

A close-up, slightly curved view of the American flag, showing the stars and stripes in detail.

U.S. Department of Housing and Urban Development



Summary Of
Performance And
Financial Information

Fiscal Year 2009

www.hud.gov



About This Report

The United States Department of Housing and Urban Development Summary of Performance and Financial Information Report (Summary Report) for Fiscal Year (FY) 2009 provides a more transparent and accessible summary of the Department's performance and financial information to help the President, Congress, and the public assess our stewardship over the resources entrusted to us. The Summary Report is a concise, user friendly version of the Department's Performance and Accountability Report (PAR). These reports reflect the status of HUD programs as reported in HUD's PAR issued November 16, 2009, and present streamlined and timely information with a sense of the Department's highest priorities in housing Americans, along with successes and challenges in implementing programs that pursue our country's housing policy agenda.

An electronic version of this document and the PAR are available at www.hud.gov/offices/cfo/reports/2009par.cfm.

Table of Contents

MESSAGE FROM SECRETARY DONOVAN.....	1
MISSION, STRATEGIC PLAN, ORGANIZATIONS, AND ACTIVITIES	3
HUD'S STRATEGIC FRAMEWORK.....	4
FY 2009 PERFORMANCE OVERVIEW	7
GOAL A: INCREASE HOMEOWNERSHIP OPPORTUNITIES.....	9
GOAL B: PROMOTE DECENT AFFORDABLE HOUSING	11
GOAL C: STRENGTHEN COMMUNITIES.....	13
GOAL D: ENSURE EQUAL OPPORTUNITY IN HOUSING	15
GOAL E: EMBRACE HIGH STANDARDS OF ETHICS, MANAGEMENT, AND ACCOUNTABILITY	17
GOAL F: PROMOTE PARTICIPATION OF FAITH-BASED AND COMMUNITY ORGANIZATIONS	19
THE RECOVERY ACT	20
MANAGEMENT AND PERFORMANCE CHALLENGES	21
FINANCIAL STATEMENTS.....	23
MANAGEMENT ASSURANCES.....	25

Message from the Secretary

February 15, 2010

I am honored to present the Department's annual Summary of Performance and Financial Information for Fiscal Year (FY) 2009.

For the 10th consecutive year, HUD has earned a "clean" opinion on its financial statements from independent auditors, and, for the 2nd consecutive year, the Department has no material weaknesses. Our performance data are complete and reliable and are discussed more fully in Section 2 of the Performance and Accountability Report (PAR). The Management's Discussion and Analysis portion of the PAR includes a section that addresses information and assurances about the Department's financial systems and management controls required by the Federal Managers' Financial Integrity Act (FMFIA). These systems and controls provide reasonable assurance that the objectives of the FMFIA are being met.



As President Obama and Congress have worked to bring about stability and recovery, HUD's role has been increasingly prominent. Expanded programs with increased funding have occupied management at HUD, while the ongoing work of promoting sustainable homeownership, community and urban development, and access to affordable housing continued to touch the lives of millions of American families, and never has this work been more critical. The following six strategic principles define HUD's role in addressing national priorities.

- *HUD is at the forefront of the federal response to the national mortgage meltdown and foreclosure emergency.*
- *HUD is essential to broader economic recovery and restructuring, given its power to generate jobs quickly and catalyze housing construction and renovation.*
- *HUD is critical to addressing the structural gap between household incomes and housing prices and the persistent unaffordability of housing.*
- *HUD is a clearinghouse for disaster recovery funding, helping to restore and maintain the integrity of housing and neighborhoods that have been struck by natural disasters.*
- *HUD assures that Fair Housing laws are publicized and enforced.*
- *HUD is a vehicle for advancing sustainable and inclusive growth patterns on a metropolitan scale, communities of choice on a neighborhood scale, and energy efficiency on an individual building scale.*

These roles require that HUD be nimble and market savvy, with the capacity and expertise necessary to galvanize its vast network of partners which include, but is not limited to: state and local governments, builders, lenders, realtors, appraisers, energy auditors, community development corporations, technical providers, and research institutions.


HUD's FY 2010 budget includes funding for the development of a "Transformation Initiative" that dedicates one percent of funds from several HUD programs for rigorous research and

evaluation programs, major research demonstrations, technical assistance, capacity building, and information technology. Too often, federal agencies operate in a “fact-free zone,” and little consideration is given to whether the tremendous efforts necessary to implement programs are likely to yield, or have yielded commensurate results.

Looking ahead, the Department will be focusing on five strategic priorities to improve business functions and delivery of services. These priorities must and will be addressed as we strive to optimize our human capital resources, modernize our information technology, and maximize our program efficiency and effectiveness.

- HUD must embrace *Systemic Reform* to reinvent the way it delivers traditional programs, such as public and assisted housing, rental vouchers, and FHA’s mortgage insurance programs.
- HUD must and will engage in continuous *Policy Innovation* to move beyond legacy programs and shape new markets and methods in the production and preservation of affordable housing, the “greening” of residential housing, the regeneration of distressed neighborhoods, and the promotion of sustainable growth in metropolitan America.
- HUD must and will harness *Private Sector Capital and Talent* to ensure that innovations become widely adopted in market practice and that public resources leverage private sector investment.
- HUD must invent a new kind of *Partnership and Collaboration*, to respond to multidimensional challenges facing the country (e.g., congestion, climate change, competitiveness, aging, and poverty), by integrating federal housing and related policies on transportation, energy, labor, health, environment, and education.
- Finally, HUD must commit to an unprecedented level of *Transparency and Accountability*, to use metrics to gauge performance; research to evaluate programs; demonstrations to foster policy innovation; technical assistance to identify and diffuse innovation; and technology to track spending, inform decisions, and help curb fraud, waste, and abuse.

Planning for the Nation’s housing needs and community development is not optional. It is essential that we, as a Nation, address the basic living needs of every citizen, recognizing how place and time can alter our strategy, and that we manage the resources of the American public with integrity, accountability, and transparency. At HUD, this is our commitment to the people we serve.



Shaun Donovan

Secretary

Mission, Strategic Plan, Organizations, and Activities

Our Mission

To increase homeownership, support community development, and increase access to affordable housing free from discrimination.

These words, from HUD's Strategic Plan, go back to the heart of the Housing Act of 1937, which declared it a national policy to "assist the several states and their political subdivisions to remedy the unsafe and unsanitary housing conditions and the acute shortage of decent, safe, and sanitary dwellings for families of lower income and ... to vest in local public housing agencies the maximum amount of responsibility in the administration of their housing programs."

The Government Performance and Results Act (GPRA) requires each Agency to develop a five or more year strategic plan and update that plan every three years. HUD's current Strategic Plan runs from FY 2006 to 2011. While this report addresses the FY 2009 results, accomplishments, and challenges in conjunction with the current Strategic Plan, the Department's new Strategic Plan for FY 2010 and beyond better captures the existing challenges and roles of the Department and the priorities of the new Administration.

HUD's strategic planning process provides a framework for effective planning, budgeting, program evaluation, and accountability for results. The outcome of this process is summarized in HUD's annual Performance and Accountability Report, which is given to the President, the Congress, and the public.

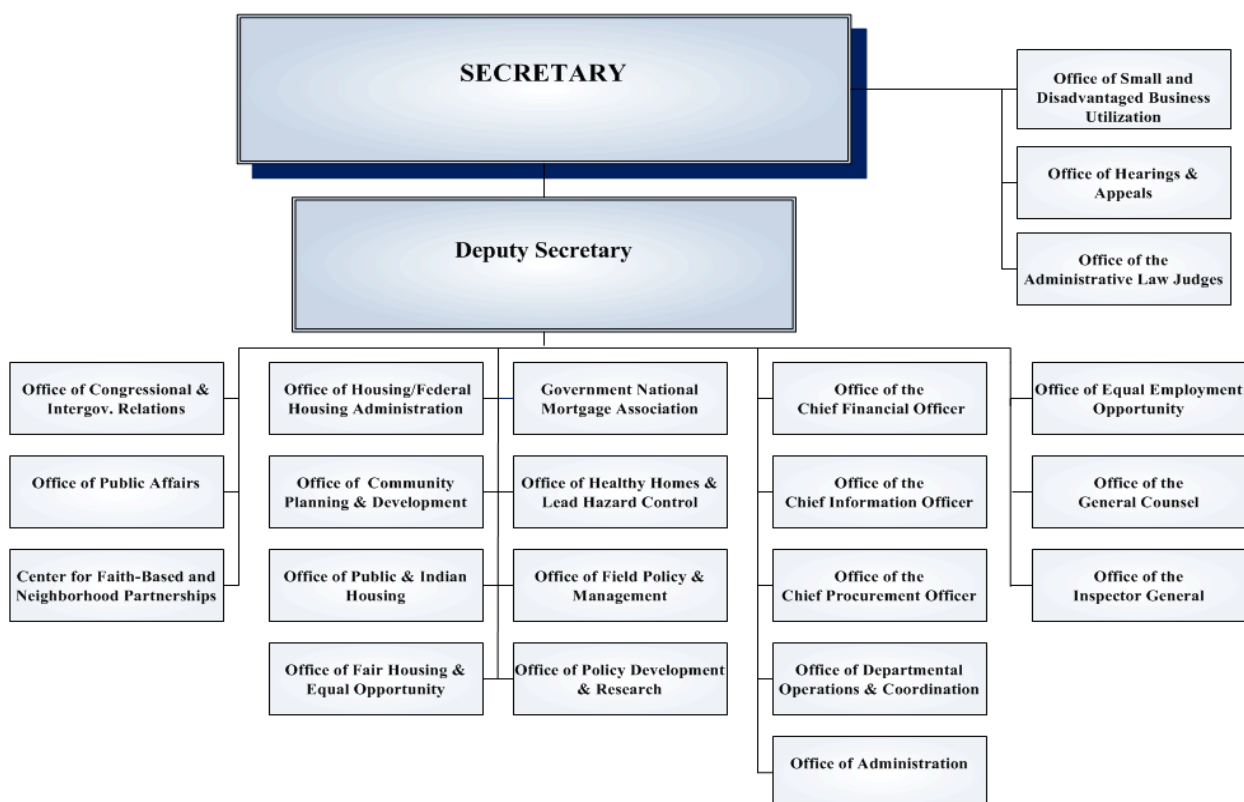
HUD's six Strategic Goals (available online at <http://www.hud.gov/offices/cfo/stratplan.cfm>) shown in the following chart are integral parts of the Department's planning process reflecting and helping to ensure the continuity of HUD's policies and operations. A companion discussion that summarizes the public benefit and resources HUD uses to achieve its mission through key program and policy activities, individual measurements, and results is found in Section 2, Performance Information, of the full PAR.

HUD's Strategic Framework

MISSION: Increase Homeownership, Support Community Development, and Increase Access To Affordable Housing Free From Discrimination.			
Programmatic Strategic Goals	A: Increase homeownership opportunities	B: Promote decent affordable housing	C: Strengthen communities
	A1: Expand national homeownership opportunities.	B1: Expand access to and availability of decent, affordable rental housing.	C1: Assist disaster recovery in the Gulf Coast region.
	A2: Increase minority homeownership.	B2: Improve the management accountability and physical quality of public and assisted housing.	C2: Enhance sustainability of communities by expanding economic opportunities.
	A3: Make the homebuying process less complicated and less expensive.	B3: Improve housing opportunities for the elderly and persons with disabilities.	C3: Foster a suitable living environment in communities by improving physical conditions and quality of life.
	A4: Reduce predatory lending through reform, education, and enforcement.	B4: Promote housing self-sufficiency.	C4: End chronic homelessness and move homeless families and individuals to permanent housing.
	A5: Help HUD-assisted renters become homeowners.	B5: Facilitate more effective delivery of affordable housing by reforming public housing and the Housing Choice Voucher program.	C5: Address housing conditions that threaten health.
	A6: Keep existing homeowners from losing their homes.		
Cross-Cutting Strategic Goals	D: Ensure equal opportunity in housing		
	D1: Ensure access to a fair and effective administrative process to investigate and resolve complaints of discrimination.		
	D2: Improve public awareness of rights and responsibilities under fair housing laws.		
	D3: Improve housing accessibility for persons with disabilities.		
	D4: Ensure that HUD-funded entities comply with fair housing and other civil rights laws.		
	E: Embrace high standards of ethics, management, and accountability		
	E1: Strategically manage HUD's human capital to increase employee satisfaction and improve HUD performance.		
	E2: Improve HUD's management and internal controls to ensure program compliance and resolve audit issues.		
	E3: Improve accountability, service delivery, and customer service of HUD and its partners.		
	E4: Capitalize on modernized technology to improve the delivery of HUD's core business functions.		
	F: Promote participation of faith-based and community organizations		
	F1: Reduce barriers to faith-based and community organizations' participation in HUD-sponsored programs.		
	F2: Conduct outreach and provide technical assistance to strengthen the capacity of faith-based and community organizations to attract partners and secure resources.		
	F3: Encourage partnerships between faith-based/community organizations and HUD grantees and sub-grantees.		

The Department accomplishes its mission through component organizations and offices that administer various programs, which are carried out through a network of regional offices and smaller field offices, as well as through grantees, contractors, and other business partners. HUD's organization structure follows.

HUD's Organization and Reporting Structure (FY 2009)



HUD's Strategic Plan is carried out directly by the following HUD program offices:

- The Office of Housing – Federal Housing Administration (Housing/FHA),
- The Government National Mortgage Association (Ginnie Mae),
- The Office of Public and Indian Housing (PIH),
- The Office of Community Planning and Development (CPD),
- The Office of Fair Housing and Equal Opportunity (FHEO),
- The Office of Healthy Homes and Lead Hazard Control (OHHLHC), and
- The Center for Faith-Based and Neighborhood Partnerships (CFBNP).

These offices, as well as other support organizations are reflected on the organization chart shown above and their respective major activities are shown on the table that follows.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FY 2009 SUMMARY OF PERFORMANCE AND FINANCIAL INFORMATION

Homeownership Opportunities



Insures Single Family, Multifamily, Title I, Hospital, and Long-term Care facility mortgage loans in order to make possible homeownership opportunities for households that would otherwise have difficulty obtaining mortgages (e.g., first time homebuyers or reverse mortgages for the elderly), increase the inventory of affordable housing, and enable financing opportunities for health care facilities.



Works with private lending institutions to issue eligible pools of federally insured mortgage loans, called Ginnie Mae Mortgage Backed Securities, that are sold to investors with the proceeds then being returned to Mortgagees (to be loaned again) resulting in the expansion of homeownership opportunities.

Decent Affordable Housing



Office of Housing

Provides rental subsidy and grant programs such as Section 8 Project-Based Rental Assistance, which provides housing to low-, very low-, and moderate-income persons.



Office of Public and Indian Housing

Provides Housing Choice Voucher program participants (low-income families) with the ability to choose and lease or purchase safe, decent, and affordable privately-owned rental housing; furnishes technical and professional assistance as well as subsidies in planning, developing, and managing public housing developments for low-income families, the elderly, and persons with disabilities; and makes available grants and loans to lower-income Native American, Alaska Native, and Native Hawaiian communities and families.

Provides Public Housing Capital Funds by formula for public housing capital improvements (i.e., developing, rehabilitating, or demolishing units), replacement housing, and management improvements; provides Public Housing Operating Funds for financial assistance in the form of Operating Subsidies which are provided for project operation.



Office of Community Planning and Development

Provides non-profit community housing organizations with HOME funds for home rehabilitation, homebuyer assistance, rental housing production, and tenant-based rental assistance as a means to strengthen communities and promote decent, safe, affordable housing.

Strengthen Communities



Office of Community Planning and Development

Provides grants for programs and projects to communities, which in turn encourages empowerment of local residents by helping to give them a voice in the future of their neighborhoods, and also awards grants to state governments, large cities, urban counties, and U.S. territories for the purpose of providing homeless persons with basic shelter and essential supportive services, rehabilitation or remodeling of buildings used as shelters, operation and maintenance of these facilities, essential supportive services (i.e., case management, physical and mental health treatment, substance abuse counseling, or childcare), homeless prevention, and grant administration.



Office of Healthy Homes and Lead Hazard Control

Provides funds to state and local governments and the private sector to develop and implement cost-effective ways to reduce lead-based paint and other residential safety and health hazards.

Equal Opportunity in Housing



Office of Fair Housing and Equal Opportunity

Ensures equal housing opportunities for all persons living in America by increasing public awareness of fair housing laws, housing discrimination, lending discrimination and predatory lending; educates the public about what they can do and where to go for assistance; and investigates and resolves complaints of alleged housing discrimination filed by private citizens and interest groups throughout the nation.

Participation of Faith Based and Community Organizations



Center for Faith Based and Neighborhood Partnerships

Provides grant writing training sessions for organizations seeking to obtain federal grants. The Center also works to bring together state, local, and federal community partners within the participating area to build bridges and form partnerships with faith-based and community organizations.

FY 2009 Performance Overview

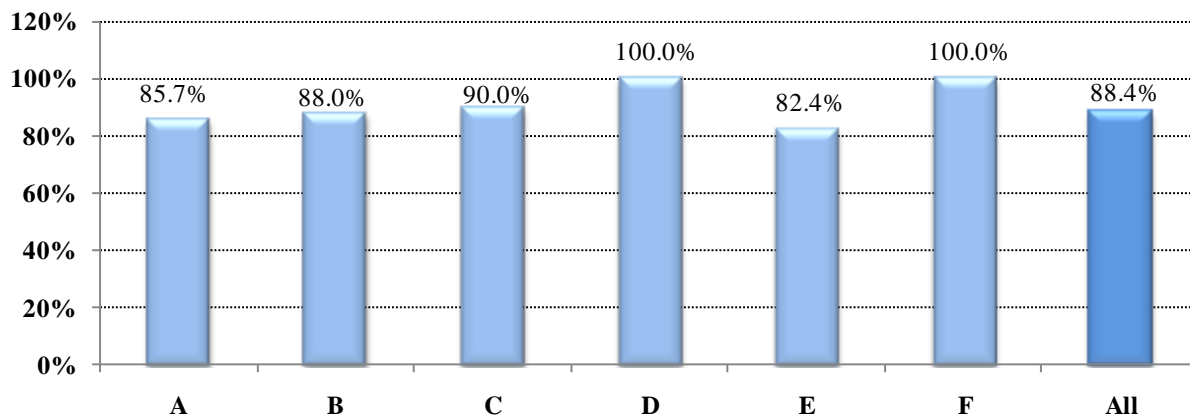
HUD's mission has been more prominent during the last few years. Congress has appropriated additional funds, first to deal with national disasters including the New York City terrorism attacks, hurricanes, tornados, and floods, and more recently to help address the worst economic crisis since the Great Depression. The Department and the nation have faced an extremely challenging year as the economic crisis continued. President Obama and Secretary Donovan recognize the importance of a recovery in the housing arena as a bedrock to the revitalization of the nation's economy. The Department's programs place HUD at the forefront of the federal response to the national mortgage meltdown and foreclosure emergency. In the midst of a credit crunch, the Federal Housing Administration (FHA) is playing a critical countercyclical role to stabilize the housing market. HUD was a leading player in foreclosure mitigation, homeownership counseling, and multiple efforts to curb mortgage abuse and lending discrimination.

HUD also helped to restore and maintain the integrity of housing and neighborhoods struck by natural disasters. In addition to the ongoing efforts to rebuild in the Gulf Coast states that were damaged by hurricanes in 2005, HUD provided disaster assistance funding to victims of recent storms and flooding in Alabama, Oklahoma, Oregon, South Dakota, Texas, and Washington.

HUD's FY 2009 Overall Results

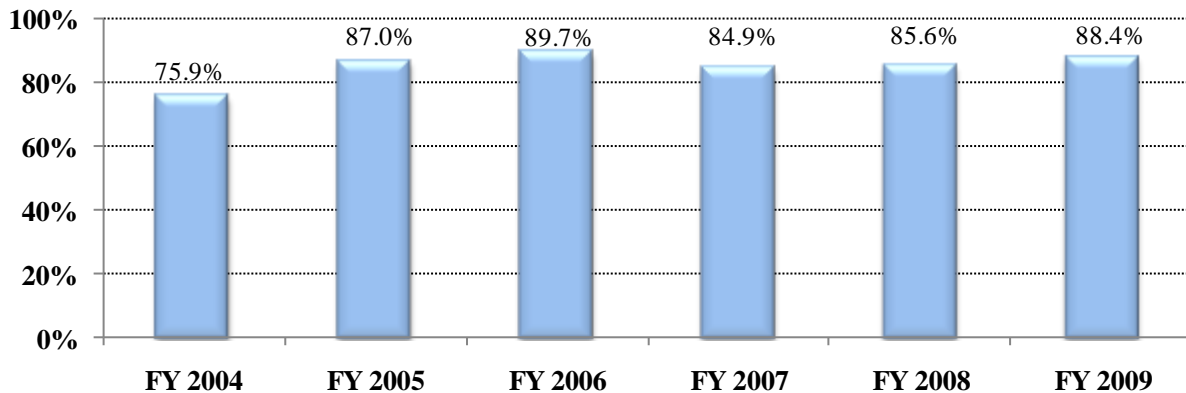
The two charts below provide a graphical summary of HUD's performance indicators for FY 2009 by strategic goal, and an historical representation of HUD's summary performance over the past six years.

**Percent of FY 2009
Performance Indicators Met
*Strategic Goal***



A: Increase Homeownership Opportunities; **B:** Promote Decent Affordable Housing; **C:** Strengthen Communities
D: Ensure Equal Opportunity In Housing; **E:** Embrace High Standards of Ethics, Management, and Accountability;
F: Promote Participation of Faith-Based and Community Organizations

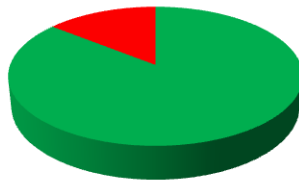
Summary of Performance Indicators Met



The collective efforts of HUD's staff resulted in achievement of 88.4 percent of its FY 2009 performance goals, maintaining the positive trend of the last two years. This is especially noteworthy given the financial upheaval experienced by the nation this past year, which impacted the housing industry particularly hard. For a broader explanation regarding each performance indicator, including a description of the public benefit, results, and resource information, see Section 2 of the full PAR.

Results by Strategic Goal

The following pages provide a high level summary, including accomplishments, challenges, and forward looking information, on each of HUD's strategic goals. Additional information is available at <http://www.hud.gov/offices/cfo/reports/hudfy2009par.pdf>. Section 2 of the PAR, which contains detailed information concerning the individual performance indicators, is available at <http://www.hud.gov/utilities/intercept.cfm?offices/cfo/reports/2009section2.pdf>. The Recovery Act also provided additional funding for eight HUD programs totaling \$13.6 billion, and at the end of FY 2009, HUD had obligated over \$11.3 billion (approximately 83 percent) to grantees, and disbursed nearly \$1.5 billion (or 14 percent) to the grantees. These programs are crosscutting among HUD's programmatic strategic goals. The Recovery Act is described in more detail beginning on page 20 of this document and fully on page 40 of the full PAR, and a further explanation appears in the Management Challenges narrative of the full PAR on page 317. Current information concerning the status of HUD Recovery Act programs is available at <http://portal.hud.gov/portal/page/portal/RECOVERY>.

Strategic Goal A: Increase Homeownership Opportunities	
<p>Expenditures (Millions): \$13,571.5</p> <p>Expenditures represent prorated gross costs, less unassigned costs as reported on the Consolidated Statement of Net Cost (See page 13 of the full PAR).</p>	<p>■ MISSED 14%</p>  <p>■ MET 86%</p> <p>14 Indicators 12 Met 2 Missed</p>
<p>Budget Authority (Millions): \$2,490.8</p>	
<p>Full Time Equivalent Staff: 1,235</p>	
<p>Public Benefit</p> <p>Homeownership can contribute to personal asset development, better neighborhoods and schools, stability of job tenure, and a wider choice of housing types as noted in a 2003 study by Robert D. Dietz of Ohio State University on <i>The Social Consequences of Homeownership</i>. The current foreclosure crisis has taken a toll on homeownership, with millions of Americans projected to lose their homes within the next few years. HUD is playing a central role in the Administration’s efforts to prevent foreclosures and to mitigate the impact that foreclosed and abandoned properties have on neighborhoods.</p>	
<p>Key Selected Accomplishments</p> <ul style="list-style-type: none">➤ Through the Making Home Affordable program, 487,081 borrowers received either temporary or permanent loan modifications. [See page 18 of the full PAR.]➤ Thirty percent of clients receiving pre-purchasing counseling from the Housing Counseling program attain the outcome of purchasing a home or becoming mortgage-ready within 90 days. [See Performance Indicator A-8 on page 106 of the full PAR.]➤ Nearly 97 percent of total mortgagors that completed counseling for resolving or preventing mortgage delinquency avoided foreclosure. [See Performance Indicator A.10 on page 108 of the full PAR.]➤ The number of FHA single family mortgage insurance endorsements during FY 2009 was 1,947,158 of which approximately 79 percent went to first time homebuyers and 32 percent went to minorities. [See Performance Indicators A.5, A.6, and A.7 on pages 103 through 106 of the full PAR.]➤ Approximately 450,000 loss mitigation transactions were processed for FHA borrowers. [See Performance Indicator A.16 on page 113 of the full PAR.]➤ Ginnie Mae’s share of the secondary mortgage market increased to over 30 percent. [For more information about Ginnie Mae’s activities, go to http://www.ginniemae.gov/.]➤ CPD and PIH provided homeownership and rehabilitation assistance representing over 800,000 units. [See Performance Indicator A.1 on page 92 of the full PAR.]	

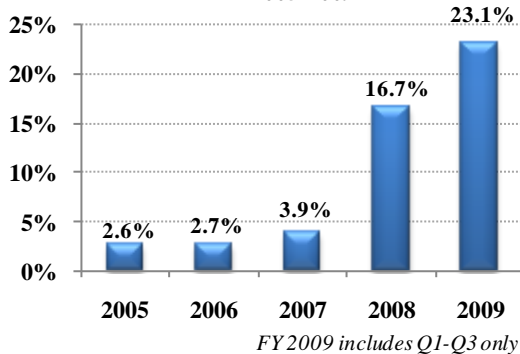
Challenges

- The possibility of a sizable volume of delinquencies remains a significant risk for the housing market and for FHA in the near term. Nonetheless, HUD anticipates that the Mutual Mortgage Insurance (MMI) Fund will remain financially sound. [See page 20, and Performance Indicator E.8 on page 199, for further discussion on the financial soundness of the MMI fund.]
- The Hope for Homeowners program, significantly underused since its inception on October 1, 2008, was modified on May 20, 2009 and integrated with the Making Home Affordable Program to make it more appealing to lenders. [See page 20 of the full PAR.]

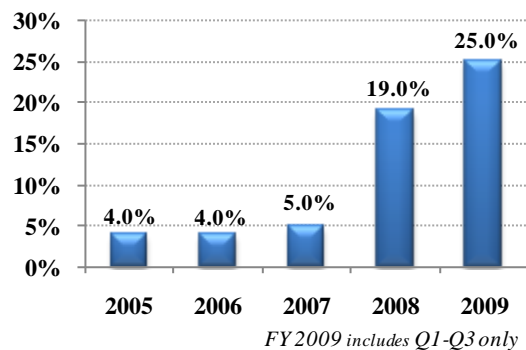
Looking to the Future

- HUD's FY 2010 budget includes a comprehensive "Combating Abusive and Fraudulent Mortgage Practices" initiative. [See page 21 of the full PAR.]
- New real estate settlement procedure regulations will take effect on January 1, 2010, requiring loan originators to provide borrowers with a standard Good Faith Estimate that clearly discloses key loan terms and closing costs, and also requiring closing agents to provide borrowers with a new HUD-1 settlement statement. [See page 21 of the full PAR.]

Single Family Purchase Insurance Activity
FHA Percentage of Market Share
FY 2005-2009



Ginnie Mae Percentage of Market Share
FY 2005-2009



Strategic Goal B: Promote Decent Affordable Housing	
<p>Expenditures (Millions): \$34,474.2</p> <p>Expenditures represent prorated gross costs, less unassigned costs as reported on the Consolidated Statement of Net Cost (See page 13 of the full PAR).</p>	<div><div><div></div><div>MISSED</div><div>12%</div></div><div><div></div><div>MET</div><div>88%</div></div></div> <p>25 Indicators 22 Met 3 Missed</p>
<p>Budget Authority (Millions): \$38,084.4</p>	
<p>Full Time Equivalent Staff: 3,046</p>	
<p>Public Benefit</p> <p>HUD is critical to addressing the structural gap between household incomes and housing costs and the persistent un-affordability of housing. Ensuring a stable supply of affordable housing in safe, quality communities enables low-income families and individuals (young and old) to live healthy, productive lives through ready access to quality schools, continuing education, good jobs, and important health services. Without this assistance, most of the people served by affordable housing programs would face unsafe housing, overcrowded housing, or homelessness.</p>	
<p>Key Selected Accomplishments</p> <ul style="list-style-type: none">➤ The Section 8 Housing Choice Voucher Program served approximately 2.1 million households through more than 2,450 public housing agencies with a voucher utilization rate of 102 percent in FY 2009. [See Performance Indicator B.16 on page 141 of the full PAR.]¹➤ Provided public housing assistance to approximately 1.1 million households. [See page 22 of the full PAR.]¹➤ The Project-Based Rental Assistance program assisted approximately 1.2 million low- and very low-income households in obtaining decent, safe, and sanitary housing in private accommodations. [See page 22 of the full PAR.]¹➤ HUD’s Public Housing Hubs and Program Centers provide technical assistance through comprehensive/consolidated reviews on selected Public Housing Agencies (PHAs) that manage 80 percent of PIH funds and on-site asset management reviews on selected developments. [See Performance Indicators B.17 and B.19 on pages 142 and 145 respectively of the full PAR.]¹➤ Housing for the Elderly (Section 202) and Housing for Persons with Disabilities (Section 811) increased the availability of affordable housing for the elderly and persons with disabilities by creating an additional 208 projects in FY 2009 (4,162 Section 202 units for 111 projects and 1,035 Section 811 units for 97 projects). [See Performance Indicator B.11 on page 137 of the full PAR.]¹➤ FHA’s Multifamily Insurance program endorsed 713 multifamily loans that included 449 rental projects, 179 nursing homes, 77 assisted living facilities, 7 cooperatives, and 1 board and care facility. [See Performance Indicator B.4 on page 130 of the full PAR.]	

¹ The number of units provided assistance for HUD's programs is reflected in the table on page 349 in the full PAR.

- CDBG, HOME Investment Partnerships, Housing Opportunities for Persons With AIDS, Section 202, Section 811, and Indian Housing Block Grant programs provided rental assistance to 122,889 households. [See Performance Indicator B.1 on page 121 of the full PAR.]¹

Challenges

- Housing affordability for low-income individuals is a critical problem, as reduction to income for this group of renters has been among the highest. The number of families earning between \$20,000 and \$50,000 who now pay more than a third of their income for housing has increased by 20 percent in just the last three years and is complicated since many local rental markets have very little housing that extremely low-income renters can afford without HUD program assistance. [See page 25 of the full PAR.]¹
- HUD's Housing Choice Voucher Program (HCVP) needs to adapt to changing market conditions and identify ways to reduce and/or control the program costs. PIH is designing a comprehensive system to better manage and administer the HCVP that provides prompt data accessibility and reporting, as well as research and demonstration efforts. [See page 26 of the full PAR.]
- Reduction of Improper Payments in the Rental Housing Assistance Programs is a recurring challenge. HUD's efforts and results are reflected on pages 341 through 348 of the full PAR.

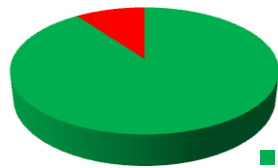
Looking to the Future

- In FY 2010, the Department's Housing Counseling Assistance program will place an emphasis on rental counseling, which is critical during the current foreclosure crisis. [See page 27 of the full PAR.]
- The Department continues to work with Congress on proposed legislation, the Section 8 Voucher Reform Act of 2009 (HR 3045), which contains reforms that would streamline and simplify the administration of the Department's rental assistance programs, reducing errors in subsidy payments. [See page 26 of the full PAR.]
- Investment of \$1 billion in the Housing Trust Fund will be used to increase and preserve the supply of rental housing for low- and very low- income households. [See page 26 of the full PAR.]
- HUD's Sustainable Communities Initiative will facilitate major research and evaluation efforts to be jointly administered by HUD and the Department of Transportation. This effort will aggressively pursue data development, information platforms, analytic tools, and research that support both HUD's mission of affordable housing and community development and the Department of Transportation's mission of efficient transportation, thus laying a foundation for greater sustainability in the nation's built environment. [See page 27 of the full PAR.]



McAuley Square in Burlington, Vermont is a 74-unit affordable housing complex.

¹ Data are from "U.S. Housing Market Conditions, 2nd Quarter, 2009."

Strategic Goal C: Strengthen Communities	
<div>Expenditures (Millions): \$5,550.8</div> <div>Expenditures represent prorated gross costs, less unassigned costs as reported on the Consolidated Statement of Net Cost (See page 13 of the full PAR).</div>	<div><div><div><div>MISSED</div><div>10%</div></div><div></div><div>MET</div><div>90%</div></div><div>20 Indicators 18 Met 2 Missed</div></div>
<div>Budget Authority (Millions): \$9,803.0</div>	
<div>Full Time Equivalent Staff: 971</div>	
<div>Public Benefit</div> <div>HUD strengthens communities by providing grants to states and localities to promote economic development, increase homeownership opportunities, and promote affordable housing through locally designed solutions that especially direct scarce resources to benefit low- and moderate-income groups and communities. The Office of Community Planning and Development also provides Disaster Assistance Grants to restore regions and localities victimized by natural disasters.</div>	
<div>Key Selected Accomplishments</div> <div><div>➤</div>Grants provided by HUD resulted in at least 29,398 jobs being created/retained through its Community Development Block Grants (CDBG) and Section 108 loan guarantee assistance programs. [See Performance Indicator C.4 on page 159 of the full PAR.]</div> <div><div>➤</div>CDBG grantees cleared or demolished 7,450 vacant, abandoned, and boarded up properties in blighted and slum neighborhoods. [See Performance Indicator C.8 on page 163 of the full PAR.]</div> <div><div>➤</div>Gulf Coast recovery grantees completed 4,128 units and have 41,372 units of affordable rental housing in development. [See Performance Indicator C.1 on page 156 of the full PAR.]</div> <div><div>➤</div>HUD distributed 150,122 homeowner compensation grants totaling over \$9.8 billion to households affected by the hurricanes of 2005 in Mississippi and Louisiana. [See Performance Indicator C.2 on page 157 of the full PAR.]</div> <div><div>➤</div>CDBG awarded over \$1.5 billion in disaster recovery grants to help communities rebuild public facilities, streets, water systems, and other projects throughout the five Gulf Coast states. [See Performance Indicator C.3 on page 158 of the full PAR.]</div> <div><div>➤</div>The Special Needs Assistance Programs (SNAPS) provided grants to help over 82 percent of formerly homeless individuals remain in HUD permanent housing projects for at least 6 months. Approximately 67 percent of homeless persons in HUD transitional housing moved into permanent housing, and the number of individuals who received employment income among participants in HUD homeless assistance projects increased by 66 percent. [See Performance Indicators C.9, C.10, and C.11 on pages 164 through 168 in the full PAR.]</div> <div><div>➤</div>94 percent of HOPWA program clients receiving permanent housing assistance and 92 percent receiving short-term and transitional housing maintained housing stability, avoided homelessness, and accessed care. [See Performance Indicator C.12 on page 169 of the full PAR.]</div>	

- HUD made 13,873 housing units lead-safe under the Department's lead hazard control grant programs. [See Performance Indicator C.20 on page 178 of the full PAR.]

Challenges


- Lack of regional coordination of housing development, land use, and transportation affects many aspects of community health. Local zoning ordinances and land use controls can prevent the construction of affordable housing, forcing lower income households away from their place of employment to areas where housing is more affordable. [See page 31 of the full PAR.]
- The number of homes that can be made lead-safe is directly related to the funding available. Additional funding would help make more homes lead safe. [See page 31 of the full PAR.]

Looking to the Future

- HUD has proposed a change to the CDBG formula to improve targeting of program resources. [See page 31 of the full PAR.]
- The "Sustainable Communities Initiatives" proposes to (1) assist localities in undertaking a new wave of zoning and land use reform that is more sustainable and "green," and (2) fund a joint HUD and DOT regional planning effort to catalyze the next generation of metropolitan transportation, housing, land use, and energy planning. [See page 31 of the full PAR.]



The new Colvin Neighborhood City Hall in Wichita's Planeview area was financed with HUD's Community Development Block Grants program.

Strategic Goal D: Ensure Equal Opportunity in Housing	
<div>Expenditures (Millions): \$21.1</div> <div>Expenditures represent prorated gross costs, less unassigned costs as reported on the Consolidated Statement of Net Cost (See page 13 of the full PAR).</div>	<div><div>MET100%</div></div> <div>7 Indicators 7 Met 0 Missed</div>
Budget Authority (Millions): \$54.0	
Full Time Equivalent Staff: 655	
<div>Public Benefit</div> <p>HUD plays a critical role in enforcing the Fair Housing Act of 1968 (Title VIII of the Civil Rights Act of 1968). The Department strives to ensure an “open” housing market in which a person’s background (e.g., ethnicity, race, religion, as opposed to financial resources) does not arbitrarily restrict housing or housing related opportunities whether it be homeownership or rental property. Through enforcement of the laws and improved public awareness of fair housing laws, these activities seek to increase access to the nation’s housing stock so that all Americans can choose housing without being restricted by race, having children, presence of a disability, or other statutorily protected basis.</p>	
<div>Key Selected Accomplishments</div> <ul style="list-style-type: none">Fair Housing Assistance Program (FHAP) state and local agencies closed 53 percent of their complaints within 100 days and 97 percent of their aged complaint inventory carried over from the prior year. [See Performance Indicator D.1 on page 181 of the full PAR.]Fair Housing Initiatives Program (FHIP) organizations and other non-profits held 933 education and outreach events reaching 1,060,320 people. [See Performance Indicator D.2 on page 183 of the full PAR.]	
<div>Challenges</div> <ul style="list-style-type: none">HUD’s goal of ensuring equal opportunity in housing is necessarily linked with demographic factors. Rapid growth of the elderly population that will begin in 2010 will have fair housing implications, as will growth of the Hispanic population, which is projected to reach 23 percent of the U.S. population by 2030. This will create new and evolving challenges for HUD’s fair housing responsibilities for rental housing and homeownership, including housing counseling, and for community development, including the Colonias (defined as communities within 150 miles of the U.S.-Mexico border, except for any metropolitan area exceeding one million people, that lacks decent, safe, and sanitary housing). [See page 34 of the full PAR.]	

Looking to the Future

- As part of the Department's emphasis on fair housing enforcement, HUD is taking proactive steps to address lending discrimination as part of the Department's Mortgage Abuse Initiative. Rising unemployment and falling home prices, combined with the freezing of credit markets, have led to a dramatic increase in foreclosures and foreclosure-prevention scams across the nation. [See page 34 of the full PAR.]
- Under the Department's Transformation Initiative, HUD plans to conduct a study in 2010 of the level of housing discrimination in the United States. The study will provide key insights to inform fair housing strategies and program management. [See page 34 of the full PAR.]

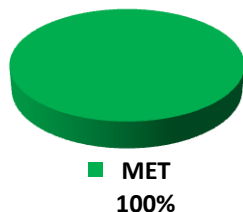


Victor Rolon Cruz of Toa Alta, PR, suffers from medical conditions that impair his mobility and require him to use a cane for support. Last year, he had railings installed at the front entrance of his home. The local homeowners association demanded they be removed and threatened legal action. HUD brought the case before an administrative law judge, and the decision allowed Mr. Rolon Cruz to retain the railings and awarded him a \$21,500 settlement.

Goal E: Embrace High Standards of Ethics, Management, and Accountability	
<p>Expenditures (Millions): \$8,125.1</p> <p>Expenditures represent prorated gross costs, less unassigned costs as reported on the Consolidated Statement of Net Cost (See page 13 of the full PAR).</p>	<p>■ MISSED 18%</p> <p>■ MET 82%</p> <p>17 Indicators 14 Met 3 Missed</p>
<p>Budget Authority (Millions): \$5,238.7</p>	
<p>Full Time Equivalent Staff: 2,910</p>	
<p>Public Benefit</p> <p>HUD’s strategic goal of embracing high standards of ethics, management, and accountability is achieved through resolving audit issues in a timely manner, improving its internal controls and systems, and rebuilding and better managing its human capital. These accomplishments provide the Congress and the Public confidence that the Department is a prudent steward of the funds entrusted to it.</p>	
<p>Key Selected Accomplishments</p> <ul style="list-style-type: none">➤ The Department received an unqualified or “clean” audit opinion with no material weaknesses for FY 2009. HUD has now received unqualified audit opinions for the past ten consecutive years, and FHA for 17 consecutive years. [See Performance Indicator E.11 on page 203 of the full PAR.]➤ HUD missed its goal for improper payment reductions in 2009 by 0.1 percent. The leveling off in the improper payment rate this year was driven by an increase in income reporting errors. It should be noted that the Department reduced the rate of erroneous payments (i.e., the percent of improper payments as a percent of total payments for HUD’s three Rental Housing Assistance Programs) from 17.1 percent in FY 2000 to the current level of 3.5 percent, a substantial reduction. [See Performance Indicator E.3 on pages 192 and the Improper Payment Information Act reporting narrative found on pages 341 through 348 of the full PAR.]	
<p>Challenges</p> <ul style="list-style-type: none">➤ Human capital issues are critical for the Department. Like many federal agencies, HUD has an aging workforce, with more than 58 percent of employees eligible to retire within the next three years. [See page 37 of the full PAR.]➤ HUD’s goal of sustaining ethics, management and accountability, as well as the broader success of HUD’s programs, requires active participation from a wide variety of state and local partners. Increasing fiscal constraints of state and local governments may reduce their ability to assist in accomplishing shared objectives. [See page 36 of the full PAR.]	

Looking to the Future

- HUD's Transformation Initiative, detailed in the President's FY 2010 Budget, is a major commitment to better, evidence-based management and effective operations. The Transformation Initiative provides funding for four complementary purposes: research, evaluation and performance metrics; program demonstrations; technical assistance and capacity building; and next-generation Information Technology (supplementing system maintenance resources in the Working Capital Fund). [See page 37 of the full PAR.]
- Changes that HUD is pursuing via their rulemaking process include modifying policies for mortgagee approval to facilitate more effective oversight of mortgage brokers and increasing net-worth requirements for mortgagees. [See page 37 of the full PAR.]
- Included in HUD's FY 2010 budget is the creation of a new Office of the Chief Operating Officer (COO) within the Office of the Deputy Secretary to provide leadership and a comprehensive strategy for HUD's current operations of procurement, human resources, and information technology. [See page 38 of the full PAR.]
- HUD is in the process of implementing and refining its Intern Program to attract new employees and using the *HUD 2009 Departmental Training Action Plan* to identify skill gaps and managerial training needs. [See page 37 of the full PAR.]
- HUD's FY 2010 – FY 2015 Strategic Plan is being updated and will provide both a vision and a solid foundation for effective performance management. [See page 38 of the full PAR.]
- The new Office of Sustainable Housing and Communities within the Office of the Deputy Secretary will enhance the management and effectiveness of cross cutting program efforts. [See page 38 of the full PAR.]

Strategic Goal F: Promote Participation of Faith-Based and Community Organizations	
Expenditures (Millions): \$1.8	 ■ MET 100%
Expenditures represent prorated gross costs, less unassigned costs as reported on the Consolidated Statement of Net Cost (See page 13 of the full PAR).	
Budget Authority (Millions): \$0.0	
Full Time Equivalent Staff: 64	3 Indicators 3 Met 0 Missed
Public Benefit HUD helps to ensure that organizations working on the front lines to address community needs have a seat at the table in government programs and policy-making decisions. The Center for Faith-Based and Neighborhood Partnerships (formerly the “Center for Faith-Based and Community Initiatives”) 1) serves as a resource center to conduct outreach and share information with faith-based and neighborhood organizations about HUD programs and partnership opportunities, 2) convenes non-profits and other local stakeholders to identify and work to address ongoing community needs, especially through peer learning and promotion of best practices, and 3) provides technical assistance to faith-based and secular neighborhood and non-profit organizations working to address housing and community related purposes.	
Key Selected Accomplishments <ul style="list-style-type: none">➤ The Center expanded its reach to constituents through launching its new website and through extensive representational travel to a series of conferences and gatherings. [See page 39 of the full PAR.]➤ The Center reached over 50,000 individuals and over 4,000 individual organizations through its outreach and programs in FY 2009. [See page 39 of the full PAR.]➤ The Center also heavily promoted the call to service by Secretary Donovan and President Obama’s “United We Serve” agenda by encouraging hundreds of non-profits across the country to offer volunteer opportunities to citizens in their communities that benefit both the volunteers and some of the nation’s most vulnerable citizens. [See page 39 of the full PAR.]	
Challenges <ul style="list-style-type: none">➤ At a time of heightened need across American communities, the effects of the recession have impacted many non-profits and human services providers. Many of these non-profits and human service providers have seen a sharp decline in assets and programming dollars. [See page 39 of the full PAR.]	
Looking to the Future <ul style="list-style-type: none">➤ The Center will continue to work with other HUD offices to develop strategies, especially related to technical assistance and capacity building, to support the efforts of partners who are trying to accomplish more with less. [See page 39 of the full PAR.]➤ In FY 2010, the Center will be working closely with other HUD offices to invest in improved data collection and to refine metrics to assess the outcomes of all program activities, but especially outreach, partnership initiatives, and the provision of technical assistance. [See page 39 of the full PAR.]	

The Recovery Act

The Recovery Act includes \$13.6 billion for projects and programs administered by the U.S. Department of Housing and Urban Development, nearly 75 percent of which was allocated via formulaic grants to state and local recipients on February 25, 2009 – only eight days after the President signed the Act into law. The remaining 25 percent of funds are being awarded via competition, with full distribution expected by early 2010.

Through these programs, HUD has committed the Recovery Act funds quickly and responsibly, obligating over \$11.3 billion (approximately 83 percent) to grantees as of end of FY 2009. Of the total amount obligated, nearly \$1.5 billion (or 14 percent) has been disbursed to the grantees.



More information on HUD Recovery Act Activities/Accomplishments is available online at <http://portal.hud.gov/portal/page/portal/RECOVERY>.



**The Recovery Act allocated \$15M to the HUD Office of Inspector General for oversight and audit of the Recovery Act funded programs, grants, and activities.*

Management and Performance Challenges

The Department's management and the Office of the Inspector General have worked in a close, collaborative manner during the past year, recognizing the challenges confronting the Department due to the economic crisis facing the country. The OIG issued a memorandum on October 14, 2009, that summarizes their current assessment of the most serious management and performance challenges facing HUD in fiscal year 2010. Management agrees with the OIG's assessment of major challenges facing the Department. The complete Office of the Inspector General memorandum is located online at <http://www.hud.gov/offices/cfo/reports/pdfs/mpc.pdf>, and is extracted and segmented on pages 318 through 338 in the full PAR, and includes additional management comments. The following table summarizes the Departmental challenges and progress addressing each challenge.

Summary of Management and Performance Challenges Progress
CHALLENGE: OVERSIGHT OF AMERICAN RECOVERY AND REINVESTMENT FUNDS
OIG Statement: Carrying out the goals of the Recovery Act, managing the influx of mortgages and refinancing and conducting its normal operations are a significant challenge.
Actions Taken: <ul style="list-style-type: none">✦ Developed and implemented an enhanced, streamlined Front-End Risk Assessment process to evaluate potential risks and control techniques for each of the Recovery Act funded programs, following GAO's five standards of internal control.✦ Targeted technical assistance on capacity building and new program objectives.✦ Provided for risk-based targeting of on-site monitoring using prior audit and monitoring findings and other risk indicators.
CHALLENGE: SINGLE FAMILY PROGRAMS
OIG Statement: Effective management of the single family mortgage portfolio is a continuing challenge and also raises concern that increases in demand on the FHA program are having collateral implication for the integrity of the Ginnie Mae mortgage-backed securities program.
Actions Taken: <ul style="list-style-type: none">✦ Identified the key issues and has developed plans to remediate the risks, and is seeking additional resources to ensure that FHA has adequate staff and Information Technology support to deal with the increased volume.✦ Placed additional provisions to strengthen GNMA issuer requirements and procedures to strengthen the review and monitoring process.

Summary of Management and Performance Challenges Progress

CHALLENGE: HUMAN CAPITAL MANAGEMENT

OIG Statement: A major challenge is effective management of HUD's limited staff to accomplish its primary mission.

Actions Taken:

- Established a workforce analysis process that will require program offices to examine the costs of each position over the course of the fiscal year prior to submitting their hiring plans to ensure that the hiring actions requested are in compliance with their budget allocations.
- Established a Human Resources Transformation Steering Committee with responsibility for prioritizing human capital challenges and making key decisions as well as serving as a conduit to resolve any problems between the Office of Human Resources and its client organizations regarding policy, roles, and authorities.
- Established agency SWAT Team, led by HUD's Deputy Secretary, to implement human capital improvements in HUD's hiring processes.

CHALLENGE: FINANCIAL MANAGEMENT SYSTEMS

OIG Statement: The Department lacks an integrated financial management system.

Actions Taken:

- Developed an FHA IT Strategy and Improvement Plan to address the challenges in this area.
- Confirmed that all systems have been certified and accredited to comply with the Federal Information Security Management Act.

CHALLENGE: PUBLIC AND ASSISTED HOUSING PROGRAM ADMINISTRATION

OIG Statement: Administration of housing assistance program funds under various grant and subsidy programs to multifamily project owners and public housing agencies.

Actions Taken:

- Continued the procurement action to modernize HUD's financial management system as required by law.
- In the process of designing a comprehensive system to better manage and administer the Housing Choice Voucher Program to have prompt data accessibility and reporting, as well as research and demonstration efforts.
- Developing and modifying information technology systems to combat problems of late payments, improper payments, and inaccurate contract data for the Project-Based Rental Assistance program.
- HUD's proposed Transformation Initiative in the FY 2010 Budget would make available resources for program demonstrations, enabling the rigorous testing of alternatives and enhancements to improve effectiveness and efficiency of federal housing assistance programs.

Summary of Management and Performance Challenges Progress	
CHALLENGE: ADMINISTERING PROGRAMS DIRECTED TOWARD VICTIMS OF NATURAL DISASTERS	
OIG Statement: Balancing the speed of fund distribution versus the need for accountability and controls in administering the distribution of disaster funds.	
Actions Taken: <ul style="list-style-type: none"> ➤ Provided substantial guidance and technical assistance in the area of internal controls. ➤ Conducted annual risk analysis of each grantee. 	

Financial Statements

HUD's financial statements are found in Section 3 in the PAR (see link below). HUD's principal financial statements have been prepared from the Department's accounting records in order to report the financial position and results of HUD's operations, pursuant to the requirements of 31 U.S.C. 3515 (b). A Consolidated Balance Sheet and key financial items are shown below.

Consolidated Balance Sheet (condensed)
As of September 30, 2009 and 2008
(Dollars in Millions)

ASSETS	<u>2009</u>	<u>2008</u>
Total Intragovernmental Assets	\$133,567	\$114,105
Credit Program Receivables and Related Foreclosed Property	8,058	9,565
Other Assets	1,697	1,366
TOTAL ASSETS	\$143,322	\$125,036
LIABILITIES		
Total Intragovernmental Liabilities	\$7,128	\$7,274
Loan Guarantees	34,153	19,613
Other Governmental Liabilities	3,694	3,634
TOTAL LIABILITIES	\$44,975	\$30,521
NET POSITION		
Unexpended Appropriations - Earmarked (Note 18)	\$11,720	(\$376)
Unexpended Appropriations	66,203	66,832
Cumulative Results of Operations - Earmarked (Note 18)	14,634	14,089
Cumulative Results of Operations	5,790	13,970
TOTAL NET POSITION	\$98,347	\$94,515
TOTAL LIABILITIES AND NET POSITION	\$143,322	\$125,036

Summarized Data
(Dollars in Millions)

	<u>2009</u>	<u>2008</u>
Net Cost of Operations	\$58,657	\$57,154
FHA Insurance-In-Force ¹	\$817,122	\$575,462
Ginnie Mae Mortgage-Backed Securities Guarantees	\$826,000	\$576,800
Other HUD Program Commitments	\$68,423	\$57,027
Improper Payment Rate	3.5%	3.5%

Figures reflected in the above presentations may not add to totals because of rounding.

¹Last year, the FHA Insurance-In-Force (IIF) for FY 2008 was reported as \$573,196 million. This was based on the Outstanding Principal of Guaranteed Loans' Face Value. FHA, however, reports IIF based on the Amount of Outstanding Principal Guaranteed. This and future reports will conform to FHA reporting practices. Also, the Home Equity Conversion Mortgage (HECM) loans have been moved to the Mutual Mortgage Insurance (MMI) fund, and this year's figures include the Current Outstanding Balance of HECM loans, which was \$43,741 million for FY 2008 and \$59,877 million for FY 2009.

Independent Auditor's Report

The Office of Inspector General (OIG) of HUD performed an independent financial audit for FY 2009. The subsequent information below is a brief summary of the audit. External accounting firms conducted independent audits of GNMA and FHA. Audit results provide an important indication of the financial performance, reliability, and management of the public funds entrusted to HUD. The result of this audit represents the tenth consecutive year that HUD has received an unqualified or "clean" audit opinion. OIG's full report is located at: www.hud.gov/offices/oig/reports/files/ig10f0003.pdf.

Management Comment

As mentioned above, HUD received an unqualified opinion from its auditors on the FY 2009 financial statements. Attainment of an unqualified opinion is a high-water mark for any organization. HUD's accomplishment of having no material weaknesses for the second consecutive year is noteworthy, however the auditors identified eleven significant deficiencies, of which four were new this FY, for the Department. Progress continues to be made toward resolution of deficiencies identified in prior years, and corrective action plans are being developed to address the new deficiencies identified in this year's audit. Overall, HUD's favorable "clean" financial audit result affirms our continued commitment to financial and management excellence.

Management Assurances

The Department of Housing and Urban Development's (HUD) management is responsible for establishing and maintaining effective internal controls and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act of 1982 (FMFIA), Sections 2 and 4. HUD conducted its assessment of the effectiveness of its internal control over the efficiency and effectiveness of operations and compliance with applicable laws and regulations in accordance with OMB Circular A-123, *Management's Responsibility for Internal Control*. Based on the results of this evaluation, HUD can provide reasonable assurance that its internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations, as of September 30, 2009, was operating effectively with no material weaknesses found in the design of its operations of the internal controls.

The Secretary has determined that the Department is in compliance with the Federal Financial Management Improvement Act of 1996 (FFMIA), although our auditor has opined that the Department's financial management systems did not substantially comply with the Act (for more detailed information, see Section 3 of the full PAR, *Independent Auditor's Report*). HUD management disagrees with the audit opinion, and asserts that our financial management systems satisfy OMB's three-part requirement needed to report substantial compliance with FFMIA. [See page 56, 2nd paragraph, FFMIA section of the full PAR for further details.



This page intentionally left blank

If you have any questions or comments, please call

Frank Murphy
Assistant Chief Financial Officer for Financial Management
at 202-402-3466.

Written comments or suggestions for improving this report
may be submitted by mail to:

U.S. Department of Housing and Urban Development
451 7th St. SW, Room 2210
Washington, DC 20410
Attention: Frank Murphy
Assistant Chief Financial Officer for Financial Management

Or by e-mail to

Frank.J.Murphy@hud.gov

For additional copies of this report, please call the
CFO's Office for Financial Management

at 202-402-6544

or e-mail Anthony.A.Twyman@hud.gov

To view the report on the internet, go to the following website:

www.hud.gov/offices/cfo/reports/2009par.cfm

This Report is Available on the Web at:
<http://www.hud.gov/offices/cfo/reports/2009par.cfm>

