ensure the public's right to housing free from discrimination. FHAP provides funding for 100 government agencies, including 37 states, 62 localities, and the District of Columbia, to enforce laws that prohibit housing discrimination that have been reviewed and deemed substantially equivalent to Federal law. **In Fiscal Year 2012, HUD is requesting $29.5 million in FHAP funds.**

FHAP multiplies HUD's enforcement capabilities, allowing the Department to protect fair housing rights in an efficient and effective manner. In fact, FHAP funding recipients investigate the majority of housing discrimination complaints filed at government agencies in the United States. In fiscal year 2010, this amounted to 8,258 investigations of housing and lending discrimination. As a result of these investigations, FHAP agencies secured approximately $6.5 million for people affected by housing discrimination in addition to other forms of relief, including the provision of housing, the discontinuance of eviction proceedings, the reduction of mortgage interest rates, the retrofit of inaccessible housing, the provision of reasonable accommodations, and the allowance of reasonable modifications. In addition to obtaining direct relief for the victims of housing discrimination, the presence of FHAP enforcement activities significantly deter housing providers and lenders from engaging in discriminatory practices.

Finally, HUD also works to ensure that entities that receive federal funds take proactive steps to reduce barriers to housing based on race, color, national origin, gender, religion, disability, and familial status. The Fair Housing Act requires that HUD ensures that taxpayer money does not perpetuate residential housing segregation and, instead, works to prevent and undo the effects of past discrimination. In this respect, HUD's fair housing mission is embraced by every office of the Department, and furthered through program budgets beyond the budget specifically allocated for fair housing activities. All of HUD is committed to promoting diverse, inclusive and sustainable communities that welcome all-comers and strengthen America's position in a global society.

Transforming the Way HUD Does Business

Transforming the Way HUD Does Business

In Fiscal Year 2012, HUD is requesting $1.97 billion to increase internal efficiency and effectiveness, to better achieve the mission ***to create strong, sustainable, inclusive communities and quality, affordable homes for all.***

HUD is in the midst of a reinvention that is leveraging technology and a new way of doing business to respond to the need for increased transparency and improved service delivery. The current economic and housing crisis; the structural affordability challenges facing low-income homeowners and renters; and the new, multidimensional challenges facing our urban, suburban, and rural communities all require an agency in which the fundamentals matter and the basics function. HUD is committed to an investment in transformation, research, and development that will be implemented persistently over time.

CHANGING HOW WE WORK TOGETHER

When employees attain skills and are motivated to use those skills to help their organization reach goals, the capacity of the organization grows and employees in the organization grow as well. HUD is creating training and leadership development opportunities for employees, managers, and leaders and conduct succession planning. Over time, the rules and regulations that develop within an organization become hurdles instead of the helpful pathways they were intended to be. HUD is in the process of simplifying and combining programs, streamlining regulations, and eliminating rules and constraints. In addition, the Department is in the middle of a major reform of its information technology, human resources, procurement, and other internal support functions to give more authority to managers and provide better service to HUD customers.

In Fiscal Year 2012, HUD is requesting $1.477 billion in salaries and expenses, including $127 million for HUD's Office of Inspector General (OIG). With this funding request, which is a freeze from 2010 levels, HUD is committed to 'doing more with less.' Specifically, the Department will continue to improve operations and create a dynamic organization capable of addressing some of our nation's most difficult challenges. HUD remains at the forefront of the Federal response to the national mortgage crisis, the economic recovery, and the structural gap between household incomes and national housing prices. These roles require an agency that is nimble and market-savvy, with the capacity and expertise necessary to galvanize HUD's vast network of partners, including local officials, non-profits, faith-based organizations, and community advocacy groups, among others.

TRANSFORMING THE WAY HUD DOES BUSINESS

HUD's ongoing transformation effort, aimed at reversing the impact of longstanding inefficiencies and neglect, requires long-term support. The Department's operations face serious, deep-rooted challenges arising from internal resource and structural constraints that hinder its ability to address the growing housing and urban development issues facing the nation. The sustained commitment of flexible budget resources is critical if HUD is going to fundamentally change the way it operates. HUD's transformation is a multiyear effort that can only be achieved through the relentless focus of agency leadership, full transparency, and accountability to both external and internal stakeholders for the delivery of real results. TI funds are proposed as the primary funding source for program demonstrations, and technical assistance and capacity building, as well as a crucial source of funds for research, evaluation, and performance metrics. Since TI was first enacted in 2010, it has infused much-needed funding into the long-neglected areas of IT modernization, research and evaluation, and program demonstrations. Further, TI has provided a mechanism for financing innovative, cross-cutting technical assistance that goes beyond program compliance to improve grantee capacity, performance and outcomes. And while the Department's transformation represents a long-term commitment, we must do so in a responsible manner that ensures HUD's constituent services don't suffer at the hands of internal transformation.

The 2012 Budget proposes a Department-wide HUD Transformation Initiative Fund to be funded by transfers from program accounts of up to .5 percent at the Secretary's discretion. **In Fiscal Year 2012, HUD will transfer $120 million into its Transformation Initiative Fund.** Projects that HUD anticipates funding through TI include:

- OneCPD – Building on the original OneCPD project that was funded in FY 2010, this ongoing initiative will provide technical and capacity building assistance to state and local CPD grantees in an integrated and comprehensive manner. The assistance will include needs assessments, direct TA, group learning, electronic and other tools that will be coordinated to help grantees effectively implement their CPD programs.
- *Independent Assessments and Technical Assistance for Troubled PHAs* – The FY 2012 TI Fund will continue support for the new and innovative TA vehicle established using FY 2010 TI funding that aims to address the issues faced by troubled PHAs, as well as prevent borderline PHAs from becoming troubled in the first place. The assistance will include independent assessments to identify problems faced by PHAs in the areas of physical condition of properties, financial health, management capability, and resident services. Once problems have been identified, to the Department will provide technical assistance to the PHAs in order to implement solutions.
- *Housing Discrimination Study* – HUD conducts a decennial study of the extent of discrimination in housing sales and rental markets. The results of this study will be compared to prior research and be used to develop case studies of discrimination against protected classes under national and state fair housing laws, and particularly focused on forms of discrimination not previously studied in depth

In addition to TI fund transfers, **in Fiscal Year 2012 HUD will utilize $315 million in Working Capital funding,** including a transfer of $72 million from the Federal Housing Administration (FHA) and a direct appropriation of $243 million. These funds are crucial to HUD's transformation efforts, providing resources for the development of, modification to, and infrastructure for Department-wide information technology systems.

PROVIDING A STRONG RESEARCH BASIS TO EFFECT LONG-LASTING CHANGE

The office of Policy Development and Research (PD&R) provides fundamental support for the mission of the Department and the policy agenda of the Secretary. PD&R performs data collection, research, policy analysis and program evaluations, both short- and long-term, to assist the Department and national policy makers to make informed decisions on national housing markets and HUD, programs, and budget and legislative proposals. PD&R has a key role in research through the improvement of national housing data infrastructure, and rigorous evaluations of major HUD programs and meeting other key national information needs including disaster response and recovery research.

In Fiscal Year 2012, HUD is requesting $57 million to fund crucial research and evaluation. The overarching goal for this fund is to continue the transformation of PD&R into the nation's leading housing research organization, and to provide the resources so PD&R can address policy issues pertaining to the wide array of America's housing and urban development challenges. Specific initiatives include:

- *The American Housing Survey, which collects information on housing costs, underwater mortgages, community satisfaction, and the primary source of data on worst case housing needs*
- *The Rental Housing Finance Survey, which is the main source of data concerning rental housing developments in danger of foreclosure*
- *The Native American Housing Needs Assessment, a crucial study on tribal housing needs*

Budget Authority by Program

BUDGET AUTHORITY BY PROGRAM

COMPARATIVE SUMMARY, FISCAL YEARS 2010-2012

(Dollars in Millions)

	2010 ACTUAL	2011 ESTIMATE	2012 ESTIMATE
DISCRETIONARY PROGRAMS			
PRESIDENTIAL INITIATIVES			
FHA Combating Mortgage Fraud	20	20	...
Affordable Housing Trust Fund	[…]	[…]	[1,000]
Initiatives to Prevent and End Homelessness	[…]	[…]	[150]
Total, Presidential Initiatives	20	20	[1,150]
PUBLIC AND INDIAN HOUSING			
Transforming Rental Assistance (TRA)	...	...	200
Tenant-Based Rental Assistance (TBRA)			
Section 8 Contract Renewals	16,339	16,339	17,194
Renewal Set-Aside	[150]	[150]	[135]
Administrative Fees	1,575	1,575	1,648
Family Self-Sufficiency Coordinators	60	60	60
Section 8 Rental Assistance (Tenant Protection Vouchers)	120	120	75
Family Unification Program	15	15	...
Advanced Appropriation for FY 2010	[4,000]	[…]	[…]
Advanced Appropriation for FY 2011	[(4,000)]	[4,000]	[…]
Advanced Appropriation for FY 2012	[…]	[(4,000)]	[4,000]
Advanced Appropriation for FY 2013	[…]	[…]	[(4,000)]
Mainstream Voucher Renewals	...	...	114
Housing and Services Initiative - Vouchers	...	...	57
Veterans Affairs Supportive Housing	75	75	75
Disaster Displacement Assistance	...	...	[50]
Transfer to Transformation Initiative Fund	[100]	[…]	[…]
Total, TBRA	18,184	18,184	19,223
Public Housing Capital Fund			
Formula Grants	$2,371	$2,371	$2,365
ROSS	50	50	...
Emergency Capitalization Needs	20	20	20
Administrative Receivership	9	9	5
Early Childhood Education, Job Training Facilities	35	35	...
Financial and Physical Assessment Support	15	15	15
Transfer to Transformation Initiative Fund	[25]	[…]	[…]
Total, Public Housing Capital Fund	2,500	2,500	2,405
Revitalization of Severely Distressed Public Housing (HOPE VI)			
Revitalization Grants	125	125	...
Choice Neighborhoods Initiative Demonstration	65	65	...
Technical Assistance	10	10	...
Transfer to Transformation Initiative Fund	[2]	[…]	[…]
Total, HOPE VI	200	200	...
Choice Neighborhoods			
Choice Neighborhoods Grants	...	...	240
Technical Assistance	...	...	10
Total, Choice Neighborhoods	...	...	250
Public Housing Operating Fund			
Operating Subsidy	4,775	4,775	4,962
Transfer to Transformation Initiative Fund	[15]	[…]	[…]
Subtotal, Public Housing Operating Fund	4,775	4,775	4,962
Offset of Excess Operating Reserves	...	...	(1,000)
Total, Public Housing Operating Fund	4,775	4,775	3,962

Native American Housing Block Grants			
Formula Grants	690	690	698
Technical Assistance	4	4	...
Native American Housing Interest TA and Capacity Building	4	4	...
Title VI Federal Guarantees for Tribal Housing Activities			
Program Account	2	2	2
Loan Guarantee Limitation	[18]	[18]	[20]
Total, Native American Housing Block Grants	700	700	700
Indian Housing Loan Guarantee Fund			
Program Account	6	6	6
Loan Guarantee Contracts	1	1	1
Limitation Level	[919]	[919]	[428]
Total, Indian Housing Loan Guarantee	7	7	7
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	13	13	10
Technical Assistance	[0.3]	[0.3]	[0.3]
Total, Native Hawaiian Housing Block Grants	13	13	10
Subtotal, Public and Indian Housing	**26,380**	**26,380**	**26,757**
COMMUNITY PLANNING AND DEVELOPMENT			
Community Development Block Grant (CDBG) Funds			
Entitlement/Non-entitlement	3,983	3,983	3,684
Sustainable Communities	150	150	[…]
Regional Planning Grants	[100]	[100]	[…]
Community Challenge Planning Grants	[40]	[40]	[…]
Research Project with DOT	[10]	[10]	[…]
Insular Area CDBG	7	7	7
Indian Tribes (Section 107)	65	65	65
Economic Development Initiative	173	173	...
Neighborhoods Initiative Program	22	22	...
Transfer to Transformation Initiative Fund	[44]	[…]	[…]
Rural Innovation Fund	25	25	25
Promotion of Economic Development and Entrepreneurship for Indian Tribes[5]	[5]	[5]	
University Community Fund	25	25	...
Guam transfer from DOD	...	...	23
Subtotal, CDBG	4,450	4,450	3,804
Supplemental	100	...	...
Total, CDBG	4,550	4,450	3,804
HOME Investment Partnerships Program			
Formula Grants	1,821	1,821	1,647
Insular Areas	4	4	3
Transfer to Transformation Initiative Fund	[18]	[…]	[…]
Total, HOME	1,825	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	[In HOME]
Section 4 Capacity Building for Community Development and Affordable Housing	50	50	...
Rural Capacity Building Activities	[5]	[5]	...
Housing Assistance Council	5	5	...
Transfer to Transformation Initiative Fund	[1]	[…]	[…]
Total, SHOP	82	82	...
Capacity Building	...	...	50

Homeless Assistance Grants			
Grants	1,859	1,859	...
Continuum of Care (S+C, SHP, and Rural)	...	...	2,030
Emergency Solutions Grants Formula	...	...	286
Homeless Data Analysis Project	6	6	6
Transfer to Transformation Initiative Fund	[13]	[…]	[…]
Subtotal, Homeless	1,865	1,865	2,322
Distribution of available FSP funds	[…]	[…]	50
Total, Homeless	1,865	1,865	2,372
Housing Opportunities for Persons with AIDS (HOPWA)			
Formula Grants	302	302	302
Competitive Grants	33	33	33
Transfer to Transformation Initiative Fund	[3]	[…]	[…]
Total, HOPWA	335	335	335
Brownfields Economic Development Initiative	18	18	...
Subtotal, Community Planning and Development	**8,681**	**8,581**	**8,211**
SUSTAINABLE HOUSING AND COMMUNITIES (OSHC)			
Regional Planning Grants	...	...	100
Challenge Planning Grants	...	...	40
Research Tools and Best Practices	...	...	10
Benchmarking Energy Performance in HUD-Assisted Housing	...	...	[5]
Total, Sustainable Housing and Communities	...	...	150
HOUSING PROGRAMS			
Project-Based Rental Assistance			
Section 8 Contract Renewals (incl. Mod Rehab & Mod Rehab SRO)	8,316	8,310	9,130
Tenant Resources Network (TRN)	10	10	10
Contract Administrators	232	232	289
Advanced Appropriation for FY 2010	[400]	[…]	[…]
Advanced Appropriation for FY 2011	[(394)]	[394]	[…]
Advanced Appropriation for FY 2012	[…]	[(394)]	[394]
Advanced Appropriation for FY 2013	[…]	[…]	[(400)]
Total, Project-Based Rental Assistance	8,558	8,552	9,429
Energy Innovation Fund	50	50	...
Transfer to Transformation Initiative Fund	[1]	[…]	[…]
Total Energy Innovation Fund	50	50	...
Housing Counseling Assistance			
Program	85	85	84
Administrative Contract Services	3	3	4
Transfer to Transformation Initiative Fund	[1]	[…]	[…]
Total, Housing Counseling Assistance	88	88	88
Supportive Housing for the Elderly (Section 202)			
Expansion	517	517	387
PRAC Renewals/Amendments	158	158	259
Service Coordinators/Congregate Housing Service Program	90	90	91
Conversion to Assisted Living/Emergency Repairs	40	40	20
Planning Grant	20	20	...
Transfer to Transformation Initiative Fund	8]	[…]	[…]
Total, Supportive Housing for the Elderly Housing	825	825	757
Housing for Persons with Disabilities (Section 811)			
Expansion-Capital Advance and PRAC	164	164	111
PRAC Renewals	49	49	85
Mainstream Voucher Renewals	87	87	...
Transfer to Transformation Initiative Fund	[3]	[…]	[…]
Total, Disabled Housing	300	300	196

FHA Funds			
Mutual Mort. Ins. and Coop. Mgt. Housing Ins. Funds			
Management Housing Insurance (CMHI)			
Administrative Expenses	111	189	158
Education and Outreach	7	...	...
Transfer to Working Capital Fund	71	...	72
Transfer to Transformation Initiative Fund	[1]	[…]	[…]
Direct Loan Limitation	[50]	[50]	[50]
Loan Guarantee Limitation Level	[400,000]	[400,000]	[400,000]
Total, MMI/CMHI	189	189	230
General Insurance and Special Risk Insurance Funds			
Positive Credit Subsidy	9	9	9
Direct Loan Limitation.	[20]	[20]	[20]
Loan Guarantee Limitation Level	[20,000]	[20,000]	[25,000]
Total GI/SRI	9	9	9
Total, FHA Funds	**198**	**198**	**239**
Manufactured Housing Standards Program			
Manufactured Housing Fees Trust Fund ..	3	7	7
Manufactured Housing General Fund Appropriation.	9	9	7
Transfer to Transformation Initiative Fund	[0.09]	[…]	[…]
Total, Manufactured Housing Standards Program	12	16	14
Rent Supp./Section 236 Contract Amendments	40	40	16
Rescission - Other Assisted Housing	(72)	(41)	(7)
Subtotal, Housing Programs	**9,999**	**10,028**	**10,732**
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION			
Guarantees of Mortgage-Backed Securities			
Program	...	...	30
Collections	...	...	(100)
MBS Guarantee Limitation	[500,000]	[500,000]	[500,000]
Subtotal, GNMA	**...**	**...**	**(70)**
POLICY DEVELOPMENT AND RESEARCH			
Research and Technology.	48	48	57
Subtotal, PD&R	**48**	**48**	**57**
FAIR HOUSING & EQUAL OPPORTUNITY			
Fair Housing Assistance Program	29	29	29
Fair Housing Initiatives Program	42	42	43
Limited English Proficiency	1	1	...
Transfer to Transformation Initiative	[1]	[…]	[…]
Subtotal, Fair Housing Activities	**72**	**72**	**72**
LEAD-BASED PAINT AND POISONING PREVENTION			
Lead-Based Paint Hazard Reduction			
Lead Hazard Control Grants	68	68	96
Technical Studies	4	4	4
Healthy Homes	20	20	40
Lead Hazard Control Demonstration Program	48	48	...
Transfer to Transformation Initiative Fund	[1]	[…]	[…]
Total, OHHLHC	140	140	140
MANAGEMENT AND ADMINISTRATION			
Salaries and Expenses, HUD	1,346	1,346	1,350
Salaries and Expenses, OIG	125	125	126
Working Capital Fund			
Working Capital Fund (Direct)	200	200	243
Transfers	[71]	[71]	[72]
Total, Working Capital Fund	[271]	[271]	[315]
Subtotal, Management and Administration	**1,671**	**1,671**	**1,719**

HUD Transformation Initiatives			
FHA Combating Mortgage Fraud	[20]	[20]	[…]
Transfers	[238]	[238]	[120]
Total, HUD Transformation Initiatives	[258]	[258]	[120]
Subtotal, HUD Discretionary Budget Authority (Gross)	**47,011**	**46,940**	**47,768**
Offsetting Receipts			
MMI Capital Reserve	(2,651)	(9,762)	(5,013)
GNMA	(991)	(696)	(528)
FHA (GI/SRI Negative Subsidy)	(455)	(509)	(481)
Manufactured Housing Fees Trust	(3)	(7)	(7)
Total receipts	(4,100)	(10,974)	(6,029)
Total, HUD Discretionary Budget Authority (Net)	**42,911**	**35,966**	**41,739**
MANDATORY PROGRAMS			
Indian Housing Loan Guarantee Fund	1	1	...
Low-Rent Public Housing Loans	(587)	...	...
Community Development Loan Guarantee Program Account	3	3	...
Neighborhood Stabilization	...	1,000	...
Revolving fund for Liquidating Programs	1	1	1
FHA Mutual Mortgage Insurance Program Account	...	3,226	...
FHA General and Special Risk Program Account	863	3,024	...
FHA General and Special Risk Liquidating Account	84	6	12
FHA Mutual Mortgage Insurance Capital Reserve Account	2,651	6,536	5,013
Emergency Homeowners' Relief Fund	...	1,000	...
Housing for the Elderly or Handicapped Fund Liquidating Account	(573)	(642)	(542)
Interstate Land Sales	...	...	1
Guarantees of Mortgage-Backed Securities Loan Guarantee Program	...	721	...
Gifts and Bequests	...	3	...
Housing Trust Fund	...	...	1,000
Subtotal, Gross Mandatory Budget Authority	2,443	14,879	5,485
Mandatory Receipts	(266)	(591)	(25)
Total, Net Mandatory Budget Authority	2,177	14,288	5,460
Total, Net HUD Budget Authority	**45,088**	**50,254**	**47,199**

Fiscal Year 2012 Budget Summary