U.S. Department of Housing and Urban Development

Performance and Accountability Report

Fiscal Year 2009

www.hud.gov

An Overview of the Performance and Accountability Report

The Department of Housing and Urban Development's (HUD) Performance and Accountability Report for Fiscal Year (FY) 2009 provides performance and financial information to the President, the Congress, and the American people. The report allows readers to assess HUD's performance relative to its mission, strategic goals and objectives, and stewardship of public resources. The report is divided into four sections:

Section 1 – Management's Discussion and Analysis. This section provides an overview of HUD's FY 2009 results, both performance and financial, and includes the following categories:

- Mission, organization, and major program activities;
- Strategic Goals, including FY 2009 program results, successes and challenges, and a look at the future;
- Management Assurances concerning compliance with laws and regulation; and
- Analysis of Financial Condition and Results for FY 2009.

The Management's Discussion and Analysis is supported and supplemented by detailed information contained in the other three sections of this report.

Section 2 – Performance Information. This section provides detailed information on HUD's progress toward achieving each of the Department's strategic goals, objectives, and annual targets identified in the Department's Annual Performance Plan for FY 2009 (available online at http://www.hud.gov/offices/cfo/reports/pdfs/app2009.pdf). This includes detailed explanations and future plans for the goals and objectives that HUD did and did not achieve.

The following six strategic goals guide the Department's programs in achieving HUD's mission, as detailed in the current six-year Strategic Plan and Annual Performance Plan:

A.	Increase homeownership opportunities	**D.**	Ensure equal opportunity in housing
B.	Promote decent affordable housing	**E.**	Embrace high standards of ethics, management, and accountability
C.	Strengthen communities	**F.**	Promote participation of faith-based and community organizations

Section 3 – Financial Information. This section presents HUD's consolidated financial statements and accompanying notes for FY 2009 and the independent auditor's report on those financial statements. This section also contains Required Supplementary Stewardship Information and Required Supplementary Information.

Section 4 – Other Accompanying Information. This section presents other required or Agency deemed important information such as Improper Payments Information Act (IPIA) reporting and the HUD Office of Inspector General's (OIG) independent assessment of the Department's major management and performance challenges, as well as progress in addressing those challenges. Management's response to the OIG's identified management and performance challenges is integrated within the OIG's narrative.

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Message from the Secretary

November 16, 2009

I am honored to present the U.S. Department of Housing and Urban Development's annual Performance and Accountability Report (PAR) for FY 2009. This report describes our financial and performance results during a year of financial upheaval for our Nation.

For the 10th consecutive year, the Department has earned a "clean" opinion on its financial statements from independent auditors, and, for the 2nd consecutive year, the Department has no material weaknesses. Although our performance data are complete and reliable, we continue to improve our timeliness and accuracy as discussed in the Management's Discussion and Analysis section of this report. This section of the report also 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 Congress and President Obama have strategized 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. Our work touches 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. In the midst of a credit crunch, the Federal Housing Administration (FHA) is playing a critical countercyclical role. FHA's home purchase mortgage insurance business represented 23.1 percent of single family mortgage dollar volume in the first 3 quarters of FY 2009, up from 3.9 percent in 2007. Including refinanced homes, FHA assisted nearly 1.95 million households in FY 2009. HUD is actively leading the efforts in foreclosure mitigation, homeownership counseling, and curbing mortgage abuse and lending discrimination. HUD is an instrumental player in the federal government's efforts to rethink and develop a regulatory structure governing the housing sector to prevent the repetition of the reckless and speculative lending that precipitated the current housing crisis. In addition, FHA's mortgage insurance programs are being updated to better serve today's homebuyers. FHA is currently instituting credit policy changes to strengthen its programs so that they will be available for future generations of homebuyers. And, as it has always done, FHA will continue to employ financially sound underwriting techniques in evaluating the mortgages it insures. That practice has enabled the FHA single family mortgage insurance programs to operate over the years without extraordinary assistance from the Congress or the American taxpayer.

Under the American Recovery and Reinvestment Act (Recovery Act), HUD also received an additional $2 billion to continue the Neighborhood Stabilization Program (NSP) that was established in 2008 to help address and mitigate the Nation's foreclosure crisis. NSP provides grant funds to state and local governments and nonprofit organizations to stabilize communities and neighborhoods that have been negatively affected by foreclosures.

HUD is essential to broader economic recovery and restructuring, given its power to generate jobs quickly and catalyze housing construction and renovation. The Recovery Act invested $13.6 billion in HUD programs in an ambitious effort to modernize and "green" the public and assisted housing inventory, jumpstart the stalled low-income housing tax credit market, stabilize neighborhoods hard hit by foreclosures, and prevent homelessness. With affordable housing renovation and construction underfunded in recent years, the Recovery Act initiatives will generate local jobs in neighborhoods hardest hit by unemployment. By the end of the fiscal year, 83 percent of the Recovery Act funds had been obligated, and 14 percent of obligated funds had been disbursed. Public tracking of job creation will commence later this month.

HUD is critical to addressing the structural gap between household incomes and housing prices and the persistent unaffordability of housing. HUD already plays an important role in making housing affordable through its investments in rental vouchers, public and assisted housing, and HUD-funded efforts led by states and localities. These efforts recognize that 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 first rate schools, continuing education, good jobs, and vital health services. By the end of FY 2009, 4.7 million rental households in America were receiving assistance through HUD programs.

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 continues its ongoing efforts to rebuild in the Gulf Coast states that were damaged by hurricanes in 2005. In FY 2009, HUD disbursed $9.8 billion for homeowner compensation payments to 150,122 grantees. This year, HUD's Gulf Coast recovery grantees had at least 41,372 units of affordable rental housing in development.

HUD assures that Fair Housing laws are publicized and enforced. HUD also is taking proactive steps to address lending discrimination as part of the Department's Mortgage Abuse Initiative. During the fiscal year, 60 percent of complaints received were closed within 100 days, and 97 percent of prior year complaints were closed. The Department has included an increase in its FY 2010 funding to expedite the handling of complaints. Also in FY 2009, HUD held 933 education and outreach events, reaching more than one million people, in the Department's effort to educate the public on their rights and obligations provided under the Fair Housing Act and substantially equivalent state and local fair housing laws. We will remain vigilant in our efforts to educate citizens with respect to housing and lending rights and responsibilities and to ensure that the rights of all Americans are protected 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. HUD is establishing unprecedented partnerships with the Departments of Transportation, Health and Human Services, Education, and Energy, and with the Environmental Protection Agency to ensure that the location of affordable housing enhances access to public transportation, health services, employment, energy conservation, "greening" of the environment, and educational opportunities. These collaborative efforts establish community development and redevelopment as critical components to addressing climate change and energy independence.

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.

The President's budget request for FY 2010 includes the development of a "Transformation Initiative" that would dedicate one percent of HUD's budget to 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.

- 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.

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.

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

Management's Discussion and Analysis

Mission, Organization, and Major Program Activities

Our Mission

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

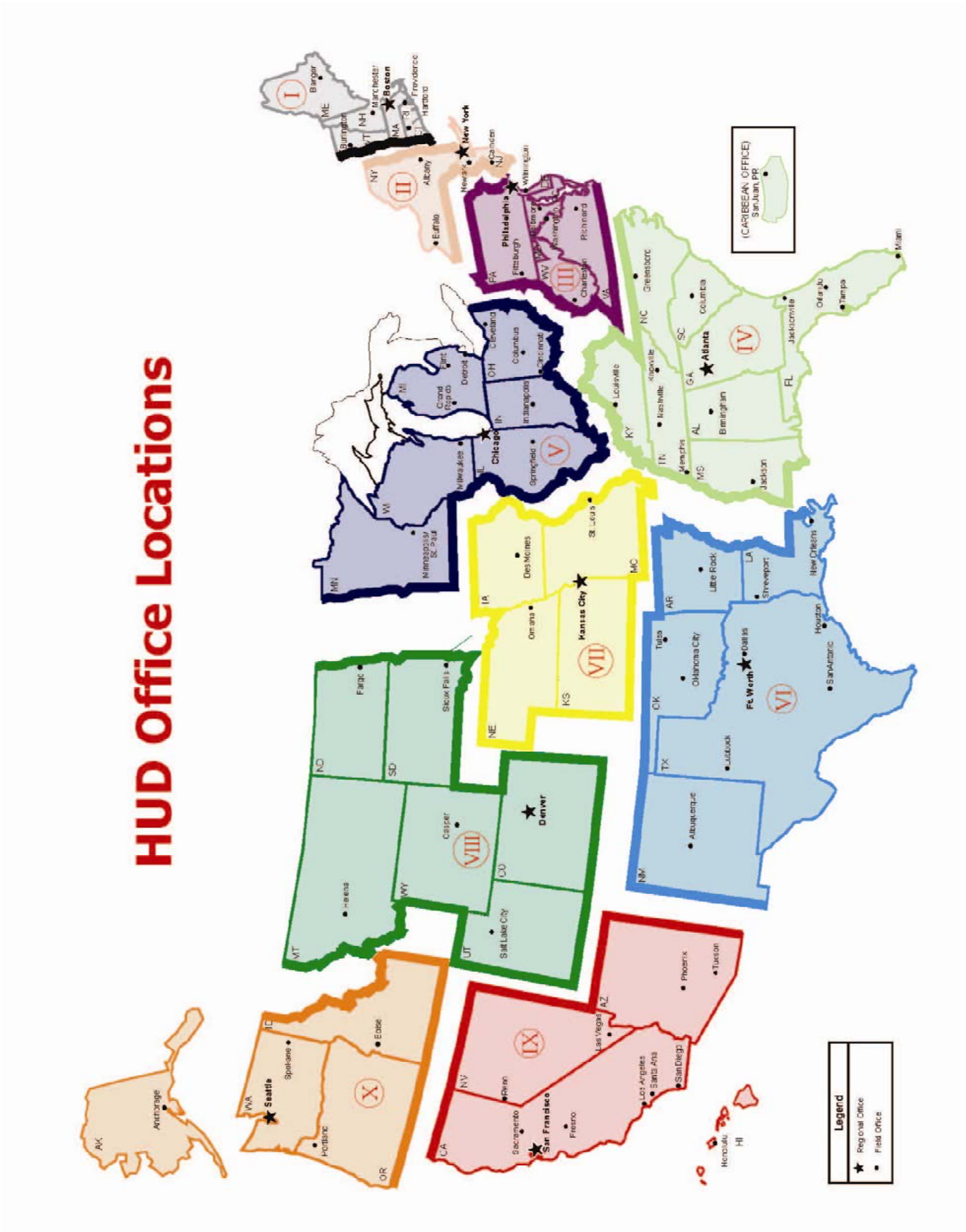
These words, from HUD's Strategic Plan, go back to the heart of the Housing Act of 1937, which declared it a national policy to "assist the several states and their political subdivisions to remedy the unsafe and unsanitary housing conditions and the acute shortage of decent, safe, and sanitary dwellings 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."

Subsequent legislative and political changes have broadened the scope of the nation's housing policy, and in 1965 the United States Congress established the Department of Housing and Urban Development (HUD) as an Executive, Cabinet-level agency, to:

- Foster the orderly growth and development of the nation's urban areas;
- Coordinate Federal activities affecting housing and urban development;
- Provide technical assistance and information to aid state, county, town, or other local governments in developing solutions to community and metropolitan development problems;
- Encourage effective regional cooperation in the planning and conduct of community and metropolitan development programs and projects;
- Encourage and develop the fullest cooperation with private enterprise in achieving the objectives of the Department; and
- Conduct continuing comprehensive studies, and make available findings, with respect to the problems of housing and urban development.

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 currently to help address the worst economic crisis since the Great Depression.

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 (shown below), as well as through grantees, contractors, and other business partners.


HUD Office Locations
(CARIBBEAN OFFICE)
San Juan, PR
Legend
Regional Office
Field Office

HUD program areas include:

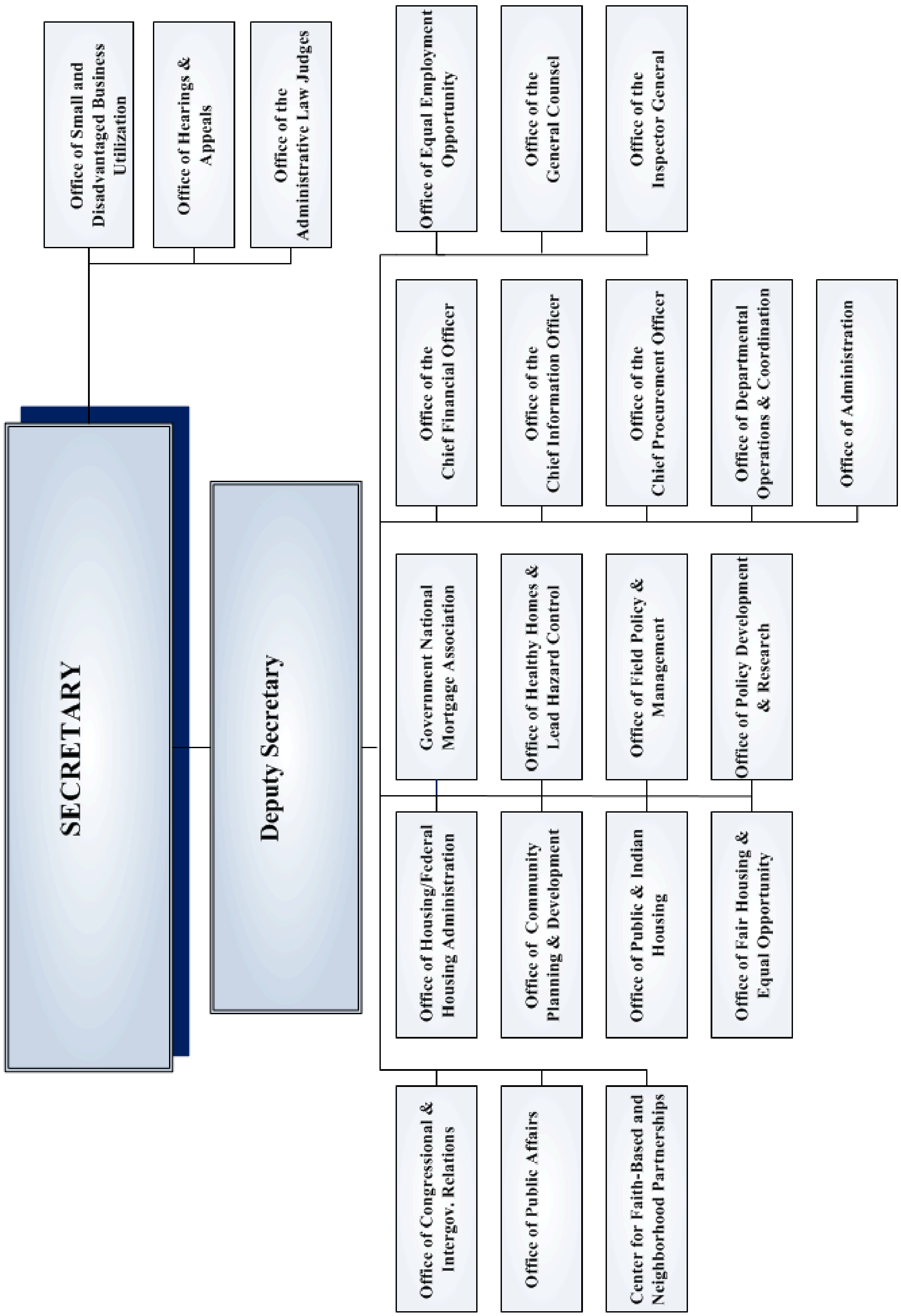
- The Office of Housing – Federal Housing Administration (Housing/FHA),
- The Government National Mortgage Association (Ginnie Mae),
- The Office of Public and Indian Housing (PIH),
- The Office of Community Planning and Development (CPD),
- The Office of Fair Housing and Equal Opportunity (FHEO),
- 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 and their respective major activities, are shown on the organization chart and table that follow.

One of these support organizations plays a unique role in the formulation of policy and program design – the Office of Policy Development and Research. This Office is responsible for maintaining current information on housing needs, market conditions, and existing programs, as well as conducting research on priority housing and community development issues. The Office also provides objective program evaluation, data, and analysis to inform policy decisions and improve program results.

Major changes to HUD's organizational structure will occur in FY 2010, including the establishment of three new offices within the Office of the Deputy Secretary: the Office of Sustainable Housing and Communities, the Office of Strategic Planning and Management, and the Office of the Chief Operating Officer. These organizational changes will help guide fundamental changes throughout the Department that will promote a greater focus on the nation's needs and better results in our key areas. The proposed Office of Sustainable Housing and Communities will manage HUD's relationships with other Cabinet agencies and provide communities with the support they need to ensure housing, transportation, energy, and "green" building investments are working together to build strong neighborhoods. The Office of Strategic Planning and Management, currently located in the Office of the Chief Financial Officer, facilitates and manages HUD's strategic planning and performance measurement process and oversees HUD's FY 2009 Recovery Act programs with $13.6 billion in funding. HUD's proposed new Office of the Chief Operating Officer will provide leadership and a comprehensive strategy for HUD's operations, including procurement, human resources, and information technology with direct oversight from the Deputy Secretary.

HUD's Organization and Reporting Structure (FY 2009)

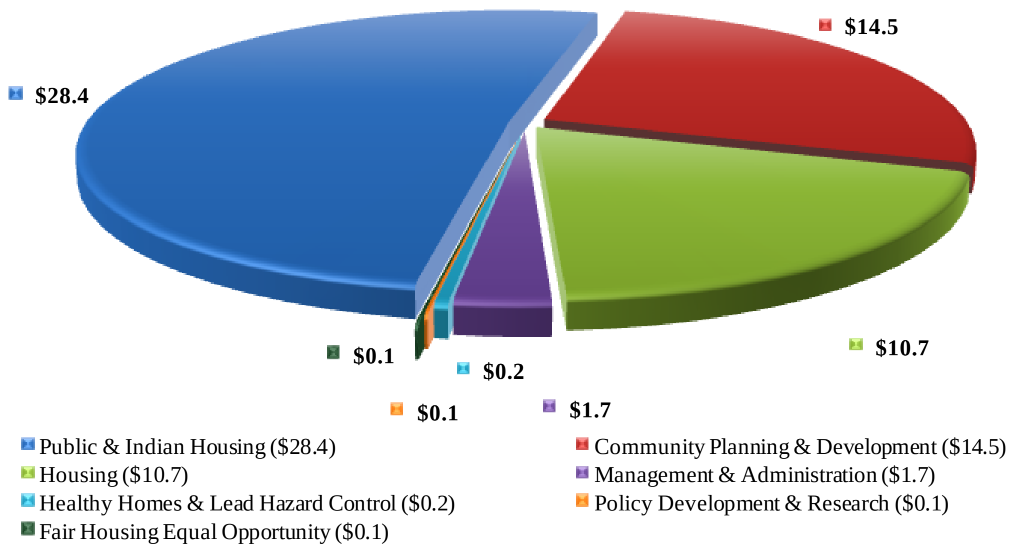


Major Activities

	Homeownership Opportunities
Federal Housing Administration	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.
Ginnie Mae	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 a 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.

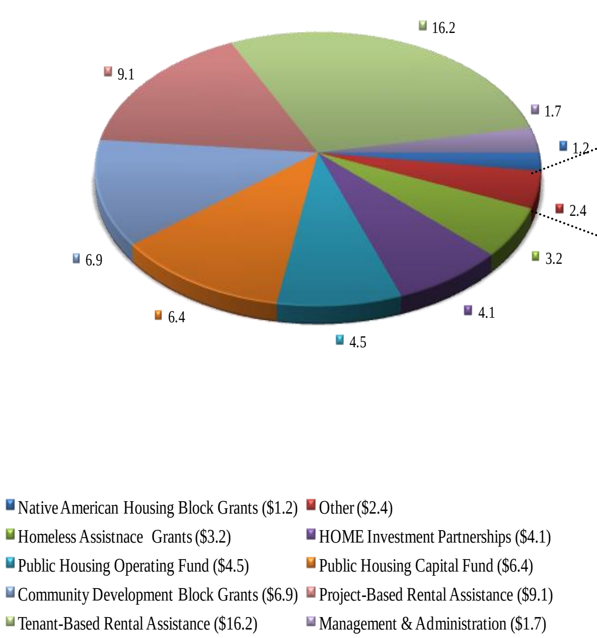
As noted in the table on the previous page, the Department's major activities cross organizational boundaries. It is HUD's team approach that enables the Department to be focused and effective in supporting HUD's mission and achieving its Strategic Goals. Resources, i.e., budget authority, for HUD's principal organizations and programs are shown in the charts below:

HUD FY 2009 Discretionary Gross Budget Authority (*$55.7 billion)
Dollars In Billions

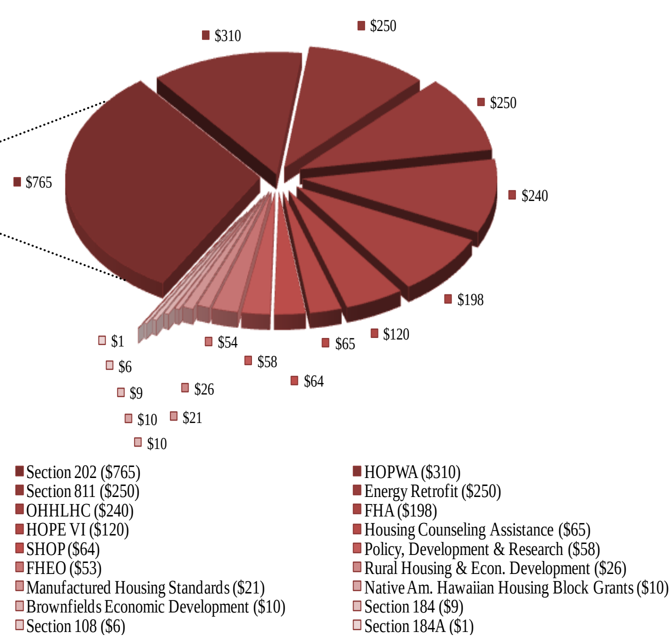


**Gross budget authority includes Recovery Act funds.*

HUD FY 2009 Major Programs With Budget Authority >$1B
Dollars In Billions



HUD FY 2009 "Other" Programs With Budget Authority <$1B*
Dollars In Millions



**Numbers are rounded.*

The resources (dollars and staff) allocated to HUD strategic goals are reflected on the table shown below:

STRATEGIC GOAL A Increase Homeownership Opportunities	
Summary	**FY 2009 Actual**
Expenditures ($M)	$13,571.5
Staffing	1,235

STRATEGIC GOAL B Promote Decent Affordable Housing	
Summary	**FY 2009 Actual**
Expenditures ($M)	$34,474.2
Staffing	3,046

STRATEGIC GOAL C Strengthen Communities	
Summary	**FY 2009 Actual**
Expenditures ($M)	$5,550.8
Staffing	971

STRATEGIC GOAL D Ensure Equal Opportunity in Housing	
Summary	**FY 2009 Actual**
Expenditures ($M)	$21.1
Staffing	655

STRATEGIC GOAL E Embrace High Standard of Ethics, Management, and Accountability	
Summary	**FY 2009 Actual**
Expenditures ($M)	$8,125.1
Staffing	2,910

STRATEGIC GOAL F Promote Participation of Faith-Based and Community Organizations	
Summary	**FY 2009 Actual**
Expenditures ($M)	$1.8
Staffing	64

TOTAL	
Expenditures ($M)	**$61,744.5**
Staffing	**8,881**

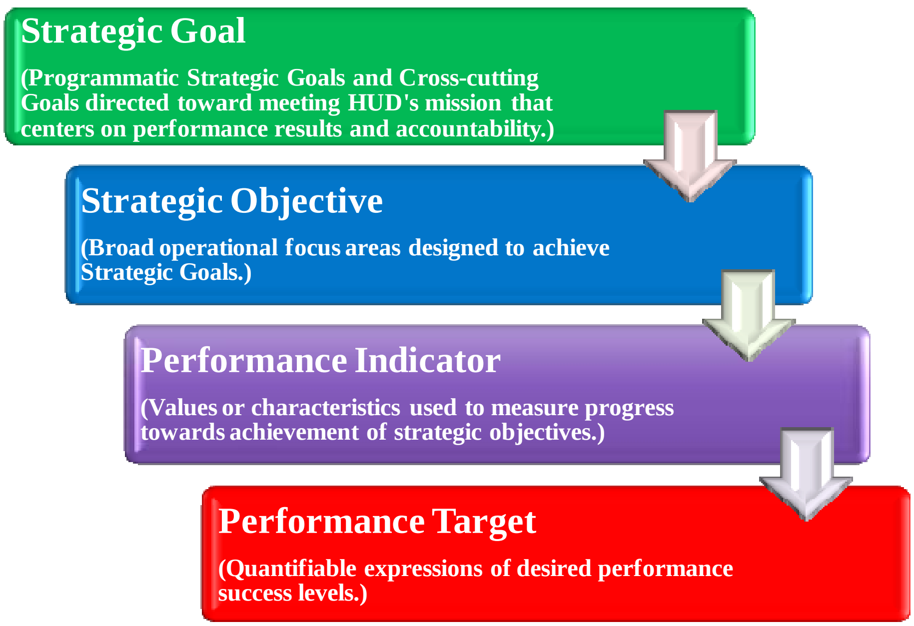
The expenditures reflected on the above table represent prorated gross costs, less unassigned costs of $182 million, as reported on the Consolidated Statement of Net Cost found in Section 3 of this report.

HUD's Strategic Framework

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. In accordance with the above requirement, the Department is updating the Plan to better capture the existing challenges and roles of the Department and the priorities of the new Administration. The Department expects to provide the updated Strategic Plan for Congressional consideration and public comment in January 2010. This report addresses the FY 2009 results, accomplishments, and challenges in conjunction with the current Strategic Plan.

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 this annual report to the President, the Congress, and the public.

HUD's four-tiered performance management framework for measuring performance begins by setting strategic goals and is illustrated in the following chart:



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.

HUD's Strategic Goals

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 oportunities. A2: Increase minority homeownership. A3: Make the homebuying process less complicated and less expensive. A4: Reduce predatory lending through reform, education, and enforcement. A5: Help HUD-assisted renters become homeowners. A6: Keep existing homeowners from losing their homes.	B1: Expand access to and availability of decent, affordable rental housing. B2: Improve the management accountability and physical quality of public and assisted housing. B3: Improve housing opportunities for the elderly and persons with disabilities. B4: Promote housing self-sufficiency. B5: Facilitate more effective delivery of affordable housing by reforming public housing and the Housing Choice Voucher program.	C1: Assist disaster recovery in the Gulf Coast region. C2: Enhance sustainability of communities by expanding economic opportunities. C3: Foster a suitable living environment in communities by improving physical conditions and quality of life. C4: End chronic homelessness and move homeless families and individuals to permanent housing. C5: Address housing conditions that threaten health.

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.

FY 2009 Performance Overview

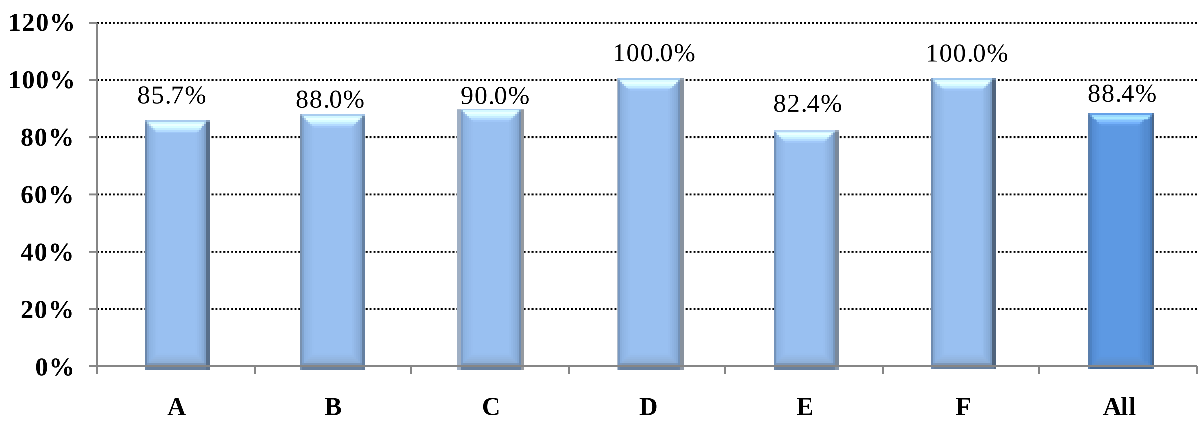
The Department and the nation have faced an extremely challenging year as the economic crisis continued. President Obama and Secretary Donovan recognize the importance of a recovery in the housing arena as a bedrock to the revitalization of the nation's economy. The Department's programs place HUD at 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 national 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.

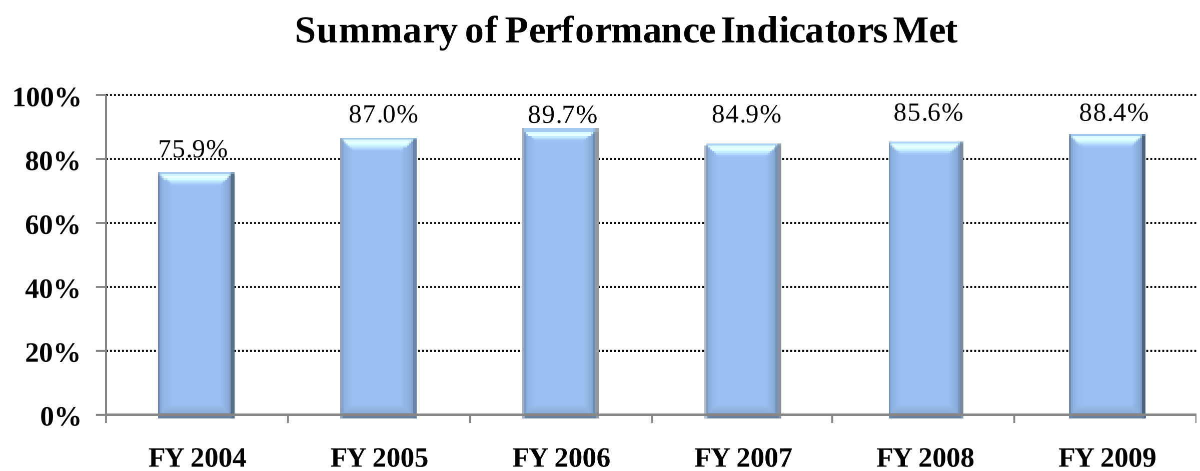
HUD's FY 2009 Overall Results

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



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.

The following pages provide a high level summary, including accomplishments, challenges, and forward looking information on each of HUD's strategic goals. 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 40 of this document, and a further explanation appears in the Management Challenges narrative found in Section 4.

Goal A: Increasing Homeownership Opportunities

For those ready to become a homeowner, 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 *The Social Consequences of Homeownership*. 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.

Historically, HUD's strategic goal of increasing homeownership opportunities has been achieved primarily through providing FHA single family mortgage insurance, improving decision-making through housing counseling, and fighting practices that permit predatory lending. In addition, several other HUD programs support homeownership, among which are: Community

Development Block Grants, HOME Investment Partnerships, Self-help Opportunities program, Native American Housing Assistance and Self-Determination, and HOPE VI.

Under the Recovery Act, HUD also received an additional $2 billion to continue the Neighborhood Stabilization Program (NSP) that was established in 2008 to help address and mitigate the nation's foreclosure crisis. NSP provides grant funds to state and local governments and non-profit organizations to stabilize communities and neighborhoods that have been negatively affected by foreclosures.

Accomplishments

This year, the Department has had an increased focus on keeping families in their homes, while still assisting potential home buyers in attaining their dream of homeownership. There are several key programs that contributed to the accomplishment of these objectives.

Making Home Affordable (MHA)

The MHA program was launched in February 2009 as a joint effort of HUD and the Department of the Treasury to strengthen homeownership and to reduce foreclosures and abandonment. The initiative includes two key components:

- The Home Affordable Refinance Program (HARP), which helps families refinance into lower interest rate mortgages; and
- The Home Affordable Modification Program (HAMP), which is providing up to $75 billion, including $50 billion from the Troubled Asset Recovery Program, to offer incentives to all parties for making mortgage modifications that will provide sustainable, affordable mortgage payments for borrowers.

At the outset, MHA allowed homeowners to refinance up to 5 percent above their current appraised value. On July 1, 2009, Secretary Donovan announced that this program would expand, allowing refinancing of FHA-insured mortgages for up to 125 percent of the value of the home for eligible homeowners. Beginning August 15, 2009, the MHA added another tool to help homeowners by allowing eligible borrowers to permanently reduce their mortgage payment through the use of a partial claim, which defers the repayment of mortgage principal through an interest-free subordinate mortgage that is not due until the first mortgage is paid off. This program has been extremely successful in keeping homeowners in their homes. As of September 30, 2009, 487,081 borrowers have received either temporary or permanent loan modifications through MHA.

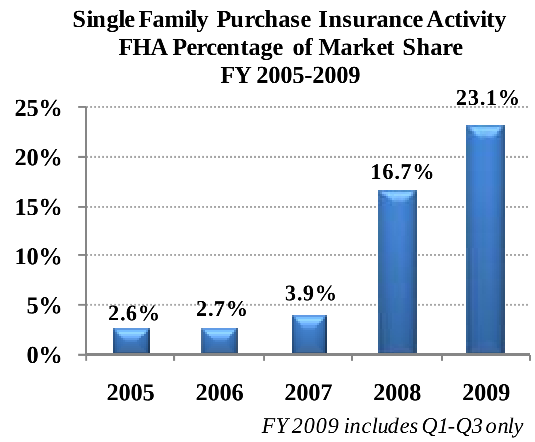
Housing Counseling Assistance

The Housing Counseling program supports the Department in achieving its strategic goal to increase homeownership opportunities through delivery of a wide variety of housing counseling services to potential homebuyers and existing homeowners. The FY 2009 performance goal to ensure that at least 30 percent of clients receiving pre-purchase counseling attain the outcome of purchasing a home or becoming mortgage-ready within 90 days was significantly exceeded at

42.2 percent. In addition, HUD significantly exceeded the 80 percent target for total mortgagors that complete counseling for resolving or preventing mortgage delinquency and then successfully avoid foreclosure, with a result of 96.8 percent. The levels for both goals achieved reflect the results through the third quarter of FY 2009, which is the most recent data. [For more detailed information, see Section 2, Indicators A.8 and A.10.]

During the current economic crisis, FHA has contributed to preventing foreclosures through its loss mitigation programs. For the fiscal year that ended September 30, 2009, approximately 450,000 loss mitigation transactions were processed for FHA borrowers. These transactions consisted of 322,000 forbearances 21,000 special forbearances, 84,000 loan modifications, and 23,000 partial claims. [For more detailed information, see Section 2, Indicator A.16.]

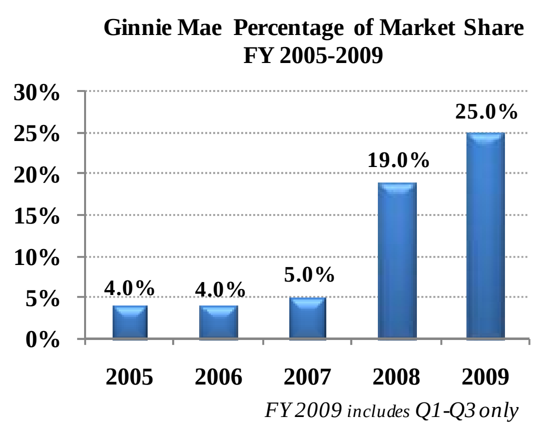
FHA Single Family Insurance



FHA's main programs are designed to promote sustainable homeownership by stabilizing the availability of mortgage credit in the marketplace via mortgage insurance, which encourages lending to households not served or underserved by the private sector, most notably first time and minority homebuyers.

The number of FHA single family mortgage insurance endorsements during FY 2009 was 1,947,158, exceeding the number of FY 2008 endorsements of 1,200,111, an increase of 62 percent (and which represents nearly a third of the total mortgage market). Of those endorsements, the share that went to first time homebuyers was approximately 79 percent, and the percentage to minorities was 32 percent. The goal for endorsements to first time homebuyers was exceeded by 6 percentage points while the goal for minorities (Goal A.7) was missed by 1.0 percent, as performance in this area was significantly constrained by the housing market and economic conditions. [For more detailed information, see Section 2, Indicators A.5, A.6, and A.7.]

Ginnie Mae



Ginnie Mae expands affordable housing by working with private lending institutions that issue eligible government insured loans, which are then pooled as collateral for Ginnie Mae Mortgage Backed Securities. These pooled securities are sold to investors with the proceeds then being returned to the Mortgagees to be lent out again, expanding homeownership. The full faith and credit of the U.S. government back these pooled loans, guaranteeing the payment of principal and interest, as they are insured by FHA, the Department of Veterans Affairs, the Office of Public and Indian Housing, and the Department of Agriculture's Rural Development Housing and Community Facilities Program. Ginnie Mae's share of the secondary mortgage market also increased during the year to over 30 percent. (More information about Ginnie Mae is available at http://www.ginniemae.gov/.)

Other Programs

CPD and PIH also contributed to the goal of providing homeownership assistance through various programs targeted to help specific groups of low- and moderate-income households. CPD targeted assistance to 34,145 households in FY 2009 through its HOME program, and actually provided assistance to 35,610 low-income homebuyers and homeowners. Additionally, through the CDBG program, HUD provided assistance to an estimated 106,367 households, of which 2,441 households received homeownership assistance, and 103,926 units of owner-occupied rehabilitation were completed. A total of 2,417 loan guarantees were also provided through PIH's Sections 184 and 184A Loan Guarantee programs for Indian and Native Hawaiian housing, targeted at 1,717 loan guarantees for FY 2009. [For more detailed information, see Section 2, Indicator A.1.]

Challenges

The complexity and severity of the economic downturn has been a challenge to HUD's efforts to assist homeowners. Those challenges are noted below:

Stability of FHA

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 Fund will remain financially sound.

FHA's combined reserve funds hold more than $31 billion in reserves. The capital reserve ratio, which is an indicator of the financial soundness of the fund, has dropped below two percent, due to higher than expected future net losses as a result of the severe decline in house prices, overall performance of the economy, and future housing price projections. However, the combined reserves are more than sufficient to meet all but the most catastrophic likelihoods. Further, the capital ratio is projected to rise above the Congressionally-mandated level within a few years without any program modifications, and the Department is not seeking taxpayer assistance. [For more detailed information, see Section 2, Indicator E.8.]

Hope for Homeowners (H4H)

The H4H 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. Under the program, borrowers having difficulty paying their mortgages will be eligible to refinance into FHA-insured mortgages they can afford. Participating lenders receive an incentive to "write down" the size of the mortgage and extend the term to 360 months.

Looking to the Future

HUD's FY 2010 budget includes a comprehensive "Combating Abusive and Fraudulent Mortgage Practices" initiative. The $37 million, cross-cutting initiative has three major objectives: 1) ensure fair lending with respect to discrimination and abusive loan modifications; 2) effectively enforce the Real Estate Settlement Procedures Act and the Secure Fair Enforcement Mortgage Licensing Act of 2008; and 3) upgrade data systems, administration, and staffing of FHA to protect consumers and the FHA Mutual Mortgage Insurance fund from fraud, while expanding the availability of mortgages to credit-worthy borrowers.

Additionally, 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. The new regulations help consumers be better shoppers in the home buying and mortgage loan process by requiring that consumers receive disclosures at various times in the transactions and by prohibiting practices such as kickbacks that increase the cost of settlement services.

Goal B: Promoting Decent Affordable Housing


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

HUD is critical to addressing the structural gap between household incomes and housing costs and the persistent un-affordability of housing. The Department plays an important role in making housing affordable through its investments in rental vouchers, public and assisted housing, mortgage loan insurance to finance the construction or rehabilitation of a broad range of rental housing, and HUD-funded efforts led by states and localities. 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. HUD's strategic goal of promoting decent affordable housing is achieved through expanding access to affordable rental housing and improving the physical quality and management accountability of public and assisted housing. HUD is also working to increase housing opportunities for the elderly and persons with disabilities, and transitioning families from HUD assisted housing to self-sufficiency.

Accomplishments

HUD measures its success in meeting this goal in part through the program performance measures discussed on the following pages.

Section 8 Housing Choice Voucher Program

One of the Department's larger programs, the Section 8 Housing Choice Voucher Program, has been recognized as a cost-effective means for delivering decent, safe, and affordable housing to low-income families, serving approximately 2.1 million households through more than 2,450 PHAs. This program provides participants with the ability to seek rental housing of their choice and has portable features so that families are permitted to take their vouchers to other rental markets in pursuit of available job and other economic opportunities. One of HUD's priorities is to improve the utilization of Housing Choice Voucher funding which enables PHAs to provide more eligible families with affordable housing. HUD has noted an increase in the utilization rate from 90.0 percent in FY 2006 to 102 percent in FY 2009). [For more detailed information, see Section 2, Indicator B.16.]

Public Housing

The Department's commitment to provide decent and safe affordable housing is also recognized through public housing assistance to low-income families. There are approximately 1.1 million households living in public housing units, managed by 3,150 Public Housing Agencies (PHAs). One of HUD's goals is to provide technical assistance to PHAs in managing their asset management properties and preventing PHAs from becoming low performing or troubled agencies. To meet these goals, HUD's Public Housing Hubs and Program Centers provide technical assistance through comprehensive/consolidated reviews on selected PHAs that manage 80 percent of PIH funds and on-site asset management reviews on selected developments. [For more detailed information, see Section 2, Indicator B.17 to B.19.]

Project-Based Rental Assistance (PBRA) Program

The Project-Based Rental Assistance (PBRA) Program assists approximately 1.2 million low- and very low-income households in obtaining decent, safe, and sanitary housing in private accommodations. This critical program serves families, elderly households, disabled households, and provides transitional housing for the homeless. Through PBRA funding, HUD renews Section 8 Project-Based assistance contracts with owners of multifamily rental housing. HUD makes up the difference between what a household can afford and the approved rent for an adequate housing unit in a multifamily development. Without this assistance, most of the people served by this program would face unsafe housing, overcrowded housing, or homelessness.

In FY 2009, the Recovery Act provided $2 billion to the PBRA program to fully fund 12-month rental assistance contracts with owners of multifamily rental housing projects. Without this funding, many Section 8 contracts could have run out of money during 2009. In the past, contracts were being funded for periods of less than one year. As a result of the Recovery Act, there will be sufficient money to fund all expiring Section 8 contracts for full twelve month terms.

Housing for the Elderly (Section 202) and Housing for Persons with Disabilities (Section 811)

HUD runs highly targeted programs to promote affordable housing for underserved populations. Two such programs are Housing for the Elderly (Section 202) and Housing for Persons with Disabilities (Section 811). Households headed by an elderly individual or a person with a disability receive HUD rental assistance that provides them with the opportunity to afford a decent place to live and often helps them to live independent lives. These programs supported the goal to increase the availability of affordable housing for the elderly and persons with disabilities by creating an additional 208 projects in FY 2009. The FY 2009 level was determined to be at 4,162 Section 202 units (111 projects) and 1,035 Section 811 units (97 projects) respectively, thereby exceeding both targets. [For more detailed information, see Section 2, Indicator B.11.]

FHA Multifamily Insurance

Maintaining FHA multifamily volume will help fulfill the outcome goal of making more decent rental housing available to consumers at a modest cost. (Without this program, more families would be at risk of facing possible worst case housing needs.) FHA brings stability to the mortgage market for multifamily housing. FHA's programs are important for a number of higher-risk entities, including small builders, buyers or owners of aging inner-city properties, and nonprofit sponsors which play a crucial role in the affordable housing market. FHA's unique and valuable products include insurance that covers both the construction financing and long-term permanent financing of modest-cost rental housing. Further, these products serve as a vehicle to help lenders obtain the benefits of Ginnie Mae securitization. FHA also retains a leadership position in the market for high loan-to-value and long-term fully amortizing multifamily loans, which can help in the provision of affordable rental housing.

FHA promotes decent affordable housing through its Multifamily Insurance program and its goal to endorse at least 626 multifamily mortgages. In FY 2009, FHA endorsed 713 multifamily loans, which exceeded the targeted level of 626 by 14 percent. These loans provided the public a variety of housing options that included 449 rental projects, 179 nursing homes, 77 assisted living facilities, 7 cooperatives, and one board and care facility. [For more detailed information, see Section 2, Indicator B.4.]

Physical Quality Standards

The Department's commitment to provide decent and safe affordable housing is also supported through goals that track compliance with HUD's physical inspection standards for insured privately owned multifamily properties and public housing. Through the Department's physical housing assessment process, PHAs and multifamily property owners are provided information on the status of the physical condition of their inventory, an analysis of the most common deficiencies, and a comparison to the prior inspection, so that they can monitor their progress in providing decent and safe affordable housing. HUD's field office staff uses this data to prioritize their monitoring and technical assistance to PHAs that represent the greatest risk to the program. As of September 30, 2009, 84.5 percent of public housing units met HUD's physical condition standards. This is consistent with the FY 2008 performance. In privately insured multifamily properties, 93.3 percent of public housing units met HUD's physical condition standards, exceeding the targeted level of 92 percent. [For more detailed information, see Section 2, Indicators B.9 and B.17.]

Asset Management

Financial management affects HUD's ability to promote decent affordable housing. A "Public Housing Cost Study" mandated by Congress and conducted by the Harvard University Graduate School of Design recommended a transition to asset management to increase the focus and accountability of PHAs for each of their properties. This study recommended that public housing adopt a business model similar to multifamily housing, with project based budgeting, accounting, and management. PHAs with 400 or more units will fully implement asset management by FY 2011. As of the end of FY 2009, HUD had certified conversion to asset management for 92 PHAs, or 75 percent of those that applied. This surpassed the HUD goal of 50 percent. [For more detailed information, see Section 2, Indicator B.25.]

Other HUD Programs

The Department is committed to developing new voucher programs. June 22, 2009 marked the tenth anniversary of the Supreme Court's ruling in *Olmstead v. L.C. & E.W.,* which affirmed the rights of individuals with disabilities to live independently. To commemorate this landmark decision, the President declared 2009 the *Year of Community Living*. HUD joined the President's commemoration of the tenth anniversary of the Supreme Court's Olmstead decision by offering rental assistance to 4,000 non-elderly families with disabilities, including 1,000 vouchers specifically targeted to those transitioning out of nursing homes and other care facilities.

Other major HUD programs promote decent safe affordable housing. The CDBG, HOME Investment Partnerships, Housing Opportunities for Persons With AIDS, Section 202, Section 811, and Indian Housing Block Grant programs all provide rental assistance. Together, these programs provided assistance to 122,889 households in FY 2009. This amount exceeded HUD's FY 2009 goal of assisting 113,387 households by 9,498, or eight percent. [For more detailed information, see Section 2, Indicator B.1.]

Challenges

Challenges for this strategic goal relate to affordability and supply that affect program cost. A recurring challenge is HUD's efforts to address improper payments and how the Department will further reduce its improper payment rate.

Housing Affordability

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 people facing disproportionate rental cost burdens remains extremely high in light of weaker incomes and escalating rents due to the increasing demand for the most affordable housing. 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. It is clear that the need for rental assistance for the most vulnerable families will be a continuing challenge.

Supply of Affordable Rental Units

HUD's goal of promoting decent affordable housing also focuses on the long-term structural gap between the cost of building and operating a standard-quality housing unit, and the ability of lower-income households to afford such units. Over the past decade, HUD's Rental Assistance programs have not kept pace in providing support to the nation's renters to bridge this gap. In 2005, nearly 6.0 million very low-income renter households had "worst case needs," because they had either severe rent burdens (91 percent) or severely inadequate units (4.4 percent), or both (4.3 percent).[1] The primary underlying factor is the insufficient supply of rental units affordable to households with extremely low incomes.

The nation's housing stock grew by only 0.7 percent during the 12 months ending in June 2009. Among occupied units, owner-occupied stock declined by 110,000 while renter-occupied units expanded by 1,000,000. Although rental vacancy rates remain above historical averages, many local rental markets have very little housing that extremely low-income renters can afford without HUD program assistance. Unsubsidized new apartments tend not to be affordable: among units completed in the first quarter of 2009, the median asking rent was $1,002, down 12 percent from a year earlier.[2] Such units remain out of reach for extremely low-income households, whose average monthly income was only $679 in 2007.[3]

In recent years, federal expenditures for production of rental housing largely have been through the Low Income Housing Tax Credit. With $5 billion of annual budget authority, the tax credit program, in combination with HUD programs such as HOME, CDBG, and HOPE VI, supports the annual addition of more than 100,000 units, of which 95 percent qualify as affordable.[4] However, major purchasers of housing tax credits experienced sharp declines in profits during the financial crisis. The lack of profits in 2008 reduced their need for the tax shelter such credits offer, which resulted in numerous proposals for affordable housing developments without financing.

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[1] HUD, 2007, "Affordable Housing Needs 2005: Report to Congress." http://www.huduser.org/publications/affhsg/affhsgneeds.html
[2] Data are from "U.S. Housing Market Conditions, 2nd Quarter, 2009."
[3] Policy Development and Research tabulations of the American Housing Survey
[4] Office of Policy Development and Research (January 2006), "Updating the Low Income Housing Tax Credit Database: Projects Placed in Service Through 2003," available at http://www.huduser.org/Datasets/lihtc/report9503.pdf

Program Cost Control

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. These efforts can also address other HCVP issues such as administrative fee costs, energy costs and energy savings proposals, and voucher usage patterns.

Information Technology Systems

For the Project-Based Rental Assistance program, the Department will focus on developing and modifying information technology systems to combat problems of late payments, improper payments, and inaccurate contract data. More specifically, HUD will start development of a system that will keep real-time contract data, maintain and improve its system for contract disbursements, improve the ability to forecast short-term and long-term program funding needs, and reduce improper payments through improved verification of tenant income statements. These development efforts will help HUD increase the efficiency and effectiveness of future program appropriations and facilitate improved Departmental compliance with the Improper Payments Information Act of 2002.

Looking to the Future

Looking forward, HUD has several major initiatives described below to promote decent, affordable housing. These efforts build upon each other to achieve this strategic goal in order to maximize the number of people we serve.

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.

The Department plans to invest $1 billion in the initial capitalization of the Housing Trust Fund. Authorized by the Housing and Economic Recovery Act of 2008, the Housing Trust Fund represents the first new major federal housing production program since the creation of the HOME Investment Partnerships Program in 1990. In coordination with the HOME program, the primary purpose of the Trust Fund is to increase and preserve the supply of rental housing for low- and very low-income households.

On May 20, 2009, the President signed the Homeless Emergency and Rapid Transition to Housing (HEARTH) Act into law. Under the HEARTH Act, federal funds can be used to help homeless and at-risk families or individuals obtain transitional or permanent housing as well as supportive services such as child-care activities designed to end or prevent homelessness for those served through HUD's programs. These efforts are targeted to underserved populations and are designed to promote affordable housing for vulnerable households through a comprehensive set of housing and servicing activities.

Yakima Nation

In partnership with the University of Washington's School of Architecture, the Yakima Nation Housing Authority has completed two prototype homes at Adams View in Wapato, Washington. The homes use energy efficient features, including passive solar orientation, ground source heat pumps, heat recovery ventilation systems, de-stratification fans to facilitate air flow, and energy star appliances and lighting. The exterior façade and footprint were inspired by traditional basket weaving.

HUD's proposed Transformation Initiative included in the FY 2010 budget would make available resources for program demonstrations, enabling the rigorous testing of alternatives and enhancements to improve the effectiveness and efficiency of federal housing assistance programs. The proposed FY 2010 Energy Innovation Fund also includes multifamily energy enhancement financing that will increase energy efficiency and reduce operating costs in the assisted multifamily stock.

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. Many households are transitioning from homeownership to the rental market, or are being forced to find new rental housing. Housing counselors traditionally provide housing "search" services, helping families find and access affordable rental housing and or rental assistance. HUD estimates that as much as $11.6 million from the FY 2010 appropriation will be spent on rental counseling, serving approximately 58,000 households.

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. HUD plans to administer all these efforts through a new Office of Sustainable Housing and Communities, in close collaboration with the Office of Policy Development and Research, as well as other program offices in the Department.

Goal C: Strengthen Communities

HUD performs a vital role in strengthening communities by providing flexible program designs and resources targeted to promote economic development, which increases homeownership opportunities, and promotes affordable housing. Through these programs, localities and states are able to design local solutions to address local problems, and target scarce resources to efforts that benefit low- and moderate-income groups and communities.

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

Accomplishments

Community Development Block Grant Program

CDBG grants were awarded to state and local governments that provided affordable housing in response to foreclosures, homelessness, and disasters. As one of the Federal government's largest and most flexible programs, CDBG grants provide states with funding to address locally determined community and economic development priorities. They are typically used to rehabilitate housing, improve infrastructure, provide job training, finance revolving loan funds, and finance other community determined projects. Some examples include the building of city halls, community centers, firehouses, or repairing sewage treatment plants.

CDBG grants also create jobs through the expansion and retention of businesses. The substantial unemployment that the nation faced due to the economic crisis threatened the fiscal soundness of many communities and posed risks of escalating foreclosures, which endangered neighborhood stability. Grants provided by HUD resulted in at least 29,398 jobs being created/retained through its CDBG and Section 108 loan guarantee assistance programs. [For more detailed information, see Section 2, Indicator C.4.]

CDBG also contributes to the restoration and strengthening of communities by improving the quality of residents' lives through removing vacant, abandoned, and boarded up properties found in blighted and slum neighborhoods. This year CDBG grantees cleared or demolished 7,450 properties. This exceeds the goal of 5,000 by 49 percent. [For more detailed information, see Section 2, Indicator C.8.]

Disaster Recovery Assistance

The CDBG program has been an especially robust provider of disaster related funding. In prior years, funding provided assistance to victims and localities of the attacks on New York City and the hurricanes which occurred in 2005 through 2008. This year, Gulf Coast recovery grantees have at least 41,372 units of affordable rental housing in development and have completed 4,128 units, far exceeding the goal of 17,000 units in development or in service by

September 30, 2009. This represents approximately $1.9 billion in funding budgeted for these developments. HUD's goal to disburse $9.0 billion for homeowner compensation payments to 145,000 households in Mississippi and Louisiana was also exceeded with 150,122 grants distributed, totaling over $9.8 billion. [For more detailed information, see Section 2, Indicators C.1 and C2.]

In FY 2009, CDBG awarded over $1.5 billion (more than double the goal of $700 million) in disaster recovery grants for public facilities, streets, water systems, and other projects to help communities build or re-build their infrastructure. This is more than double the goal of $700 million. [For more detailed information, see Section 2, Indicator C.3.]

Neighborhood Stabilization Program (NSP)

In response to the foreclosure and economic crisis, the Department awarded grants via the NSP to states and local governments to stabilize communities hardest hit by foreclosures, abandonment, and mortgage delinquencies, and for the provision of capacity building to stabilize neighborhoods. The Housing and Economic Recovery Act (HERA) of 2008 allocated $3.92 billion for the first round of NSP (i.e., NSP-1) providing grants to state and local governments to acquire land and property, demolish or rehabilitate abandoned properties, offer down payment and closing cost assistance to low- to moderate-income homebuyers, and help create or preserve jobs. An additional $2 billion for competitive grants was allocated for NSP (i.e., NSP-2) under the Recovery Act of 2009. NSP-2 provides communities with the opportunity to develop programs responsive to local real estate market conditions and includes non-profit organizations as eligible grantees.

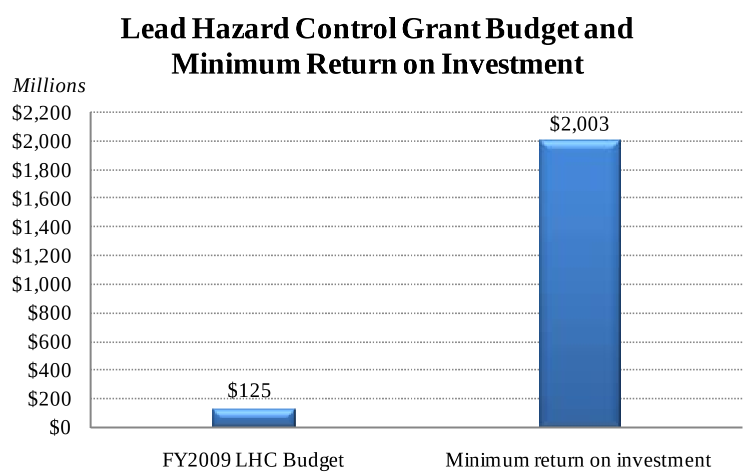
Special Needs Assistance Programs (SNAPS)

The primary focus of SNAPS has been to reduce homelessness by developing and implementing programs to move families and individuals into permanent housing. Through the Homeless Assistance Grants program funded by SNAPS, homeless families and individuals are able to achieve permanent housing and self-sufficiency. This year, the percentage of formerly homeless individuals who remained housed in HUD's permanent housing projects for at least six months was over 82 percent, exceeding the goal of 77 percent. This represents an increase of over 7 percent from FY 2008. [For more detailed information, see Section 2, Indicator C.9.] The percentage of homeless persons who have moved from HUD transitional housing into permanent housing was approximately 67 percent. These amounts represent an increase from FY 2008, and suggest that HUD continues to improve in its efforts to reduce homelessness in the country. In addition, the percentage of persons exiting HUD-funded homeless assistance projects was approximately 20 percent. While the employment rate of persons exiting HUD homeless assistance projects decreased by 2.2 percent from FY 2008, there was a 66 percent increase in the number of individuals receiving employment income among participants in HUD-funded projects in FY 2009. These achievements demonstrate that HUD-funded homelessness programs are responsive to changing economic trends and continue to provide critical resources and services. [For more detailed information, see Section 2, Indicators C.10 and C11.]

The Housing Opportunities for Persons With AIDS (HOPWA) program is a CPD special needs program that targets families and individuals who are living with the challenges of HIV/AIDS and risks of homelessness. HOPWA resources are used in supportive housing interventions to assist beneficiaries to obtain permanent housing results, as well as address short-term and transitional housing needs. This year, HOPWA permanent housing programs exceeded their performance goal of 85 percent and reported that 94 percent of households received tenant-based rental assistance or resided in permanent housing residences and achieved good outcomes for demonstrating housing stability and access to care. In addition, the program's short-term and transitional housing programs also exceeded their performance goal of 60 percent and reported that 92 percent of these households achieved good outcomes in reducing their risks of homelessness along with connecting to permanent housing results. [For more detailed information, see Section 2, Indicators C.12.]

Lead Hazard Control Program

Lead poisoning is the number one environmental disease impacting children. Consequences for a community include higher health care costs, lower academic performance, higher special education costs, higher delinquency rates, and lower earning capacity in adulthood. Under HUD's lead hazard control grant program, States and local governments identify and control lead-based paint hazards in homes, especially low-income homes with young children. These control measures provide early intervention to prevent adverse environmental conditions in the home from affecting young children; the benefits continue through adolescence and into adulthood. For example, preschool blood lead levels are related to mental retardation rates and SAT scores; reducing lead exposure reduces government costs for special education and health care programs. Better school performance in turn increases lifetime earnings. The very strong association between elevated blood lead levels in preschool children and subsequent crime rate trends is another example of the effect of lead poisoning; reducing young children's exposure to lead decreases delinquency and crime rates. Overall, each dollar invested in lead paint hazard control results in a return of at least $17, and as much as $221, so the FY 2009 lead hazard control grant programs' FY 2009 total budget of $125.2 million will yield a net savings in the range of $2.0 billion to $27.5 billion.



As part of HUD's 10-year effort to eradicate lead poisoning in children, HUD continues to conduct the nation's most extensive evaluation and control programs for lead hazards in housing, using grants supplemented by contracts and interagency agreements. As a result of these efforts, HUD made 13,873 housing units lead-safe under the Department's lead hazard control grant programs in FY 2009, exceeding its target for the fiscal year by 18 percent. As of September 2009, the lead hazard control grant program has made 124,617 units lead-safe since inception. [For more detailed information, see Section 2, Indicator C.20.]

Challenges

The challenges facing communities are widespread and complex. Despite the flexibility given communities by HUD's programs, challenges remain and are described below.

Problems Facing Communities

HUD's goal of strengthening America's communities is affected by challenges and problems that extend far beyond their borders, and require unprecedented levels of coordination to address effectively. Neighborhood quality is constrained by schools and the engagement of families. Commuting regions extend many miles, causing energy waste and traffic congestion. Natural disasters are linked to climate change—which in turn links back to local development choices. Because of such interactions, the concept of sustainability resonates powerfully for many citizens and local leaders.

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.

Lead Hazard Control Program

The number of homes that can be made lead-safe is directly related to the funding available. With additional funding, additional homes would be made lead safe in existing communities and additional qualified communities could be awarded grants.

Looking to the Future

The Department will continue to dedicate its resources and programs to strengthen communities throughout the nation. New programs, such as the Recovery Act, and the Administration's proposed enhancements to current HUD programs are dedicated to improving physical conditions and quality of life within communities. HUD has proposed a change to the CDBG formula which aims to improve targeting of program resources. Other proposed enhancements are for the "Sustainable Communities Initiatives," which would (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 Department of Transportation regional planning effort to catalyze the next generation of metropolitan transportation, housing, land use, and energy planning.

In July 2009, the Office of Healthy Homes and Lead Hazard Control (OHHLHC) published the *Healthy Homes Strategic Plan* (http://www.hud.gov/offices/lead/library/hhi/hh_strategic_plan.pdf) to focus the Department's efforts towards providing healthy homes for all Americans. The *Healthy Homes Strategic Plan* will serve as a dynamic roadmap for developing, disseminating, and integrating the healthy homes concept. By coordinating disparate health and housing agendas, supporting key research, incorporating the healthy homes approach into existing practices, and providing tools to build sustainable local healthy homes programs, the OHHLHC's Healthy Homes program will continue its leadership role in helping to ensure an adequate supply of healthy and affordable housing. This plan will enable the Department to be focused and effective in achieving program goals and in supporting the Department's goal of strengthening communities for FY 2010.

Goal D: Ensure Equal Opportunity in Housing

The basis of this strategic goal is the Fair Housing Act of 1968 (Title VIII of the Civil Rights Act of 1968). The Act's purpose is 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. HUD achieves this strategic goal through enforcement of the laws and improved public awareness of fair housing laws. HUD also provides a fair and efficient administrative process to investigate and resolve housing discrimination complaints.

HUD's testing for discrimination has revealed continued discrimination against African Americans, Hispanics, Asians, and Pacific Islanders in residential sales and rental markets. HUD's research also has revealed discrimination against people with disabilities, including frequent refusals to allow reasonable accommodations.

HUD surveys reveal widespread lack of knowledge of many aspects of fair housing laws. While the public has become more aware of protections for families with children and prohibitions of racial steering, they are less aware of laws that prohibited advertisements that discriminate on the basis of religion. The lack of public awareness of housing discrimination laws greatly hinders HUD's ability to enforce fair housing, affecting both compliance and responses of victims. HUD's public awareness study found that 90 percent of persons who experienced housing discrimination did nothing, and only one percent reported that they filed a complaint with a government agency. Reasons may include a lack of understanding of how to file a complaint or a perception that complaints would not be addressed seriously.

Accomplishments

HUD measures its success in meeting this goal, in part, through the two program performance measures shown below. 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.

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.

Fair Housing Assistance Program (FHAP)

Through the FHAP, HUD provides funding annually to state and local agencies for enforcement of fair housing laws that are substantially equivalent to the federal Fair Housing Act. Under this program, state and local FHAP agencies investigate and resolve complaints of alleged housing discrimination filed by private citizens and interest groups throughout the nation. Through vigilant enforcement efforts, HUD and its FHAP partners are transmitting the message that fair housing laws are a key priority and must be obeyed. FHAP agencies exceeded both FY 2009 performance goals by closing 53 percent of their complaints within 100 days and 97 percent of their aged complaint inventory carried over from the prior year. [For more detailed information, see Section 2, Indicator D.1.]

Fair Housing Initiatives Program (FHIP)

The Department's FHIP provides funding to fair housing organizations and other non-profits to assist people who believe they have been victims of housing discrimination. These organizations partner with HUD to help the public identify government agencies that handle complaints of housing discrimination. In addition, this program's Education and Outreach Initiative provides funding for projects that educate the public on their rights and obligations provided under the Fair Housing Act and substantially equivalent state and local fair housing laws. In FY 2009, HUD held 933 education and outreach events reaching 1,060,320 people, which is approximately four times greater than the initial goal of 270,000 people. This goal was exceeded by such a large amount because of: 1) grantees using larger venues to conduct national seminars, forums, and programs on fair housing and 2) increased use of internet-social networking sites and other websites promoting fair housing. [For more detailed information, see Section 2, Indicator D.2.]

Challenges

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).

Looking to the Future

Looking forward, HUD has several major initiatives described below to combat housing discrimination. These efforts build upon each other to achieve this strategic goal.

To reduce housing discrimination, HUD continues to promote fair housing by investigating, conciliating, and prosecuting discrimination in the private market, and ensuring non-discrimination in its own programs. The Department is reviewing regulatory requirements and responses concerning "analyses of impediments" to fair housing that jurisdictions conduct as part of their planning for community development. Additionally, FHA has worked to ensure equal housing opportunities through targeted marketing and outreach to unserved and underserved markets. To enhance the private response to housing needs for persons with disabilities, HUD works with teams to help improve the International Building Code and the International Residential Code. These teams periodically update the codes to ensure that multifamily housing developers comply with statutory accessibility requirements that meet the needs of disabled populations.

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. The latter often target their foreclosure rescue schemes to minority communities. To combat this problem, HUD's Mortgage Abuse Initiative will assist victims of lending discrimination by working directly with victims to modify loans, resolve discrimination, or investigate claims of discrimination. The Department will also focus on educating the public on lending discrimination and mortgage refinance schemes through workshops, presentations, public service announcements, and pamphlets.

Additionally, under the Department's Transformation Initiative, HUD plans to conduct a study in 2010 of the level of housing discrimination in the United States. Since 1977, HUD has assessed the extent of housing discrimination in the United States about once each decade. The most recent study, *Housing Discrimination Study 2000,* showed substantial declines in discrimination between 1990 and 2000 in the sales market for both African-Americans and

Hispanics, declines for African Americans renters, and no change for Hispanic renters. The 2000 study also provided the first national estimate of discrimination faced by Asians and Pacific Islanders in the rental and sales market. These studies have also shown how patterns of discrimination have changed over time. Although the nature and level of discrimination has changed, it remains a substantial problem, with minorities facing consistent adverse treatment ranging from 17 percent for African Americans in the sales market to 26 percent for Hispanics in the rental market. The 2010 study will provide comparable data to determine any changes in the level of discrimination from the 2000 study, providing key insights to inform fair housing strategies and program management.

Goal E: Embrace High Standards of Ethics, Management, and Accountability

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.

Accomplishments

This year, the Department's efforts focused on transparency and accountability. There were two significant transparency related goals of note in this year's strategic goal. The first is related to the review of HUD's financial statements and accompanying notes, and the second is related to improper payments.

For the third consecutive year, HUD received the Certificate of Excellence in Accountability Reporting (CEAR) award for its FY 2008 Performance and Accountability Report (PAR) from the Association of Government Accountants (AGA). The CEAR is awarded to agencies that have demonstrated excellence in integrating performance and accountability reporting.

HUD continued its focus on making significant improvements in financial management and reporting. The Department received an unqualified or "clean" audit opinion with no material weaknesses for FY 2009. An unqualified audit opinion indicates that HUD's "principal financial statements present fairly, in all material respects, the financial position of HUD…in conformity with accounting principles generally accepted in the United States of America." HUD has now received unqualified audit opinions for the past ten consecutive years, and FHA for 17 consecutive years. [For more detailed information, see Section 2, Indicator E.11 and the Independent Auditor's Report in Section 3.]

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. The overall reduction in improper payments for over the past nine years has been primarily attributed to HUD's efforts to work with PHAs and multifamily property owners through enhanced program guidance, training, oversight, improved tenant income verification methods, and enforcement. [For more detailed information, see Section 2, Indicator E.3 and Section 4, Improper Payments Information Act Reporting.]

The Departmental Training Action Plan and HUD's *Strategic Human Capital Management: Revised Human Capital Plan FY 2008 - FY 2009* report (located at http://www.hud.gov/offices/adm/omap/hshcp.cfm) identified mission critical skill gaps within the workforce and bolstered training programs to close these gaps. HUD has institutionalized succession planning programs to ensure a smooth transition of highly energized interns to continue its mission long into the future. Performance management programs have been strengthened and enhanced by the new ePerformance system and the full implementation of SMART (Specific, Measurable, Attainable, Relevant, Time-bound) standards to hold all employees accountable for achieving results. The Department links organizational performance to employee performance, and recognizes employees with awards for their achievements. These accomplishments document HUD's substantial progress under three human capital goals: (1) to be a mission focused agency; (2) to maintain a high quality workforce; and (3) to do effective succession planning.

Challenges

Internal and external challenges for this strategic goal can be found in the following discussion. The external ones were a result of the impact on local governments by the economic downturn and the internal ones were related to HUD's workforce.

HUD Partner Fiscal Constraints

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. For example, the "continuum of care" needed to assist homeless populations engages a wide variety of partners, which may include state and local agencies, nonprofit organizations, service providers, housing developers, private foundations, the banking community and local businesses. Many decisions about activities and strategies for using formula block grants are made by local partners. Increasing fiscal constraints of state and local governments may reduce their ability to assist in accomplishing shared objectives.

Succession Planning

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. Workforce and succession planning are hindered by lack of funding to support authorized full-time equivalent staffing levels.

Looking to the Future

Looking forward, HUD is planning several major initiatives described below to attain more effective and efficient operations. These efforts build upon each other to achieve this strategic goal.

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 involves a one percent set-aside from nearly every HUD program, to be made available 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).

During FY 2010, survey results about the satisfaction of HUD's partner organizations will again become available and, for the first time, offer information about crucial partners such as FHA-approved lenders and Fair Housing Initiative Program participants, as well as providing detailed results at the field office level to identify geographic opportunities to improve the Department's effectiveness.

Internally, HUD continues to face critical workforce planning issues such as succession planning and mitigating skill gaps. The Department's efforts to address these issues include implementing and refining an Intern Program to attract new employees and using the *HUD 2009 Departmental Training Action Plan* to identify skill gaps and managerial training needs. HUD's training strategy will focus on meeting specific mission critical training while ensuring that HUD's training funds are used to address the most critical training needs across the Department.

The FHA plans to implement changes to strengthen its internal controls. For the first time in the FHA's 75-year history, a new Chief Risk Officer has been hired. FHA will also require supervised mortgagees (mortgagees overseen by a financial regulator, e.g., banks and credit unions) to submit audited annual financial statements to FHA, modify procedures for streamlined refinance transactions (in order to strengthen documentation standards and ensure borrowers' capacity to pay their new mortgages), and require appraiser independence in loan origination. Changes that HUD is pursuing via the rulemaking process include modifying policies for mortgagee approval to facilitate more effective oversight of mortgage brokers and increasing net-worth requirements for mortgagees.

The measure of flexibility provided by the Transformation Initiative will enable the new Office of Strategic Planning and Management to address persistent management challenges. The development of HUD's FY 2010 - FY 2015 Strategic Plan, officially initiated during October 2009, will provide both a vision and a solid foundation for effective performance management. The Office also will become the primary driver of ongoing performance measurement and improvement activities, providing Department-wide internal consulting and support for solution delivery.

Additionally, HUD will be creating 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. A new Office of Disaster Planning and Emergency Preparedness also will be established in the Office of the COO to coordinate HUD's response to disasters and lead the agency in its emergency preparedness effort. The Office of the COO will provide a way to coordinate these interdependent functions in order to provide comprehensive and coordinated strategies for decision making and ensuring accountability. As part of this effort, a study will be conducted in FY 2010 on procurement, human resources, and information technology business functions with the goal of achieving breakthroughs in these functional areas that are strategic and enterprise-wide in nature, with the ability to have a positive, lasting impact on the agency.

The Office of Sustainable Housing and Communities is another proposed new office within the Office of the Deputy Secretary for FY 2010 that will enhance the management and effectiveness of cross cutting program efforts. In close collaboration with the Office of Policy Development & Research, as well as other program offices in the Department, the Office of Sustainable Housing and Communities will administer HUD's FY 2010 Sustainable Communities Initiative. This program will promote pedestrian-friendly, public transit-oriented, mixed-income and mixed-use communities in order to substantially reduce transportation costs (now a greater part of many family budgets than housing costs), create energy savings (by reducing vehicle-miles traveled), and enhance access to employment and educational opportunities.

Goal F: Promote Participation of Faith-Based and Community Organizations

The Center for Faith-Based and Neighborhood Partnerships (CFBNP), formerly the "Center for Faith-Based and Community Initiatives," is the organization at HUD tasked with building and strengthening partnerships between HUD and faith-based and secular neighborhood non-profit organizations. President Obama established his new White House Office of Faith-Based and Neighborhood Partnerships by Executive Order in February 2009, noting that "the change that Americans are looking for will not come from government alone," and reaffirmed the important role of the Centers established at federal agencies to work with Cabinet Secretaries and the White House 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.

As HUD works to mitigate the foreclosure crisis and implement the Recovery Act, in addition to its other strategic objectives, the Center plays a vital role in: 1) serving as a resource center to conduct outreach and share information with faith-based and neighborhood organizations about HUD programs and partnership opportunities; 2) convening 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) providing technical assistance to faith-based and secular neighborhood non-profit organizations working to address housing.

Accomplishments

CFBNP builds partnerships and serves as a liaison between the grassroots and the federal government, ensuring that groups have the latest information about HUD initiatives and programs as well as other federal resources available to their communities. This year in addition to the launch of its new website, extensive representational travel to a series of conferences and gatherings enabled HUD to expand its reach to constituents to share information about the work of the Recovery Act, other key programs, funding opportunities, and information to help affirmatively further fair housing.

The Center reached over 50,000 individuals and over 4,000 individual organizations through its outreach and programs in FY 2009.

In 2009, the Center has 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.

Challenges

The effects of the recession have impacted many of HUD's organizational partners who work with the Department to deliver HUD programs and services. At a time of heightened need across American communities, many non-profits and human services providers have seen a sharp decline in assets and programming dollars. The Center will continue to work with other HUD offices to develop strategies, especially related to technical assistance and capacity building, for an appropriate department response to support the efforts of partners who are trying to accomplish more with less.

Looking to the Future

Reflecting the emphasis of HUD's Transformation Initiative on evidence-based programming and improved data collection, 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.

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.

*****_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._

HUD's Recovery funding is divided among three broad themes:

1. **Promoting Energy Efficiency and Creating Green Jobs**

    - The Public Housing Capital Fund has obligated a total of $4 billion in both formula and competitive grants in capital improvements to our Nation's critical public housing inventory, including $600 million dedicated exclusively to the creation of energy efficient, "green" communities.

    - The Indian Housing Block Grant program was appropriated $510 million to develop sustainable communities, and modernize and construct decent, safe, affordable housing in Indian Country. Many projects will renovate older units to be more energy efficient.

    - The Lead Hazard Reduction and Healthy Homes program obligated $100 million in lead based paint hazard reduction and abatement activities.

    - This fall, Assisted Housing Energy Retrofit will commit $250 million in energy efficient modernization and renovation of housing of HUD-sponsored housing for low-income, elderly, and disabled persons.

Chateau d'Orleans is a 205 unit project located in eastern New Orleans. The property was severely damaged in Hurricane Katrina. The property received Recovery Act funding and was completely restored, and is a source of affordable housing for families.

These investments are powerful vehicles for economic recovery because they work quickly, are labor-intensive, create jobs where they are needed most, and lead to lasting neighborhood benefits. Many will also reduce greenhouse gas emissions and save Americans money by retrofitting housing to make it more energy efficient.

2. **Supporting Shovel-Ready Projects and Assisted Housing Improvements**

    - The Tax Credit Assistance Program invests $2.25 billion in a special allocation of HOME funds to accelerate the production and preservation of tens of thousands of units of affordable housing.

    - The Project-Based Rental Assistance program utilizes $2 billion to fully fund 12-month rental assistance contracts with owners of multifamily rental housing projects. This funding will enable owners to undertake much-needed project improvements to maintain the quality of this critical affordable housing.

These investments will support a broad range of housing and community development projects that are ready to go. Many of these projects have been held up for lack of private investment due to fallout from the broader economic crisis and credit crunch.

3. Promoting Stable Communities and Helping Families Hardest Hit by the Economic Crisis

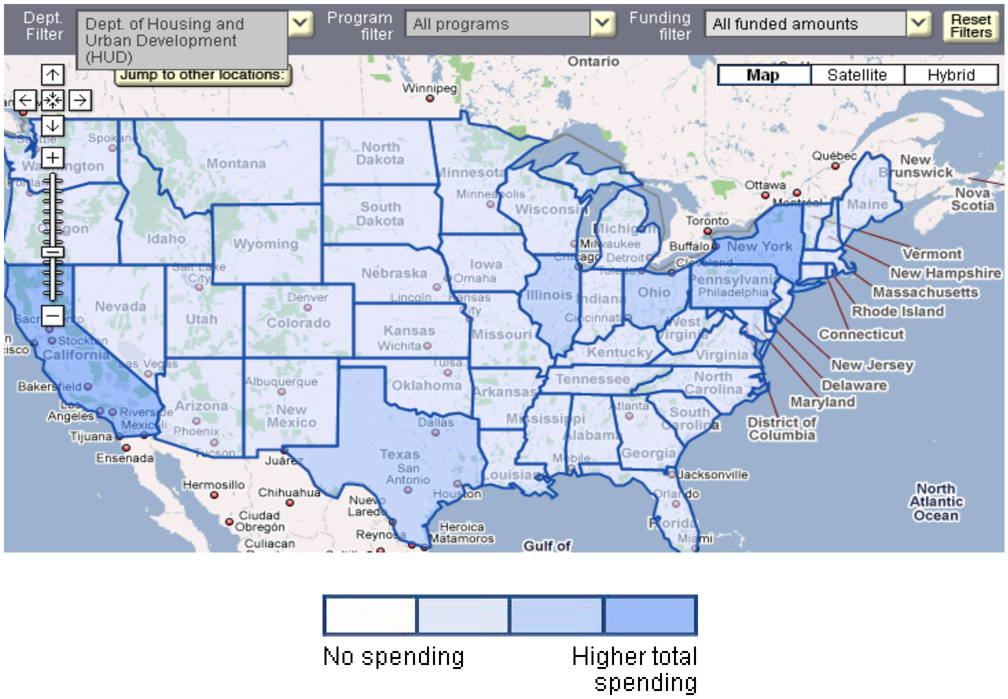
- Neighborhood Stabilization Program will use $2 billion to mitigate the impact of foreclosures through the purchase and rehabilitation of foreclosed, vacant properties in order to create more affordable housing and renew neighborhoods devastated by the economic crisis.

- Homelessness Prevention devotes $1.5 billion to prevent homelessness and enable the rapid re-housing of homeless families and individuals, helping them re-enter the labor market more quickly, and preventing the further destabilization of neighborhoods.
- Community Development Block Grants invests $1 billion for approximately 1,200 state and local governments to invest in their own community development priorities. Most local governments use this investment to rehabilitate affordable housing and improve key public facilities – stabilizing communities and creating jobs locally. Tribes that received Indian Community Development Block Grant funds in FY 2008 are eligible to compete for a portion of these CDBG funds.

These investments will help communities and families that have experienced the brunt of the economic downturn. Resources will be used to stabilize and revive local neighborhoods and housing markets with heavy concentrations of foreclosed properties. Funds also will assist the vulnerable families and individuals who are on the brink of homelessness or have recently become homeless.

In an unprecedented transparency and accountability effort, Recovery Act grantees are required to report their project activities and job creation/retention into FederalReporting.gov on a quarterly basis. The first report of this kind took place between October 1 and October 10, 2009. With this information being made available online, both HUD and the American public will have a clear view the results of these investments over time.

The most current information and reporting on the use of funds can be found at: http://portal.hud.gov/portal/page/portal/RECOVERY.



HUD's Recovery Act Mapping Effort

The Agriculture Department developed a geospatial Web tool (**http://www.usda.gov/recovery/map/index.html**) to show where and how Recovery Act money is spent. HUD joined this effort in June 2009. The tool allows the public to search and view HUD and USDA projects by agency, state, or amount of money that is obligated to grantees.

Analysis of Financial Condition and Results

As a reflection of HUD's ongoing commitment to financial management excellence, the Department has received an unqualified opinion on our financial statements from HUD's Office of the Inspector General, for the 10th year in a row. In order to help the reader to understand the Department's financial results, position, and condition, the following analysis addresses the relevance of particular balances and amounts as well as major changes in types and/or amounts of assets, liabilities, costs, revenues, obligations, and outlays.

The 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). While the statements have been prepared from the books and records of the Department in accordance with generally accepted accounting principles for Federal entities and the formats prescribed by OMB, the statements are provided in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records.

The statements should be read with the realization that they are for a component of the United States Government, a sovereign entity.

This section provides a summary of HUD's:

- Financial Data
- Analysis of Financial Position
- Analysis of Off-Balance Sheet Risk

Summarized Financial Data

(Dollars in Millions)

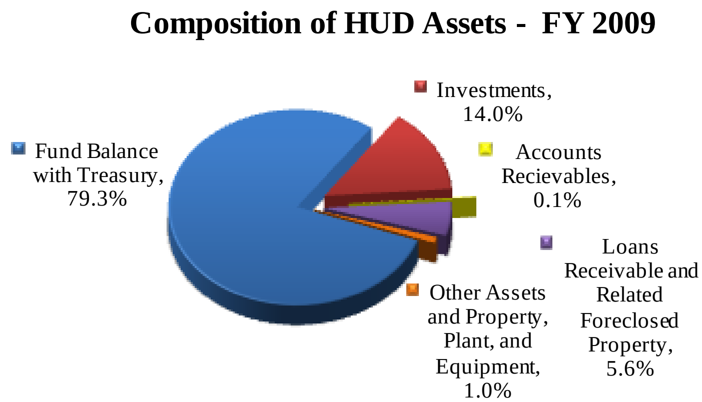
	2009	2008
Total Assets	$143,322	$125,036
Total Liabilities	$44,975	$30,521
Net Position	$98,347	$94,515
FHA Insurance-In-Force[1]	$817,122	$575,462
Ginnie Mae Mortgage-Backed Securities Guarantees	$826,000	$576,800
Other HUD Program Commitments	$68,423	$57,027

[1] *Last 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 were $43,741 million for FY 2008 and $59,877 million for FY 2009.*

Analysis of Financial Position

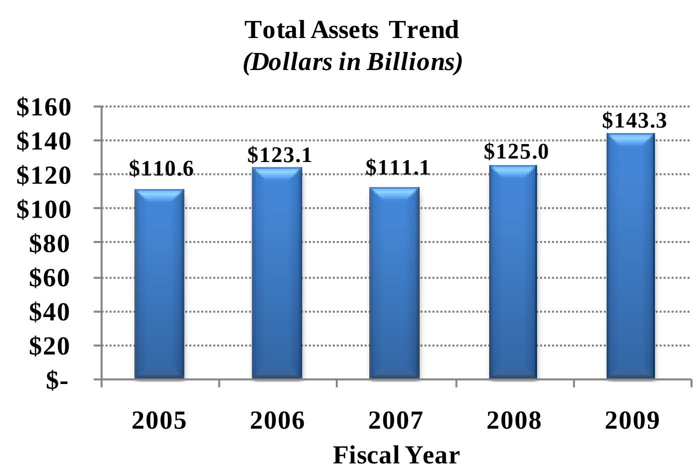
Assets - Major Accounts

Total Assets for FY 2009, as reported in the Consolidated Balance Sheets, are displayed in the graph on the following page. *Total Assets* of $143.3 billion are comprised primarily of *Fund Balance with Treasury* of $113.6 billion (79.3 percent) and Investments of $20.1 billion (14.0 percent) at September 30, 2009.



Total Assets increased $18.3 billion (14.6 percent) from $125.0 billion at September 30, 2008. The net increase was due primarily to an increase of $28.1 billion (32.9 percent) in *Fund Balance with Treasury* from $85.5 billion at September 30, 2008, with a net decrease in *Intragovernmental Investments* of $8.6 billion (30.2 percent) from $28.5 billion at September 30, 2008.

The table below shows *Total Assets* for FY 2009 and the four preceding years. The changes and trends impacting *Total Assets* are discussed below.



Fund Balance with Treasury of $113.6 billion represents HUD's aggregate amount of funds available to make authorized expenditures and pay liabilities. *Fund Balance with Treasury* increased due to an increase of $17.5 billion in funding for the FHA, an increase in funding for PIH of $4.2 billion, an increase in funding for Section 8 of $2.8 billion, and an increase in funding for HOME of $2.1 billion, which are offset by decreases in funding for CDBG of $3.5 billion and for Section 202/811 of $1.4 billion. Funding for all other programs increased by $5.9 billion. The increases are primarily due to a larger appropriation in FY 2009 as a result of the 2009 American Recovery and Reinvestment Act, maturing FHA investments, and upward re-estimates in the FHA Financing accounts.

Investments of $20.1 billion consist primarily of investments by FHA's Mutual Mortgage Insurance/Cooperative Management Housing Insurance Fund and by Ginnie Mae, in non-marketable, intra-governmental, Treasury securities (i.e., investments not sold in public markets). FHA investments decreased by $8.5 billion, a 44 percent decrease since FY 2008, due to an $8.5 billion dollar decrease in the net value of Federal Non-marketable securities held in FHA's MMI/CMHI Capital Reserve Fund. This decrease resulted from the maturity and sale of large bonds for the MMI upward re-estimate.

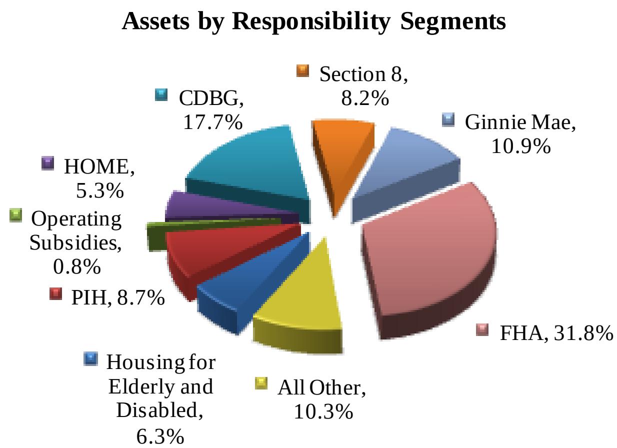
Accounts Receivable of $0.13 billion primarily consists of claims to cash from the public and state and local authorities for bond refunding, Ginnie Mae premiums, FHA insurance premiums, and Section 8 year-end settlements. A 100 percent allowance for loss is established for all delinquent debt 90 days and over. The *Accounts Receivable* decrease of $0.1 billion is primarily due to reclassifying the allowance for generic debt from loans receivable to the accounts receivable line in FHA.

Loans Receivable and Related Foreclosed Property of $8.1 billion are generated by FHA credit program receivables and by HUD's support of construction and rehabilitation of low rent housing, principally for the elderly and disabled under the Section 202/811 program. The decrease of $1.5 billion is primarily due to the increase in the allowance for subsidy in FHA's MMI financing account due to decreasing recovery rates for assigned assets.

Remaining Assets of $1.4 billion, comprising 1.0 percent of *Total Assets*, include fixed assets and other assets. The net change pertaining to the *Remaining Assets* balance was an increase by nearly 32 percent compared to the prior fiscal year, primarily due to a 49 percent increase in Ginnie Mae's *Remaining Assets*, to a total of $1.1 billion.

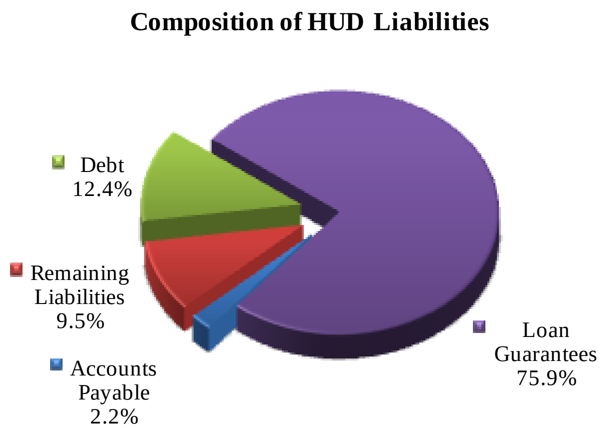
Assets - Major Programs

The chart below presents *Total Assets* for FY 2009 by major responsibility segment or program.



Liabilities – Major Accounts

Total Liabilities for FY 2009, as reported in the Consolidated Balance Sheets, are displayed in the chart below.



Total Liabilities of $45.0 billion consists primarily of loan guarantee liabilities of $34.2 billion (75.9 percent), debt in the amount of $5.6 billion (12.4 percent), accounts payable of $1.0 billion (2.2 percent), and remaining liabilities amounting to $4.2 billion (9.5 percent) at September 30, 2009.

Total Liabilities increased $14.5 billion (47.4 percent) from $30.5 billion at September 30, 2008, due primarily to an increase of $14.5 billion in *Loan Guarantees*. This increase is due primarily to an upward adjustment to FHA's subsidy re-estimate and a new upward subsidy re-estimate for FY 2009.

The chart below presents *Total Liabilities* for FY 2009 and the four preceding years. A discussion of the changes and trends impacting Total Liabilities is presented in the subsequent paragraphs.

Loan Guarantees consist of the *Liability for Loan Guarantees* related to Credit Reform loans made after October 1, 1991 and the *Loan Loss Reserve* related to guaranteed loans made before October 1, 1991. The liability for *Loan Guarantees* and the loan *Loss Reserve* are both comprised of the present value of anticipated cash outflows for defaults such as claim payments, premium refunds, property expense for on-hand properties, and sales expense for sold properties, less anticipated cash inflows such as premium receipts, proceeds from property sales, and principal interest on Secretary-held notes. The increase in *Loan Guarantees* of $14.5 billion was primarily due to an overall increase of guarantees for FHA programs.

Debt includes *Intragovernmental Debt* of $5.1 billion and debt held by the public of $0.5 billion. The *Intragovernmental Debt* consists primarily of loans from the Treasury but also includes funds borrowed from the Federal Financing bank by Public Housing Authorities and Tribally Designated Housing Entities to finance construction and rehabilitation of low rent housing. *Debt Held by the Public* consists of existing housing authority bonds and debentures issued in lieu of cash disbursements to the public at par by FHA to pay claims. The $0.8 billion decrease in debt (repayments exceed new borrowings) from $6.3 billion at September 30, 2008, was due to a $0.5 billion decrease in FHA debt and a $0.3 billion decrease in PIH debt.

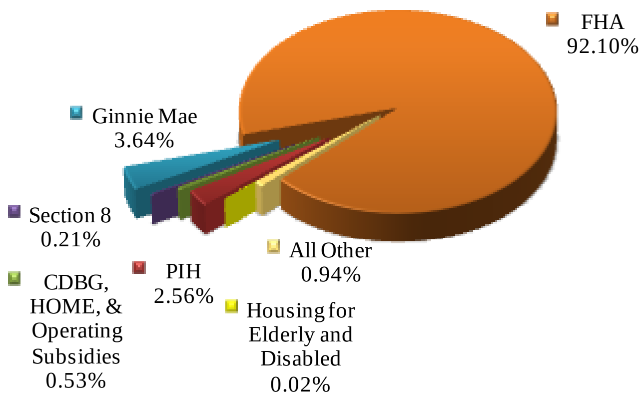
Accounts Payable consist primarily of pending grants payments.

Remaining Liabilities of $4.2 billion consist primarily of Intragovernmental Liabilities, Federal Employee and Veteran Benefits, and Other Liabilities. The *Remaining Liability* balance increased by $0.6 billion (9.5 percent) compared to the prior fiscal year.

Liabilities – Major Programs

The below chart presents *Total Liabilities* for FY 2009 by responsibility segment.

Liabilities by Responsibility Segment

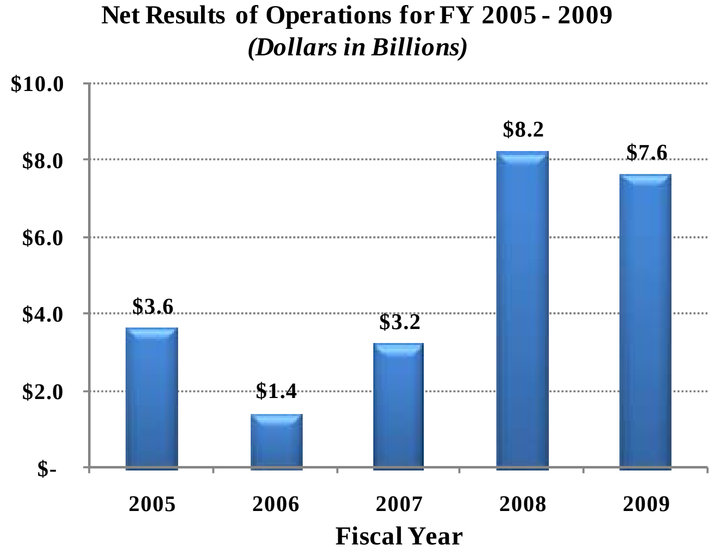


Changes in Net Position

Changes in *Unexpended Appropriations*, *Net Cost of Operations*, and *Financing Sources* combine to determine the *Net Position* at the end of the year. The elements are further discussed below. *Net Position* as reported in the *Statements of Changes in Net Position* reflects an increase of $3.8 billion or 4.1 percent from the prior fiscal year. This increase in *Net Position* is primarily attributable to an $11.4 billion increase in *Unexpended Appropriations* and a $7.6 billion decrease in *Cumulative Results of Operations*.

The combined effect of HUD's *Net Cost of Operations* and *Financing Sources* resulted in a 6.5 percent decrease in *Change of Net Cost of Operations* of $7.6 billion during FY 2009. The significant year-to-year fluctuation shown in the chart below is due primarily to the annual re-estimation of long-term credit program costs, which can be impacted by both program performance and economic forecasts.

This chart presents HUD's *Net Results of Operations* for FY 2009 and the four preceding years.

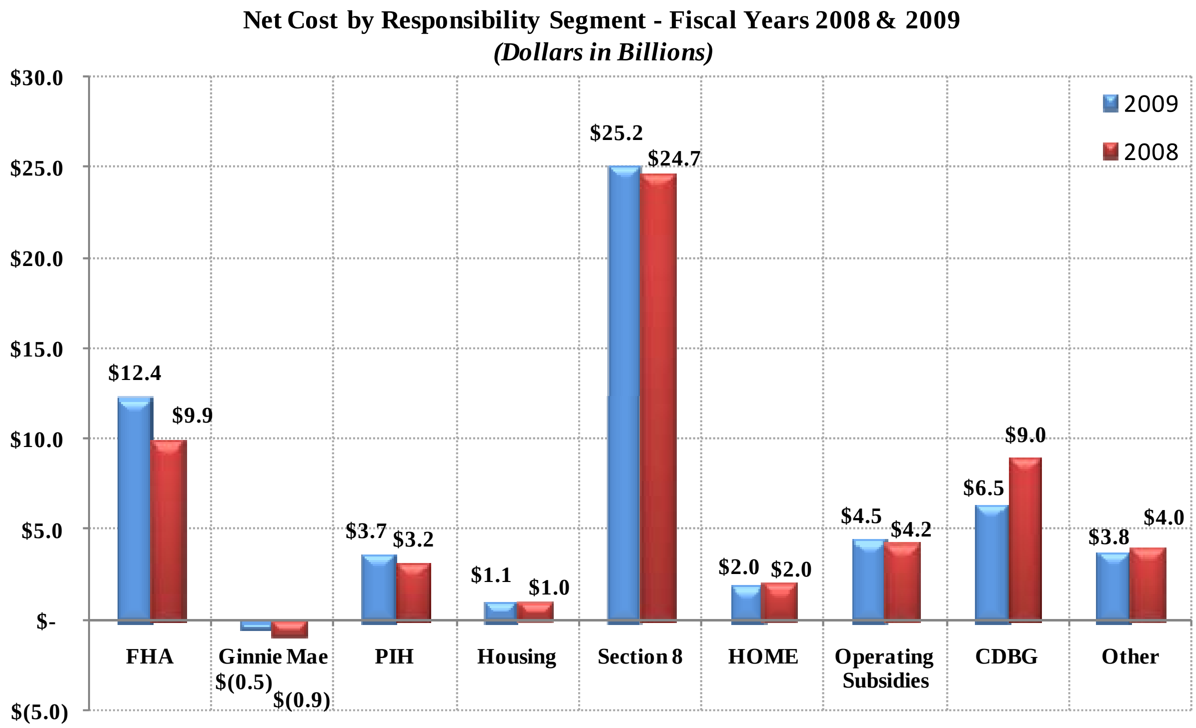


Unexpended Appropriations: which increased 17.3 percent from $66.5 billion in FY 2008 to $77.9 billion in FY 2009, represent the accumulation of appropriated funds not yet disbursed, and can change as the *Fund Balance With Treasury* changes. A significant portion of these unexpended funds is attributable to long-term commitments as discussed in the following section.

Financing Sources: As shown in HUD's *Statement of Changes in Net Position*, HUD's financing sources (other than exchange revenues contributing to *Net Cost*) for FY 2009 totaled $51.0 billion. This amount is comprised primarily of $54.7 billion in Appropriations Used, offset by approximately $3.8 billion in net transfers out. The transfers out consist of new FHA subsidy endorsements and credit subsidy upward re-estimates.

Net Cost of Operations: as reported in the *Consolidated Statements of Net Cost* amounts to $58.7 billion for FY 2009, an increase of $1.5 billion (a 2.6 percent increase) from the prior fiscal year. *Net Cost of Operations* consists of total costs, including direct and indirect program costs, as well as general Department costs, offset by program exchange revenues (received in exchange for services provided by HUD).

The chart below presents HUD's *Total Net Cost* for FY 2009 by responsibility segment.



As shown in the chart, *Cost of Operations* was primarily a result of spending of $25.3 billion, or 43 percent of *Net Cost*, in support of the Section 8 program (administered jointly by the Housing, Community Planning and Development, and PIH programs). The current fiscal year change in *Net Cost* for the Section 8 programs was $0.5 billion, or 2.1 percent, more than the prior fiscal year. FHA *Net Cost* increased by $2.5 billion, primarily due to a large increase in the subsidy re-estimate in FHA's Financing accounts, caused by the deterioration of the single family housing market between FY 2008 and FY 2009. The increase was offset by a decrease in CDBG *Net Cost* of $2.5 billion.

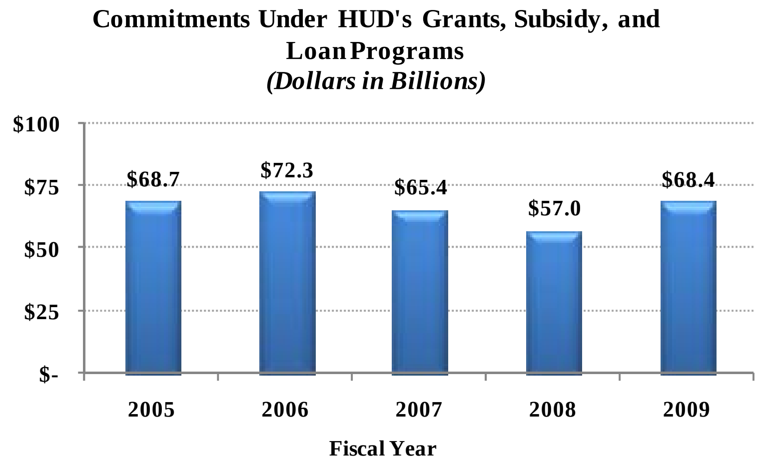
Analysis of Off-Balance-Sheet Risk

The financial risks of HUD's credit activities are due primarily to managing FHA's insurance of mortgage guarantees and Ginnie Mae's guarantees of mortgage-backed securities. Financial operations of these entities can be affected by large unanticipated losses from defaults by borrowers and issuers and by an inability to sell the underlying collateral for an amount sufficient to recover all costs incurred.

Contractual and Administrative Commitments

HUD's contractual commitments of $68.4 billion in FY 2009 represents HUD's commitment to provide funds in future periods under existing contracts for its grant, loan, and subsidy programs. Administrative Commitments (reservations) of $2.4 billion relate to specific projects for which funds will be provided upon execution of the related contract.

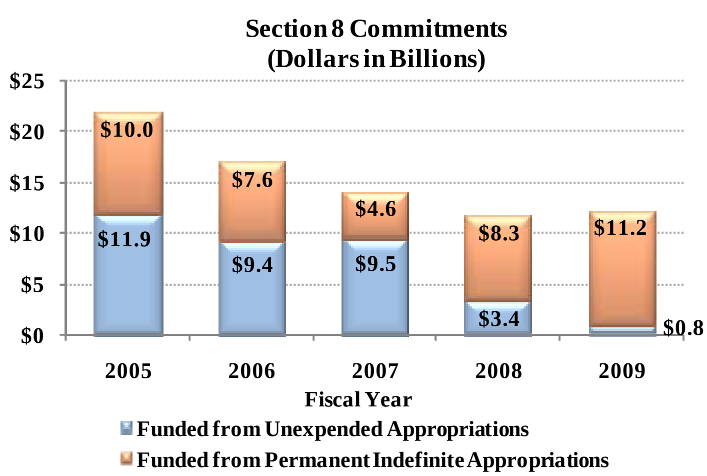
The chart below presents HUD's Contractual Commitments for FY 2009 and the four preceding years.



These commitments are primarily funded by a combination of unexpended appropriations and permanent indefinite appropriations, depending on the inception date of the contract. HUD draws on permanent indefinite budget authority to fund the current year's portion of contracts entered into prior to FY 1988. Since FY 1988, HUD has been appropriated funds in advance for the entire contract term in the initial year, resulting in substantial increases and sustained balances in HUD's unexpended appropriations.

Total commitments (contractual and administrative) increased by $10.8 billion or 18.0 percent during FY 2009. The change is primarily attributable to an increase of $3.6 billion in PIH commitments, an increase of $2.2 billion in HOME program commitments, and an increase of $5.1 billion in All Other commitments.

The chart below presents HUD's Section 8 Contractual Commitments for FY 2009 and the four preceding years.



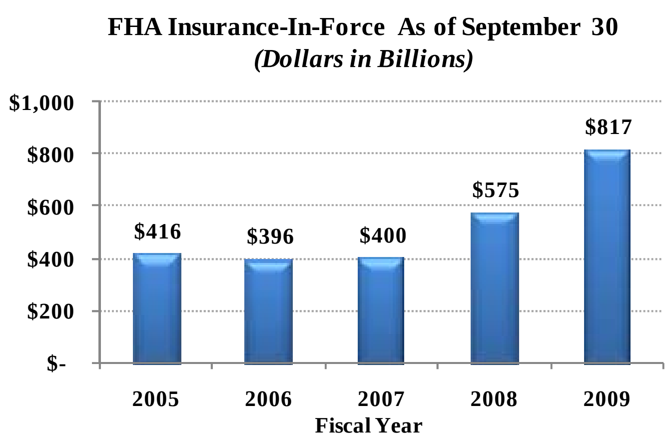
To contain the costs of future Section 8 contract renewals, HUD began converting all expiring contracts to one-year terms during FY 1996. By changing to one-year contract terms, HUD effectively reduced the annual budget authority needed from Congress to fund the subsidies while still maintaining the same number of contracts outstanding.

FHA Insurance-in-Force

FHA's insurance-in-force is reported two ways in Note 7E: as Outstanding Principal, Guaranteed Loans, Face Value and as Amount of Outstanding Principal Guaranteed. Note 7E also includes non-FHA loan guarantee programs. FHA uses the Amount of Outstanding Principal Guaranteed to report insurance-in-force. This year, the Analysis of Financial Condition and Results is switching to FHA's preferred method of reporting insurance-in-force. This change does not affect the financial statements or the notes.

In addition, FHA has begun to include Home Equity Conversion Loans in the MMI fund. FHA's total insurance-in-force for FY 2009 is $757.2 billion of Outstanding Principal Guaranteed plus $59.9 billion in current outstanding balance for HECM loans, for a total of $817.1 billion in FHA insurance-in-force. This is an increase of $241.7 billion (or 42 percent) from the FY 2008 FHA insurance-in-force of $575.5 billion. The increase in FHA's insurance-in-force was primarily due to an upward adjustment to FHA's FY 2008 re-estimate and a net upward re-estimate for FY 2009.

The chart below presents FHA's insurance-in-force for FY 2009 and the four preceding years. The amounts for years FY 2005 through FY 2007 do not reflect the adjustment to FHA's reporting standard nor the inclusion of HECM loan guarantees.



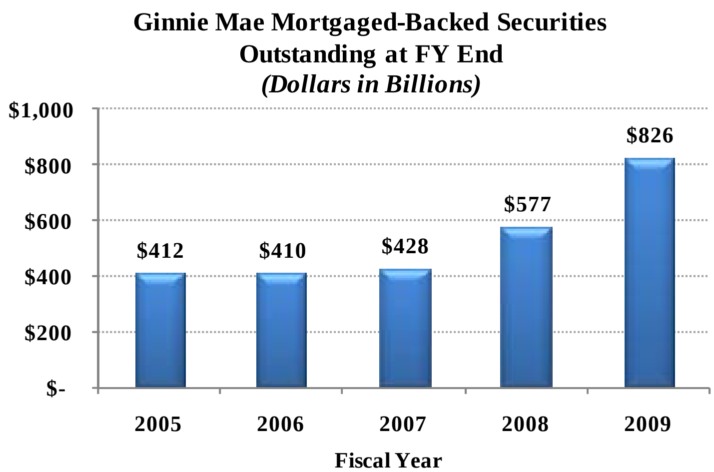
Ginnie Mae Guarantees

Ginnie Mae financial instruments with off-balance sheet risk include guarantees of Mortgage-Backed Securities and commitments to guaranty. The securities are backed by pools of FHA-insured, Rural Housing Service-insured, and Veterans Affairs-guaranteed mortgage loans. Ginnie Mae is exposed to credit loss in the event of non-performance by other parties to the financial instruments. The total amount of Ginnie Mae guaranteed securities outstanding at

September 30, 2008 and 2009, was approximately $576.8 billion and $826.0 billion, respectively. However, Ginnie Mae's potential loss is considerably less because the FHA and Rural Housing Service insurance and Veterans Affairs guaranty serve to indemnify Ginnie Mae for most losses. Also, as a result of the structure of the security, Ginnie Mae bears no interest rate or liquidity risk.

During the mortgage closing period and prior to granting its guaranty, Ginnie Mae enters into commitments to guaranty Mortgage-Backed Securities. The commitment ends when the Mortgage-Backed Securities are issued or when the commitment period expires. Ginnie Mae's risks related to outstanding commitments are much less than for outstanding securities due, in part, to Ginnie Mae's ability to limit commitment authority granted to individual issuers of Mortgage-Backed Securities. Outstanding commitments as of September 30, 2009 and 2008 were $98.4 billion and $71.2 billion, respectively.

The chart on the next page presents Ginnie Mae Mortgage-Backed Securities for FY 2009 and the four preceding years.



Generally, Ginnie Mae's Mortgage-Backed Securities pools are diversified among issuers and geographic areas. No significant geographic concentrations of credit risk exist; however, to a limited extent, securities are concentrated among issuers. In FY 2009 and 2008, Ginnie Mae issued a total of $79.6 billion and $43.4 billion, respectively, in its multi-class securities program. The estimated outstanding balance of multiclass securities in the total MBS securities balance at September 30, 2009 and 2008 were $350 billion and $253 billion, respectively. These securities do not subject Ginnie Mae to additional credit risk beyond that assumed under the Mortgage-Backed Securities program.

Multi-class securities include:

- REMICs – Real Estate Mortgage Investment Conduits are a type of multiclass mortgage-related security in which interest and principal payments from mortgages are structured into separately traded securities.

- Stripped MBS – Stripped Mortgage Backed Securities are securities created by "stripping" or separating the principal and interest payments from the underlying pool of mortgages into two classes of securities, with each receiving a different proportion of the principal and interest payments.
- Platinums – A Ginnie Mae Platinum security is formed by combining Ginnie Mae MBS pools that have uniform coupons and original terms to maturity into a single certificate.

Management Assurances

The Federal Managers' Financial Integrity Act (FMFIA) of 1982

The Federal Managers' Financial Integrity Act of 1982 and the Office of Management and Budget (OMB) Circular A-123 *Management's Responsibility for Internal Control* present the main internal control requirements for the federal government. FMFIA explains management's responsibility for, and its role in, the assessment of accounting and administrative internal controls. FMFIA also requires the agency head to annually assess and report on the effectiveness of internal controls that protect the integrity of federal programs as well as financial management systems reporting.

Senior management throughout the Department annually provide assurance statements concerning the effectiveness and efficiency of internal controls within their programs, the reliability of internal control over financial reporting, and compliance with applicable laws and regulations. Using a building block concept, the Secretary's assurance statement shown in this section is based upon these supporting statements.

OMB Circular A-123 also requires agencies to identify the material weaknesses affecting the agency. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected. For FY 2009, no material weaknesses were identified for the Department.

Section 4 of FMFIA

Section 4 of FMFIA requires agencies to report instances of material non-conformance, including the preparation of remediation plans that address the non-conformance.
OMB Circular A-127 requirements address all aspects of managing financial management systems. A system is considered non-conforming when it does not comply with the requirements of the Circular. The materiality or severity of the impact of non-conformance is evaluated against the overall capability of the system to consistently generate accurate, reliable, and timely financial information essential for effective and efficient management of the Agency.

During FY 2009, HUD identified no new material non-conformance issues and maintained its focus on successfully implementing its aggressive approach toward resolving past financial system non-conformance concerns. HUD's program offices are vigorously working to ensure compliance with FMFIA and OMB Circular A-127.

At the end of FY 2009, two financial systems, HPS and SPS, remain non-compliant. These two systems were identified as non-compliant as part of HUD's FY 2006 financial statement audit. HUD developed remediation plans to replace these systems with the HUD Integrated Acquisition Management System (HIAMS) to meet the agency's procurement and business needs. However, the acquisition of HIAMS was delayed due to a lack of funding. Partial funding was provided in the third quarter of FY 2009, and the acquisition process has been restarted. While HIAMS is being developed, HPS and SPS have compensating controls in place in order to mitigate their noncompliance issues.

During FY 2009, HUD began the process of reviewing and documenting its financial management systems interfaces. This process will continue in FY 2010 and will address future interfaces, manual processes, and security interfaces to be implemented.

Federal Financial Management Improvement Act (FFMIA) of 1996

The Federal Financial Management Improvement Act of 1996 and OMB Circular A-127 *Financial Management Systems* prescribes policies and standards for executive departments and agencies to follow when managing their financial management systems. According to OMB Circular A-127, financial management systems are substantially compliant when an agency's financial management systems routinely provide reliable and timely financial information for managing day-to-day operations as well as to produce reliable financial statements, maintain effective internal control, and comply with legal and regulatory requirements.

The Secretary has determined that the Department is in compliance with 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, *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. The requirements specifically state that agencies are in substantial compliance when they can prepare financial statements and other required financial and budget reports using information generated by the financial management system(s) which: (1) provide reliable and timely financial information for managing current operations; (2) account for assets reliably so that they can be properly protected from loss, misappropriation, or destruction; and (3) do all of the above in a manner that is consistent with federal accounting standards and the U.S. Government Standard General Ledger at the transaction level. HUD's financial management systems satisfy all of these requirements.

HUD continues to strengthen and improve its financial management systems. The Department is currently engaged in the development of a major financial systems modernization project. The HUD Integrated Financial Management Improvement Project (HIFMIP) establishes an enterprise vision to achieve a core financial management system as a resolution to the Department's integration and modernization efforts. In addition, as part of the Secretary's Transformation

Initiative, the Department will target Transformation Initiative funding toward modernizing HUD's IT systems for existing programs.

Federal Information Security Management Act (FISMA) of 2002

The Federal Information Security Management Act of 2002 requires each agency to generate "…a comprehensive framework for ensuring the effectiveness of information security controls over information resources that support Federal operations and assets…" It assigns specific responsibilities to Federal agencies, the National Institute of Standards and Technology (NIST), and the Office of Management and Budget (OMB) in order to strengthen information system security. In particular, FISMA requires agency heads to implement policies and procedures to cost-effectively reduce information technology security risks to an acceptable level and to annually report to OMB on the effectiveness of the agencies' security programs.

HUD relies extensively on Information Technology to carry out its operations, and the agency continues to improve its Information System Security Program. The implemented improvements during FY 2009 increase HUD's ability to protect the availability, integrity, and confidentiality of information stored on its systems. Noted accomplishments include: ensured 100 percent of HUD's information systems maintained a current certification and accreditation; built a stronger vulnerability management program to cost effectively reduce security risks discovered on the Department's technical infrastructure; ensured that all applicable information systems and business processes have been assessed for privacy impacts; and expanded the Department's security awareness program.

The OIG's audit report noted a non-compliance with FISMA for two Ginnie Mae financial systems. However, HUD disagrees with the OIG's finding of non-compliance with FISMA. Contrary to the OIG's report, the Integrated Portfolio Management System was certified and accredited on 06/30/2009, and the Single Family Mastersubservicer System is in transition.

Federal Managers' Financial Integrity Act
FY 2009 Annual Assurance Statement

The Department of Housing and Urban Development's 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.

In addition, HUD conducted its assessment of the effectiveness of HUD's internal control over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations, in accordance with the requirements of Appendix A of OMB Circular A-123. Based on the results of this evaluation, HUD can provide reasonable assurance that its internal control over financial reporting, as of June 30, 2009, was operating effectively and that no material weaknesses were found in the design or operation of the internal control over financial reporting.

In accordance with guidance established by the American Recovery and Reinvestment Act (Recovery Act) of 2009, HUD can provide reasonable assurance that all Recovery Act programs were managed effectively and efficiently, utilized reliable and accurate data to report achievement of program goals, and were in compliance with applicable laws and regulations. All HUD Recovery Act funds were awarded and distributed in a prompt, fair, and reasonable manner for the sole purpose designated in the Recovery Act.

The Federal Financial Management Improvement Act of 1996 (FFMIA) requires federal agencies to implement and maintain financial management systems that are in substantial compliance with federal financial management systems requirements, federal accounting standards, and the United States Government Standard General Ledger at the transaction level. HUD hereby provides reasonable assurance that its financial management systems substantially comply with FFMIA for FY 2009.

Shaun Donovan — November 16, 2009

Secretary

Improper Payments Information Act Reporting

Please see the narratives for Performance Indicator E.3 in Section 2, and the Improper Payments Act Reporting Details in Section 4 for more information.

Data Relevance and Reliability

In 2000, HUD launched the Data Quality Improvement Program to enhance the quality of Annual Performance Plan performance indicator data in HUD's IT systems. This program includes a three-step process: 1) independent assessment; 2) data quality cleanup and improvement; and 3) certification that critical data elements meet HUD's 4-sigma standard, reflecting fewer than 6,210 errors per million. The initial emphasis of the program is assessing and certifying information systems and data elements used to report on program performance under the Government Performance and Results Act.

The performance indicators have value in portraying HUD's programs only to the extent that the Department can demonstrate their reliability. To do this, HUD engages in a number of efforts to verify and validate the performance data.

Those efforts include, but are not limited to:

- The review of grantee reports to assess accuracy and monitor grantees to ensure that reported performance measures are accurate and that the results are produced in compliance with program requirements.
- The utilization of the FHA Consolidated Single-Family Statistical System. HUD verifies FHA data for underserved communities by comparison with Home Mortgage Disclosure Act data.
- Verification via random checks of physical case files and documentation of case closures.
- Data validation by matching the monthly Ginnie Mae database and the FHA systems.
- Independent physical inspections of units, buildings, and sites.

More detailed information can be found in the data discussion paragraph of each performance indicator in Section 2.

Performance Information

Summary of HUD's Performance Activities

The following is a summary of the core aspects of each Strategic Goal and *highlights* of the performance activities under each goal to give the reader a sense of the overall plan and impact of HUD's program efforts. The reader can pursue the entire complement of write-ups in the indicator section of Section 2 which follows.

Goal A: Increase Homeownership Opportunities

Public Benefit

Opening doors and strengthening homeownership is a core aspect of HUD's mission. HUD's homeownership programs also focused on stabilizing the home mortgage markets, national economy and overall housing market. A home is an asset that can grow in value and provide capital to finance future needs of a family, such as college education or retirement. Homeownership helps stabilize neighborhoods, strengthen communities, and stimulate economic growth. This goal also recognizes the significant (25.1 percent) homeownership gap between minority and non-minority households.

Resource Investment

Although the portion of HUD's budget authority for this Goal (i.e., $2.5 billion) represents only 4.5 percent of the Department's total of $55.7 billion in discretionary budget authority, and represents 4.7 percent of obligations and 5.4 percent of outlays, there also are very large mortgage guarantee amounts that provide a significant contribution to the National homeownership rate. The FHA single family program had an overall commitment ceiling of $400 billion, and actual commitments were approximately $360 billion.

Highlights of Results

Overall, HUD programs assisted 822,488 families with homeownership opportunities through FHA and a variety of grant and loan programs. In FY 2009, FHA insured 667,098 first-time homebuyer mortgages out of a total of 1,947,158 mortgages insured. FHA stabilization efforts also helped avoid 500,000 foreclosures, and the increased importance of FHA can be seen in its increased market share from 4 percent in FY 2007 to 26 percent in the fourth quarter of FY 2009. FHA is insuring nearly a third of the home-purchase mortgage market.

In addition, the share of first-time minority FHA homebuyers was 32 percent. Through the third quarter for FY 2008, there has been a gross increase of 4.992 million minority homeowners representing 91 percent of the 5.5 million goal in 74 percent of the time. Approximately 1 million persons a year (an estimated 45.4 percent minorities) are assisted with homeownership and avoidance of foreclosure and attendant property abandonment through HUD's housing counseling program, which efficiently also utilizes other non-federal sources of funds. The HOME program assisted 23,711 new homebuyer units, of which 47 percent were minorities, and 9,737 existing homeowner rehabilitation units.

- The Community Development Block Grant Program assisted 2,441 homeownership units and 103,926 involving rehabilitation of owner-occupied units.
- Ginnie Mae securitized 99.1 percent of FHA single family loans; 97.2 percent of single family fixed rate VA loans; and, 26 percent of all single family pools were in Targeted Lending Initiative neighborhoods.

Goal B: Promote Decent Affordable Housing

Public Benefit

The Department's affordable rental programs serve 4.7 million families on an income targeted basis and prevent large numbers of families from being added to the worst case housing caseload.

For calendar year 2005, the latest data available, 2.32 million families with children, 1.29 million elderly households, and 694 thousand households with disabilities had worst cases housing needs. Worst case housing needs reflect rents that are more than 50 percent of available income or housing of poor physical quality. The Department estimates that, absent our large rental assistance programs servicing 4.7 million families and clients in FY 2009, 52 percent as a low bound estimate, or almost 2.5 million would be added to the worst case housing need numbers. This number is probably understated because HUD programs serve populations including very-low income renters, elderly, and persons with disabilities, all of which face more severe shortages of suitable, affordable, available units in the private marketplace.

Resource Investment

- This Strategic Goal reflects the largest budget authority, at $38.1 billion, which represents 68.4 percent of the total $55.7 billion discretionary Departmental total budget authority, and represents 65.7 percent of obligations and 65.7 percent of outlays. The voucher program budget authority resources total $21.9 billion. An additional $6.6 billion is for public housing programs.

Highlights of Results

- HUD's budget continues to support 4.7 million families and clients in highly targeted affordable housing.
- 122,889 income targeted households received affordable housing assistance from the Community Development Block Grant, HOME Program, Housing Opportunities for Persons With AIDS, Section 202 Elderly and Section 811 Persons with Disabilities programs, and the Indian Housing Block Grant.
- FHA endorsed 713 risk sharing multi-family loans.
- Ginnie Mae securitized 97.5 percent of eligible FHA multifamily mortgages and hospital loans.
- HUD completed 76.5 percent of mark-to-market mortgages restructurings in order to preserve existing affordable housing.

- The availability of affordable housing for the elderly and persons with disabilities was increased by bringing 208 projects to initial closing.
- Public Housing physical standards were met in 84.5 percent of units and Multifamily was met with 93.3 percent.

Goal C: Strengthen Communities

Public Benefit

Providing communities throughout the entire nation with resources and tools to promote economic development and community vitality is a key component of HUD's mission. The hallmarks of this effort are flexible program designs and resources targeted to very-low and low-income households with local solutions for local problems.

In FY 2008, the Congress enacted new funding for the Neighborhood Stabilization Program to assist communities with the foreclosure and abandonment crisis and in FY 2009 funded additional CDBG and Neighborhood Stabilization Program resources under the Recovery Act.

Highlights of Results

- The Community Development Block Grant program (CDBG) is the federal government's largest most flexible block grant and formula funding programs is provided to over 1,154 entitlement communities and to all 50 states Puerto Rico and the insular areas. The Department is pursuing a major proposal to improve CDBG through a formula change to better target funds on a needs basis and stronger focus on both need and performance. The CDBG program results were as follows:
  - The share of CDBG entitlement and state funds that benefited low-and moderate-income persons averaged 94.6 percent, exceeding the target of 90 percent and the statutory requirement of 70 percent.
  - Since FY 2006, the Congress has provided $6.5 billion of supplemental CDBG funding for disaster assistance. Through FY 2009, 150,122 recovery homeowner compensation payments have been made to homeowners on the gulf coast and $1.55 billion was obligated by states for recovery infrastructure project.
  - CDBG funds created or retained 21,309 jobs and the related Section 108 Loan program which aided in creating 8,089 jobs.
  - The Department exceeded the CDBG goal of 66 percent with 87.5 percent of entitlement communities with unemployment rates above the national average utilizing CDBG funds for economic development.
  - CDBG funds were used to eliminate 7,450 blighted structures, approximately 50 percent above the goal of 5,000 properties.
- The share of FHA multifamily properties in underserved communities was 58.6 percent exceeding the goal of 40 percent; and 35.5 percent of single-family mortgages were in underserved communities exceeding the goal of 35 percent.
- Homeless funding of $1.7 billion is largely directed toward housing homeless persons in HUD-supported permanent housing, and moving homeless from HUD-supported

transitional to permanent housing. Both these housing targets were exceeded (82.2 percent vs. 77 percent and 67.7 percent vs. 65 percent respectively).

- Overcrowding in Indian Country was significantly reduced by 1,938 units versus a target of 1,400.
- Housing conditions that affect health were vastly improved with targets exceeded for lead abatement with 13,873 units completed versus a target of 11,800 units. The program is continuing progress in meeting the top priority goal of elimination of lead hazards for children.

Resource Investment

Approximately 17.6 percent of total discretionary budget authority is for this goal, or $9.8 billion compared to the total of $55.7 billion. This amount represents 18.2 percent of obligations and 16.7 percent of outlays.

Goal D: Ensure Equal Opportunity in Housing

Public Benefit

The Department enforces a number of civil rights and fair housing laws that protect all of our citizens. Fair Housing efforts significantly expand homeownership and affordable housing opportunities to all citizens and through these opportunities families and communities are strengthened. In addition, the Department maintains a focus that all of our programs are operated in a manner that affirmatively furthers fair housing policy.

Resource Investment

The fiscal year 2009 funding for the Fair Housing Equal Opportunity program comprised of the Fair Housing Assistance Program and Fair Housing Initiatives Programs is $53.0 million. The Fair Housing Assistance Program was funded at $25.5 million and the Fair Housing Initiatives Program was funded at $27.5 million including $2 million to fight mortgage fraud and scams. FHEO activities included $59.2 million in obligations and $46.1 million in outlays.

Highlights of Results

- Education and outreach was accomplished by FHIP grantees which held 933 public events that reached 1,060,320 people including those involved in grassroots and Faith-Based efforts, as well as public service outreach that informed over a million people of their rights and responsibilities under the Fair Housing laws.
- In the enforcement arena, HUD completed 60 percent of its new cases within 100 days exceeding the target of 55 percent. The state and local agencies in the FHAP closed 53 percent of their cases within 100 days exceeding the 50 percent target. At the same time, HUD closed 72 percent of its aged cases exceeding the goal of 60 percent, and FHAP agencies closed 97 percent of the aged cases in their inventory exceeding the goal of 95 percent by two percentage points.

Goal E: Embrace High Standards of Ethics, Management, and Accountability

Public Benefit

The Department is the public steward of $55.7 billion in total discretionary budget authority. This strategic goal reports on HUD's efforts to improve management and operational activities in all areas so as to provide more effective and efficient results. Improvements are focused on developing a highly skilled and adept workforce as well as investing in, and updating, information technology and financial systems to better serve internal customers and external partners.

Highlights of Results

- Receipt of an unqualified financial audit opinion for the tenth consecutive year.
- HUD continued to advance the enterprise-wide financial management system that will improve HUD's financial efficiency and is anticipated to be operative in FY 2015.
- HUD maintained the rate of improper rental program payments at 3.5 percent during FY 2009, missing its goal by 0.1 percent.
- The goal of increasing HUD employee satisfaction and thereby improving the work environment and work results was fully met. HUD achieved its goal of at least a 50 percent reduction in targeted mission critical competencies (skill gaps) for employees and 25 percent for managers. HUD also retained 92 percent of fellows and interns exceeding the goal of 80 percent; this strengthened workforce skills and capabilities and helped address critical succession issues.
- In the area of information technology HUD fully met its Enterprise Architecture target to continue significant progress in business system modernization, resulting in updated systems and information that is more reliable, more usable and provided in a more efficient and effective manner. Strategic improvement of Information Technology results in better interactions between HUD employees, business partners, and citizens.

HUD also achieved its goals in the information technology security area and assessment of selected major information systems.

- This strategic goal includes a number of benchmarks across HUD's program areas to determine whether programs are being operated effectively. These benchmarks include all Community Development and Policy programs, FHA Mutual Mortgage Insurance, PHA related programs, the Departmental Enforcement Center, Policy Development and Research programs.

Resource Investment

This Strategic Goal includes $5.2 billion, or 9.4 percent of the $55.7 billion, in total gross discretionary budget authority, and represents 11.2 percent of total obligations and 12.1 percent of outlays. The larger investments include administrative costs for most HUD programs.

Goal F: Promote Participation of Faith-Based and Community Organizations

Public Benefit and Resources

This Strategic Goal supports HUD's efforts to maximize the opportunities for Faith Based and Community Development Organizations to participate in HUD-sponsored programs. Activities supporting this goal permeate the funding and operation issues involving all of HUD's programs.

The focus has been on developing the relevant skill set for these groups, expanding opportunities to participate in HUD's programs, providing comprehensive outreach and technical assistance, and conducting pilot programs that capture the promise of this overall effort.

Highlights of Results

- The Center for Faith-Based and Neighborhood Partnerships conducted 40 grant writing sessions and eight "Unlocking Doors" events and worked in partnership with the HUD program offices to advance faith based and community activities.

Resource Investment

- This is not an appropriated program account.

RESOURCES SUPPORTING HUD'S MISSION

Summary of Resources By Strategic Goal

Budget Authority (BA) and Salaries and Expenses (S&E) are in thousands of dollars. Full Time Equivalents (FTE) represent the number of paid positions.

	2008 Approp.	2009 Approp.	2010 Request
Strategic Goal A: Increase Homeownership Opportunities			
Discretionary BA	$2,843,715	$2,490,839	$3,081,587
FTE	1,222	1,235	1,249
S&E Cost	$135,035	$144,048	$157,061
Obligations	$2,829,875	$2,162,984	$3,363,932
Outlays	$3,765,005	$2,434,527	$3,791,555
Strategic Goal B: Promote Decent Affordable Housing			
Discretionary BA	$24,959,061	$38,084,409	$31,811,732
FTE	2,794	3,046	3,094
S&E Cost	$326,503	$385,638	$393,440
Obligations	$26,176,570	$30,054,258	$32,402,414
Outlays	$30,201,590	$29,829,415	$35,084,063
Strategic Goal C: Strengthen Communities			
Discretionary BA	$18,315,939	$9,802,993	$5,702,620
FTE	963	971	1,017
S&E Cost	$112,584	$119,477	$128,765
Obligations	$6,013,941	$8,309,132	$6,562,255
Outlays	$8,274,518	$7,570,547	$9,293,812
Strategic Goal D: Ensure Equal Opportunity in Housing			
Discretionary BA	$50,000	$54,000	$72,000
FTE	588	655	671
S&E Cost	$67,100	$80,327	$84,024
Obligations	$27,713	$59,171	$72,000
Outlays	$54,377	$46,148	$52,481

RESOURCES SUPPORTING HUD'S MISSION

Summary of Resources By Strategic Goal

Budget Authority (BA) and Salaries and Expenses (S&E) are in thousands of dollars. Full Time Equivalents (FTE) represent the number of paid positions.

	2008 Approp.	2009 Approp.	2010 Request
Strategic Goal E: Embrace High Standards of Ethics, Management, and Accountability			
Discretionary BA	$6,489,771	$5,238,649	$5,667,721
FTE	3,131	2,910	2,927
S&E Cost	$597,910	$599,886	$612,629
Obligations	$6,500,571	$5,126,872	$5,945,618
Outlays	$6,413,510	$5,512,826	$4,483,684
Strategic Goal F: Promote Participation of Faith-Based and Community Organizations			
Discretionary BA	$0	$0	$0
FTE	80	64	66
S&E Cost	$10,668	$9,698	$10,124
Obligations	$0	$0	$0
Outlays	$0	$0	$0
Total Resources			
Total BA	$52,658,486	$55,670,890	$46,335,660
FTE	8,778	8,881	9,024
S&E Cost	$1,249,800	$1,339,074	$1,386,043
Obligations	$41,548,670	$45,712,417	$48,346,219
Outlays	$48,709,000	$45,393,463	$52,705,595

Fiscal Year 2008 BA includes supplemental disaster funding totaling $17,063,300. Fiscal Year 2009 BA includes supplemental American Recovery and Reinvestment Act funding totaling $13,625,000 and $30,000,000 for P.L 111-32.. FTEs and S&E are not included in the Total Resources for the Inspector General's office and the Office of Federal Housing Enterprise Oversight (FY 2008 only) because each has independent budget presentations. The FY 2008, 2009, and 2010 Discretionary BA, obligations and outlays are net of S&E and do not reflect accruals.

Strategic Goal A: Increase Homeownership Opportunities

Budget Authority (BA) and Salaries and Expenses (S&E) are in thousands of dollars. Full Time Equivalents (FTE) represent the number of paid positions.

	2008 Approp.	2009 Approp.	2010 Request	2009 vs. 2010
OFFICE OF PUBLIC AND INDIAN HOUSING				
Housing Certificate Fund				
Discretionary BA	($28,176)	$0	$0	$0
Obligations	$46,758	$5,877	$0	($5,877)
Outlays	$229,954	$151,774	$122,000	($29,774)
Tenant-Based Rental Assistance				
Discretionary BA	$1,544,752	$840,850	$891,800	$50,950
FTE	46	23	22	(1)
S&E Cost	$5,660	$3,064	$2,956	($108)
Obligations	$1,492,382	$814,427	$891,800	$77,373
Outlays	$1,574,111	$807,600	$888,200	$80,600
Project-Based Rental Assistance				
Discretionary BA	$18,192	$8,887	$8,950	$63
Obligations	$18,947	$7,146	$8,950	$1,804
Outlays	$17,499	$6,088	$9,007	$2,919
Indian Housing Loan Guarantee Fund				
Discretionary BA	$7,450	$9,000	$7,000	($2,000)
FTE	27	28	28	0
S&E Cost	$3,483	$3,796	$3,883	$87
Obligations	$7,440	$13,039	$7,000	($6,039)
Outlays	$6,430	$10,279	$9,000	($1,279)
HOPE VI/Choice Neighborhoods				
Discretionary BA	$29,805	$36,000	$75,000	$39,000
FTE	25	25	20	(5)
S&E Cost	$3,035	$3,291	$2,692	($599)
Obligations	$59,152	$892	$0	($892)
Outlays	$157,860	$94,985	$83,400	($11,585)
Native Hawaiian Loan Guarantee Fund				
Discretionary BA	($1,909)	$1,044	$1,044	$0
FTE	2	1	1	0
S&E Cost	$75	$84	$82	($2)
Obligations	$105	$356	$679	$323
Outlays	$101	$87	$688	$601
Native American Housing Block Grants				
Discretionary BA	$280,636	$519,750	$290,250	($229,500)
FTE	70	70	71	1
S&E Cost	$8,642	$9,440	$9,768	$328
Obligations	$250,392	$267,294	$283,225	$15,931
Outlays	$257,463	$248,164	$350,119	$101,955

Strategic Goal A: Increase Homeownership Opportunities				
Budget Authority (BA) and Salaries and Expenses (S&E) are in thousands of dollars. Full Time Equivalents (FTE) represent the number of paid positions.				
	2008 Approp.	**2009 Approp.**	**2010 Request**	**2009 vs. 2010**
PIH TOTAL				
Discretionary BA	$1,850,750	$1,415,531	$1,274,044	($141,487)
FTE	170	147	142	(5)
S&E Cost	$20,895	$19,675	$19,381	($294)
Obligations	$1,875,176	$1,109,031	$1,191,654	$82,623
Outlays	$2,243,418	$1,318,977	$1,462,414	$143,437
COMMUNITY PLANNING AND DEVELOPMENT				
Community Development Block Grants				
Discretionary BA	$387,830	$391,261	$439,941	$48,680
FTE	28	27	28	1
S&E Cost	$3,587	$3,746	$3,943	$197
Obligations	$378,258	$391,769	$827,533	$435,764
Outlays	$896,393	$410,085	$748,011	$337,926
HOME Investment Partnership Program				
Discretionary BA	$428,705	$477,513	$477,513	$0
FTE	36	35	36	1
S&E Cost	$4,449	$4,647	$4,891	$244
Obligations	$431,929	$500,094	$527,226	$27,132
Outlays	$515,304	$500,624	$766,114	$265,490
Self Help Homeownership Opportunity Program				
Discretionary BA	$26,500	$30,000	$27,000	($3,000)
FTE	5	5	5	0
S&E Cost	$327	$342	$359	$17
Obligations	$18,677	$27,814	$27,000	($814)
Outlays	$12,870	$13,803	$25,000	$11,197
CPD TOTAL				
Discretionary BA	$843,035	$898,774	$944,454	$45,680
FTE	69	67	69	2
S&E Cost	$8,363	$8,735	$9,193	$458
Obligations	$828,864	$919,677	$1,381,759	$462,082
Outlays	$1,424,567	$924,512	$1,539,125	$614,613
OFFICE OF HOUSING				
FHA-GI/SRI				
Discretionary BA	$6,125	$2,970	$956	($2,014)
FTE	74	79	78	(1)
S&E Cost	$8,198	$9,188	$9,303	$115
Obligations	$5,329	$2,868	$506	($2,362)
Outlays	$4,635	$515	$2,940	$2,425
FHA-MMI/CHMI				
Discretionary BA	$54,507	$102,200	$741,718	$639,518
FTE	650	705	706	1
S&E Cost	$71,879	$82,529	$84,558	$2,029
Obligations	$35,463	$61,255	$688,490	$627,235
Outlays	$28,807	$97,042	$685,671	$588,629

Strategic Goal A: Increase Homeownership Opportunities				
Budget Authority (BA) and Salaries and Expenses (S&E) are in thousands of dollars. Full Time Equivalents (FTE) represent the number of paid positions.				
	2008 Approp.	**2009 Approp.**	**2010 Request**	**2009 vs. 2010**
HOPE for Homeowners				
Discretionary BA	$29,535	$0	$0	$0
Obligations	$20,000	$9,535	$0	($9,535)
Outlays	$0	$29,535	$0	($29,535)
Interstate Land Sales (and RESPA)				
FTE	17	17	18	1
S&E Cost	$2,790	$3,018	$3,011	($7)
Housing Counseling Assistance				
Discretionary BA	$39,474	$49,670	$76,415	$26,745
FTE	90	81	81	0
S&E Cost	$9,840	$9,222	$9,450	$228
Obligations	$44,007	$38,373	$55,783	$17,410
Outlays	$44,000	$38,373	$45,085	$6,712
HOUSING TOTAL				
Discretionary BA	$129,641	$154,840	$819,089	$664,249
FTE	831	882	883	1
S&E Cost	$92,707	$103,957	$106,322	$2,365
Obligations	$104,799	$112,031	$744,779	$632,748
Outlays	$77,442	$165,465	$733,696	$568,231
GNMA				
Mortgage-Backed Securities				
FTE	52	54	59	5
S&E Cost	$6,537	$7,915	$8,666	$751
OFFICE OF POLICY DEVELOPMENT AND RESEARCH				
Discretionary BA	$20,289	$21,694	$44,000	$22,306
FTE	30	29	31	2
S&E Cost	$4,272	$4,173	$4,634	$461
Obligations	$21,036	$22,245	$45,740	$23,495
Outlays	$19,578	$25,573	$56,320	$30,747
OFFICE OF FIELD POLICY AND MANAGEMENT				
FTE	70	56	57	1
S&E Cost	$8,798	$7,508	$7,881	$373
OFFICE OF STRATEGIC PLANNING AND MANAGEMENT				
FTE	NA	NA	4	4
S&E Cost	NA	NA	$504	$504
OFFICE OF SUSTAINABILITY				
FTE	NA	NA	4	4
S&E Cost	NA	NA	$480	$480
Total for Strategic Goal A				
Discretionary BA	$2,843,715	$2,490,839	$3,081,587	$590,748
FTE	1,222	1,235	1,249	14
S&E Cost	$135,035	$144,048	$157,061	$13,013
Obligations	$2,829,875	$2,162,984	$3,363,932	$1,200,948
Outlays	$3,765,005	$2,434,527	$3,791,555	$1,357,028

Strategic Goal B: Promote Decent Affordable Housing

Budget Authority (BA) and Salaries and Expenses (S&E) are in thousands of dollars. Full Time Equivalents (FTE) represent the number of paid positions.

	2008 Approp.	2009 Approp.	2010 Request	2009 vs. 2010
OFFICE OF PUBLIC AND INDIAN HOUSING				
Housing Certificate Fund				
Discretionary BA	($225,408)	$0	$0	$0
Obligations	$378,314	$47,013	$0	($47,013)
Outlays	$2,329,686	$1,214,190	$976,000	($238,190)
Tenant-Based Rental Assistance				
Discretionary BA	$12,358,017	$13,702,450	$15,160,600	$1,458,150
FTE	369	388	366	(22)
S&E Cost	$45,276	$52,082	$50,255	($1,827)
Obligations	$12,446,496	$13,849,333	$15,160,600	$1,311,267
Outlays	$12,592,886	$13,558,140	$15,099,400	$1,541,260
Project-Based Rental Assistance				
Discretionary BA	$145,532	$178,075	$152,150	($25,925)
Obligations	$151,574	$143,183	$152,150	$8,967
Outlays	$139,988	$121,994	$153,127	$31,133
Native American Housing Block Grants				
Discretionary BA	$280,636	$519,750	$290,250	($229,500)
FTE	69	70	71	1
S&E Cost	$8,642	$9,640	$9,768	$128
Obligations	$250,392	$267,294	$283,225	$15,931
Outlays	$257,463	$248,165	$350,119	$101,954
Public Housing Operating Fund				
Discretionary BA	$1,679,977	$3,565,000	$3,680,000	$115,000
FTE	220	454	454	0
S&E Cost	$31,727	$61,887	$62,359	$472
Obligations	$1,679,905	$3,559,031	$3,680,000	$120,969
Outlays	$1,645,103	$3,549,172	$3,647,200	$98,028
Public Housing Capital Fund				
Discretionary BA	$2,425,130	$6,450,000	$2,244,000	($4,206,000)
FTE	233	243	301	58
S&E Cost	$28,555	$37,106	$41,286	$4,180
Obligations	$2,497,090	$2,412,091	$2,244,000	($168,091)
Outlays	$2,895,004	$3,012,079	$4,251,000	$1,238,921
Revitalization of Severely Distressed Public Housing				
Discretionary BA	$69,546	$84,000	$175,000	$91,000
FTE	58	57	46	(11)
S&E Cost	$7,801	$7,679	$6,281	($1,398)
Obligations	$138,021	$2,080	$0	($2,080)
Outlays	$372,340	$221,631	$194,600	($27,031)
Drug Elimination Grants				
Discretionary BA	($1,081)	$0	$0	$0

Strategic Goal B: Promote Decent Affordable Housing				
Budget Authority (BA) and Salaries and Expenses (S&E) are in thousands of dollars. Full Time Equivalents (FTE) represent the number of paid positions.				
	2008 Approp.	**2009 Approp.**	**2010 Request**	**2009 vs. 2010**
Native Hawaiian Housing Block Grant				
Discretionary BA	$9,000	$10,000	$10,000	$0
FTE	1	1	1	0
S&E Cost	$38	$47	$41	($6)
Obligations	$17,078	$10,268	$10,000	($268)
Outlays	$8,378	$4,022	$7,000	$2,978
PIH TOTAL				
Discretionary BA	$16,741,349	$24,509,275	$21,712,000	($2,797,275)
FTE	950	1,213	1,239	26
S&E Cost	$122,039	$168,441	$169,990	$1,549
Obligations	$17,558,870	$20,290,293	$21,529,975	$1,239,682
Outlays	$20,240,848	$21,929,393	$24,678,446	$2,749,053
OFFICE OF COMMUNITY PLANNING AND DEVELOPMENT				
Community Development Block Grants				
Discretionary BA	$571,425	$576,299	$647,950	$71,651
FTE	44	43	44	1
S&E Cost	$5,097	$5,324	$5,603	$279
Obligations	$557,147	$577,048	$1,218,895	$641,847
Outlays	$1,320,320	$604,025	$1,101,765	$497,740
HOME Investment Partnership Program				
Discretionary BA	$1,055,049	$3,417,911	$1,167,911	($2,250,000)
FTE	93	91	93	2
S&E Cost	$10,613	$11,085	$11,667	$582
Obligations	$1,056,421	$1,223,141	$1,289,502	$66,361
Outlays	$1,260,342	$188,567	$288,109	$99,542
Housing Opportunities for Persons with AIDS				
Discretionary BA	$242,468	$266,750	$266,750	$0
FTE	37	36	37	1
S&E Cost	$4,388	$4,583	$4,824	$241
Obligations	$268,061	$274,013	$283,959	$9,946
Outlays	$270,047	$272,881	$257,284	($15,597)
CPD TOTAL				
Discretionary BA	$1,868,942	$4,260,960	$2,082,611	($2,178,349)
FTE	174	170	174	4
S&E Cost	$20,098	$20,992	$22,094	$1,102
Obligations	$1,881,629	$2,074,202	$2,792,356	$718,154
Outlays	$2,850,709	$1,065,473	$1,647,158	$581,685
OFFICE OF HOUSING				
Section 202, Housing for the Elderly				
Discretionary BA	$656,905	$697,658	$718,887	$21,229
FTE	272	259	258	(1)
S&E Cost	$29,406	$29,402	$30,008	$606
Obligations	$709,097	$731,843	$706,671	($25,172)
Outlays	$918,346	$893,701	$774,099	($119,602)

Strategic Goal B: Promote Decent Affordable Housing				
Budget Authority (BA) and Salaries and Expenses (S&E) are in thousands of dollars. Full Time Equivalents (FTE) represent the number of paid positions.				
	2008 Approp.	**2009 Approp.**	**2010 Request**	**2009 vs. 2010**
Section 811, Housing for the Disabled				
Discretionary BA	$218,632	$235,185	$243,244	$8,059
FTE	134	127	127	0
S&E Cost	$14,508	$14,458	$14,827	$369
Obligations	$242,417	$266,903	$236,433	($30,470)
Outlays	$304,161	$319,223	$267,568	($51,655)
FHA-GI/SRI				
Discretionary BA	$55,457	$31,681	$4,778	($26,903)
FTE	676	747	745	(2)
S&E Cost	$74,299	$89,560	$89,211	($349)
Obligations	$51,772	$30,596	$2,531	($28,065)
Outlays	$47,173	$5,496	$28,082	$22,586
Rent Supplement Program				
Discretionary BA	$0	$0	$0	$0
FTE	5	5	5	0
S&E Cost	$547	$574	$590	$16
Obligations	$11,488	$4,868	$0	($4,868)
Outlays	$50,579	$52,053	$0	($52,053)
Rental Housing Assistance Program (Section 236)				
Discretionary BA	($52,581)	($10,000)	$12,400	$22,400
FTE	26	25	25	0
S&E Cost	$2,793	$2,814	$2,881	$67
Obligations	$34,758	$3,853	$31,000	$27,147
Outlays	$534,465	$3,853	$537,281	$533,428
Project-Based Rental Assistance				
Discretionary BA	$5,458,764	$8,091,146	$6,914,127	($1,177,019)
FTE	394	351	350	(1)
S&E Cost	$43,173	$40,151	$41,060	$909
Obligations	$5,685,399	$6,505,779	$6,894,127	$388,348
Outlays	$5,250,805	$5,542,998	$6,938,386	$1,395,388
Energy Innovation				
Discretionary BA	NA	NA	$100,000	$100,000
Obligations	NA	NA	$75,000	$75,000
Outlays	NA	NA	$75,000	$75,000
Green Retrofit				
Discretionary BA	NA	$250,000	$0	($250,000)
Obligations	NA	$133,000	$117,000	($16,000)
Outlays	NA	$3,000	$124,000	$121,000
Housing Counseling Assistance				
Discretionary BA	$10,526	$15,330	$23,585	$8,255
FTE	24	25	25	0
S&E Cost	$2,608	$2,845	$2,914	$69
Obligations	$0	$11,843	$17,217	$5,374
Outlays	$0	$11,843	$13,915	$2,072

Strategic Goal B: Promote Decent Affordable Housing				
Budget Authority (BA) and Salaries and Expenses (S&E) are in thousands of dollars. Full Time Equivalents (FTE) represent the number of paid positions.				
	2008 Approp.	**2009 Approp.**	**2010 Request**	**2009 vs. 2010**
HOUSING TOTAL				
Discretionary BA	$6,347,703	$9,311,000	$8,017,021	($1,293,979)
FTE	1,531	1,539	1,535	(4)
S&E Cost	$167,334	$179,804	$181,491	$1,687
Obligations	$6,734,931	$7,688,685	$8,079,979	$391,294
Outlays	$7,105,529	$6,832,167	$8,758,331	$1,926,164
OFFICE OF FIELD POLICY AND MANAGEMENT				
FTE	70	56	57	1
S&E Cost	$8,798	$7,508	$7,881	$373
OFFICE OF STRATEGIC PLANNING AND MANAGEMENT				
FTE	NA	NA	4	4
S&E Cost	NA	NA	$504	$504
OFFICE OF SUSTAINABILITY				
FTE	NA	NA	4	4
S&E Cost	NA	NA	$480	$480
GINNIE MAE				
Mortgage Backed Securities				
FTE	17	18	20	2
S&E Cost	$2,179	$2,638	$2,889	$251
OFFICE OF POLICY DEVELOPMENT AND RESEARCH				
Research and Technology				
Discretionary BA	$1,067	$3,174	$100	($3,074)
FTE	52	50	61	11
S&E Cost	$6,055	$6,255	$8,111	$1,856
Obligations	$1,140	$1,078	$104	($974)
Outlays	$4,504	$2,382	$128	($2,254)
Total Strategic Goal B				
Discretionary BA	$24,959,061	$38,084,409	$31,811,732	($6,272,677)
FTE	2,794	3,046	3,094	48
S&E Cost	$326,503	$385,638	$393,440	$7,802
Obligations	$26,176,570	$30,054,258	$32,402,414	$2,348,156
Outlays	$30,201,590	$29,829,415	$35,084,063	$5,254,648

Strategic Goal C: Strengthen Communities				
Budget Authority (BA) and Salaries and Expenses (S&E) are in thousands of dollars. Full Time Equivalents (FTE) represent the number of paid positions.				
	2008 Approp.	**2009 Approp.**	**2010 Request**	**2009 vs. 2010**
OFFICE OF COMMUNITY PLANNING AND DEVELOPMENT				
Community Development Block Grants				
Discretionary BA	$15,889,841	$5,669,500	$3,059,727	($2,609,773)
FTE	198	194	199	5
S&E Cost	$22,220	$23,208	$24,427	$1,219
Obligations	$3,660,519	$6,162,780	$3,833,754	($2,329,026)
Outlays	$6,108,173	$5,756,030	$5,943,067	$187,037
Homeless Assistance Grants				
Discretionary BA	$1,488,535	$3,002,592	$1,612,836	($1,389,756)
FTE	254	239	244	5
S&E Cost	$30,035	$30,115	$31,698	$1,583
Obligations	$1,432,748	$1,231,495	$1,613,368	$381,873
Outlays	$1,295,206	$997,542	$2,177,764	$1,180,222
Housing Opportunities for Persons with AIDS				
Discretionary BA	$39,313	$43,250	$43,250	$0
FTE	6	6	6	0
S&E Cost	$684	$714	$752	$38
Obligations	$43,463	$44,428	$46,041	$1,613
Outlays	$43,785	$44,244	$41,716	($2,528)
Project Based Rental Assistance				
Discretionary BA	$55,935	$61,654	$76,844	$15,190
FTE	10	10	10	0
S&E Cost	$1,121	$1,255	$1,321	$66
Obligations	$58,257	$49,574	$76,844	$27,270
Outlays	$53,804	$42,237	$77,337	$35,100
Brownfields Redevelopment Program				
Discretionary BA	($1,374)	$10,000	$0	($10,000)
FTE	8	8	8	0
S&E Cost	$787	$824	$865	$41
Obligations	$23,040	$11,849	$9,500	($2,349)
Outlays	$18,847	$22,101	$32,000	$9,899
Urban Development Action Grants				
Discretionary BA	($1,424)	$0	$0	$0
Section 4				
Discretionary BA	$30,050	$34,000	$50,000	$16,000
FTE	3	3	3	0
S&E Cost	$196	$205	$215	$10
Obligations	$26,140	$35,686	$50,000	$14,314
Outlays	$12,634	$17,710	$30,000	$12,290

Strategic Goal C: Strengthen Communities

Budget Authority (BA) and Salaries and Expenses (S&E) are in thousands of dollars. Full Time Equivalents (FTE) represent the number of paid positions.

	2008 Approp.	2009 Approp.	2010 Request	2009 vs. 2010
Community Renewals				
Discretionary BA	($110)	$0	$0	$0
FTE	19	19	19	0
S&E Cost	$2,194	$2,292	$2,412	$120
Rural Housing and Economic Development				
Discretionary BA	$12,913	$26,000	$0	($26,000)
FTE	15	15	15	0
S&E Cost	$1,872	$1,955	$2,058	$103
Obligations	$17,103	$16,890	$26,000	$9,110
Outlays	$16,678	$14,558	$26,000	$11,442
CPD TOTAL				
Discretionary BA	$17,513,679	$8,846,996	$4,842,657	($4,004,339)
FTE	513	494	504	10
S&E Cost	$59,109	$60,568	$63,748	$3,180
Obligations	$5,261,270	$7,552,702	$5,655,507	($1,897,195)
Outlays	$7,549,127	$6,894,422	$8,327,884	$1,433,462
OFFICE OF PUBLIC AND INDIAN HOUSING				
Native American Housing Block Grants				
Discretionary BA	$125,000	$115,500	$64,500	($51,000)
FTE	16	16	16	0
S&E Cost	$1,920	$2,098	$2,171	$73
Obligations	$55,643	$114,919	$78,550	($36,369)
Outlays	$57,214	$64,301	$84,830	$20,529
OFFICE OF HOUSING				
Section 202, Housing for the Elderly				
Discretionary BA	$65,207	$67,342	$46,113	($21,229)
FTE	27	25	25	0
S&E Cost	$2,913	$2,827	$2,895	$68
Obligations	$69,247	$70,642	$45,329	($25,313)
Outlays	$89,682	$85,664	$65,901	($19,763)
Section 811, Housing for the Disabled				
Discretionary BA	$13,053	$14,815	$6,756	($8,059)
FTE	8	8	8	0
S&E Cost	$866	$910	$933	$23
Obligations	$13,362	$16,813	$6,567	($10,246)
Outlays	$16,765	$17,330	$7,432	($9,898)
FHA-GI/SRI				
Discretionary BA	$15,644	$9,900	$1,911	($7,989)
FTE	189	232	261	29
S&E Cost	$20,858	$27,838	$31,929	$4,091
Obligations	$12,182	$9,561	$1,012	($8,549)
Outlays	$11,238	$1,717	$9,687	$7,970

Strategic Goal C: Strengthen Communities				
Budget Authority (BA) and Salaries and Expenses (S&E) are in thousands of dollars. Full Time Equivalents (FTE) represent the number of paid positions.				
	2008 Approp.	**2009 Approp.**	**2010 Request**	**2009 vs. 2010**
FHA-MMI/CHMI				
Discretionary BA	$503	$1,460	$5,702	$4,242
FTE	6	6	6	0
S&E Cost	$696	$718	$741	$23
Obligations	$274	$875	$5,293	$4,418
Outlays	$223	$1,386	$5,271	$3,885
Manufactured Home Inspection and Monitor Program				
Discretionary BA	$16,000	$16,000	$16,000	$0
FTE	11	12	12	0
S&E Cost	$1,301	$1,499	$1,544	$45
Obligations	$6,564	$5,400	$16,000	$10,600
Outlays	$6,671	$6,351	$16,000	$9,649
Project-Based Rental Assistance				
Discretionary BA	$401,787	$467,780	$578,581	$110,801
FTE	29	27	27	0
S&E Cost	$3,138	$3,065	$3,143	$78
Obligations	$418,468	$376,124	$578,581	$202,457
Outlays	$386,480	$320,462	$582,295	$261,833
HOUSING TOTAL				
Discretionary BA	$512,194	$577,297	$655,063	$77,766
FTE	270	310	339	29
S&E Cost	$29,772	$36,857	$41,185	$4,328
Obligations	$520,097	$479,415	$652,782	$173,367
Outlays	$511,059	$432,910	$686,586	$253,676
OFFICE OF POLICY DEVELOPMENT AND RESEARCH				
Research and Technology				
Discretionary BA	$22,830	$23,200	$400	($22,800)
FTE	20	22	25	3
S&E Cost	$2,849	$3,017	$3,717	$700
Obligations	$23,836	$22,126	$416	($21,710)
Outlays	$8,154	$14,029	$512	($13,517)
LEAD HAZARD CONTROL				
Discretionary BA	$142,236	$240,000	$140,000	($100,000)
FTE	50	54	56	2
S&E Cost	$7,203	$6,926	$7,436	$510
Obligations	$153,095	$139,970	$175,000	$35,030
Outlays	$148,964	$164,885	$194,000	$29,115
OFFICE OF FIELD POLICY AND MANAGEMENT				
FTE	94	75	77	2
S&E Cost	$11,731	$10,011	$10,508	$497
OFFICE OF STRATEGIC PLANNING AND MANAGEMENT				
FTE	NA	NA	5	5
S&E Cost	NA	NA	$504	$504

Strategic Goal C: Strengthen Communities

Budget Authority (BA) and Salaries and Expenses (S&E) are in thousands of dollars. Full Time Equivalents (FTE) represent the number of paid positions.

	2008 Approp.	2009 Approp.	2010 Request	2009 vs. 2010
OFFICE OF SUSTAINABILITY				
FTE	NA	NA	4	4
S&E Cost	NA	NA	$480	$480
Total Strategic Goal C				
Discretionary BA	$18,315,939	$9,802,993	$5,702,620	($4,100,373)
FTE	963	971	1,017	46
S&E Cost	$112,584	$119,477	$128,765	$9,288
Obligations	$6,013,941	$8,309,132	$6,562,255	($1,746,877)
Outlays	$8,274,518	$7,570,547	$9,293,812	$1,723,265

Strategic Goal D: Ensure Equal Opportunity in Housing

Budget Authority (BA) and Salaries and Expenses (S&E) are in thousands of dollars. Full Time Equivalents (FTE) represent the number of paid positions.

	2008 Approp.	2009 Approp.	2010 Request	2009 vs. 2010
OFFICE OF POLICY DEVELOPMENT AND RESEARCH				
Research and Technology				
Discretionary BA	$0	$500	$0	($500)
FTE	0	2	3	1
S&E Cost	$0	$274	$446	$172
Obligations	$500	$500	$0	($500)
Outlays	$380	$220	$0	($220)
OFFICE OF FIELD POLICY AND MANAGEMENT				
FTE	0	56	57	1
S&E Cost	$0	$7,508	$7,881	$373
OFFICE OF STRATEGIC PLANNING AND MANAGEMENT				
FTE	0	0	4	4
S&E Cost	$0	$0	$504	$504
FAIR HOUSING AND EQUAL OPPORTUNITY				
Fair Housing Initiatives Program				
Discretionary BA	$24,000	$27,500	$42,500	$15,000
FTE	23	23	29	6
S&E Cost	$2,590	$2,687	$3,472	$785
Obligations	$1,510	$32,732	$44,500	$11,768
Outlays	$21,152	$23,571	$28,194	$4,623
Fair Housing Assistance Program				
Discretionary BA	$25,620	$25,500	$29,500	$4,000
FTE	25	27	27	0
S&E Cost	$2,815	$3,154	$3,238	$84
Obligations	$25,323	$25,439	$27,500	$2,061
Outlays	$32,465	$21,857	$24,287	$2,430
Other FHEO Programs				
Discretionary BA	$380	$500	$0	($500)
FTE	540	547	551	4
S&E Cost	$61,695	$66,704	$68,483	$1,779
Obligations	$380	$500	$0	($500)
Outlays	$380	$500	$0	($500)
FHEO TOTAL				
Discretionary BA	$50,000	$53,500	$72,000	$18,500
FTE	588	597	607	10
S&E Cost	$67,100	$72,545	$75,193	$2,648
Obligations	$27,213	$58,671	$72,000	$13,329
Outlays	$53,997	$45,928	$52,481	$6,553
Total Strategic Goal D				
Discretionary BA	$50,000	$54,000	$72,000	$18,000
FTE	588	655	671	16
S&E Cost	$67,100	$80,327	$84,024	$3,697
Obligations	$27,713	$59,171	$72,000	$12,829
Outlays	$54,377	$46,148	$52,481	$6,333

Goal E: Embrace High Standards of Ethics, Management, and Accountability

Budget Authority (BA) and Salaries and Expenses (S&E) are in thousands of dollars. Full Time Equivalents (FTE) represent the number of paid positions.

	2008 Approp.	2009 Approp.	2010 Request	2009 vs. 2010
OFFICE OF PUBLIC AND INDIAN HOUSING				
Housing Certificate Fund				
Discretionary BA	($28,176)	$0	$0	$0
Obligations	$0	$5,877	$0	($5,877)
Outlays	$0	$151,774	$122,000	($29,774)
Tenant-Based Rental Assistance				
Discretionary BA	$1,544,752	$1,681,700	$1,783,600	$101,900
FTE	46	46	43	(3)
S&E Cost	$5,660	$6,127	$5,912	($215)
Obligations	$1,555,812	$1,628,853	$1,783,600	$154,747
Outlays	$1,574,111	$1,615,200	$1,776,400	$161,200
Project-Based Rental Assistance				
Discretionary BA	$18,192	$20,774	$17,900	($2,874)
Obligations	$18,947	$16,704	$17,900	$1,196
Outlays	$17,499	$14,232	$18,015	$3,783
Public Housing Operating Fund				
Discretionary BA	$2,522,536	$890,000	$920,000	$30,000
FTE	330	114	119	5
S&E Cost	$40,547	$15,222	$15,590	$368
Obligations	$2,519,858	$889,758	$920,000	$30,242
Outlays	$2,467,655	$889,793	$911,800	$22,007
PIH TOTAL				
Discretionary BA	$4,057,304	$2,592,474	$2,721,500	$129,026
FTE	376	160	162	2
S&E Cost	$46,207	$21,349	$21,502	$153
Obligations	$4,094,617	$2,541,192	$2,721,500	$180,308
Outlays	$4,059,265	$2,670,999	$2,828,215	$157,216
OFFICE OF COMMUNITY PLANNING AND DEVELOPMENT				
Community Development Block Grants				
Discretionary BA	$278,125	$268,940	$302,382	$33,442
FTE	23	20	21	1
S&E Cost	$2,495	$2,409	$2,541	$132
Obligations	$260,002	$269,289	$568,818	$299,529
Outlays	$616,150	$281,879	$514,157	$232,278
HOME Investment Partnership Program				
Discretionary BA	$164,886	$179,576	$179,576	$0
FTE	15	15	15	0
S&E Cost	$1,693	$1,768	$1,861	$93
Obligations	$162,434	$188,068	$198,272	$10,204
Outlays	$193,788	$188,567	$288,109	$99,542

Goal E: Embrace High Standards of Ethics, Management, and Accountability

Budget Authority (BA) and Salaries and Expenses (S&E) are in thousands of dollars. Full Time Equivalents (FTE) represent the number of paid positions.

	2008 Approp.	2009 Approp.	2010 Request	2009 vs. 2010
Homeless Assistance Grants				
Discretionary BA	$164,974	$174,408	$180,879	$6,471
FTE	29	27	28	1
S&E Cost	$3,500	$3,510	$3,694	$184
Obligations	$160,682	$143,847	$180,939	$37,092
Outlays	$145,257	$207,927	$244,236	$36,309
Project Based Rental Assistance				
Discretionary BA	$6,493	$7,156	$7,156	$0
FTE	1	1	1	0
S&E Cost	$138	$146	$154	$8
Obligations	$6,763	$5,754	$7,156	$1,402
Outlays	$6,246	$4,902	$7,202	$2,300
CPD TOTAL				
Discretionary BA	$614,478	$630,080	$669,993	$39,913
FTE	68	63	65	2
S&E Cost	$7,826	$7,833	$8,250	$417
Obligations	$589,881	$606,958	$955,185	$348,227
Outlays	$961,441	$683,275	$1,053,704	$370,429
OFFICE OF HOUSING				
Interstate Land Sales				
FTE	17	18	18	0
S&E Cost	$2,029	$2,266	$2,350	$84
FHA-GI/SRI				
Discretionary BA	$14,485	$7,920	$956	($6,964)
FTE	175	179	183	4
S&E Cost	$19,876	$21,403	$21,931	$528
Obligations	$12,182	$7,649	$506	($7,143)
Outlays	$11,301	$1,374	$6,710	$5,336
FHA-MMI/CHMI				
Discretionary BA	$22,390	$42,340	$239,480	$197,140
FTE	267	255	262	7
S&E Cost	$31,917	$31,803	$32,579	$776
Obligations	$12,431	$25,377	$222,294	$196,917
Outlays	$10,864	$40,203	$221,384	$181,181
Project-Based Rental Assistance				
Discretionary BA	$235,530	$294,528	$364,292	$69,764
FTE	17	17	17	0
S&E Cost	$1,912	$2,108	$2,160	$52
Obligations	$224,478	$236,819	$364,292	$127,473
Outlays	$231,319	$201,772	$366,631	$164,859

Goal E: Embrace High Standards of Ethics, Management, and Accountability				
Budget Authority (BA) and Salaries and Expenses (S&E) are in thousands of dollars. Full Time Equivalents (FTE) represent the number of paid positions.				
	2008 Approp.	2009 Approp.	2010 Request	2009 vs. 2010
HOUSING TOTAL				
Discretionary BA	$272,405	$344,788	$604,728	$259,940
FTE	476	469	480	11
S&E Cost	$55,734	$57,580	$59,020	$1,440
Obligations	$249,091	$269,845	$587,092	$317,247
Outlays	$253,484	$243,349	$594,725	$351,376
OFFICE OF POLICY DEVELOPMENT AND RESEARCH				
Research and Technology				
Discretionary BA	$6,584	$9,432	$5,500	($3,932)
FTE	39	39	40	1
S&E Cost	$7,932	$7,845	$8,011	$166
Obligations	$5,771	$8,412	$5,717	($2,695)
Outlays	$7,106	$7,203	$7,040	($163)
MANAGEMENT AND ADMINISTRATION				
Discretionary BA	$1,539,000	$1,661,875	$1,666,000	$4,125
Obligations	$1,561,211	$1,700,465	$1,676,124	($24,341)
Outlays	$1,132,214	$1,908,000	$1,782,000	($126,000)
DEPARTMENTAL EQUAL EMPLOYMENT OPPORTUNITY				
FTE	26	25	26	1
S&E Cost	$3,268	$3,613	$3,780	$167
DEPARTMENTAL MANAGEMENT				
FTE	80	79	81	2
S&E Cost	$12,676	$11,346	$13,122	$1,776
CHIEF FINANCIAL OFFICER				
FTE	211	209	213	4
S&E Cost	$45,698	$51,684	$48,607	($3,077)
GENERAL COUNSEL				
FTE	661	649	664	15
S&E Cost	$87,463	$92,416	$99,438	$7,022
ADMINISTRATION AND STAFF SERVICES				
FTE	704	747	712	(35)
S&E Cost	$267,458	$285,286	$283,428	($1,858)
FIELD POLICY AND MANAGEMENT				
FTE	94	75	77	2
S&E Cost	$11,731	$10,011	$10,508	$497
CHIEF PROCUREMENT OFFICER				
FTE	116	110	117	7
S&E Cost	$14,117	$14,724	$15,936	$1,212
OFFICE OF STRATEGIC PLANNING AND MANAGEMENT				
FTE	NA	NA	4	4
S&E Cost	NA	NA	$504	$504

Goal E: Embrace High Standards of Ethics, Management, and Accountability

Budget Authority (BA) and Salaries and Expenses (S&E) are in thousands of dollars. Full Time Equivalents (FTE) represent the number of paid positions.

	2008 Approp.	2009 Approp.	2010 Request	2009 vs. 2010
OFFICE OF SUSTAINABILITY				
FTE	NA	NA	4	4
S&E Cost	NA	NA	$480	$480
WORKING CAPITAL FUND				
FTE	280	285	290	$5
S&E Cost	$37,800	$36,199	$40,043	$3,844
Total Strategic Goal E				
Discretionary BA	$6,489,771	$5,238,649	$5,667,721	$429,072
FTE	3,131	2,910	2,927	17
S&E Cost	$597,910	$599,886	$612,629	$12,743
Obligations	$6,500,571	$5,126,872	$5,945,618	$818,746
Outlays	$6,413,510	$5,512,826	$4,483,684	($1,029,142)
OFFICE OF INSPECTOR GENERAL				
FTE	650	650	650	0
S&E Cost	$116,000	$120,000	$120,000	$0

Offices of Strategic Planning and Management and Sustainability are new FY 2010 initatives.
Offices in general do not have program funding and reflect S&E and FTE's only.

Strategic Goal F: Promote Participation of Faith-Based and Community Organizations

Budget Authority (BA) and Salaries and Expenses (S&E) are in thousands of dollars. Full Time Equivalents (FTE) represent the number of paid positions.

	2008 Approp.	2009 Approp.	2010 Request	2009 vs. 2010
FIELD POLICY AND MANAGEMENT				
FTE	70	56	57	1
S&E Cost	$8,798	$7,508	$7,881	$373
CENTER FOR FAITH-BASED AND COMMUNITY INITIATIVES				
FTE	10	8	9	1
S&E Cost	$1,870	$2,190	$2,243	$53
Total Strategic Goal F				
FTE	80	64	66	2
S&E Cost	$10,668	$9,698	$10,124	$426

Program Evaluations and Research

Program Evaluations and Research Informing Strategic Goal A

Rates of Foreclosure in HOME and ADDI Programs

In response to a request made by the 2006 U.S. Senate Report on the Transportation, Treasury and HUD Appropriations Bill, this independent evaluation examined the foreclosure rates of program participants in the American Dream Downpayment Initiative, established in 2003, and the HOME Investment Partnerships program, established in 1990. Both programs help low-income families secure downpayments for the purchase of new homes. Mortgage performance data was collected regarding 6,000 low-income homebuyers from participating jurisdictions for a statistically significant sample of the population of program participants.

The report found that there was no statistically significant correlation between high foreclosure rates and participation in HOME and American Dream Downpayment Initiative programs. For five years, foreclosure rates of HOME/American Dream Downpayment Initiative mortgages averaged 1.2 percentage points lower than comparable FHA loans during 2001-2005. Thus, the reports conclude that the programs were "successful at managing risk and sustaining homeownership for eligible families." The evaluation found that participating jurisdictions that experienced declining house values and higher shares of high cost loans had higher foreclosure rates. Jurisdictions that use credit scores to determine eligibility experienced lower foreclosure rates.

Conforming Loan Limits – Policy Brief

This policy brief summarizes the temporary and permanent increases of the Conforming Loan Limit which occurred on February 13, 2008 and July 30, 2008, respectively. The Conforming Loan Limit determines the maximum principal balance of a mortgage that qualifies as a more affordable "conforming" loan, which can be securitized by two government-sponsored enterprises, Fannie Mae and Freddie Mac. Loans above the Conforming Loan Limit are considered "jumbo" loans and cannot be securitized by these entities. The policy of raising the Conforming Loan Limit is intended to increase the availability of credit for higher-priced homes by means of classifying the lower tier jumbo loans as "conforming," thus allowing the government to securitize them. The brief evaluates the short term effects these changes have had on borrowing costs for "jumbo" loans. The study finds that in the short term, raising the Conforming Loan Limit has lowered borrowing costs for jumbo loans. However, the study can only conjecture about the long term pros and cons of raising the conforming loan limit, and call for future evaluations when more data become available.

The Impact of Mortgage Disclosure Reform under RESPA

HUD's final rule on the Real Estate Settlement Procedures Act (RESPA) is aimed at reducing closing costs for homebuyers by mandating a new document prior to closing called the "Good

Faith Estimate." This document is a one-page summary of mortgage costs and terms, which HUD hopes will eliminate barriers to information for borrowers in the mortgage loan and settlement process. This regulatory impact analysis concludes that the new rule under RESPA will accrue one-time costs to the mortgage industry totaling $571 million and annual compliance costs of $405 million to $693 million.

After evaluating the benefits of this program, the report projects that consumers will save $8.35 billion annually. These savings are considered a transfer from higher-than-market equilibrium prices of mortgage transactions to the better informed consumer. The program is also expected to accrue non-monetary benefits related to economic efficiencies.

The Impact of the HOPE for Homeowners Program Rule

This regulatory impact analysis evaluates the costs and benefits of the temporary HOPE for Homeowners Program established by the Housing and Economic Recovery Act (HERA) of 2008. The purpose of HOPE for Homeowners (effective from October 1, 2008 to September 30, 2011) is to help homeowners with troubled mortgages avoid foreclosures by allowing them to "refinance into FHA-insured mortgages." In general, this analysis concludes that the program will yield a net benefit of $62 million to $355 million under the current rate of 10,000 program participants. The study also finds that the program benefits can be ten times higher if participation reaches its full potential of 100,000. These net benefits will go towards paying down the national debt.

The analysis predicts that the overall cost accrued to the taxpayers can be up to $300 billion, which takes the form of a subsidy "paid to the FHA to cover the cost of the credit guarantee not covered by program revenue." Program benefits are found to result from avoiding foreclosures that would occur without program participation. The benefits will outweigh the costs only if the program foreclosure rate remains below 34 percent. If the participant foreclosure rate rises above 34 percent, the program will not generate net benefits to society.

Interim Report to Congress on the Root Causes of the Foreclosure Crisis

Mandated by Section 1517 of the Housing and Economic Recovery Act (HERA) of 2008, this PD&R Report to Congress comprehensively analyzes the different factors that contributed to the current foreclosure crisis and provides suggestions on policy improvements for moving forward. The authors evaluate claims that specific HUD and other federal policies may have contributed to the crisis. They find it unlikely that Government Sponsored Enterprise purchases of subprime securitizations played a significant role in the crisis, since the majority of these securities were purchased before the popular surge in subprime lending. Citing independent empirical studies, the authors also find it unlikely that the Community Reinvestment Act played a role in the rise of risky lending. The study indicates that the federal government's largest contributing factor to the crisis is not current housing policies, but rather the lack of sufficient regulatory tools that govern the financial mortgage industry. The largest factors contributing to the crisis were market driven, including the slowdown in house price growth, increase of subprime mortgage lending, popular private-market securitization of loans, predatory lending practices, and soft underwriting standards.

The study also evaluates the effectiveness of current policy responses to the crisis. The most successful policy has been the Hope Now Alliance, which is a foreclosure and mortgage counseling program established in 2007 and twice subsequently appropriated by the Congress. From July 2007 through December 2008, this program has assisted in 3.2 million loan workouts. However, other programs such as the FHA Secure program, HOPE for Homeowners, and the Homeowner Affordability and Stability Plan have not produced substantial results in either reducing principal balances or interest payments for troubled homeowners. The report cites that 37 percent of modified mortgages were 60 days late on payments, and the vast majority of modifications have not reduced monthly payments for homeowners.

Program Evaluations and Research Informing Strategic Goal B

Updating the Low-Income Tax Credit (LIHTC) Database: Projects Placed in Service Through 2006

Expanding on previous data collection and analyses, this report evaluates the outcomes of the Low Income Housing Tax Credit (LIHTC) program, specifically from 2003 to 2006. The paper reports on data collected through a national database of LIHTC properties, which was established in 2000. In addition to the regular reporting indicators, this report specifically highlights two new survey instruments that HUD implemented in 2003. The first instrument determines how much funding new LIHTC properties were receiving from other HUD programs like the HOME, CDBG, HOPE VI, and FHA multifamily loan insurance programs. The second instrument evaluates how well the LIHTC program targets “specific tenant groups such as families, elderly persons, persons with disabilities, or the formerly homeless.” The report finds that during the 2003-2006 period, 58.8 percent of new LIHTC projects also used some other form of federally subsidized financing. Also, the new survey instruments find that 54.5 percent of the LIHTC projects were targeted towards families, 27.5 percent were targeted to the elderly, 12.5 percent to the disabled, 4.5 percent to the homeless, and 6.3 percent to other populations.

American Housing Survey Components of Inventory Change (CINCH): 2005 - 2007

American Housing Survey Rental Market Dynamics: 2005 - 2007

Every two years, PD&R publishes two independent studies of the American Housing Survey, which is a database of the nation’s housing financed by HUD and administered by the Census Bureau. The results of the Component of Inventory Change (CINCH) helps HUD evaluate the changes in the nation’s housing stock, including new construction, losses, and the householder that are serviced by these units. This report finds that the nation’s housing stock grew by 3 percent from 2005-2007.

The Rental Market Dynamic report focuses in on the nation's rental housing market and helps HUD evaluate the ongoing rental affordability crisis. This report finds that the amount of rental units that are considered affordable to families with incomes at or below 60 percent of the local area median income declined by 1.526 million units from 2005-2007. Meanwhile, units considered affordable to households with incomes exceeding 80 percent of area median income increased by 1.248 million units during the same period. These changes in the supply of affordable housing directly affect changes in worst case housing needs, tracked by HUD performance indicators, as well as the success rate of voucher recipients.

Implementing HUD's Energy Strategy

This publication is the second progress report on HUD's ongoing strategy to reduce its energy consumption, as required by Section 154 of the Energy Policy Act of 2005, and addressing a key component of physical quality and cost effectiveness of HUD-supported housing. Building on the 25 key actions to reduce energy consumption identified in the 2006 report, HUD estimates $33 million in energy savings in 2007 in just four program areas: the Community Development Block Grant program, the HOME Investment Partnerships program, energy performance contracting in public housing, and the FHA-insured Energy Efficiency Mortgage program. Because of the size and diversity of HUD's inventory of over 4.7 million units of assisted and public housing, the Department lacks a systematic method of estimating total energy savings. However, the report describes that HUD's Energy Task Force developed a new benchmarking system that would track energy costs and savings in many of its public and assisted housing programs when implemented.

Program Evaluations and Research Informing Strategic Goal C

Minority-Serving Institutions of Higher Education

This report evaluates the accomplishments of four grant programs administered by HUD's Office of University Partnerships to minority serving institutions: the Historically Black Colleges and Universities program, the Hispanic-Serving Institutions Assisting Communities program, the Tribal Colleges and Universities Program, and the Alaska Native/Native Hawaiian Institutions Assisting Communities program. The case studies show that grant recipients successfully met the requirement of satisfying at least one objective of the Community Development Block Grant, and shed light on the contributions of minority-serving institutions to their communities.

Historically Black Colleges and Universities: Three Case Studies in Community Development

This independent study uses a qualitative case study method to evaluate HUD's Historically Black Colleges and Universities (HBCUs) grant program, which is intended to promote development of the communities surrounding participating institutions. Using interviews, site visits, and file reviews, the study examines three universities that received HBCU grants from 1999 to 2005 and analyzes the effectiveness of their implementation strategies. Overall, the case studies reveal that there are multiple methods of effectively executing community development programs with the HBCU grant, as well as various means of measuring their success. The report identified seven key factors that future HBCU grant recipients should consider when implementing their programs. The main challenges facing the HBCU program include securing funding, combating inexperience, and maintaining sufficient organizational capacity.

Program Evaluations and Research Informing Strategic Goal D

The State of the Housing Counseling Industry Study

This independent study evaluates the characteristics of the nation's housing counseling agencies that HUD either approves and/or funds through various programs such as Housing Counseling program, the Community Development Block Grant program, and the HOME program. Through interviews, surveys, analysis of HUD data, and extraction of data from grant applications, the report catalogs the wide variety of agency services, describes the demographics and characteristics of counselors and their clients, analyzes agencies' finances, reports on common client outcomes, investigates the major challenges to the industry, and suggests ways that HUD can overcome these challenges.

The report finds that there exists a tremendous variation in the size, operation, and focus of the counseling services. There is a paucity of data needed to efficiently evaluate the effectiveness of these programs. Key findings from the numerous conclusions drawn from existing data are these:

- HUD funds at least one quarter of the nation's housing counseling agencies through various grants and programs.
- HUD-approved agencies constitute most of the counseling services that exist today. Many agencies are underfunded and struggle to amass sufficient funding through federal, state, and local grants as well as private donations.
- There is a real need for the development of industry standards.

Program Evaluations and Research Informing Strategic Goal E

Quality Control for Rental Assistance Subsidy Determinations

This independent study reflects HUD's ongoing effort to minimize errors in determining the accurate rental assistance subsidy for HUD's entire current rental housing assistance outlays. The study shows that HUD has exceeded its performance goal of "reducing the 2000 benchmark rental housing assistance error levels by 50 percent." This reduction occurred from FY 2000 to FY 2004, and the dollar amount of errors has been on a steady, albeit slower, rate of decline ever since. The report based on the independent study recommends various actions (some of which are currently being implemented) that HUD can employ to further reduce the error rate. These include, but are not limited to, simplifying the regulatory framework of HUD programs, collecting detailed information about housing provider practices of calculating tenant rents, expanding contractor access to federal databases to improve independent verification of tenant income and expenses, and improving computer-based data collection technologies.

Streamlining the American Housing Survey

This independent study evaluates the usefulness of various indicators within the Housing Vacancy Survey, a key component of the nation's housing data infrastructure that is financed by HUD and administered by the Census Bureau. The report suggests eliminating the "X" and "testing" variables, improving the mortgage and assisted housing variables, and further investigating the usefulness of the variables dealing with utilities. By eliminating and expanding these variables, the report expects improvements in future evaluations and implementation of HUD services.

Multifamily Property Managers' Satisfaction with Service Coordination

This PD&R evaluation investigates customer satisfaction with the HUD Service Coordination Program, which was established in 1990 to connect "low-income elderly and nonelderly people with disabilities living in HUD assisted housing with necessary services." Researchers administered an extensive survey to managers of HUD-assisted properties across the nation and found that the program is highly popular and successful. Among properties with HUD-funded service coordinators, 94.7 percent of property managers believed that service coordination improves residents' quality of life. In comparison, among properties with non-HUD-funded service coordinators, 89.7 percent of managers agreed.

The authors also find that at least half of property owners include the service provider costs in their operating budget, as preferred by HUD. Additionally, properties with service coordination have higher occupancy rates than those without coordination and tend to serve a higher proportion of elderly residents than those without HUD-funded coordination.

Goal A: Increase Homeownership Opportunities

	Performance Indicator	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2009 Target	Met/Miss	Notes
	PERFORMANCE REPORT CARD – GOAL A							
	Cross-Departmental							
A.1	HUD's major programs will promote affordable homeownership opportunities for individuals and families.							
	The Office of Community Planning and Development will promote affordable housing opportunities to 156,488 low- and moderate-income households by providing homeownership assistance.	213,477	172,842	169,452	143,786	156,488	✘	a
	The Office of Public and Indian Housing will assist 8,917 families by building, acquiring, or rehabilitating homeownership units or assisting their families in their purchase.	10,733	11,349	9,952	11,604	8,917	✔	
A.2	Improve national homeownership opportunities in support of first-time homebuyers.	69.00%	68.20%	67.90%	67.60%	N/A	Track	b
	The share of all homebuyers who are first-time homebuyers.	N/A	34.80%	N/A	N/A	N/A	Track	c, d
A.3	The homeownership rate among targeted households.							
	Homeownership among minority households.	51.70%	51.00%	51.00%	49.90%	N/A	Track	b
	Households with income less than median family income.	53.00%	53.00%	52.00%	51.70%	N/A	Track	b
	Homeownership among central city households.	54.60%	53.50%	53.60%	52.90%	N/A	Track	b
A.4	Add 5.5 million minority homeowners between 2002 and 2010.	3.48	3.19	4.99	N/A	N/A	Track	b, e
	The gap in homeownership rates of minority and non-minority households.	24.60%	24.30%	24.10%	25.10%	N/A	Track	b
	FHA/Housing							
A.5	The number of FHA single family mortgage endorsements nationwide.	502	532	1,200	1,947	N/A	Track	f
A.6	The share of first-time homebuyers among FHA home purchase endorsements is 73 percent.	79.30%	79.50%	77.90%	79.00%	73.00%	✔	
A.7	The share of first-time minority homebuyers among FHA first-time home purchase endorsements is 33 percent.	31.70%	33.00%	31.20%	32.00%	33.00%	✘	
A.8	At least 30 percent of clients receiving pre-purchase counseling will purchase a home or become mortgage-ready within 90 days.	42.70%	50.90%	45.50%	42.20%	30.00%	✔	
A.9	Minority clients are at least 45 percent of total clients receiving housing counseling in FY 2009.	47.30%	46.10%	45.70%	45.40%	45.00%	✔	
A.10	More than 80 percent of total mortgagors that complete counseling for resolving or preventing mortgage delinquency will successfully avoid foreclosure.	92.50%	96.50%	96.60%	96.80%	80.00%	✔	
A.11	The share of FHA-insurable real estate owned properties that are sold to owner-occupants is 90 percent.	89.90%	92.50%	50.10%	98.47%	90.00%	✔	g

PERFORMANCE REPORT CARD – GOAL A								
	Performance Indicator	**2006 Actual**	**2007 Actual**	**2008 Actual**	**2009 Actual**	**2009 Target**	**Met/Miss**	**Notes**
A.12	HUD will continue to monitor and enforce Fannie Mae's and Freddie Mac's performance in meeting or surpassing HUD-defined targets for low- and moderate-income mortgage purchases.							
	Fannie Mae	55.10%	56.90%	N/A	N/A	N/A	N/A	h
	Freddie Mac	54.00%	55.90%	N/A	N/A	N/A	N/A	h
A.13	HUD will continue to monitor and enforce Fannie Mae's and Freddie Mac's performance in meeting or surpassing HUD-defined targets for mortgages financing special affordable housing.							
	Fannie Mae	26.30%	27.80%	N/A	N/A	N/A	N/A	h
	Freddie Mac	24.30%	26.40%	N/A	N/A	N/A	N/A	h
A.14	Respond to 3,000 inquiries and complaints from consumers and industry regarding the Real Estate Settlement Procedures Act and the homebuying and mortgage loan process.	1,355	6,622	5,578	6,658	3,000	✓	
A.15	FHA ensures that the percentage of at-risk loans that substantively comply with FHA program requirements is at least 85 percent.	95.00%	96.80%	97.30%	97.46%	85.00%	✓	
A.16	Loss mitigation claims are 55 percent of the total claims on FHA-insured single family mortgages.	61.00%	64.90%	64.50%	66.20%	55.00%	✓	
	Ginnie Mae							
A.17	Ginnie Mae securitizes at least 94 percent of eligible single family, fixed-rate FHA loans.	91.40%	93.00%	96.90%	99.10%	94.00%	✓	
A.18	Ginnie Mae securitizes at least 85 percent of Veterans Affairs single family, fixed-rate loans.	N/A	92.00%	91.60%	97.20%	85.00%	✓	
A.19	At least 20 percent of all Ginnie Mae single family pools issued are Targeted Lending Initiative Pools.	26.30%	26.00%	27.80%	26.00%	20.00%	✓	

N/A: not available

a - due to timing of data collection issues, HUD is using estimates

b - third quarter of the calendar year (last quarter of fiscal year; not the entire fiscal year)

c - calendar year beginning during the fiscal year shown

d - 2009 data not available until early 2010

e - number reported in millions

f - number reported in thousands

g - 2008 data uses a different method for calculation

h - HUD no longer tracks this indicator

Cross Departmental

A.1: HUD's major programs will promote affordable homeownership opportunities for individuals and families.

Public Benefit and Program Accomplishments

Public Benefit: Suitable homeownership historically has been a long-term potential source of wealth creation for millions of American families, stabilizing neighborhoods and stimulating economic growth. This indicator measures the contributions of a variety of HUD housing, loan guarantee, and community development programs in providing homeownership opportunities, particularly for populations with more limited incomes and other special characteristics. The Federal Housing Administration's (FHA) single family mortgage insurance program provides the largest contribution, while other program help ensure that low- and moderate-income households have access to both housing rehabilitation assistance – which, in many situations allows households to remain in their homes - and methods to assist with obtaining homeownership, such as down payment assistance. It is estimated that each 100,000 new homeowners represent a one-tenth of one percent increase in the overall national homeownership rate.

Home Ownership / Home Rehabilitation Assistance (in units)	**2005 Actual**	**2006 Actual**	**2007 Actual**	**2008 Actual**	**2009 Actual**	**2009 Target**
TOTAL FHA Single Family[1]	**280,188**	**248,953**	**224,084**	**492,369**	**667,098**	**N/A**
CDBG (homeownership assistance)	7,530	7,628	6,919	4,521	2,441	3,290
CDBG (owner-occupied rehabilitation)	124,544	131,508	117,830	121,158	103,926	117,553
HOME (new homebuyer assistance)[2]	23,413	46,556	28,891	26,790	23,711	23,730
HOME (existing-homeowner rehabilitation)[2]	14,832	16,821	11,221	10,847	9,737	8,415
ADDI (American Dream Downpayment Initiative)	8,894	9,096	6,094	4,209	2,162	2,000
SHOP (homeowners assistance)	2,277	1,868	1,887	1,927	1,809	1,500
TOTAL Community Planning and Development	**181,490**	**213,477**	**172,842**	**169,452**	**143,786**	**156,488**
Indian Housing Block Grant (homeownership assistance and owner-occupied rehabilitation)	7,648[3]	6,445[3]	5,202[3]	4,830	5,936	4,415
Native Hawaiian Housing Block Grant (homeownership assistance and owner-occupied rehabilitation)	72	23	65	95	49	65
HOPE VI	1,284	718	1,841	2,234	928	720
Section 184 home loan guarantees	634	1,139	1,340	1,576	2,401	1,700
Section 184A home loan guarantees	10	1	0	17	16	17
Homeownership Vouchers	3,069	2,407	2,901	1,200	2,274	2,000
TOTAL Public and Indian Housing	**12,717**	**10,733**	**11,349**	**9,952**	**11,604**	**8,917**
TOTAL	**474,395**	**473,163**	**408,275**	**671,773**	**822,488**	**165,405**[4]

[1] These figures represent only first time homebuyers, as they exclude refinanced or non-first time home buyers.
[2] Unlike CDBG, all HOME assisted units must be brought up to code upon completion of the rehabilitation. HOME funds cannot be used in weatherization only or emergency rehabilitation projects that do not result in all structural and component systems meeting code requirements.
[3] These figures have been revised from those reported in the Performance and Accountability Report due to subsequent adjustments to the database.
[4] Does not include impact of FHA single family program as it is a tracking indicator without a numerical goal.

Results and Analysis: In FY 2009, HUD programs supported approximately 822,488 homeownership opportunities, including FHA and non-FHA programs, a significant increase from the 671,773 homeowners assisted in FY 2008. No target was established as FHA results are very significantly impacted by the economy.

In addition to FHA's contribution of 667,098 homeowners, the Offices of Community Planning and Development (CPD) and Public and Indian Housing (PIH) results are as follows:

CPD: Reported results of 143,786 indicate that CPD did not meet its overall goal to promote affordable housing opportunities to 156,488 low- and moderate-income households by providing homeownership assistance and housing rehabilitation assistance from the Community Development Block Grant (CDBG), HOME Investment Partnerships, and Self-help Homeownership Opportunity program.

With respect to individual program contributions, CPD experienced mixed results.

- The overall CDBG target of 120,843 (3,290 of homeownership assistance and 117,553 of owner-occupied rehabilitation) was not met. CDBG achieved an estimated 106,367 assisted household, of which 2,441 households received homeownership assistance and 103,926 units of owner- occupied rehabilitation were completed.
- The HOME Investment Partnerships program exceeded its FY 2009 target of 34,145 (23,730 of new homebuyer assistance, 2,000 ADDI, and 8,415 existing-homeowner rehabilitation). The program achieved 35,610 (23,711 new homebuyer assistance, 2,162 ADDI, and 9,737 existing-homeowner rehabilitation).
- For the year ended June 30, 2009, the Self-help Homeownership Opportunity Program provided homeowner's assistance to 1,809 households, surpassing the program goal of 1,500 units by 309, or 20.6 percent.

PIH: In FY 2009, PIH programs provided homeownership opportunities to 11,604 households exceeding the collective goal of 8,917 by more than 30 percent.

- The Indian and Native Hawaiian Housing Block Grant programs helped 5,985 households (which exceeded the goal by 34 percent), remain in their homes or purchase new homes. The Indian Block Grant program is designed to provide local decision-makers with the flexibility to allocate funds from among a number of eligible activities. Changing market conditions can cause funds to be shifted from one activity to another making it difficult for HUD to accurately set targets.
- The HOPE VI program provided affordable homeownership opportunities for 928 households which exceeded the goal of 720 households by 29 percent.
- The Indian and Native Hawaiian home loan guarantee programs (Sections 184 and 184A) helped 2,417 households. The loan guarantee program provides up to a 100 percent guarantee of mortgages in Indian Country or the Hawaiian Home Lands where there is an

acute lack of affordable homeownership opportunities. The performance for FY 2009 exceeded the goal by 41 percent.

Supplemental Performance and Resources Information.

CPD: Local governments receive formula CDBG funds either directly from HUD or through states. Local governments and states develop plans and priorities for expenditure of CDBG funds through CPD's consolidated planning process.

The overall goal, which combines owner-occupied rehabilitation and homeownership assistance, was met. Although the dollars allocated by grantees to this activity were reduced, less substantial rehabilitation activities were undertaken which assisted the CDBG program in meeting the owner-occupied housing rehabilitation goal. The shortfall occurred in the homeownership assistance sub-category. The market conditions evident in most of 2009 resulted in fewer persons purchasing homes and having access to credit, thus the need for homeownership assistance was reduced. In addition, the CDBG program is still working with grantees in efforts to improve data quality. In FY 2010, HUD will be undertaking an extensive training effort on use of the revised IDIS to ensure that grantees properly account for all CDBG accomplishments.

- The HOME Investment Partnerships Program was appropriated $1.825 billion in FY 2009, a seven percent increase from $1.704 billion in FY 2008. The HOME program exceeded its overall homeownership assistance goal in FY 2009. The goal was lowered for FY 2009 due to the elimination of the American Dream Downpayment Initiative Program, and the estimated total fell below the FY 2008 result. This is due in part to inflation in construction and material costs and the tightening of credit availability. The HOME per-unit cost of assistance increased 2.7 percent in FY 2009 from FY 2008.
- The American Dream Downpayment Initiative Program was not funded in FY 2009, however, from FY 2003 through FY 2008 it was a part of the HOME Investment Partnership program and its budget was a part of that appropriation. Since the program was eliminated in FY 2009, this program was limited to utilizing prior year unexpended funds, and assisted 2,162 new homebuyers, exceeding its goal by 162 homebuyers.
- The Self-help Homeownership Opportunity Program was appropriated $26.5 million in FY 2009, equal to the appropriation in FY 2008. Consequently the FY 2009 assistance goal is maintained at 1,500 households. The 30 percent program funding increase in FY 2008, compared to the FY 2007 appropriation level, will begin to affect results late in FY 2009, as FY 2008 funds will be awarded on a competitive basis during FY 2009.

PIH: Manages the following programs in support of providing homeownership opportunities: the Indian Housing Block Grant, HOPE VI Loan Guarantees for Indian Housing and Section 184A Loan Guarantees for Native Hawaiian Housing, Homeownership Vouchers, and Family Self-Sufficiency.

- The Indian Housing Block Grant and the Native Hawaiian Housing Block Grant programs provide grants to Native American and Native Hawaiian communities for a variety of eligible activities including expanding homeownership opportunities.
- The HOPE VI program provides funding to eradicate and revitalize severely distressed public housing. Eligible activities include creating homeownership opportunities for low-income Americans.
- Homeownership Vouchers is an eligible public housing activity in designed to provide homeownership opportunities for tenants.

Data Discussion. **CPD:** CDBG and HOME values in this table are based on accomplishments reported by grantees in the Integrated Disbursement and Information System (IDIS). The Department has estimated the number of owner-occupied rehabilitation units assisted in FY 2009 based upon expenditures for such activities divided by the FY 2008 efficiency measure for CDBG single family rehabilitation. This approach is necessitated by data concerns arising from the recent platform conversion of the Department's Integrated Disbursement and Information System.

- Reports compiled by Self-help Homeownership Opportunity Program grantees are used to track performance under this indicator. HUD Headquarters staff monitors grantees to ensure that reported accomplishments are accurate.
- CPD has pursued a variety of enhancements to the Integrated Disbursement and Information, and is working with grantees in efforts to improve data quality. CPD staff also verifies data when monitoring grantees. In FY 2010, HUD will be undertaking an extensive training effort on use of the revised IDIS to ensure that grantees properly account for all accomplishments.

PIH: Indian Housing Block Grant data come from more than 500 grant recipients through annual performance reports. The data are captured in the Performance Tracking Databases of regional Offices of Native American Programs and then aggregated into a national database at HUD Headquarters. Indian Housing Block Grant recipients with fiscal years ending after June 30 report in the next federal fiscal year. Therefore, accomplishments of the Indian Housing Block Grant program reported in this document are subject to future adjustment. The Office of Native American Programs works closely with grantees to ensure timely and accurate data reporting.

- The Native Hawaiian Housing Block Grant data come from grantees' Annual Performance Reports. Results are for the period July 1, 2008, through June 30, 2009.
- Data for the HOPE VI program are accumulated through PIH's HOPE VI Progress Reporting system. Data are reviewed and verified by HUD staff through close communications with grantees and regular site visits. Progress is closely monitored and regularly compared to grantees' established goals.

- The Section 184 Loan Guarantees for Indian Housing and Section 184A Loan Guarantees for Native Hawaiian Housing programs compile data on the dollar amount and the number of loan guarantee certificates issued upon loan closing. The Director of the Office of Loan Guarantee and the PIH Budget Office both validate the data on a monthly basis.
- PIH compiles data for the Homeownership Vouchers program in HUD's 50058 module from household data reported by PHAs.

Program Website.

CPD: http://www.hud.gov/offices/cpd/communitydevelopment/programs/
http://www.hud.gov/offices/cpd/affordablehousing/programs/home/index.cfm
http://www.hud.gov/offices/cpd/affordablehousing/programs/shop/index.cfm
PIH: http://www.hud.gov/offices/pih/ih/grants/ihbg.cfm
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http://www.hud.gov/offices/pih/ih/homeownership/184
http://www.hud.gov/offices/pih/ih/codetalk/onap/program184a.cfm
http://www.hud.gov/offices/pih/programs/hcv/homeownership/index.cfm

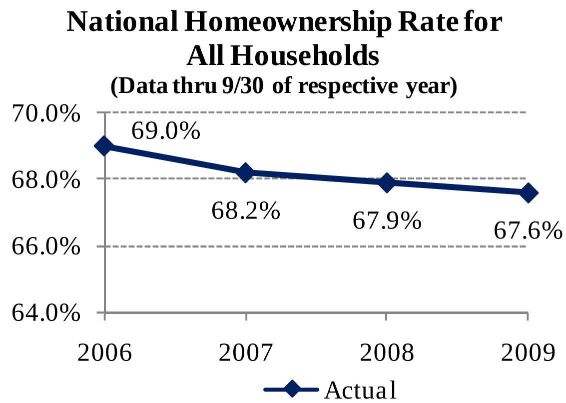
A.2: Improve national homeownership opportunities in support of first-time homebuyers.

Public Benefit and Program Accomplishments

Public Benefit: Providing expanded and strengthened opportunities for homeownership to Americans is a key component of HUD's mission. Two key indicators of national progress toward homeownership are the overall homeownership rate and the proportion of homebuyers who are first-time purchasers. The homeownership opportunities created by HUD help create stronger neighborhoods, provide better opportunities for child development, and encourage good citizenship. A significant number of HUD's programs support increases in the homeownership rate. For a number of years, HUD has placed emphasis on expanding homeownership in particular for minority families and other disadvantaged groups with large unmet needs. These two indicators were consolidated under a single heading as noted in the FY 2009 Annual Performance Plan.

HUD does not establish performance targets for these tracking indicators because of the Department's limited span of control relative to economic factors.

Results and Analysis: The national homeownership rate for all households in the third quarter of calendar year 2009 was 67.6 percent, not significantly different from 67.9 percent in the third quarter of 2008. The number of homeowners increased to 75.3 million in the third quarter of 2009, up 0.2 percent from the third quarter of 2008. It is probable that the homeownership rate will decrease in the future. Mortgage defaults increased during FY 2009



due to declines of property value and resetting of many adjustable rate mortgages to higher interest rates. HUD estimates that 2.0 million homes have been lost to foreclosure since the mortgage crisis began in early 2007 through the third quarter of 2009, producing a net reduction of 536,000 homeowners over this period.

The first-time homebuyer indicator relies on biennial survey data, and the latest results for calendar year 2009 will not be available for several months. The most recent available data show that 34.8 percent of households who reported during 2007 that they had purchased a home in 2006 were first time homebuyers. This reflects a decrease of 3.3 percentage points from the proportion of buyers who reported during 2005. Despite the decline among 2006 purchasers, partial data indicate that the first-time homebuyers may have constituted a higher proportion of purchasers during early 2007. Even if verified, it is not clear that this would have been a positive trend, because the subprime lending activity that was common during that period may have contributed more to default rates than to sustainable homeownership.

Supplemental Performance and Resources Information. Each 0.1 percentage point increase in the national homeownership rate translates to about 100,000 new homeowners (if total households remain constant). Such results are well within range of HUD program impacts reported through a number of performance indicators.

HUD programs continue to play an important role in mitigating the difficulties of purchasing a first home. FHA insured over 1,947,000 single family mortgages in FY 2009, of which 78.5 percent were to first-time homebuyers. FHA's mortgage refinance activity also played a critical role in sustaining homeownership among distressed mortgagors during FY 2009. More than 500,000 families were assisted through forbearance, partial claim, loan modification, pre foreclosure sale, and deed-in-lieu of foreclosure among others. The FHA insurance programs are measured in terms of insurance in force rather than program budget authority. In FY 2009, the Mutual Mortgage Insurance Fund endorsed approximately $360 billion of mortgages.

At the center of the Administration's response to the housing crisis is the Making Home Affordable Program, a comprehensive program to stabilize the housing markets by providing affordable refinance and modification opportunities for at-risk borrowers. The initiative includes: The Home Affordable Modification Program (HAMP) which is providing up to $75 billion to encourage modifications that will provide sustainable, affordable mortgage payments for borrowers; and the Home Affordable Refinance Program (HARP) which expands access to refinancing for families whose homes have lost value and whose mortgage payments can be reduced at today's low interest rates.

Data Discussion. The national homeownership measure is based on averages of monthly Current Population Survey data for the third quarter (the last quarter of the fiscal year). The data are free of limitations affecting the measure's reliability. Changes in the estimated homeownership rate exceeding 0.7 percentage points are statistically significant with 90 percent confidence, using a conservative estimate and assuming the two samples are drawn independently from the same population.

The first-time homebuyer measure uses data from the biennial American Housing Survey. Calendar year 2009 data will be released during 2010. The data represent homeowners who reported, during the (odd) years shown, that they moved during the previous (even) years. This offset allows the data to represent a complete year and avoids seasonal distortions, because odd year homebuyers who moved after they were surveyed would not be represented. During 2002, HUD contractors completed a study that verified and validated the American Housing Survey for purposes of mortgage market and housing finance analysis. Researchers assessed the replicability, internal consistency, and reliability of AHS estimates and found the data generally reliable.

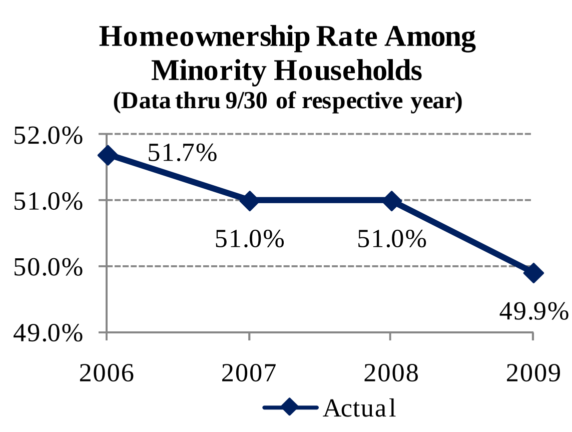
Program Website. http://www.huduser.org/periodicals/ushmc.html

A.3: The homeownership rate among targeted households.

Public Benefit and Program Accomplishments

Public Benefit: Expanding the benefits of homeownership to households who may have greater disadvantages can produce many spillover benefits related to wealth, health, and investments in housing, neighborhoods, and schools. Three tracking indicators help HUD assess progress in promoting homeownership among underserved populations. These are the homeownership rates of racial and ethnic minority households, of households with incomes below the area median income, and of households in central cities. FY 2009 targets were not established for these indicators because of the current dominant impact of the macro-economy.

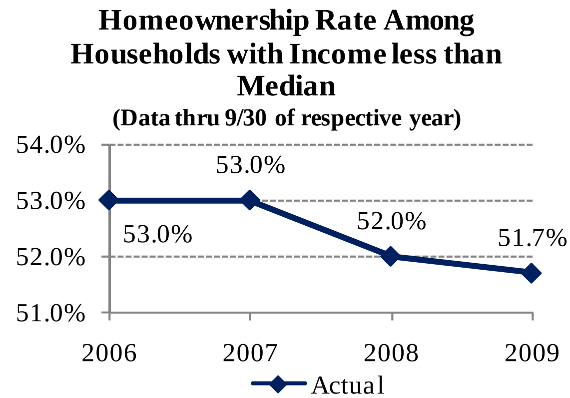
Promoting homeownership has long been a national goal, such as the strengthening of home financing when Congress established the Federal Home Loan Bank and the Home Owner's Loan Corporation in the 1930s. Recently, HUD has been engaged in a Minority Homeownership Initiative, which established a goal to add 5.5 million minority homeowners by the end of the decade.



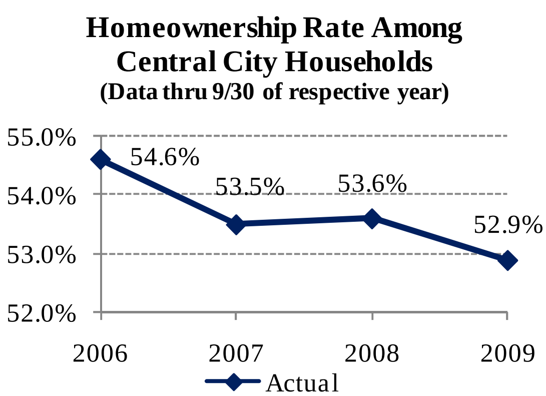
Results and Analysis: The homeownership rate for all minorities combined was 49.9 percent in the third quarter of 2009, a significant decrease from 51.0 percent in the third quarter of 2008. There were 16.5 million minority homeowners in the third quarter of

2009, an increase of 0.2 percent from a year earlier. HUD estimates that since the beginning of the mortgage crisis in early 2007 through the third quarter of 2009, the number of minority homeowners has declined by 486,000.

Another indicator tracking homeownership among HUD's target populations is for households with incomes below the national median income. Homeownership among these households had declined to 51.7 percent in the third quarter of 2009, compared with 52.0 percent in the third quarter of 2008.



The homeownership rate in central cities was 52.9 percent in the third quarter of 2009, down from 53.6 percent in the third quarter of 2008. Central city households thus represent the homeownership target group that has suffered most from the mortgage crisis.



Supplemental Performance and Resources Information. Declines in homeownership rates during FY 2009 reflect increases in financial stress of homeowners, as 90-day delinquency rates increased during every quarter of 2008 and reached 3.58 percent in the first quarter of FY 2009. Homeownership rates had previously increased for each of these target populations during the extended period of low mortgage interest rates and innovative mortgage products.

Despite negative macroeconomic factors, HUD's programs continue to play a significant supporting role. Minority households represented 32 percent of FHA-insured first-time homebuyers in FY 2009 and FHA had 667,098 first time homeowner insured mortgages. HUD's strategies to increase minority homeownership include increased outreach and continued enforcement of equal opportunity in housing. HUD's largest block grant programs, CDBG and HOME, each have a sizable homeownership component. The HOME program, for example, assisted over 33,000 homeowners during FY 2009. During FY 2009, sustaining homeownership among distressed homeowners continued to be a major priority for the Department. HUD's housing counseling program has protected thousands of households by warning them of predatory lending and lax underwriting practices, and helped homeowners sustain their tenure by meeting the ongoing responsibilities of homeownership.

Data Discussion. Three indicators are based on averages of monthly Current Population Survey data for the final quarter of the fiscal year. The data are free of serious problems, and the sample size is sufficient to report this measure with low variance. Changes in homeownership rates are statistically significant with 90 percent confidence when they exceed 1.2 percentage points for minority homeownership and 0.9 points for households with incomes below the median family income, in each case using a conservative estimate and assuming the two samples were drawn independently from the same population. The estimates shown reflect Census 2000 population information and housing unit controls and survey procedures that allow respondents to select more than one race.

Program Website. http://www.huduser.org/periodicals/ushmc.html

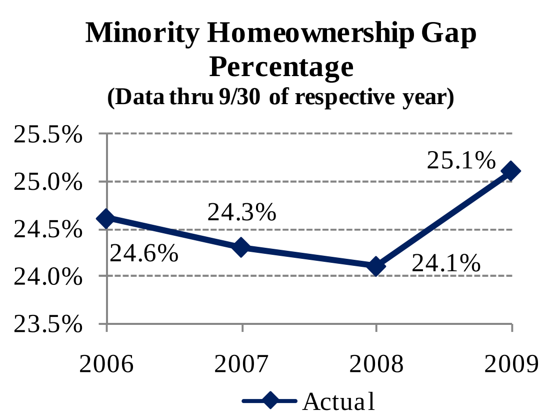
A.4: Add 5.5 million minority homeowners between 2002 and 2010.

Public Benefit and Program Accomplishments

Public Benefit: This indicator addresses the previous Administration's goal of adding 5.5 million minority homeowners by the end of the decade (that is, the last quarter of 2010 compared with the second quarter of 2002). The presidential priority addressed the Department's long-term strategic objectives of expanding national homeownership opportunities and increase minority homeownership. Homeownership rates are most susceptible to policy intervention among renters who are marginally creditworthy, discouraged by discrimination, or unaware of the economic benefits of homeownership.

The long-term performance goal is supported by two additional tracking indicators. First, the gap in homeownership rates of minority and non-minority households is measured as the difference in percentage points between the homeownership rate of households who are "non-Hispanic white alone" and the homeownership rate of minority households. Second, a tracking indicator for minority mortgage denial rates addresses financing trends, which are critical for decreasing disparities in homeownership. These three indicators were consolidated under a single heading in the FY 2009 Annual Performance Plan, but HUD has not established targets for the latter two because of the overriding influence of external factors.

Results and Analysis: Between the beginning of the minority homeownership initiative in June 2002 and the third quarter of 2009, an estimated 5.237 million minority homeowners have been added. This result represents 95.2 percent of the goal of 5.5 million, while 85.3 percent of the time has elapsed. This is a gross measure that is not influenced by households that leave homeownership each year as part of the typical course of life, or more recently, from financial distress. Declining home values and a reduced supply of mortgage capital held back progress toward the goal in FY 2009. Losses of minority homeowners during the first two quarters contributed to a net loss of 226,000 minority homeowners during the fiscal year. Using a net measure that captures both gains and



losses, 3.399 million minority homeowners have been added during the initiative, equaling 61.8 percent of the goal.

During the third quarter of calendar year 2009, the minority homeownership gap was 25.1 percentage points, a statistically insignificant increase from the 24.1 point gap observed in the third quarter of 2008. The minority homeownership rate of 49.9 percent decreased by 1.1 percentage points over a 12-month period.

The most recent data for mortgage denial rates cover calendar year 2008, and therefore overlap only with the first quarter of FY 2009. The data in the table below show that the rate at which mortgage applications were denied to minorities declined from 24.1 percent in 2007 to 21.6 percent in 2008. The denial rate for all minorities remains substantially above the 11.3 percent rate for white alone households. During 2008, minority mortgage applicants experienced denial rates ranging from 15.8 percent to 24.3 percent. All minority groups except "Asian alone" experienced significant improvements in mortgage denials.

Denial Rates* for Mortgage Applications by Race and Ethnicity

Race/Ethnicity of Primary Borrower	2005	2006	2007	2008
Hispanic/Latino	18.0%	21.9%	24.9%	22.9%
Native American/Alaska Native alone	16.9%	19.3%	19.5%	18.5%
Asian alone	13.7%	14.7%	14.7%	15.8%
Black/African American alone	21.4%	25.3%	27.5%	24.3%
Native Hawaiian/Pacific Islander alone	15.2%	18.4%	20.5%	18.5%
White alone	10.5%	11.2%	11.1%	11.3%
Two or more races	14.7%	14.7%	17.8%	17.9%
Other/Unknown/Missing	16.9%	18.2%	18.3%	16.7%
Total	13.8%	15.9%	15.9%	14.7%
All minority**	18.4%	22.0%	24.1%	21.6%
Total Applications (1,000)***	7,453	7,242	4,939	3,398

* Excludes denials at the preapproval stage.
** Includes "two or more races," but excludes "other/unknown/missing."
*** As reported by lenders under the Home Mortgage Disclosure Act.

Supplemental Performance and Resources Information. The volume of mortgage applications was 3.4 million in 2008, down 31 percent from the 2007 volume, and down over half, 53 percent, from 2006 levels. As a result, the improved rate of success does not translate to a larger number of approved mortgages. Rather, the number of successful mortgage applications declined by 30 percent from 2007 to 2008, led by reductions of 44 percent for black alone and by 41 percent for Hispanic households. FHA played a critical backup role as the private mortgage sector shrank rapidly during the 2007 - 2008 period. FHA's home purchase mortgage insurance business represented 23.1 percent of single family mortgage dollar volume in the first three quarter of FY 2009, up from 3.9 percent in 2007. Including refinanced homes, FHA assisted nearly 1.95 million household in FY 2009.

Changes in macro-economic conditions as well as turmoil in the sub-prime mortgage market have made homeownership less affordable and stable for new purchasers and have forced defaults among recent purchasers with adjustable rate and other specialty mortgages. In addition, tightening credit markets can serve to limit the number of new homebuyers approved for mortgages. The primary causes of disparities in mortgage denial rates among race and ethnic groups are differences in their average disposable income and creditworthiness. In some cases, lenders have been shown to discriminate against minority applicants by disapproving their mortgages while approving non-minorities who were less creditworthy or had less income. In such cases HUD can take fair housing enforcement actions. HUD's Office of Fair Housing and Equal Opportunity is focusing increased attention on addressing the role of discrimination in contributing to mortgage approval disparities.

A number of HUD grant programs provide sustainable homeownership opportunities, such as HOME, CDBG, and the sweat-equity model of the Self-help Opportunity Program. FHA is a major source of mortgage financing for minority homebuyers, and maintaining first-time minority homebuyers as a substantial proportion of FHA's mortgage insurance business is a key aspect of reducing homeownership gaps. During FY 2008, 31.2 percent of FHA home purchase endorsements were for first-time minority homebuyers, providing them with secure, affordable financing as an alternative to subprime lenders.

For homeowners whose mortgages are already distressed, FHA makes substantial efforts to keep them in their homes through loss mitigation and foreclosure prevention programs. FHASecure provides refinancing to keep families in their homes. The Housing and Economic Recovery Act of 2008 established a $300 billion Home Ownership Preservation Entity fund for the HOPE for Homeowners program. Through the program, FHA has begun helping distressed homeowners avoid foreclosure by insuring new, refinanced mortgages that have lower, fixed interest rates, terms of 30 years, and principal balances written down to no more than 90 percent of the home's appraised value.

In current market conditions, ensuring that homeownership gains are sustainable has become even more crucial. A primary strategy for addressing the long-standing disparity in mortgage denial rates is to use housing counseling, funded at $50 million in FY 2008, to help potential homebuyers understand their income eligibility and improve their creditworthiness. Pre- and post-purchase homeownership counseling is targeted to groups who are disadvantaged in their familiarity with the homebuying and financing process, thus reducing disparities. Also, strong fair housing efforts, reflecting $50 million of budget authority in FY 2008, are key to eliminating discriminatory barriers to home purchase and finance, and preventing predatory lending.

Data Discussion. The minority homeowner indicator is based on third-quarter calendar year estimates from the Current Population Survey, conducted monthly by the Bureau of Census. This corresponds to the final quarter of the fiscal year. The homeownership gap is based on the same source, but using fiscal year averages of the quarterly estimates to increase reliability for the small subgroups. Current Population Survey data have the advantage of being nationally representative, reliable, and widely recognized. Gross change estimates of minority homeowners are made using American Housing Survey data with updates from Current Population Survey.

The denial rate indicator uses Home Mortgage Disclosure Act data, which are collected from lenders on a calendar year basis. Data for calendar year 2009 are not yet available. The mortgage applications counted are conforming loans or loans insured by FHA, Veterans Affairs, or Rural Housing Service and are limited to owner-occupied single family homes purchased in core-based statistical areas. Loan denials at the pre-approval stage are excluded, although new, but incomplete, data suggest that initially denied or unaccepted pre-approvals may account for at least one percent of all loans. Refinance loans and manufactured housing loans are excluded. The data present a generally reliable picture of mortgage denial disparities, although the 16.7 percent denial rate shown for borrowers with missing race or ethnicity data suggests that such borrowers disproportionately are minority households.

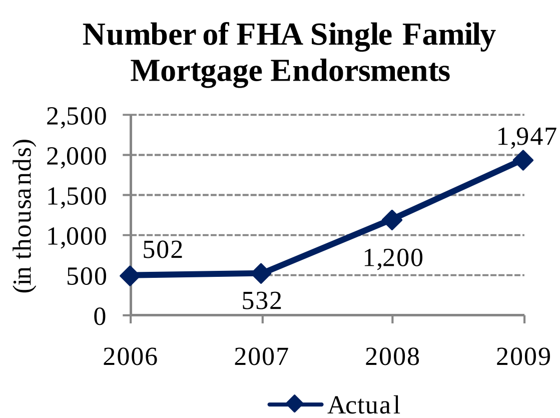
Program Website. http://www.huduser.org/periodicals/ushmc.html

FHA/Housing

A.5: The number of FHA single family mortgage insurance endorsements nationwide.

Public Benefit and Program Accomplishments

Public Benefit: This item tracks FHA's contribution to homeownership preservation, as well as increasing homeownership rates through the annual volume of FHA-insured loans endorsed. FHA insures mortgages issued by private lenders, which increases access to mortgage capital, overall homeownership preservation and opportunities for new homeownership. This has important implications for first-time and minority homeownership rates because a significant proportion of FHA participants are first-time, minority homeowners. The FHA programs are key to stabilizing the national mortgage market and national economy as evidenced in part by increases in its market participation from single digits to the mid-20s.



Results and Analysis: This is a tracking indicator because HUD has little control over program demand. FHA endorsed 1,947,158 mortgages in FY 2009, which is a 62 percent increase (and which represents nearly a third of the total mortgage market) compared to 1,200,111 in FY 2008 and a more than 265 percent increase compared to 532,494 in FY 2007. The Department sought legislation to modernize FHA single family mortgage insurance activities to help achieve its mission of reducing barriers to sustained homeownership, and also to provide opportunities for new homeownership. FHA modernization efforts are assisting FHA to expand its ability to meet the needs of the marketplace. By providing a safe alternative to sub-prime and exotic loan products, FHA modernization has allowed the Department to reach both existing and prospective homeowners who might otherwise be vulnerable to such loans.

***Supplemental Performance and Resources Information*:** The increase in single family endorsement levels from FY 2008 to FY 2009 was largely attributable to the collapse of the sub-prime lending market. Other contributing factors to the increase in FHA endorsement levels include a rise in the number of mortgage refinance transactions, contraction of available credit, continued significant volume of reverse mortgage endorsements, and an overall strong homebuyer acceptance of FHA products.

FHA's Single Family Mortgage and Home Equity Conversion Mortgage programs are self-sustaining, generating sufficient income through fees and operations, and did not require an appropriation from Congress in FY 2009.

***Data Discussion*.** Data for this indicator are drawn from FHA's Single Family Data Warehouse, which aggregates data from the Computerized Homes Underwriting Management System (CHUMS). There are no data deficiencies affecting this measure. Direct Endorsement lenders enter FHA data into CHUMS through the FHA Connection, with monitoring by FHA.

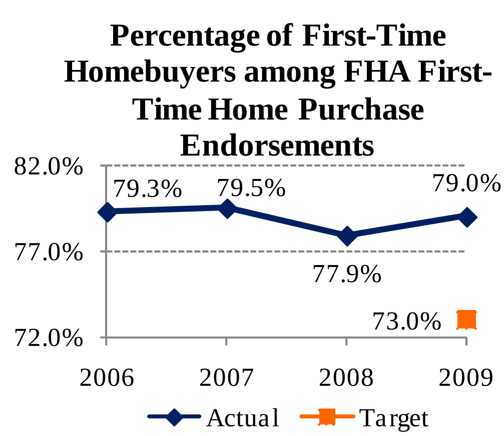
***Program Website*.** http://www.hud.gov/offices/hsg/sfh/hsgsingle.cfm

A.6: The share of first-time homebuyers among FHA home purchase endorsements is 73 percent.

Public Benefit and Program Accomplishments

Public Benefit: FHA insurance enables the private mortgage market to provide financing for first time homebuyers as well as for minority and lower-income buyers. In the past 10 years, FHA has endorsed in excess of 12 million mortgages for insurance. HUD will help achieve the outcome of strengthening the overall homeownership rate, as well as reducing the homeownership gap between whites and minorities, by maximizing FHA endorsements for first time homebuyers.

Results and Analysis. In FY 2009, 79.0 percent of FHA-insured single family home purchase mortgages were to first-time homebuyers, exceeding the target of 73 percent, as well as the 77.9 percent achieved in FY 2008.



In FY 2010, FHA will concentrate its business efforts towards providing good stable housing opportunities for existing homeowners, and will also help first-time homebuyers, as FHA continues to transform itself into a modern entity that increasingly helps stabilize the American housing market and economic system.

Supplemental Performance and Resources Information. FHA has become a major source of mortgage financing for both existing and first time buyers as well as for minority and lower-income buyers. To help increase the number of families able to secure financing for their first home, FHA established a target of 73 percent for its Homeownership Centers for single family home purchase mortgage endorsements to first-time homebuyers. This clearly shows HUD's commitment to assist people to achieve the dream of appropriate homeownership. The FHA insurance programs are measured in terms of insurance-in-force rather than program budget authority. In FY 2009, the Mutual Mortgage Insurance Fund endorsed approximately $330 billion of mortgages, compared to $171.9 billion in FY 2008 and $56.5 billion in FY 2007.

In FY 2008, the Congress enacted the Housing and Economic Recovery Act of 2008 that included the FHA Modernization Act of 2008, which made affordable financing available to more households. Key provisions of the FHA Modernization Act of 2008 included increases in FHA loan limits, elimination of seller-funded downpayment assistance, revision in the amount of required downpayment for borrowers getting FHA loans, simplified requirements for condominium loans, expanded use of reverse mortgages for senior homeowners, and increased access to pre-purchase and post-purchase counseling for low- and moderate-income homeowners. The legislation reduced statutory barriers and increased FHA's flexibility to respond to changes in the marketplace. As a result, FHA reached more current homeowners by providing an alternative to sub-prime loans with high interest rates and closing costs, as well as expensive repayment penalties.

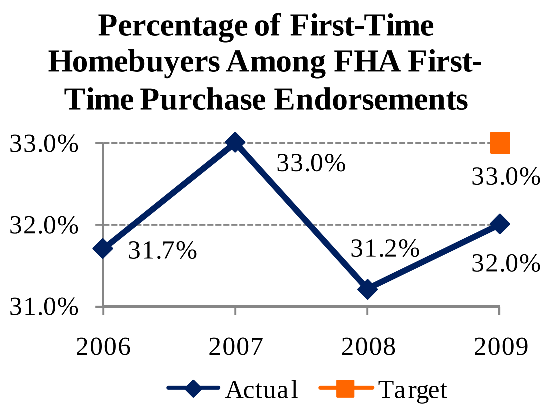
Data Discussion. Data for this performance indicator are drawn from FHA's Single Family Data Warehouse, based on the Computerized Homes Underwriting Management System. FHA data on first time buyers are more accurate than estimates of first time buyers in the conventional market. FHA data are entered by direct endorsement lenders with monitoring by FHA.

Program Website. http://www.hud.gov/offices/hsg/sfh/hsgsingle.cfm

A.7: The share of first-time minority homebuyers among FHA first-time home purchase endorsements is 33 percent.

Public Benefit and Program Accomplishments

Public Benefit: FHA-insured mortgages are a major source of mortgage financing for minority as well as lower-income buyers. Increasing the number of FHA endorsements for first time minority homebuyers helped fulfill previous goals of adding 5.5 million new minority homeowners by 2010 and reducing the homeownership gap between whites and minorities as well as increasing the overall homeownership rate. During FY 2007, the minority homeownership gap reached a record low of 25 percentage points.



Results and Analysis. In FY 2009, first time minority homebuyers represented 32 percent of first time home purchase mortgages endorsed for insurance by FHA, narrowly missing the goal of 33 percent, but improving on last fiscal year's performance of 31.2 percent. Performance in this area was significantly constrained by the housing market and economic conditions.

Supplemental Performance and Resources Information. FHA recaptured a portion of the market share that was lost to sub-prime lenders in recent years. Many first time minority homebuyers acquired sub-prime loans to finance their homes. Passage of the FHA modernization legislation in FY 2008 reduced statutory barriers and increased FHA's flexibility to respond to changes in the marketplace. As a result, FHA reached more prospective homebuyers and provided an alternative to sub-prime loans with high interest rates and closing costs, as well as expensive prepayment penalties.

Data Discussion. Direct-endorsement lenders enter FHA data, with monitoring by FHA. The data reside in the Computerized Homes Underwriting Management System, and are reported from FHA's Single Family Housing Enterprise Data Warehouse. The data have no deficiencies affecting this measure. As part of the Department's data quality initiative, the Computerized Homes Underwriting Management System was identified by the Enterprise Data Management Group as passing 6-sigma quality tests (reflecting fewer than 3.4 errors per million) for validity, completeness, and consistency.

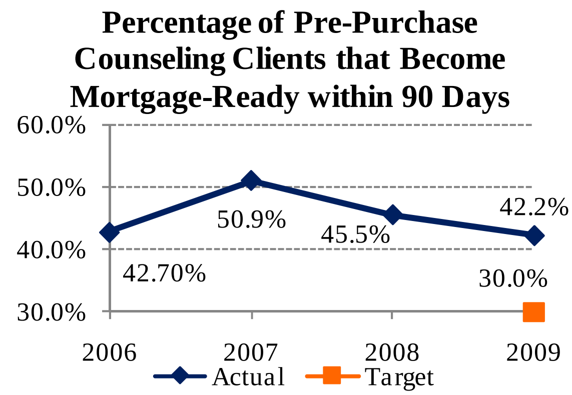
Program Website. http://www.hud.gov/offices/hsg/sfh/hsgsingle.cfm

A.8: At least 30 percent of clients receiving pre-purchase counseling will purchase a home or become mortgage-ready within 90 days.

Public Benefit and Program Accomplishments

Public Benefit: Counseling has a critical role in the home-buying process because it teaches homebuyers to make smart choices about the myriad mortgage financing options available. Helping homebuyers avoid unnecessarily high interest rates and predatory practices is also a cost-effective way to improve housing market stability by reducing the likelihood of future delinquency and foreclosure. Clients tracked through this indicator included those individuals receiving housing counseling for pre-purchase reasons, such as preparing to purchase a home or working to become mortgage ready.

Results and Analysis. The FY 2009 performance goal to ensure that at least 30 percent of clients receiving pre-purchase counseling attain the outcome of purchasing a home or becoming mortgage-ready within 90 days was significantly exceeded at 42.2 percent. The level achieved reflects the results through the third quarter of FY 2009, which is the most recent available data because, by regulation, counseling agencies have 90 days after the end of the fiscal year to fulfill reporting requirements. By comparison, the level achieved in FY 2008 was 45.5 percent.



Supplemental Performance and Resources Information. Economic conditions and housing market homeownership rates vary and so the demand for specific types of counseling may vary for reasons outside of HUD's control. The Department, however, through its monitoring and training efforts, is confident that HUD-approved agencies are providing quality counseling services that will help prepare clients for homeownership. Reported results from the first three quarters of calendar year 2009 indicate 64,429 clients out of 151,706 receiving pre-purchase counseling from HUD approved agencies, and for whom an outcome is known, purchased a home or became mortgage-ready within 90 days.

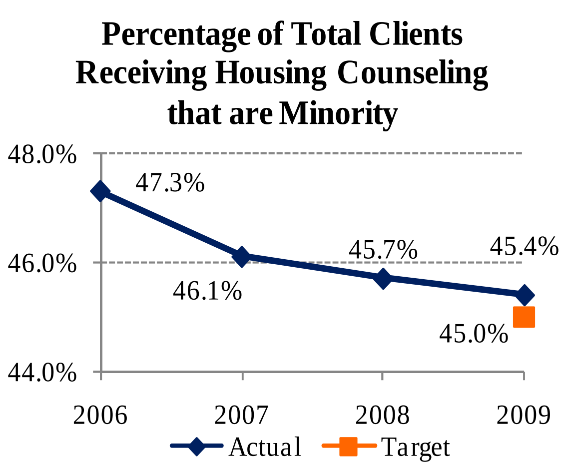
Data Discussion. The data are electronically submitted to HUD's Housing Counseling System through the Housing Counseling Agency Fiscal Year Activity Reports (Form HUD-9902).

Program Website. http://www.hud.gov/offices/hsg/sfh/hcc/hcc_home.cfm

A.9: Minority clients are at least 45 percent of total clients receiving housing counseling in FY 2009.

Public Benefit and Program Accomplishments

Public Benefit: Historically, there has been a significant homeownership gap between whites and minorities. During FY 2007, the minority homeownership gap reached a record low of 25 points. The Housing Counseling Assistance program is integral in helping to increase the minority homeownership rate. More than 5.5 million minority households have benefited from housing counseling activities provided by HUD-approved agencies since FY 2001.



Results and Analysis. The FY 2009 performance goal to ensure that minority clients are at least 45 percent of total clients receiving housing counseling services from HUD-approved housing counseling agencies was met. Reported results from the first three quarters of calendar year 2009 indicate that minorities represent

45 percent of the total clients receiving housing counseling and education. The data is only available through the third quarter of FY 2009 because, by regulation, counseling agencies have 90 days after the end of the fiscal year to fulfill reporting requirements. The level achieved in FY 2008 was 45.7 percent.

Supplemental Performance and Resources Information. More than 720,000 minority households have benefited from HUD-funded housing counseling activities through three quarters of 2009. By comparison, over 760,000 minority households were served in FY 2008, so that number will be significantly exceeded for the full year FY 2009. Clients tracked by this indicator include those receiving various forms of housing counseling, from homebuyer education, pre-purchase, and loss mitigation/default counseling to rental, fair housing, and homeless counseling. General market conditions were a major cause of the inability to reach the targeted level. In FY 2009, foreclosure prevention counseling represented a large percentage of the demand for counseling services. The foreclosure crisis affected all races, ethnicities and even income levels.

Data Discussion. The data are electronically submitted to HUD's Housing Counseling System through the Housing Counseling Agency Fiscal Year Activity Reports (Form HUD-9902). The data include the total number of clients, the type of counseling they received, and the results of the counseling.

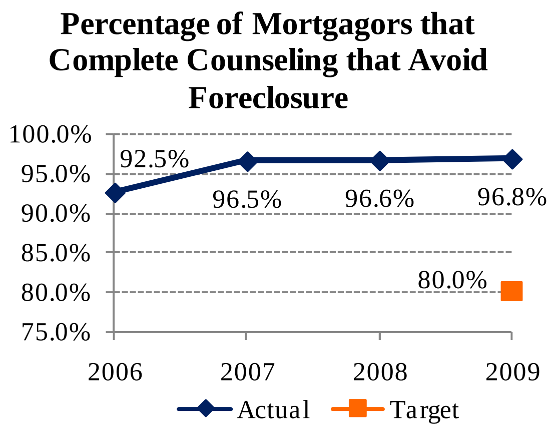
Program Website. http://www.hud.gov/offices/hsg/sfh/hcc/hcc_home.cfm

A.10: More than 80 percent of total mortgagors that complete counseling for resolving or preventing mortgage delinquency will successfully avoid foreclosure.

Public Benefit and Program Accomplishments

Public Benefit: Default and foreclosure is occurring nationwide at record rates. Default counseling is one of the most cost-effective ways to address the rising number of families nationwide at risk of foreclosure, while contributing to economic growth and stability of individuals, families, and communities across the country. Counselors have the skills and expertise to make available to affected households aggressive loss mitigation, lender advocacy, and other tools and strategies to help them modify their loans, refinance, or otherwise escape foreclosure. Moreover, by limiting foreclosure, default counseling is a cost-effective way to reduce HUD's exposure to risk while contributing to the growth and stability of families and communities across the country.

Results and Analysis. The FY 2009 performance goal was to ensure that more than 80 percent of mortgagors that complete counseling for resolving or preventing mortgage delinquency successfully avoid foreclosure. HUD significantly exceeded the target of 80 percent with a result of 96.8 percent. Results reflect performance as of the third quarter of FY 2009, which is the most recently available data because, by regulation, counseling agencies have



90 days after the end of the fiscal year to fulfill reporting requirements. The level achieved in FY 2008 was 96.6 percent.

Supplemental Performance and Resources Information. This indicator measures the outcome of housing counseling by HUD-approved housing counseling agencies in preventing foreclosure for homeowners who are at risk of default or have already defaulted, and are seeking help to remain in their homes and meet the responsibilities of homeownership. Reporting from the first three quarters of calendar year 2009 indicate that 96.8 percent or 385,310 out of 398,087 mortgagors seeking help with resolving or preventing mortgage delinquency, had successfully avoided foreclosure. Notably, these figures are nearly double the previous year totals for the same time period, illustrating the high demand for these services as a result of the foreclosure crisis. The average cost of default counseling is approximately $550 per household.

Data Discussion. The data are electronically submitted to the Housing Counseling System through the Housing Counseling Agency Fiscal Year Activity Reports (Form HUD-9902).

Program Website. http://www.hud.gov/offices/hsg/sfh/hcc/hcc_home.cfm

A.11: The share of FHA-insurable real estate owned properties that are sold to owner-occupants is 90 percent.

Public Benefit and Program Accomplishments

Public Benefit: This indicator is a measure of the Department's success achieved in expanding homeownership opportunities and helping stabilize neighborhoods. FHA acquires real estate owned properties when owners default on FHA-insured mortgages. These properties become departmental assets and are a resource for increasing the availability of affordable homes to potential homebuyers.

Results and Analysis. The Department exceeded the goal of 90 percent with a 98.47 percent result.

Supplemental Performance and Resources Information. During FY 2008, a different method was used to calculate performance for this indicator and results are not comparable. However, the FY 2009 result of 98.47 percent returns to and compares to and improves on the FY 2007 result of 92.5 percent and the FY 2006 result of 89.9 percent.

Data Discussion. The Asset Management Information System is the primary data source for the Department's real estate owned properties. The Asset Management Information System is a web-based, user friendly system.

Program Website. http://www.hud.gov/offices/hsg/sfh/hsgsingle.cfm

A.12: HUD will continue to monitor and enforce Fannie Mae's and Freddie Mac's performance in meeting or surpassing HUD-defined targets for low- and moderate-income mortgage purchases.

This indicator was deleted. HUD will no longer be reporting on Fannie Mae's and Freddie Mac's performance. Pursuant to the Housing and Economic Recovery Act of 2008, which became law on July 30, 2008, HUD's regulatory responsibilities over Fannie Mae and Freddie Mac immediately transferred to a new regulator, the Federal Housing Finance Agency.

A.13: HUD will continue to monitor and enforce Fannie Mae's and Freddie Mac's performance in meeting or surpassing HUD-defined targets for mortgages financing special affordable housing.

This indicator was deleted. HUD will no longer be reporting on Fannie Mae's and Freddie Mac's performance. Pursuant to the Housing and Economic Recovery Act of 2008, which became law on July 30, 2008, HUD's regulatory responsibilities over Fannie Mae and Freddie Mac immediately transferred to a new regulator, the Federal Housing Finance Agency.

A.14: Respond to 3,000 inquiries and complaints from consumers and industry regarding the Real Estate Settlement Procedures Act and the home buying and mortgage loan process.

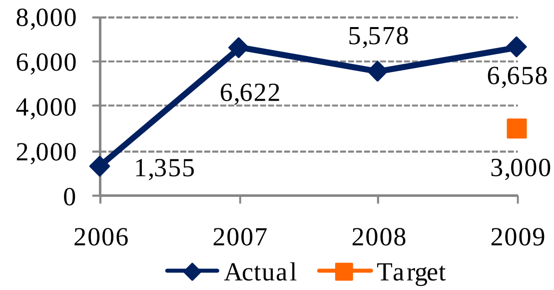
Public Benefit and Program Accomplishments

Public Benefit: The Real Estate Settlement Procedures Act is a consumer protection statute administered by HUD. This Act protect consumers in the home buying and mortgage loan process by requiring that they receive disclosures at various times in the transaction. Practices, which increase the cost of settlement services, such as paying kickbacks, are prohibited. The Act also provides consumers with protections relating to the servicing of their loans, including property escrow account management.

A new rule – to be effective January 2010 – was published: "Real Estate Settlement Procedures Act: Rule to Simplify and Improve the Process of Obtaining Mortgages and Reduce Consumer Settlement Costs." This rule amends HUD's regulations to further the Act's purposes by requiring more timely and effective disclosures related to mortgage settlement costs for federally related mortgage loans to consumers. The changes made by this new rule are designed to protect consumers from unnecessarily high settlement costs by taking steps to improve and standardize the Good Faith Estimate form to make it easier to use for shopping among settlement service providers; ensure that the Good Faith Estimate form provides a clear summary of the loan terms and total settlement charges so that borrowers will be able to use the Good Faith Estimate form to identify a particular loan product and comparison shop among loan originators; provide more accurate estimates of costs of settlement services shown on the Good Faith Estimate; improve disclosures of yield spread premiums to help borrowers understand how yield spread premiums can affect borrowers' settlement charges and their interest rates; facilitate comparison of the Good Faith Estimate and the HUD Settlement Statements; ensure that at settlement borrowers are aware of the final costs as they relate to their mortgage loans and settlement transactions; clarify HUD Settlement Statement instructions; expressly state that the Act permits the listing of an average charge on the HUD Settlement Statement; and strengthen the prohibition against requiring the use of affiliated businesses.

Results and Analysis. At 6,658 inquiries and complaints processed in FY 2009, the Department exceeded its target for this goal of 3,000. Additionally, the Department provided final Real Estate Settlement Procedures Act rule implementation guidance, an effort that included the publication of 230 Frequently Asked Questions, discussion in over 50 speaking engagements, conference calls and meetings with over 5,000 participants. The speaking engagements and meetings included the Mortgage Bankers Association, American Bar Association, American Escrow Association, and the National Association of Federal Credit Unions.

Responses to Inquiries Regarding RESPA and Homebuying Process



Supplemental Performance and Resources Information. The Department's responses to the inquiries and complaints received are a measure of its public assistance and enforcement activities. HUD's Office of Real Estate Settlement Procedures Act and Interstate Land Sales tracks inquiries and responses regarding the home buying and mortgage process, as well as questions and complaints from industry, consumers, and state and federal regulators regarding practices that may violate the Real Estate Settlement Procedures Act. Recent efforts to increase public awareness of its enforcement of the Act have helped bring additional violations to HUD's attention, and have enabled the Department to provide greater assistance to the public, particularly consumers.

Data Discussion. Real Estate Settlement Procedures Act complaint and response data are compiled from the PO 30 Case Tracking System and website e-mail box.

Program Website. http://www.hud.gov/respa

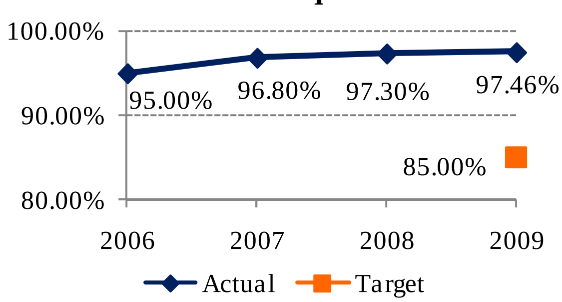
A.15: FHA ensures that the percentage of at-risk loans that substantively comply with FHA program requirements is at least 85 percent.

Public Benefit and Program Accomplishments

Public Benefit: This indicator monitors efforts to reduce fraud and compliance problems in FHA relative to the number of "at risk" single family loans reviewed that do not contain substantive findings. A substantive finding is defined as a failure to adhere to FHA program requirements (pertaining to the origination and/or servicing of mortgage loans) such that it materially affects the insurability of the loan. FHA's Quality Assurance Division reviews lenders on the basis of a methodology that focuses on high early default and claim rates in addition to other risk factors that represent "at risk" loans. Samples of defaulted loans (90 days or more delinquent) that are originated by the targeted lenders are then evaluated for findings. The higher the percentage of loans without findings, the less risk to FHA and its business, which then allows FHA to continue to help low and moderate families obtain financing for their home purchase and refinancing needs.

Results and Analysis. Of the 15,647 at-risk loans reviewed in FY 2009, 15,250, or 97.46 percent, were determined to have no material findings, exceeding the FY 2009 goal of 85 percent, with a slight increase from the FY 2008 result of 97.3 percent. The increased number of at-risk loans in FY 2009 was attributed to the enhanced risk-based targeting methodology

Percentage of FHA At-Risk Loans Substantively Complying with FHA Requirements



Supplemental Performance and Resources Information. This indicator represents the number of loans without material findings divided by the number of loans reviewed. HUD established the initial target on the basis of the three-year average for FY 2002–FY 2004, which is 85 percent.

Data Discussion. Loan review and findings data are drawn from the Approval Recertification Review Tracking System. Data are generated independently and entered into this system by Quality Assurance Division monitors operating throughout the country, with secondary review and verification by FHA Homeownership Centers. Quality Assurance Division functions and data are included in the annual FHA Financial Statements audit. An independent assessment in FY 2005 showed that the data for this performance indicator passed four-sigma quality tests for validity, completeness, and consistency.

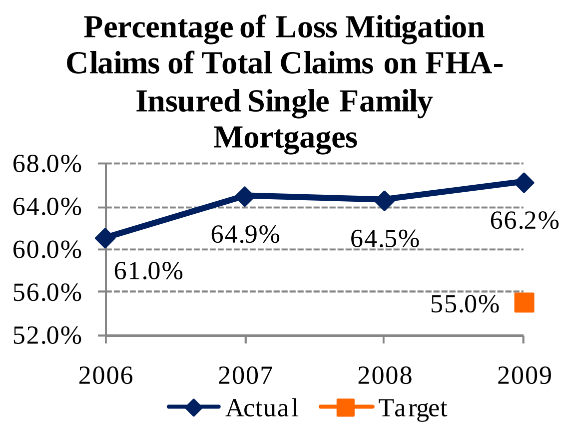
Program Website. www.hud.gov/offices/hsg/sfh/hsgsingle.cfm

A.16: Loss mitigation claims are 55 percent of total claims on FHA-insured single family mortgages.

Public Benefit and Program Accomplishments

Public Benefit: This indicator measures the success of FHA loan servicers in implementing statutorily required loss mitigation techniques when borrowers default on their FHA mortgages. Improved loss-mitigation efforts, such as enhanced borrower counseling, help borrowers keep their current homes or permit them to buy another home sooner. Avoidance of foreclosure also reduces FHA's insurance losses, keeps FHA financially sound, and enables it to help more borrowers.

During the fiscal year that ended September 30, 2009, approximately 450,000 loss mitigation transactions were processed for FHA borrowers. These transactions consisted of 322,000 forbearances, 21,000 special forbearances, 84,000 loan modifications, and 23,000 partial claims. During this same period, 388,000 FHA homeowners avoided foreclosure through the loan modification and partial claim loss mitigation retention options.



Results and Analysis. The FY 2009 level was determined to be 66.2 percent, which exceeded the targeted level of 55 percent.

The use of loss mitigation as a share of total claims increased from 46.1 percent in FY 2001 to 64.9 percent in FY 2007, and dropped slightly to 64.51 percent in FY 2008. The FY 2009 goal was to ensure that 55 percent of the total number of claims is resolved through loss mitigation techniques. HUD's programmatic objective is to sustain the high level of participation in loss mitigation, even as the Office of Housing tightens programmatic requirements designed to increase the ultimate success rate of loss mitigation in helping borrowers avoid foreclosure.

Supplemental Performance and Resources Information. While loss mitigation actions do not permanently stabilize many borrowers' financial status, approximately 60 percent of borrowers who receive the benefits of loss mitigation remain current on their mortgage for at least a 12-month period.

Data Discussion. The data originate in the Single Family Insurance System – Claims Subsystem, and for convenience are reported from FHA Single-Family Housing Enterprise Data Warehouse, Loss Mitigation Table. The resolutions that are counted as loss mitigation are forbearance agreements, loan modifications, partial claims, pre-foreclosure sales, and deeds-in-lieu of foreclosure. A small and decreasing number of "other" resolutions that were previously counted, along with supplemental claims, are now excluded. Total claims comprise loss mitigation claims plus conveyance claims.

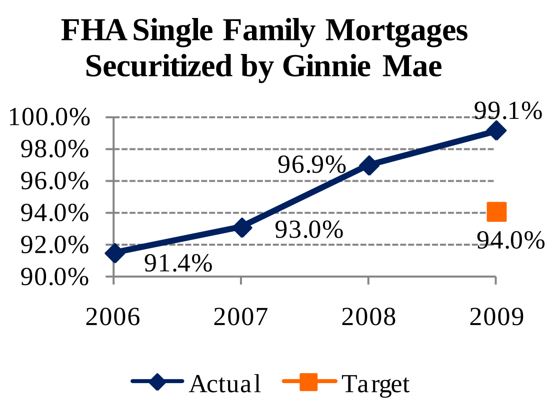
Program Website. www.hud.gov/offices/hsg/sfh/hsgsingle.cfm

Ginnie Mae

A.17: Ginnie Mae securitizes at least 94 percent of eligible single family fixed rate FHA loans.

Public Benefit and Program Accomplishments

Public Benefit: This indicator measures Ginnie Mae's share of the residential mortgage loans insured or guaranteed by the FHA. As articulated in Title III of the National Housing Act, Ginnie Mae's purpose is "to establish secondary market facilities for residential mortgages, to provide that the operations thereof shall be financed by private capital to the maximum extent feasible," and to conduct certain other secondary market functions consistent with this purpose. Ginnie Mae was authorized to guarantee securities backed by government guaranteed or insured loans when it was established as a government corporation on September 1, 1968. Ginnie Mae securitization increases the capital available in the mortgage market and decreases the cost of said capital.



Results and Analysis: The target of 94 percent was exceeded. As of the end of FY 2009, Ginnie Mae securitized 99.1 percent of eligible single family, fixed-rate FHA loans. This result is an increase of 5.1 percentage points over this year's goal and 2.2 percentage points over last year's result of 96.9 percent. Single family securities outstanding increased from $536.2 billion in FY 2008 to $777.9 billion in FY 2009. Ginnie Mae's share of the Mortgage-Backed Securities Market reflecting the financial crisis was 25.9 percent in FY 2009.

Ginnie Mae was able to meet its goal by guaranteeing securities that provide the best execution from a pricing standpoint. Also important was Ginnie Mae's continued success in reducing issuers' back-end processing, helping more American families own a home costs and improving security disclosures.

Supplemental Performance and Resources Information. Ginnie Mae continues to address the specific need of promoting liquidity and the flow of investment capital for FHA mortgages. The total amount of Ginnie Mae securities outstanding have increased every month since 2008 to approximate $50 billion a month. At the end of FY 2009, the amount of Ginnie Mae securities outstanding was approximately $826 billion, of which single family program securities were

$777.9 billion, $6.1 billion were Home Equity Conversion Mortgages, and $41.8 billion of the total are multifamily securities. Since 1970, when it pioneered the mortgage-backed pass-through security, Ginnie Mae has guaranteed over approximately $3.3 trillion in securities.

Commitment Authority is used by Ginnie Mae to guarantee securities backed by government-guaranteed or insured loans. In FY 2009, Ginnie Mae commitment authority was $400 billion in new commitment authority and $141.7 billion commitment authority carried forward from FY 2008, for a total of $541.7 billion. In FY 2009, Ginnie Mae approved a total of $446.6 billion in commitment authority and issued a total of $418.9 billion in securities. Of the $446.6 billion approved commitment authority $438.7 billion was single family, and of the $418.9 billion issued in securities, $413.8 billion was issued for the single family program.

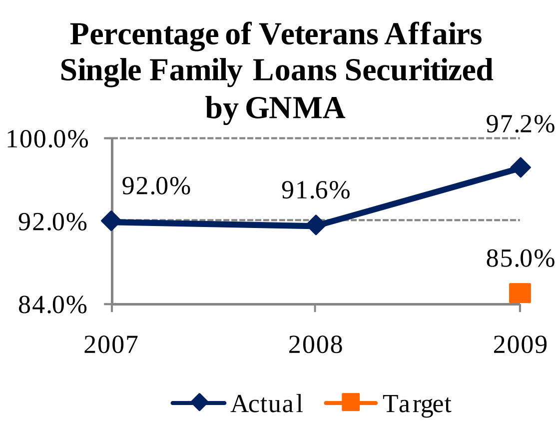
Data Discussion. Data for this indicator are based on FHA-insured loan level data of monthly endorsements collected by Ginnie Mae in its Mortgage-Backed Security Information System. The data that populate Ginnie Mae's Mortgage-Backed Security Information System reflect the most recent data of insured or guaranteed loans. A third party, independent auditor conducts Ginnie Mae's annual financial statements audit, which includes auditing Ginnie Mae's data systems each year. Ginnie Mae has consistently received an unqualified, or clean opinion in prior fiscal years, and again received a clean opinion for the FY 2009 audit.

Program Website. http://www.ginniemae.gov

A.18: Ginnie Mae securitizes at least 85 percent of VA single family fixed-rate loans.

Public Benefit and Program Accomplishments

Public Benefit: By securitizing pools of mortgages as Mortgage-Backed Securities, Ginnie Mae enables qualified lenders to access international credit markets. Lenders can then sell the securities at prices that allow them to offer loans to qualified homebuyers and developers at lower interest rates, thus lowering costs for homeowners. By supporting an efficient secondary market for these loans, Ginnie Mae helps to increase the availability of mortgage credit for veterans and their families.



Results and Analysis: The target goal of 85 percent was exceeded. As of the end of FY 2009, Ginnie Mae securitized 97.2 percent of eligible single family, fixed-rate Veterans Affairs loans. This result is 12.2 percentage points above the target of 85 percent and 5.6 percentage points above FY 2008. Ginnie Mae was able to meet its goal by guaranteeing securities that provide the best execution from a pricing standpoint. Also important were Ginnie Mae's continued success in reducing issuers' back-end processing costs and improving security disclosures.

Supplemental Performance and Resources Information. This goal was initiated in FY 2007 and it accounts for approximately 17 percent of Ginnie Mae's portfolio. Funding was provided through Commitment Authority guaranteed government loans. The indicator measures Ginnie Mae's share of the residential mortgage loans guaranteed by the Department of Veterans Affairs (VA).

Data Discussion. Data for this indicator are based on monthly loan level data from the VA and collected by Ginnie Mae in its Mortgage-Backed Security Information System. The data that populates Ginnie Mae's Mortgage-Backed Security Information System reflect the most recent data of insured or guaranteed loans. A third party, independent auditor conducts Ginnie Mae's annual financial statements audit, which includes auditing Ginnie Mae's data systems each year. Ginnie Mae has consistently received an unqualified, or "clean" audit opinion in prior fiscal years, and again received a "clean" opinion for the FY 2009 audit.

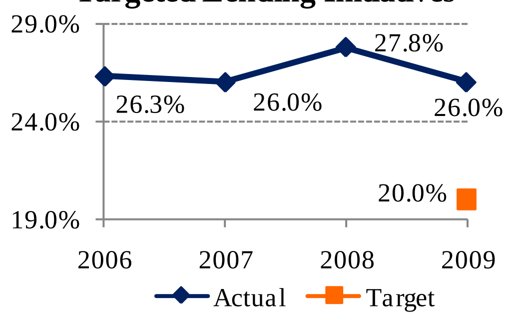
Program Website. http://www.ginniemae.gov

A.19: At least 20 percent of all Ginnie Mae single family pools issued are Targeted Lending pools.

Public Benefit and Program Accomplishments

Public Benefit: Ginnie Mae established the Targeted Lending Initiative in FY 1996 in order to provide incentives for lenders to increase loan volumes in the following traditionally under-served areas: HUD-designated Renewal Communities, Urban Enterprise Zones, Urban Empowerment Zones, Native American Lands, Rural Empowerment Zones, and Rural Enterprise Communities. Ginnie Mae expanded the Targeted Lending Initiative in FY 2004 to include the colonias (poor rural communities, almost always unincorporated, that lie in a 150-mile-wide strip along the U.S. Mexico border between Texas and California). Ginnie Mae expanded the program to include those census tracts that were declared disaster areas as a result of Hurricane Katrina.

Percentage of Ginnie Mae Single Family Pools Issued are Targeted Lending Initiatives



Results and Analysis: The target of 20 percent was met. As of the end of FY 2009, 26 percent of all single family pools issued received Targeted Lending Initiative credit. This result is an increase of 6 percentage points over this year's goal of 20 percent. This target was modified from 30 percent because performance was significantly constrained by the housing market and economic conditions.

Supplemental Performance and Resources Information. This goal was initiated in FY 2007. Funding provided through Commitment Authority insured or guaranteed government loans was included in approximately 41 cumulative pools.

The Targeted Lending Initiative program offers discounts ranging from one to three basis points on Ginnie Mae's six basis point guaranty fee, depending on the percentage of Targeted Lending Initiative-eligible loans within the security. The reduced guaranty fee gives lenders an incentive to originate loans in Targeted Lending Initiative areas.

Data Discussion. Monthly Master Pool files detailing characteristics of pools securitized by Ginnie Mae. No data limitations are known to affect this indicator. Ginnie Mae and FHA numbers are subject to annual financial audits because they represent an obligation on the part of the United States.

Program Website. http://www.ginniemae.gov

Goal B: Promote Decent Affordable Housing

PERFORMANCE REPORT CARD – GOAL B								
	Performance Indicator	**2006 Actual**	**2007 Actual**	**2008 Actual**	**2009 Actual**	**2009 Target**	**Met/Miss**	**Notes**
	Cross-Departmental							
B.1	Rental households and rental units will be assisted through major HUD programs.							
	CDBG (rental units rehabilitated)	38,178	26,358	21,418	20,097	20,781	✘	a
	HOME (tenant-based assistance)	23,325	18,172	25,381	18,763	9,201	✔	
	HOME (rental units completed)	47,598	28,039	23,170	19,098	19,475	✔	
	Housing Opportunities for Persons With AIDS	67,000	67,850	62,210	58,367	58,000	✔	
	Section 202 Elderly	6,375	5,673	4,560	4,162	3,600	✔	
	Section 811 Persons With Disabilities	1,652	1,062	1,137	1,035	950	✔	
	Indian Housing Block Grant	1,781	1,569	1,841	1,410	1,380	✔	a
B.2	The number of households with worst case housing needs among families with children, the elderly, and non-elderly persons with disabilities							
	Families with children	N/A	2.187	N/A	N/A	N/A	Track	b
	Elderly households	N/A	N/A	N/A	N/A	N/A	Track	
	Households with disabilities	N/A	N/A	N/A	N/A	N/A	Track	
B.3	Energy savings achieved through HUD programs	N/A	$33.70	$37.00	N/A	N/A	N/A	b
	Sustain 95 percent of key Energy Action Plan functions	N/A	N/A	N/A	N/A	95.00%	N/A	
	Conduct portfolio-wide energy savings survery	N/A	N/A	N/A	N/A	Conduct	N/A	
	FHA/Housing							
B.4	FHA endorses at least 626 multifamily mortgages, of which 526 are multifamily and 100 are hospital loans.							
	Mulitfamily Loans	N/A	N/A	N/A	625	526	✔	c
	Hospital Loans	N/A	N/A	N/A	88	100	✘	c
B.5	HUD will complete 70 percent of the initial FY 2009 Mark-to-Market pipeline during the fiscal year, reducing rents and restructuring mortgages where appropriate.	86.00%	92.00%	62.00%	76.50%	70.00%	✔	
B.6	At least 70 percent of clients receiving rental or homeless counseling either find suitable housing or receive social service assistance to improve their housing situation.	71.50%	68.00%	71.40%	80.40%	70.00%	✔	d
B.7	HUD will continue to monitor and enforce Fannie Mae's and Freddie Mac's performance in meeting or surpassing HUD-defined targets for special affordable multifamily mortgage purchases.							
	Fannie Mae	$10.39	$13.31	N/A	N/A	N/A	N/A	e
	Freddie Mac	$12.35	$13.58	N/A	N/A	N/A	N/A	e
B.8	Reduce the average number of observed exigent deficiencies per property for substandard multifamily housing properties by five percent.	7.6	3.2	4.48	2.73	4.26	✔	

PERFORMANCE REPORT CARD – GOAL B								
	Performance Indicator	**2006 Actual**	**2007 Actual**	**2008 Actual**	**2009 Actual**	**2009 Target**	**Met/Miss**	**Notes**
B.9	The share of assisted and insured privately owned multifamily properties that meet HUD-established physical standards are maintained at no less than 92 percent.	95.00%	93.80%	93.00%	93.30%	92.00%	✔	
B.10	For households living in assisted and insured privately-owned multifamily properties, the share of properties that meets HUD's financial management compliance is maintained at no less than 98 percent.	98.00%	99.00%	100.00%	98.60%	98.00%	✔	
B.11	Increase the availability of affordable housing for the elderly and persons with disabilities by bringing 3,600 Section 202 units (90 projects) and 950 Section 811 units (90 projects) to initial closing.	315	245	224	208	180	✔	f
B.12	The number of elderly households living in private assisted housing developments served by a service coordinator is maintained at the FY 2008 level.	N/A	353.8	347.9	361.5	347	✔	g
B.13	For both Section 202 and Section 811, at least 70 percent of projects that are initially closed in FY 2009 will have completed the process within 24 months; and, of these, 25 percent will have completed the process within 18 months.							
	Percent completed in 24 months	N/A	N/A	69.00%	65.00%	70.00%	✘	
	Of these, percent completed in 18 months	N/A	N/A	26.00%	45.00%	25.00%	✔	
B.14	The number of Section 202 units serving the elderly and Section 811 units serving persons with disabilities is maintained for each program at 98 percent of those at the FY 2008 level, excluding new units added to inventory.	N/A	N/A	99.10%	99.96%	98.00%	✔	
Ginnie Mae								
B.15	Ginnie Mae securitizes at least 95 percent of eligible FHA multifamily mortgages.	96.90%	98.00%	96.40%	97.50%	95.00%	✔	
PIH								
B.16	Improve the utilization rate of Housing Choice Voucher funding to 97 percent by Calendar Year 2011.	90.00%	91.70%	99.00%	102.00%	N/A	Track	h, i
B.17	The share of public housing units that meet HUD established physical inspection standards will be 85 percent.	85.80%	85.70%	84.50%	84.50%	N/A	Track	j
B.18	Key measures under the Public Housing Assessment System including (a) the unit-weighted average score, (b) observed exigent deficiencies per property among PHAs that are designated as troubled and have five or more deficiencies per property for public housing, and (c) the share of units that have functioning smoke detectors.							
	Unit weighted average score.	85.00%	85.20%	85.20%	85.00%	N/A	Track	
	Reduction in observed exigent deficiencies per property for substandard properties.	54.00%	58.00%	44.00%	50.00%	N/A	Track	k
	Share of units with functioning smoke detectors.	93.60%	93.40%	93.20%	93.20%	N/A	Track	
B.19	The percent of public housing units under management of troubled housing agencies.	31.00%	43.00%	23.00%	8.00%	N/A	Track	l
B.20	The proportion of the Housing Choice Voucher Program funding administered by troubled housing agencies.	4.50%	4.80%	4.10%	N/A	N/A	Track	m

PERFORMANCE REPORT CARD – GOAL B								
	Performance Indicator	**2006 Actual**	**2007 Actual**	**2008 Actual**	**2009 Actual**	**2009 Target**	**Met/Miss**	**Notes**
B.21	The HOPE VI Revitalization program demolishes 882 units and completes 4,481 new and rehabilitated units.							
	Units demolished.	5,034	6,601	4,374	3,403	2,500	✔	n
	Units constructed or rehabilitated.	9,389	8,436	9,978	8,257	6,000	✔	n
B.22	Ensure that unit production is completed for 103 HOPE IV grants awarded from FY 1993 through FY 2004.	N/A	76	92	109	103	✔	
B.23	The Department will approve and facilitate $635 million of activity using alternative financing methods (e.g., the HOPE VI program, bonds through the Capital Funding Financing Program, energy performance contracts, etc.).	$1,244	$860	$1,453	$1,432	$635	✔	b
B.24	The Department will develop baseline data and future years' targets for the Housing Choice Voucher program assessment tool.	N/A	Complete	Complete	N/A	N/A	N/A	e
B.25	The conversion to asset management will be certified for 50 percent of PHAs with 250 or more units who applied for assessment.	N/A	N/A	N/A	75.00%	50.00%	✔	

N/A: not available
a - due to timing of data collection issues, HUD is using estimates (updated with actuals when available)
b - number reported in millions
c - In FY 2009, HUD began tracking this indicator in two component parts (Prior year totals - FY 2006: 1,016; FY 2007 - 811; FY 2008: 647)
d - FY 2009 reporting results thru 6/30/2009
e - HUD no longer tracks this indicator
f - Section 202 - 111 projects; Section 811 - 97 projects
g - number reported in thousands
h - 2009 data through first half of calendar year
i - calendar year data
j - FY 2009 data thru 6/30/2009; all other figures on a CY basis
k - measured in terms of percentage reduction from prior year
l - tracks the percent of "troubled" agencies that successfully return to "standard"
m - data reported on a CY basis
n - all figures for 12 months ended June 30

Cross Departmental

B.1: Rental households and rental units will be assisted through major HUD programs.

Public Benefit and Program Accomplishments

Public Benefit: The number of rental households and rental housing units receiving HUD assistance has a significant impact on the goal of ensuring that low-income households have access to decent and affordable rental housing opportunities. The CDBG, HOME Investment Partnerships, Housing Opportunities for Persons With AIDS, Section 202 Supportive Housing for the Elderly, Section 811 Supportive Housing for Persons With Disabilities, and Indian Housing Block Grant programs all provide rental assistance. By providing decent, affordable rental housing to low-income households, these programs help reduce the number of households with worst-case housing needs. Worst-case housing needs is defined as very low-income households that pay more than half of their incomes for housing, or live in substandard housing. As part of its effort to address a national shortage of affordable rental housing, HUD programs produce new affordable rental units and maintain existing affordable housing units. The number of rental households receiving HUD assistance depends on the level of appropriations these programs receive as well as overall economic conditions and local prioritization of housing needs.

The *CDBG* program's block grant structure provides annual funding to state and local governments to carry out a variety of activities including rental housing assistance. The flexibility of the CDBG program allows localities to use their funding to meet their most pressing housing needs. CDBG grantees conduct housing rehabilitation and production projects of all sizes and types from small weatherization improvements and emergency repairs to the rehabilitation of major household systems, such as roofing, heating, and siding.

The *HOME* Investment Partnerships program's block grant structure enables participating state and local governments to build or rehabilitate housing for rent or ownership, to provide home purchase or rehabilitation financing assistance to existing homeowners and to new homebuyers, and to provide tenant-based rental assistance to low-income households.

The *Housing Opportunities for Persons With AIDS* program provides rental assistance to very low-income and low-income persons living with HIV/AIDS. Low-income people with HIV/AIDS are at high risk of homelessness and can face other challenges such as mental illness and substance abuse. The stable and affordable housing provided through this program helps lead to more favorable heath outcomes for participants.

The *Section 202 Supportive Housing for the Elderly program* provides capital advances to finance the construction, rehabilitation or acquisition with or without rehabilitation of structures that will serve as supportive housing for very low-income elderly persons, including the frail elderly, and provides rent subsidies for the projects to help make them affordable.

The *Section 811 Supportive Housing for Persons with Disabilities program* provides capital advances to nonprofit sponsors to finance the construction, rehabilitation or acquisition with or without rehabilitation of structures that will serve as supportive housing for very low-income adults with disabilities and provides rent subsidies for the projects to help make them affordable.

The *Indian Housing Block Grant program* provides funding to Indian tribes to undertake a variety of housing activities including rental assistance and rental housing services, production, and maintenance.

Results and Analysis: Together, the CDBG, HOME Investment Partnerships, Housing Opportunities for Persons With AIDS, Section 202 Supportive Housing for the Elderly, Section 811 Supportive Housing for Persons With Disabilities, and Indian Housing Block Grant programs provided assistance to 122,889 households in FY 2009. This amount exceeded HUD's FY 2009 goal of assisting 113,387 households by 9,502 or eight percent.

Rental Households/Rental Units Receiving Assistance	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2009 Target
CDBG (rental units rehabilitated)	38,178	26,358	21,418	20,097	20,781
HOME (tenant-based assistance)	23,325	18,172	25,381	18,763	9,201
HOME (rental units completed)	47,598	28,039	23,170	19,098	19,475
Housing Opportunities for Persons With AIDS	67,000	67,850	62,210	58,367	58,000
Subtotal Community Planning and Development	**176,101**	**140,419**	**132,197**	**116,282**	**107,457**
Section 202 Elderly	6,375	5,673	4,560	4,162	3,600
Section 811 Persons with Disabilities	1,652	1,062	1,137	1,035	950
Subtotal Housing	**8,027**	**6,735**	**5,697**	**5,197**	**4,550**
Indian Housing Block Grant	1,781*	1,569*	1,841	1,410	1,380
Subtotal Public and Indian Housing	**1,781**	**1,569**	**1,841**	**1,410**	**1,380**
TOTAL	**185,909**	**148,723**	**139,717**	**122,889**	**113,387**

* These figures, reported in previous Performance and Accountability Reports, have changed due to subsequent adjustments to the database.

- The fiscal year 2009 goal for *CDBG* was 20,781 units of renter-occupied housing while the estimated number of units assisted was 20,097. The shortfall was 684 units or three percent. Economic conditions during the fiscal year were exceptionally challenging and grant recipients targeted less funding to rental assistance than anticipated.

- The *HOME* program exceeded its goal for tenant-based rental assistance in FY 2009. The HOME-funded tenant-based rental assistance supported 18,763 households exceeding the goal of 9,201 by 9,562 households. The increase in households assisted with HOME-funded tenant-based rental assistance is attributable primarily to rapidly deteriorating housing market conditions during the period, which caused many jurisdictions to make assistance to low-income tenants a higher priority than assistance to homebuyers. The FY 2009 actual is 6,618 units or 26 percent lower than the FY 2008 actual of 25,381 units. [See Indicator A.1 for data on HOME assistance to homebuyers and existing homeowner.]

- The *HOME program* completed 19,098 rental housing units in FY 2009, reaching 98 percent of its goal (19,475 units). The FY 2009 result is a decrease of 4,072 units, however, from the 23,170 units completed in FY 2008. The decline in the number of units produced in FY 2009 is partly attributable to a significant increase in the costs of construction and building materials during the period. Based on completions, the average per-unit HOME cost of producing a rental unit in FY 2009 increased by $844 to $25,408, or 3.4 percent compared to FY 2008. The annual cost of providing tenant-based rental assistance to a household increased to $2,889 in FY 2009, an increase of $42 or 1.5 percent compared to fiscal year 2008.

- The *Housing Opportunities for Persons With AIDS* program provided assistance for 58,367 units of housing, exceeding its overall goal of 58,000 by 367 units or half of one percent. The program supported 23,862 *permanent* housing units, exceeded the permanent housing target by 3,862 units or 19 percent. In comparison, 34,505 short term housing assistance units were provided, falling short of the *short term* housing assistance goal by 3,538 units or 9 percent. The focus on expanding permanent housing programs is consistent with HUD's current policy of demonstrating stable housing outcomes for beneficiaries.

- The Office of Housing brought 4,162 *Section 202* Elderly and 1,035 *Section 811* Disabled units to initial closing in FY 2009 exceeding the target of 3,600 for Section 202 Elderly by 562 units or 16 percent, and exceeding the target of 950 for Section 811 Disabled by 85 units or nine percent. [See Indicator B.11 for further detail on these programs.]

- The *Indian Housing Block Grant program* funded the construction, acquisition, or rehabilitation of 1,410 affordable rental housing units, exceeding its target of 1,380 by 30 units or two percent. Since FY 2003, recipients have built, acquired, or rehabilitated 12,640 affordable rental units. Spending over the last five fiscal years for this activity has ranged from a high of about 12 percent of total grant funds or $75 million in FY 2006, to a low of about 9 percent of total grant funds or $49 million in FY 2007. The number of units assisted each year depends on appropriations and the share of total grant funding dedicated to this purpose.

Supplemental Performance and Resources Information. Local governments receive formula CDBG funds either directly from HUD or through states. Local governments and states develop plans and priorities for expenditure of CDBG funds through CPD's consolidated planning process. The number of units assisted is primarily a function of grantee funding decisions and local level implementation. The total CDBG *formula* appropriation in FY 2009 was $3.6 billion, an increase of $34 million or one percent over the FY 2008 appropriation excluding supplemental appropriations for disasters. The shortfall in the number of CDBG-assisted rental units in FY 2009 could be attributed to the lack of primary financing for housing rehabilitation due to significant dislocations in credit markets and a general lack of commercial financing available for housing-related projects during the period.

In FY 2009, the HOME Investment Partnerships program expended an estimated $763 million on completed rental projects and committed an additional $62 million to tenant-based rental assistance. Through FY 2009, rental units and direct rental assistance accounted for 53 percent of overall HOME funding. The total HOME appropriation in FY 2009 was $1.825 billion, a seven percent increase over FY 2008. Since FY 2005, however, HOME appropriations have declined 11 percent from $1.915 billion.

The Housing Opportunities for Persons With AIDS program provides 133 local and state governments (administered by 122 grantee), 105 competitive/renewal projects, and over 850 nonprofit organizations and housing agencies with resources to help address the supportive housing needs of a vulnerable special needs population. The total appropriation in FY 2009 was $310 million, the same as in FY 2008. The program indicates that about 29 percent of the identified housing need of this population is being addressed directly with program resources. This indicator is used to track the number of households receiving permanent housing assistance under tenant-based rental assistance and permanent housing facility assistance, and the number of households with reduced risks of homeless who received short-term housing assistance and support in transitional facilities. [See indicator B. 11 for supplemental resources and performance information for Section 202 Elderly and Section 811 Disabled.]

Recipients of Indian Housing Block Grants set their own goals based on local needs and have the flexibility to choose to spend grant funds on any eligible housing activities. The total appropriation for Indian Housing Block Grants in FY 2009 was $645 million, an increase of $15 million or two percent over the FY 2008 appropriation. The Indian Housing Block Grants program also received $497 million in additional funding in FY 2009 from the American Recovery and Reinvestment Act. This will help to increase the number of rental units constructed and rehabilitated over the next several years.

Data Discussion. Data for this indicator are based on the accomplishments reported by grantees in HUD's Integrated Disbursement and Information System. CDBG, HOME Investment Partnerships, and Housing Opportunities for Persons With AIDS data come from grantees through this system. The Department has estimated the number of rental units rehabilitated in FY 2009 based upon expenditures for such activities divided by the fiscal year 2008 efficiency measure for CDBG multi-unit rehabilitation. This approach is necessitated by data concerns arising from the recent platform conversion of the Department's IDIS system.

HOPWA accomplishments are based on grantee annual performance reports (forms HUD 40110 -C and D), as well as financial transaction data obtained through HUD's Integrated Disbursement and Information System.

The data for Section 202 Elderly and Section 811 Disabled are captured in the Office of Housing Development Application Processing System and the Housing Enterprise Real Estate Management System. Submitted data are reviewed, verified, and approved by HUD field office staff. The Office of Housing receives copies of the closing documents that will be used to verify data system entries.

Data for the Indian Housing Block Grants program are compiled from over 500 grantees' Annual Performance Reports and captured in the Performance Tracking Databases in each of the six Area Offices of Native American Programs. Grant recipients have 90 days after their fiscal year ends to report their results. Recipients whose fiscal year ends on September 30 report in the next fiscal year.

Each of the programs undertakes continual efforts to improve data collection efforts and ensure data integrity. These efforts include upgrading data reporting systems, having HUD staff verify data and data collection processes when monitoring grantees, establishing and enforcing data reporting requirements, conducting training and meetings focused on data reporting, and undertaking data clean-up efforts. For example, in addition to the reengineering of the Integrated Disbursement and Information System, HUD is currently working with tribal housing representatives to revise the planning and reporting forms that grantees are required to submit annually. Improved forms will collect more information on tribal housing conditions while simplifying the reporting process for grantees.

Program Websites.

CDBG: http://www.hud.gov/offices/cpd/communitydevelopment/programs/
HOME Investment Partnerships Program: http://www.hud.gov/homeprogram/
Housing Opportunities for Persons With AIDS Program:
http://www.hud.gov/offices/cpd/aidshousing/index.cfm
http://www.hudhre.info/hopwa
Section 202 Elderly: http://www.hud.gov/offices/hsg/mfh/progdesc/eld202.cfm
Section 811 Disabled: http://www.hud.gov/offices/hsg/mfh/progdesc/disab811.cfm
Indian Housing Block Grants: http://www.hud.gov/offices/pih/ih/grants/ihbg.cfm

B.2: The number of households with worst case housing needs among families with children, the elderly and non-elderly persons with disabilities.

Public Benefit and Program Accomplishments

Public Benefit: This tracking indicator is a key measure of whether the nation is advancing or losing ground in the fight to ensure decent, safe, and affordable housing for America's most vulnerable populations. Worst case needs are defined as unassisted renters with very low incomes (that is, not more than 50 percent of area median income) and a priority housing problem – either severely inadequate housing or, more commonly, severe housing cost burden, meaning total costs exceed 50 percent of monthly income. HUD has not established a performance target for this indicator because of the dominant influence of the macro-economy relative to program funding. The indicator focuses on the elderly, non-elderly disabled persons and families with children because they are particularly susceptible to housing problems and are targeted by HUD housing programs. Nearly every added unit of public housing or Section 8 assistance, whether linked to projects or provided directly through a voucher, prevents a very low-income family or individual from having severe housing problems. The Department estimates that, without HUD's rental assistance programs which served 4.7 million families and clients with limited incomes in FY 2009, at least 52 percent of participating households (2.5 million) would have worst case housing needs. This lower bound estimate does not reflect the additional public benefit of PHA targeting to extremely low-income renters, elderly households, and persons with disabilities, all of whom face more severe shortages of suitable, affordable, available units in the private marketplace.

Results and Analysis: The most recent available data show that in calendar year 2007, 2.19 million families with children had worst case housing needs and 1.21 million elderly households had worst case needs. These estimates reflect statistically insignificant declines from 2005 levels. Among households containing adults with disabilities, an estimated 602,000 households had worst case needs, also below but not significantly different from 2005 levels.

National and regional economic conditions affect worst case needs by changing the number of very low-income renters (that is, households eligible for worst case status if unassisted) and the availability of affordable private-market rental units. The number of very low-income renters has increased over the long term. The 15.9 million very low-income renters in 2007 is 7.0 percent greater than the 14.9 million such households in 2001. Lack of affordable housing units relative to the growing number of units demanded by very low-income households is a central aspect of the problem: for every 100 very low-income renter households in 2007, there were only 74 rental units that were affordable and available. When physical quality of the unit is also considered, then only 67 units were adequate, affordable, and available per 100 very low-income renter households.

Supplemental Performance and Resources Information. The vast majority of HUD's non-disaster budget helps program partners meet the affordable housing needs of very low-income renters. Multiple programs provide affordable housing opportunities for targeted income groups as well as subpopulations including the elderly, disabled, and homeless. Contributing programs include vouchers, project-based Section 8, public housing, HOME Investment Partnerships program, CDBG, Housing Opportunities for Persons With AIDS, homeless programs, multifamily mortgage insurance, and capital advances for supportive housing under Sections 202 and 811. Collectively, these programs produce a critical outcome: keeping many of the nearly five million households served out of worst case status (see the table "Units/Households Receiving HUD Assistance" in Section 4 of this report.)

In 2007, 4.4 million very low-income renters who were at risk or might otherwise have has worst case needs received housing assistance, according to American Housing Survey data. Among those without housing assistance, 58 percent of elderly very low-income renters, 48 percent of very low-income renters with children, 66 percent of disabled very low-income renters, and 73 percent of extremely low-income renters had worst case housing needs in 2007. Because these are populations that HUD frequently assists, the proportions indicate that if HUD-assisted households were to lose their assistance, a sizable majority quickly would have worst case housing needs. The worst case needs actually prevented by HUD assistance probably exceed these incidence estimates because assisted households are more likely than the general population to have extremely low incomes and to live in areas with shortages of affordable Housing.

Data Discussion. The data for this indicator come from the national American Housing Survey, conducted for HUD by the Census Bureau on a biennial basis. Calendar year 2009 data will become available during FY 2010. Changes in estimated worst case needs are statistically significant (with 90 percent confidence) when the difference from year to year exceeds 170,000 households for families with children, 140,000 households for elderly families, or 90,000 households containing persons with disabilities.

HUD collaborates with the Census Bureau on a continuous basis to strengthen the American Housing Survey. The identification of households containing non-elderly persons with disabilities has been improved by using a new question about disability income beginning in 2005. An extensive HUD study and testing enabled improvements of questions about rental assistance in the 2007 survey, producing estimates of assisted households that correspond closely with HUD's administrative data. Through these data improvement efforts, the problem of misreported assistance has been largely eliminated as a substantive data weakness for measuring worst case housing needs.

Program Website. "Affordable Housing Needs 2005: Report to Congress" is available at http://www.huduser.org/publications/affhsg/affhsgneeds.html.

B.3: Reduce energy costs in HUD-financed, assisted, or insured housing.

Public Benefit and Program Accomplishments

Public Benefit: This performance measure reports estimated energy savings achieved in HUD's portfolio of public and assisted housing in FY 2009, as well as in housing financed through HUD's competitive and formula grant programs. Owners and tenants in HUD's public and assisted housing programs spend more than $5 billion on energy, including $1.8 billion in public housing. Energy savings in HUD's public and assisted housing will reduce budget costs and keep the inventory of HUD-assisted and public housing affordable.

Results and Analysis: Incremental savings of $18.7 million in documented or estimated energy savings in FY 2009 were reported in four program areas:

- Public Housing – Energy Performance Contracts. A total of 28 new performance contracts in public housing were reported, involving a capital investment of $147.9 million and an estimated annual savings of $15.4 million. The dollar investment is 49 percent higher than the investment reported in FY 2008 ($99 million); the annual savings are 55 percent lower than the FY 2008 figure.
- FHA - Energy Efficient Mortgages. A total of 3,042 FHA-insured Energy Efficient Mortgages totaling an estimated $590 million were reported (an average of $190,000 per mortgage), for an estimated savings of $646,906. This represents a 146 percent increase over FY 2008.[1]
- HOME Program. A total of 4,652 units of new construction or substantial rehabilitation projects were reported as having achieved the Energy Star label for new homes (achieving 15 percent energy savings over the 2004 International Residential Code), for an estimated savings of $1.9 million. This represents a percent over estimated savings achieved in FY 2008.
- CDBG. A total of 376 units of CDBG-funded projects were reported as having achieved the Energy Star label, for an estimated savings of $110,920. This is 30 percent more than the estimated savings reported in FY 2008.

The $18.7 million in annual energy savings reported above for FY 2009 were achieved as a result of an investment of an estimated $165.8 million (for a simple payback of 8.9 years) as follows:

- $10.3 million for HOME and CDBG, assuming $1,500 invested for each new Energy Star unit;
- $7.3 million invested in energy efficiency through Energy Efficient Mortgages, assuming that $3,500 is spent on average for energy efficiency; and

[1] Savings for existing homes assumed at $358 per unit, based on average savings achieved through the comparable Department of Energy Low-Income Weatherization Assistance Program.

- $147.8 million invested in Energy Performance Contracts in public housing in 35,529 units of public housing, for an average investment of $4,161 per unit, and an annual estimated savings of $439 per unit.

Cumulative totals for Energy Performance Contracts in public housing since inception are as follows: 213 contracts, with a capital investment of $729.5 million, and guaranteed savings of $118.4 million annually.

Supplemental Performance and Resource Information

The statutory framework for this effort is Section 154 of the Energy Policy Act of 2005 (P.L. 109-58), which requires HUD to prepare an integrated energy strategy and to report on progress every two years. HUD submitted a comprehensive Energy Plan in August 2006. A detailed two-year progress report submitted to Congress in November 2008 describes key results.[2] In addition, the Energy Independence and Security Act of 2007 requires HUD to upgrade its energy standards for HUD-assisted or insured new construction and major rehabilitation projects. HUD also continues to work with the Environmental Protection Agency to promote the use of Energy Star products and appliances through HUD programs. The Government Accountability Office, in October 2008, found that "HUD has taken steps to promote energy efficiency by providing information, training, and technical assistance, but its efforts have limitations."

Recovery Act. In addition to these efforts, HUD initiated new energy efficiency programs through the American Recovery and Reinvestment Act of 2009 (ARRA). These included: a $250 million Green Retrofit Program for assisted multifamily buildings; $600 million for high performing energy retrofit and green projects in public housing; and additional formula and competitive programs that either contained incentives for energy efficiency and green, or could be utilized for that purpose. Energy savings results from these programs are expected to be reported in FY 2010. HUD estimates that up to 88,000 units may be retrofitted through these programs, for an estimated energy savings of $21 million.

Data Discussion. This is the third year that HUD has reported energy savings projects from four sources: energy performance contracts in public housing, HOME, CDBG, and Energy Efficient Mortgages. This year, for the first time, results from the Mark to Market Green Remodeling Initiative are being reported.

HUD is still not in a position to report energy savings for the larger portfolio of public and assisted housing. While housing authorities have begun to report utility consumption for asset management projects, data is not yet available from this source. No mechanism is in place to measure or report on energy savings in HUD's assisted or insured multifamily portfolio, and no data are yet available on energy savings achieved in Section 202 or 811 new construction.

[2] U.S. Department of Housing and Urban Development, *Implementing HUD's Energy Strategy: Progress Report*, November 2008. See www.huduser.org.

As noted in previous years, the Office of Policy Development and Research will continue to work with program offices to put in place sampling or other methodologies to track and/or report energy savings in FY 2010.

Program web site: http://www.hud.gov/offices/pih/programs/ph/phecc/

FHA/Housing

B.4: FHA endorses at least 626 mortgages, of which 526 are multifamily and 100 are hospital loans.

Public Benefit and Program Accomplishments

Public Benefit: FHA brings stability to the mortgage market for multifamily housing and is especially important for a number of crucial but higher-risk entities, including small builders, buyers or owners of aging inner-city properties, and nonprofit sponsors. FHA's unique and valuable products include insurance that covers both the construction financing and long-term permanent financing of modest-cost rental housing, insurance for assisted living facilities, and a vehicle to help lenders obtain the benefits of Ginnie Mae securitization

Results and Analysis: The FY 2009 level was determined to be 713 endorsements, which exceeded the targeted level of 626. However, this goal was to be accomplished by two independent areas of Housing as follows: 526 endorsements by the Office of Multifamily Housing, and 100 endorsements by the Office of Insured Health Care Facilities.

FHA promotes decent affordable housing through its Multifamily Insurance program and its goal to endorse at least 626 multifamily mortgages. In FY 2009, FHA endorsed 713 multifamily loans, which exceeded the target level of 626 by 14 percent. These loans provided the public a variety of housing options that included 449 rental projects, 179 nursing homes, 77 assisted living facilities, seven cooperatives, and one board and care facility. [For more detailed information, see Section 2, Indicator B.4.]

Supplemental Performance and Resources Information. Many conventional multifamily loans that otherwise would have gone into default as they reached maturity during the credit crunch of the early 1990s were successfully refinanced with FHA. FHA also retains a leadership position in the market for high loan-to-value and long-term fully amortizing multifamily loans, which can help in the provision of affordable rental housing.

During FY 2009, 661 multifamily mortgages were endorsed by FHA, including 52 risks-sharing loans. This current performance continues to reflect the increased use of FHA's Multifamily Accelerated Processing program by lenders gaining knowledge and capacity (i.e., having in-house staff that can analyze the third party reports as well as developing a good cadre of capable third parties) in the program and of the Development Applications Processing system for automated underwriting of multifamily mortgages. Nonetheless, because FHA responds to local markets and national economic conditions, it remains conservative in estimating this goal in the interest of assuring sound underwriting.

Data Discussion. As Development's field staff close loans, the staff record the closing (endorsement) in the Development Application Processing system which generates a hard copy closing memo for the Multifamily Insurance System. The Multifamily Insurance System staff manually enters the endorsement data into Multifamily Insurance System and it then electronically sends data to both Integrated Real Estate Management System and the Development Application Processing system (DAP) nightly. The Development Application Processing system compares data on key data fields and flags any cases where the Multifamily Insurance System has manually entered data different than in the Development Application Processing system (DAP). Development and Multifamily Insurance System staff checks the loan closing files and make any necessary corrections so that the data in both systems agree.

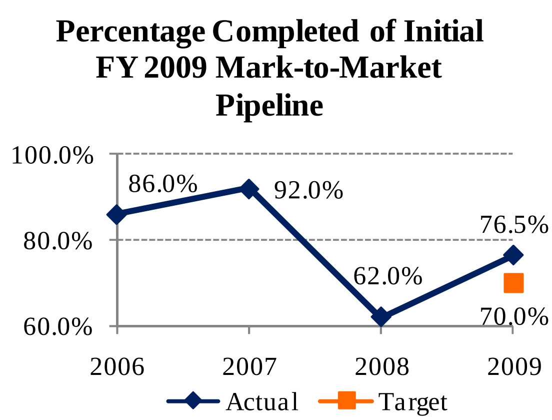
Program Website. http://www.hud.gov/offices/hsg/mfh/progdesc/progdesc.cfm

B.5: HUD will complete 70 percent of the initial FY 2009 Mark-to-Market pipeline during the fiscal year, reducing rents and restructuring mortgages where appropriate.

Public Benefit and Program Accomplishments

Public Benefit: The Mark-to-Market program preserves crucial, in short supply affordable housing stock by maintaining the long-term physical and financial integrity of such housing and reduces the Section 8 rental assistance costs and the costs of FHA insurance claims. Housing subsidy contracts are expiring on thousands of privately-owned multifamily properties with federally insured mortgages. Many of these contracts set rent at amounts higher than those at the local market.

Under the Mark-to-Market program, the Office of Affordable Housing Preservation analyzes the properties for which Section 8 rents exceed comparable market rents, and reduces the Section 8 rents to comparable market rents or levels that preserve financial viability. Properties also are eligible for debt restructuring, consisting of a write-down of the existing mortgage in conjunction with the reduced rent levels. Rent adjustments and mortgage restructuring reduce the average cost of providing housing assistance and preserve good quality, affordable housing, a crucial outcome and major issue in housing policy.



Results and Analysis: The FY 2009 level was determined to be 76.5 percent, which exceeded the revised targeted level of 70 percent.

Supplemental Performance and Resources Information. Since FY 2000, nearly

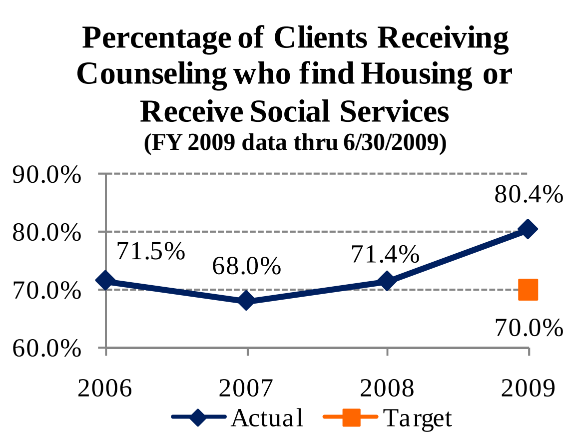
3,200 properties have been completed/closed under the Mark-to-Market program, resulting in Section 8 savings (non-incurrence of cost) of more than $230 million and more than 267,000 units preserved. In FY 2009, the Office of Affordable Housing Preservation completed/closed 68 properties under the Mark-to-Market program, resulting in annual Section 8 savings (non-incurrence of cost) of over $25 million. The Office of Affordable Housing Preservation's initial active pipeline on October 1, 2008 was 85 assets.

Data Discussion. This measure uses data from the Mark-to-Market Management Information System. Results are reported on a fiscal year basis. Values reflect status as of September 2008, including revisions to previously-reported results caused by properties re-entering the Mark-to-Market program under the "Once Eligible, Always Eligible" provision. Various data quality checks ensure that the information stored in the Mark-to-Market Management Information System is reliable and complete. Monthly data integrity meetings are held between the Office of Affordable Housing Preservation's system manager and its Production Office staff. During the audits of Participating Administrative Entities, the performance dates are reviewed against three sources: dates entered into the Mark-to-Market Management Information System; dates recorded in the final files; and dates shown on supporting documents such as the date the appraisal was completed. For those properties that received a full debt restructuring, staff also examine three separate data sources to be sure all entered data are consistent. The sources include data entered into the Mark-to-Market underwriting model, information reported in the closing dockets, and data entered into the Mark-to-Market Management Information System. The Mark-to-Market System is primarily used to track the milestones completed and final rent determinations for each Mark-to-Market property, enabling the Office of Affordable Housing Preservation to measure performance, estimate savings, and provide budget projections.

Program Website. http://www.hud.gov/offices/hsg/omhar/index.cfm

B.6: At least 70 percent of clients receiving rental or homeless counseling either find suitable housing or receive social service assistance to improve their housing situation.

Public Benefit and Program Accomplishments



Public Benefit: In addition to supporting homeownership, the Department's Housing Counseling program supports efforts related to affordable rental housing and helping end chronic homelessness. This indicator focuses on housing counseling for homeless clients and families seeking affordable rental housing.

Results and Analysis: The FY 2009 performance goal was to ensure that at least 70 percent of clients receiving rental or homeless counseling either find suitable housing or receive social service assistance to improve their housing situation. Reporting results from the first three quarters of FY 2009 indicate that 80.4 percent, or 172,653 out of 214,712, of clients receiving rental or homeless counseling have either found suitable housing or received social service assistance to improve their housing situation. Results reflect performance as of the third quarter of FY 2009, which is the most recently available data. By regulation, counseling agencies have 90 days after the end of the fiscal year to fulfill reporting requirements. The level achieved in FY 2008 was 71.4 percent.

Supplemental Performance and Resources Information. Economic conditions and housing market homeownership rates vary and so the demand for specific types of counseling may vary for reasons outside of HUD's control. The Department, however, through its monitoring and training efforts, is confident that HUD-approved agencies are providing quality counseling services that will help clients successfully resolve their housing problems regardless of how many clients are served in a given year. As a result, this indicator focuses on the percentage of outcomes associated with clients receiving rental or homeless and rental counseling, rather than the number of clients served. The methodology employed by HUD to calculate this indicator changed slightly in FY 2009. Specifically, HUD recognized the outcome "decided to remain in current housing situation" as fulfilling the indicator criteria "find suitable housing." This change contributed to the significant increase over historic levels.

Data Discussion. The data are electronically submitted to the Housing Counseling System through the Housing Counseling Agency Fiscal Year Activity Reports (Form HUD-9902). The data include the total number of clients, the type of counseling received, and the results of the counseling.

Program Website. http://www.hud.gov/offices/hsg/sfh/hcc/hcc_home.cfm

B.7: HUD will continue to monitor and enforce Fannie Mae's and Freddie Mac's performance in meeting or surpassing HUD-defined targets for special or affordable multifamily mortgage purchases.

This indicator was deleted. HUD will no longer be reporting on Fannie Mae's and Freddie Mac's performance. Pursuant to the Housing and Economic Recovery Act of 2008, which became law on July 30, 2008, HUD's regulatory responsibilities over Fannie Mae and Freddie Mac were transferred immediately to a new regulator, the Federal Housing Finance Agency.

B.8: Reduce the average number of observed exigent deficiencies per property for substandard multifamily properties by 5 percent.

Public Benefit and Program Accomplishments

Public Benefit: HUD's Real Estate Assessment Center conducts physical inspections that identify exigent health and safety or fire safety deficiencies. Exigent health and safety hazards include: 1) air quality, gas leaks; 2) electrical hazards, exposed wires/open panels; 3) water leaks on or near electrical equipment; 4) emergency/fire exits/blocked/unusable fire escapes; 5) blocked egress/ladders; and 6) carbon monoxide hazards. Fire safety hazards include: 1) window security bars preventing egress and 2) fire extinguishers expired. [Smoke detectors are excluded from exigent health and safety or fire safety for this measure because they are covered in Indicator C.17.] A significant majority of the deficiencies for both public housing and multifamily housing are represented by three categories: locked emergency/fire exit egress, missing/broken electrical cover plates/switches/outlets, and exposed wires/missing covers.

Results and Analysis: The FY 2009 level was determined to be 39 percent, which exceeded the targeted level of 5 percent by a wide margin.

Supplemental Performance and Resources Information. In prior years the Department focused on the reductions in exigent health and safety or fire safety on an overall basis. From FY 2001 to FY 2006, the average number of exigent health and safety or fire safety deficiencies observed per property was reduced from 1.81 to 1.46 for multifamily housing. Due to scarce monitoring resources, however, the Department shifted and targeted its focus to the reduction of deficiencies at the worst properties in FY 2007. Nevertheless, the Department continues to track and report on the status of the average number of observed exigent deficiencies per property for all multifamily housing properties, as a means of determining the overall compliance of multifamily property owners and the need for any further corrective action.

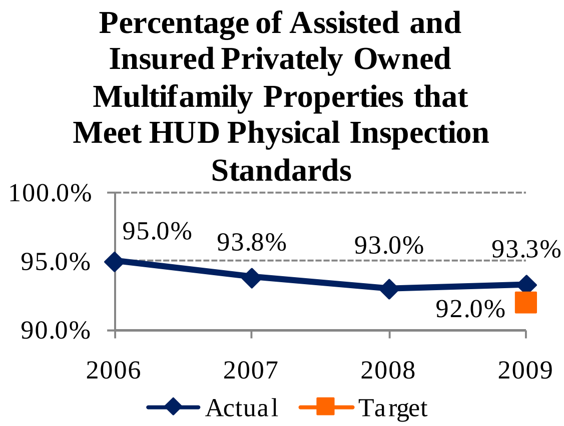
Data Discussion. The Real Estate Assessment Center's Physical Assessment Subsystem, consisting of electronically coded and transmitted results of independent physical inspections of units, buildings, and sites, is stored in the National Inspection Contract – Central Integrated Data Repository. Unit-level data are estimated on the basis of project-level sample observations, extrapolated to the universe of all units. The multifamily program is on a "3-2-1" inspection schedule so that the higher performing properties are not re-inspected every year like troubled properties. High scoring properties' scores carry forward until a new inspection is conducted. As a result, not every property in the portfolio, or the units associated with those properties, is reflected in the Exigent Health and Safety or Fire Safety percentages. There may also be a distortion of the data since many of the properties that receive a Physical Assessment Subsystem score of less than 60 may be inspected more than once annually. Owners and managers validate Exigent Health and Safety Report contents by acknowledging receipt at the time of inspection and reporting corrective actions. In addition, the Real Estate Assessment Center re-inspects units and properties on a sample basis for quality assurance.

Program Website. http://www.hud.gov/offices/hsg/hsgmulti.cfm

B.9: The share of assisted and insured privately owned multifamily properties that meet HUD-established physical standards are maintained at no less than 92 percent.

Public Benefit and Program Accomplishments

Public Benefit: This is a very high performance rate and reflects the important outcome goal of providing healthy, quality, and safe housing for HUD's multifamily inventory.



Results and Analysis: The FY 2009 level was determined to be 93.3 percent, which exceeded the revised targeted level of 92 percent.

Supplemental Performance and Resources Information. This performance goal built on recent past successes, despite market and other forces that took resources from owners as well as HUD. However, the Department was still able to exceed the revised benchmark of 92 percent.

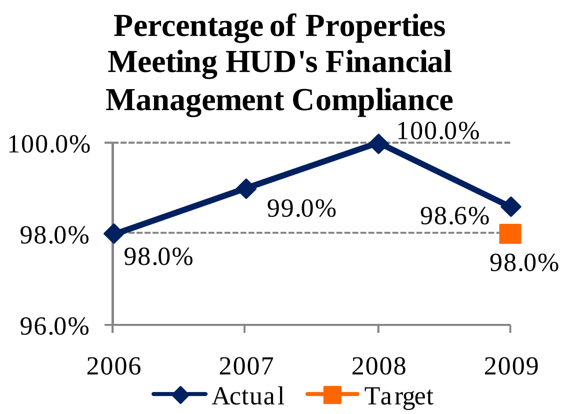
Data Discussion. The Real Estate Assessment Center's Physical Assessment Subsystem, consisting of electronically coded and transmitted results of independent physical inspections of units, buildings, and sites, is stored in the National Inspection Contract – Central Integrated Data Repository. Unit-level data are estimated on the basis of project-level sample observations, extrapolated to the universe of all units. The multifamily program is on a "3-2-1" inspection schedule so that the higher performing properties are not re-inspected every year like troubled properties. High scoring properties' scores carry forward until a new inspection is conducted. As a result, not every property in the portfolio, or the units associated with those properties are reflected in the Exigent Health and Safety or Fire Safety percentages. There may also be a distortion of the data since many of the properties that receive a Physical Assessment Subsystem score of less than 60 may be inspected more than once annually. Owners and managers validate Exigent Health and Safety Report contents by acknowledging receipt at the time of inspection and reporting corrective actions. In addition, the Real Estate Assessment Center re-inspects units and properties on a sample basis for quality assurance.

Program Website. http://www.hud.gov/offices/hsg/hsgmulti.cfm

B.10: For Households living in assisted and insured privately owned multifamily properties, the share of properties that meets HUD's financial management compliance is maintained at no less than 98 percent.

Public Benefit and Program Accomplishments

Public Benefit: The FY 2009 goal was to maintain high compliance and successful resolutions so that at least 98 percent of the properties submitting audited financial statements either have no compliance issues or audit findings, or have such issues or findings closed (resolved) by the end of each fiscal year. Financial reporting has the important outcome of protecting FHA funds and supports both the quantity and quality of the affordable housing inventory.



Results and Analysis: The goal was met. FY 2009 level was determined to be 98.6 percent.

Supplemental Performance and Resources Information. Property owners must submit annual financial statements so the Department can ensure that project owners are in compliance with their business agreements, i.e., the regulatory agreement, mortgage and note, and any subsidy contracts. These compliance factors are used in the evaluation of project operations and guide business and operating decisions and have the important outcome of protecting subsidy and FHA funds. Multifamily project managers in the field offices are responsible for resolving all compliance issues or findings identified by HUD's Real Estate Assessment Center, to achieve the outcome of ensuring that there is the necessary financial information to make business and operating decisions. Owners not submitting their audited financial statements in a timely manner are referred to the Departmental Enforcement Center. HUD's Real Estate Assessment Center evaluates the financial management of both public housing agencies and privately owned multifamily properties based on generally accepted accounting principles. The Real Estate Assessment Center Financial Assessment Subsystem involves Internet-based submission of audited financial information in a standardized format. Data are validated, reviewed, and scored, resulting in standard and substandard designations. While PHA scores represent an aggregate of all properties owned or controlled by the agency, multifamily financial scores are determined at the project level for every multifamily development.

Data Discussion. The data come from the Office of Housing's Real Estate Management System and the Real Estate Assessment Center's Financial Assessment Subsystem. The submission of financial statements is a process validated by the American Institute of Certified Public Accountants. Further refinements may be necessary as the assessment process matures. The

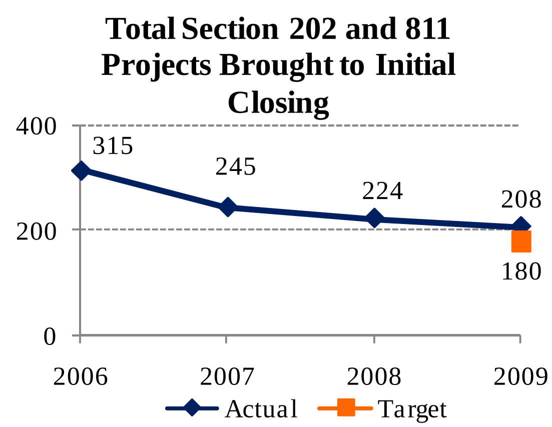
Real Estate Assessment Center performs quality assurance reviews of the audited financial statements of multifamily property owners submitted by independent public accountants. The quality assurance review provides assurance that the audited statements are accurate and reliable and that audits are conducted in accordance with government and professional standards. The Financial Assessment Subsystem incorporates extensive data checks and both targeted and random review by independent auditors.

Program Website. http://www.hud.gov/offices/hsg/hsgmulti.cfm

B.11: Increase the availability of affordable housing for the elderly and persons with disabilities by bringing 3,600 Section 202 units (90 projects) and 950 Section 811 units (90 projects) to initial closing.

Public Benefit and Program Accomplishments

Public Benefit: The Section 202 and Section 811 programs provide capital advances for multifamily housing for elderly and disabled households, respectively. The outcome of this funding is the expansion of affordable rental housing for very low-income elderly persons and persons with disabilities and the expansion of opportunities for independent living, particularly for frail elderly. Significant medical care-related savings are achieved, as well.



Results and Analysis. The FY 2009 level was determined to be at 4,162 units Section 202 (111 projects) and 1,035 Section 811 units (97 projects) respectively, thereby exceeding the unit and project goals.

Supplemental Performance and Resources Information.

Section 202 and Section 811projects can be difficult to bring to closing. Sponsors are usually required to find other sources of funding to pay for costs that exceed the amount of those that can be covered by the Section 202 and Section 811 funds, and for project features that are not able to be funded by the programs. In addition, neighborhoods sometimes oppose the developments.

This indicator measures the number of units each year that reach the initial closing stage (when the project design has been approved and all of the local community requirements have been met).

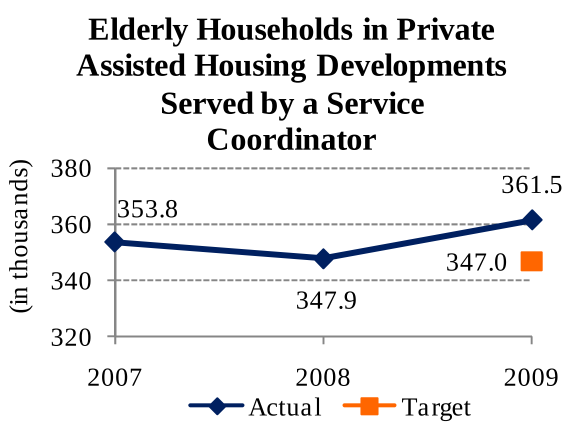
Data Discussion. The data are captured in the Office of Housing Development Application Processing System and the Housing Enterprise Real Estate Management System. The indicators of project status during the development process stage consist of straightforward and easily verifiable counts. The data are judged to be reliable for this measure. Historical data are currently unavailable to provide context and a performance baseline. Submitted data are reviewed, verified, and approved by HUD field office staff. The Office of Housing receives copies of the closing documents that will be used to verify data system entries.

Program Website. http://www.hud.gov/offices/hsg/hsgmulti.cfm

B.12: The number of elderly households living in private assisted housing developments served by a service coordinator is maintained at the FY 2008 level.

Public Benefit and Program Accomplishments

Public Benefit: This indicator tracks the number of Section 202 projects that receive funding for the employment of service coordinators. A service coordinator is a social service staff person who is hired or contracted for by the development's owner for the purpose of helping elderly residents, especially those who are frail and at risk, obtain needed supportive services that will further enable independent living and aging in place.



Results and Analysis. The FY 2009 level was determined to be at 361,546 units, thereby exceeding the updated level of 347,922 units.

Supplemental Performance and Resources Information. The baseline of 353,765 households was established in FY 2007.

Data Discussion. The data was captured in the Real Estate Management System, surveys, and management reviews during FY 2008. Activities for FY 2009 and future fiscal year performance targets were to be measured against the FY 2008 level of 347,922. However, the target was adjusted at mid-year.

Program Website. http://www.hud.gov/offices/hsg/hsgmulti.cfm

B.13: For both Section 202 and Section 811, at least 70 percent of projects that are initially closed in FY 2009 will have completed the process within 24 months; and, of these, 25 percent will have completed the process within 18 months.

Public Benefit and Program Accomplishments

Public Benefit: The outcome of Section 202 and Section 811capital advance funding is the expansion of quality and affordable housing for the elderly and persons with disabilities. This efficiency indicator is a measure of the Department's success in achieving the intended outcome by minimizing the time needed for Section 202 and Section 811 projects to proceed from fund reservation to initial closing.

Results and Analysis. The FY 2009 level was determined to be 65 percent, thereby missing the target; however, of these, 45 percent completed the process within 18 months which exceeded that portion of the goal.

Supplemental Performance and Resources Information. The FY 2009 target was established on the premise that beginning in FY 2008 and by the end of FY 2010, the number of projects closed within 24 months will be at least 70 percent and the number closed within 18 months will be at least 25 percent.

Data Discussion. The data was captured in the Real Estate Management System during FY 2009. Activities for FY 2009 and future fiscal year performance targets will be measured against the established baselines of 70 percent and 25 percent. Tabulations will be reviewed and any problems or discrepancies will be reported.

Program Website. http://www.hud.gov/offices/hsg/hsgmulti.cfm

B.14: The number of Section 202 units serving the elderly and Section 811 units serving persons with disabilities is maintained for each program at 98 percent of those at the FY 2008 level, excluding new units that are added to the inventory.

Public Benefit and Program Accomplishments

Public Benefit: The Department is committed to preserving existing low-income rental housing for the elderly and persons with disabilities.

Results and Analysis. The FY 2009 level was determined to be at 99.96 percent, thereby exceeding the goal of 98 percent.

***Supplemental Performance and Resources Information*.** This indicator reports on the number of Section 202 and Section 811 units in multifamily housing developments that serve the elderly and persons with disabilities, excluding new units added to the Department's inventory. The aggressive target established for FY 2009 built upon the prior year's performance and reflected the Department's commitment. The levels reported for FY 2009 were 323,744 units versus 323,863 units for FY 2008. The baseline was established in FY 2007.

Data Discussion. The data was captured in the Real Estate Management System during FY 2009.

Program Website. http://www.hud.gov/offices/hsg/hsgmulti.cfm

Ginnie Mae

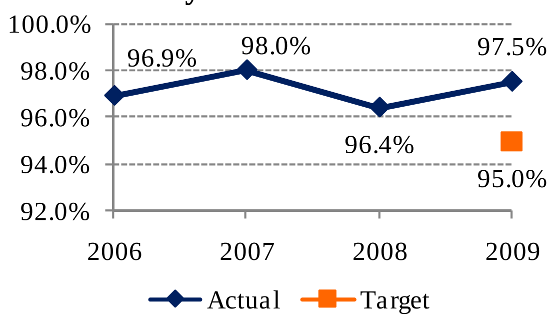
B.15: Ginnie Mae securitizes at least 95 percent of eligible FHA Multifamily mortgages.

Public Benefit and Program Accomplishments

Public Benefit: This indicator measures Ginnie Mae's share of the residential mortgage loans insured or guaranteed by the Federal Housing Administration (FHA). By promoting access to mortgage credit and enhancing the liquidity of mortgage investment, Ginnie Mae has increased the availability of affordable rental housing for millions of Americans. This is directly evidenced by the consistent growth in the outstanding balance of the multifamily portfolio in FY 2009; it increased by $2.4 billion.

As articulated in Title III of the National Housing Act, Ginnie Mae's purpose is "to establish secondary market facilities for residential mortgages, to provide that the operations thereof shall be financed by private capital to the maximum extent feasible," and to conduct certain other secondary market functions consistent with this purpose. Ginnie Mae was authorized to guarantee securities backed by government insured loans when it was established as a government corporation on September 1, 1968.

Percentage of Eligible FHA Multifamily Loans Securitized by Ginnie Mae



Results and Analysis: The target was exceeded. As of the end of FY 2009, Ginnie Mae securitized 97.5 percent of eligible multifamily FHA loans. This result is a 2.5 percentage point increase over this year's goal of 95 percent. Multifamily securities outstanding increased from $39.4 billion in FY 2008 to $41.8 billion in FY 2009. Ginnie Mae strives to maintain a strong supply of decent, affordable rental housing by financing affordable multifamily housing units including apartment buildings, nursing homes and assisted-living facilities. Ginnie Mae has continued to streamline the multifamily program, enhancing its efficiency as a securitization vehicle, and making the program more attractive to investors.

Supplemental Performance and Resources Information. Ginnie Mae continues to address the specific need of promoting liquidity and the flow of investment capital for FHA multifamily mortgages. The total amount of Ginnie Mae securities outstanding have increased every month since 2008. At the end of FY 2009, the amount of Ginnie Mae securities outstanding was approximately $826 billion, of which multifamily program securities outstanding were $41.8 billion.

Funding provided through Commitment Authority is used by Ginnie Mae to guarantee securities backed by government guaranteed or insured loans. Commitment authority approved in

FY 2009 was $446.6 billion and securities issued were $418.9 billion. Of the $446.6 billion of commitment authority approved, the Multifamily Program used $8 billion in commitment authority and issued $5.1 billion in securities.

Data Discussion. Data for this indicator are based on FHA-insured loan level data of monthly endorsements collected by Ginnie Mae in its Mortgage-Backed Security Information System. The data that populate Ginnie Mae's Mortgage-Backed Security Information System reflect the most recent data of insured or guaranteed loans. The Office of Inspector General conducts Ginnie Mae's annual financial statements audit, which includes auditing Ginnie Mae's data systems each year and, not only had Ginnie Mae consistently received an unqualified, or clean opinion in prior fiscal years, it again received a clean opinion for the FY 2009 audit.

Program Website. http://www.ginniemae.gov

Public and Indian Housing

B.16: Improve the utilization rate of Housing Choice Voucher funding to 97 percent by Calendar Year 2011.

Public Benefit and Program Accomplishments

Public Benefit: This indicator tracks the usage of the Housing Choice Voucher Program (HCVP) funding. The objective of this goal is to ensure that substantially all of the funding provided by Congress for HCVP is effectively used. HCVP supports the Department's strategic goals for expanding access to decent, affordable rental housing and maximizes the number of targeted low-income families and individuals served and thus it is important that all funding provided is used.

Results and Analysis: The Department is reporting the utilization of HCVP funding as a tracking indicator because it is in the process of replacing the Section 8 Management Assessment Program (SEMAP) assessment system.

For the six months ending June 30, 2009, PHAs had an average funding utilization rate of 102 percent. This is an increase from the CY 2008 rate of 99 percent. The rate of greater than 100 percent is due to some PHAs using net restricted assets to cover leasing shortfalls after a $750 million appropriation offset. This offset was unanticipated at the beginning of CY 2009. The utilization rate in July 2009 decreased to 101 percent, indicating that PHAs are adjusting leasing rates in order to stay within their budget allocations. While the goal of improving the utilization rate of HCVP funding to 97 percent by CY 2011 is met, HUD plans to continue outreach to PHAs and to link future administrative fee payments to PHA leasing levels to ensure that maximum utilization occurs.

Supplemental Performance and Resources Information. The HCVP provides low-income participants with the ability to seek rental housing of their choice, with certain rent parameters and portability features enabling families to take their vouchers to other rental markets in pursuit of available jobs and other economic opportunities. Increasing PHAs use of voucher funds remains a key HUD priority, in order to assist the greatest number of low-income families.

Beginning in CY 2008, the Department began allocating administrative fee funding based on a formula tied to the number of assisted households. The Department expects that tying the administrative fee formula to the number of assisted households will provide an incentive to increase the number of families served, which is supported by the data demonstrating a multi-year increase in funding utilization rates. Also, the Office of Housing Voucher Program is conducting an Administrative Cost Study that will determine a more effective formula to compensate the PHAs for administering the HCVP.

For 2009, Congress provided over $15.2 billion for Housing Assistance Payment funding (Tenant-Based Rental Assistance – Contract Renewals). Renewal funding eligibility during each of the past five years was based on actual costs for a prior, mandated period, adjusted for new units and inflation each year.

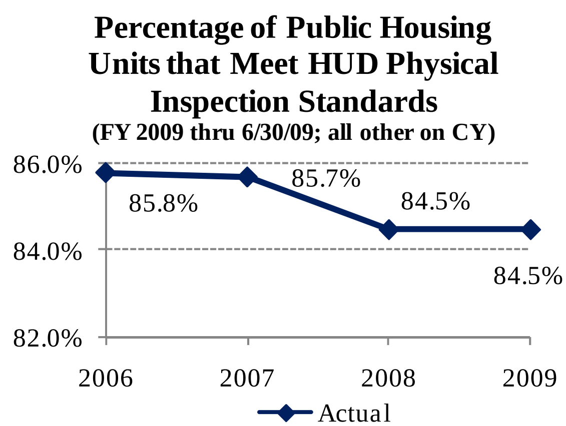
Data Discussion. The Voucher Management System (VMS) which monitors and manages a PHA's use of vouchers will be the primary source for measuring utilization. The VMS collects data that enables the Department to budget, fund, and obligate voucher funding based on actual PHA activity. Quality Assurance Division (QAD) analysts conduct on-site reviews to verify the VMS reporting accuracy and data integrity. This verification is accomplished through the visual inspection of the PHAs' source documentation that was used to support VMS data entry. The QAD analyst also reviews a random sample of actual Housing Assistance Payment contracts and compares the data to the PHA's financial systems.

Program Website. http://www.hud.gov/offices/pih/programs/hcv/

B.17: The share of public housing properties that meet HUD-established physical inspection standards will be 85 percent.

Public Benefit and Program Accomplishments

Public Benefit: This indicator tracks the proportion of units in public housing facilities that meet HUD established physical standards, helping the Department monitor its success in improving the physical conditions in public housing. This indicator is important as expanding the access to decent, affordable housing is one of the Department's key strategic goals.



Results and Analysis: This indicator is a tracking indicator for FY 2009 since the Department is in the midst of a conversion to asset management. Over the past several years, as part of the move to asset management, PHAs have re-grouped their public housing inventory.

Altogether, the inventory has been reclassified from about 14,000 "developments" to 7,200 "projects." An example, of this change would be a PHA combining many small scattered site "developments" into one "project." When the conversion to asset management is completed, PIH intends to revise this goal to reporting on a project, and not unit, basis, in keeping with the goals of asset management. Overall, physical inspection scores were the same as FY 2009 (84.5 percent).

Supplemental Performance and Resources Information. HUD requires PHAs to inspect and maintain public housing to ensure compliance with HUD-established standards for physical condition or with local codes if they are more stringent to steadily improve the physical quality of public housing.

The principle budgetary resources supporting this effort are the Operating and Capital Funds. For FY 2009, the appropriations for the Operating and Capital Funds were $4.4 billion and $2.44 billion, respectively. Over the past five years, resources were relatively flat. The Operating Fund ranged between $3.6 billion and $4.2 billion and the Capital Fund ranged between $2.4 billion and $2.7 billion. During FY 2009, the Department received $4.0 billion in addition Capital Fund appropriations under ARRA. The projects under this funding commenced during FY 2009 and will be completed during the next two years. The improvement in the quality of the public housing stock measured through this performance indicator should be noticed in FY 2010 and onward.

Data Discussion. Data for this indicator are from the Real Estate Assessment Center's (REAC) Physical Assessment Subsystem. Inspections at PHAs are conducted by contracted inspectors and are based on a statistically valid random sample of selected buildings and dwelling units within a property. Inspections are scored by the REAC system at the property level. The Assessment System Physical Indicator score is reported as one of four components of the Public Housing Assessment System rule scoring process. REAC performs quality control reviews over the inspectors to verify that the inspection data is valid.

Program Website. www.hud.gov/offices/reac/products/prodphas.cfm

B.18: Key measures under the Public Housing Assessment System including (a) the unit-weighted average score, (b) observed exigent deficiencies per property among PHAs that are designated as troubled and have five or more deficiencies per property for public housing, and (c) the share of units that have functioning smoke detectors.

Public Benefit and Program Accomplishments

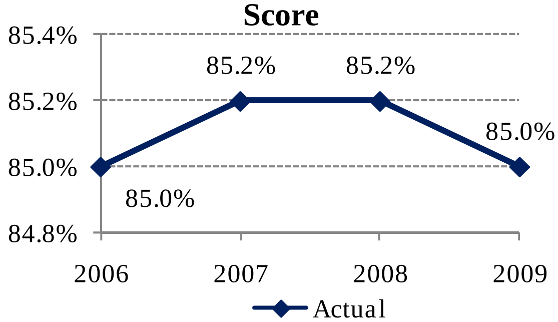
Public Benefit: This tracking indicator reports three key metrics that measures the overall quality of the public housing stock. The unit-weighted average score is an overall indicator of the physical condition and effectiveness of the management of the nation's public housing inventory. The share of units with functioning smoke detectors tracks one of the most serious health and safety issues. The observed exigent health and safety metric highlights how well poorly performing PHAs are addressing these serious defects. By closely monitoring these indicators, HUD is working to steadily improve the quality of public housing and tracks HUD's progress toward increasing the capability and accountability of PHA partners and increasing the safety and satisfaction of residents.

The Public Housing Assessment System (PHAS) assesses the performance of PHAs based on their physical and financial condition and their management quality (30 points each), as well as on resident satisfaction (10 points), for a total score of up to 100 points. Housing agencies with composite scores below 60 points or scores below 18 points for any one component are classified as "troubled" agencies.

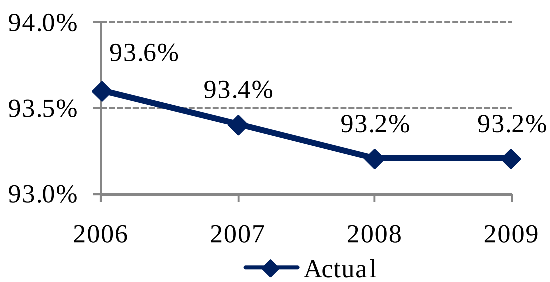
The Department is in the process of redesigning and implementing changes in the assessment systems for both its public housing and voucher programs during the next few years. During this period, a comparison of results from year-to-year will be somewhat problematic. [See B.17 for a discussion on the issues affecting comparisons.] After the new assessment system is functional, the Department will develop new performance goals which will measure PHA operations under asset management. Until such time as asset management and the new assessment system are fully implemented, the Department will report this measure as a tracking indicator.

Results and Analysis: This is a tracking indicator due to the ongoing redesign of the measure. The unit-weighted average PHAS score was 85.0 percent which was a decrease of 0.2 percent from the FY 2008 results of 85.2 percent. The average exigent health and safety defects per property assessed (for properties with a physical assessment score of less than 60) dropped from 8.2 defects noted in their previous inspection to 4.1 defects noted in their FY 2009 inspection; this was an improvement of 50 percent and this exceeded the results of a 44 percent reduction for FY 2008.

Public Housing Assessment System Unit-Weighted Average Score



Public Housing Assessment System Share of Units with Functioning Smoke Detectors



For the last sub-goal, 93.2 percent of public housing units had functioning smoke detectors and were in buildings with functioning smoke detection systems, i.e., unchanged from FY 2008.

Supplemental Performance and Resources Information. Adequate resources are required for good results under these indicators, particularly during the transition to asset management. The two main annual budgetary resources come from the Public Housing Operating Fund and Capital Fund programs. In

FY 2009, the funding for PIH Capital Fund was $2.4 billion, a decrease from $2.7 billion in FY 2003 and 2004. The Operating fund was $4.2 billion in FY 2009, an increase from $3.6 billion in FY 2003 and 2004. The combined operating and capital assistance of $6.6 billion represented 16.8 percent of HUD's net, non-disaster discretionary budget authority of $39.2 billion in FY 2009 and reflected the priority and significant amount of resources allocated to this effort. In addition, during FY 2009 the Department received $4.0 billion in addition Capital Fund appropriations under Recovery Act. The projects under this funding commenced during FY 2009 and will be completed during the next two years. The improvement in the public housing stock through this performance indicator should be noticed in FY 2010 and onward.

Data Discussion. The data sources are the Real Estate Assessment Center (REAC) – Public Housing Assessment System database. Some PHAs were excluded from this analysis. These consisted of agencies designated as "Moving to Work," "Invalidated," and "Advisory."

All the goals related to the PHAS are predicated on the timely release of scores by the REAC. In the event that the REAC experiences a significant delay in the issuance of PHAS scores in a particular year, it could affect the outcome and may represent a skewed assessment of the performance trends within a reporting period.

Program Website. http://www.hud.gov/offices/reac/products/prodphas.cfm

B.19: The percent of public housing units under management of troubled housing agencies.

Public Benefit and Program Accomplishments

Public Benefit: This tracking indicator measures the portion of the public housing stock managed by PHAs that are or may be ineffective. Increasing the operational effectiveness of troubled agencies will improve physical conditions, financial performance and program execution – thereby increasing the number of units available for occupancy for underserved families in these respective communities. This goal will assist PIH in promoting more access to the number of affordable housing units offered by public housing agencies.

Results and Analysis: There were 169 troubled PHAs with 66,375 units at September 30, 2008. Of these PHAs, 150 with 61,140 units remained troubled as of September 30, 2009 (a reduction of 8 percent). This reduction compares to a 23 percent reduction in FY 2008 and 43 percent reduction for FY 2007. The reason for the dramatic drop of recovering agencies in FY 2009 is that during the transition to asset management, the Real Estate Assessment Center (REAC) is no longer issuing Public Housing Assessment System (PHAS) scores to agencies. This precludes any further reduction in the number of troubled agencies.

PIH and REAC use the PHAS to evaluate the performance of PHAs based on four categories: physical condition, management operations, financial condition, and resident satisfaction. Housing agencies with composite scores below 60 percent, or scores below 18 percent in any one component, are classified as "substandard" or "troubled." This indicator tracks the change in the number of units managed by "troubled" agencies at the beginning of the fiscal year that successfully return to non-troubled status by the end of the fiscal year due to intervention by the Department.

Supplemental Performance and Resources Information. The principal budgetary resources supporting this effort are the Operating and Capital Funds. For FY 2009, the budget for the Operating and Capital Funds were $4.2 billion and $2.44 billion, respectively. Over the past five years, resources were relatively flat. The Operating Fund ranged between $3.6 billion and $4.2 billion and the Capital Fund ranged between $2.4 billion and $2.7 billion.

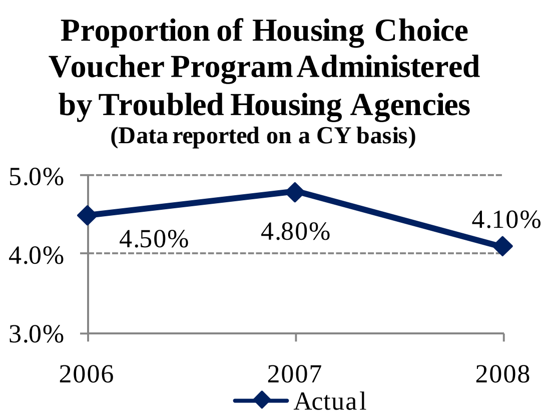
Data Discussion. The data used for this analysis is extracted from REAC where PHA performance scores are complied and issued. The troubled PHA Monthly Report data extract is very reliable and has withstood many system and programmatic changes. Troubled PHA data is reviewed and verified monthly by a program analyst in the Recovery and Prevention Corps. Any data discrepancy or anomaly is mitigated immediately. Each month changes are verified and cross checked for validity. Data sampling is conducted for reports going back 90 days to ensure consistency and reliability. REAC is very responsive to mitigating issues and/or concerns regarding its data extract. The calculation matrix for this performance goal analyzes each of the twelve troubled PHA reports and independently verifies each PHA that rolled off the baseline troubled report throughout the fiscal year.

Program Website. http://hudatwork.hud.gov/po/p/ofo/

B.20: The proportion of the Housing Choice Voucher Program funding administered by troubled housing agencies.

Public Benefit and Program Accomplishments

Public Benefit: This goal measures the percentage of Housing Choice Voucher Program (HCVP) fund controlled by troubled PHAs. The purpose of this goal is to monitor how well the PHAs are administering the HCVP. A poorly managed program does not effectively use the budgetary resources provided and effective use of budgetary authority supports the Department's strategic goals for expanding access to decent, affordable rental housing.



Results and Analysis: The Department is reporting the utilization of HCVP funding as a tracking indicator because it is process of replacing the Section 8 Management Assessment Program (SEMAP) assessment system. During FY 2006 to FY 2008, HUD developed a new proposed regulation and proposed rule on the new SEMAP to OMB. Implementation of this new regulation was delayed while the new administration develops Departmental priorities. Once the new performance assessment system is implemented, currently estimated at mid-year in FY 2010, the Department will determine the baseline percentage of HCVP funding that is administered by PHAs that are troubled and set Annual Performance Plan goals to manage PHA performance.

Although this is a tracking indicator until the new assessment system is established, there has been a substantial improvement in this indicator. For CY 2008, there were 96 troubled agencies with Housing Assistance Payment (HAP) funding of $604 million (4.1 percent of the total HAP funding). For CY 2007, there were 143 troubled agencies, with HAP funding of $642.1 million (4.8 percent the total HAP funding). This represents a decrease of 33 percent in the number of troubled PHAs and a 6 percent reduction in the funding that those agencies administered.

Supplemental Performance and Resources Information. The overall funding for the Housing Choice Voucher Program includes $15 billion in Housing Assistance Payments and $1.5 billion in Administrative Fees and represents approximately 43 percent of the Department budget of $38.5 billion for FY 2009.

Data Discussion. In the future the data source for this goal will be the new performance assessment system for the HCVP established in accordance with revised regulations. The assessment system and the data elements have yet to be determined. The new performance assessment system will incorporate lessons learned in the development and operation of the current assessment system.

Program Website. http://www.hud.gov/offices/pih/programs/hcv/

B.21: The HOPE VI Revitalization program demolishes 2500 units and completes 6,000 new and rehabilitated units.

Public Benefit and Program Accomplishments

Public Benefit: HOPE VI is HUD's primary program for eliminating distressed public housing by demolishing unsustainable developments and rebuilding in accordance with community-sensitive principles. The Department established annual indicators to track the number of severely distressed public housing units demolished and new and rehabilitated units completed. These two indicators best represent the program and the outcome of more affordable housing. The HOPE VI program supports the Department's strategic goals for creating decent, affordable housing and increasing homeownership opportunities, both of which help foster sustainable communities.

Results and Analysis: For FY 2009 grantees demolished 3,403 severely distressed public housing units, exceeding the goal of 2,500 units by approximately 36 percent. Completions of new or rehabilitated units totaled 8,257, surpassing the 6,000-unit goal by approximately 38 percent. The FY 2009 achievements are attributable to HUD's continued emphasis on timeliness and accountability in the implementation of HOPE VI grants and the PHAs' on-going efforts to meet the commitments of their revitalization plans.

HOPE VI Achievements	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2009 Target
Units demolished	5,034	6,601	4,374	3,403	2,500
Units constructed or rehabilitated	9,389	8,436	9,978	8,257	6,000

* All figures for the 12 months ended June 30.

Since program inception, a cumulative total of 93,295 units have been demolished and 78,692 new and rehabilitated physical housing units have been built to date. Of these units, 67,586 were newly developed units and 11,106 were rehabilitated units. With approximately $716 million in HOPE VI funds awarded through June 30, 2009, but not yet expended, HUD continues to work closely with grantees to implement the grants in a timely manner and to positively affect the communities surrounding the HOPE VI developments.

Supplemental Performance and Resources Information. The overall impact of HOPE VI can be seen in the program's total planned affordable housing opportunities, which continue to be produced as the current HOPE VI grants proceed to completion. The HOPE VI program will produce a total of 153,804 housing opportunities, which include public housing units, other affordable housing units, market-rate units, and Housing Choice Vouchers opportunities that originated through HOPE VI. Of these, 131,035, or over 85 percent, will be affordable housing opportunities for public housing and low-income families compared to 96,694 public housing units planned to be demolished under the program. As of June 30, 2009, HOPE VI had already completed 108,970 of the planned 131,035 affordable housing opportunities.

This program is subject to the availability of appropriations by Congress. The Congress appropriated $120 million for the HOPE VI program in FY 2009. The President's FY 2010 budget proposes no additional funds for HOPE VI and is instead proposing the Choice Neighborhoods Initiative. Though the Department is not requesting additional funds for HOPE VI, it is focused on continuing the progress of current projects and maximizing the effective use of available prior year funds.

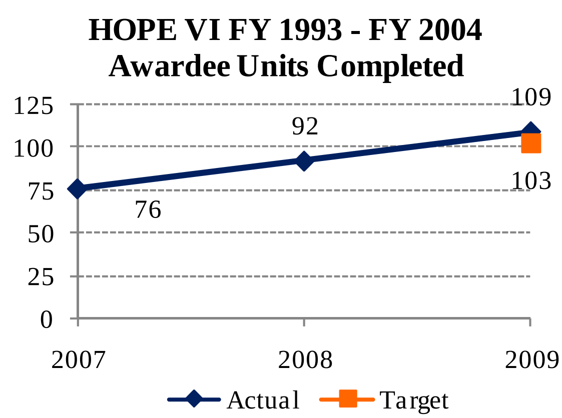
Data Discussion. The data are submitted quarterly to HUD by PHAs via PIH's HOPE VI quarterly progress reporting system. Data are judged to be reliable for this measure. Data provided for this goal is from July 1, 2008, through June 30, 2009. Submitted data are reviewed by HUD staff and are verified through grant management activities and site visits. HUD Headquarters staff reviews the reports each quarter and compares progress to stated goals and the results of on-site visits by HUD staff. Field and Headquarters staff verifies reports of redevelopment progress through site visits. The system has been subject to routine integrity checks by the system administrator.

Program Website. http://www.hud.gov/offices/pih/programs/ph/hope6/

B.22: Ensure that unit production is completed for 103 HOPE VI grants awarded from FY 1993 through FY 2004.

Public Benefit and Program Accomplishments

Public Benefit: HOPE VI is HUD's primary program for eliminating distressed public housing by demolishing unsustainable developments and rebuilding in accordance with community sensitive principles. The Department established this annual indicator to track the number of HOPE VI projects that have completed all unit production. Accordingly, the more projects that are completed, the more affordable housing opportunities that will be available to support the Department's strategic goals for creating decent, affordable housing, and increasing homeownership opportunities, both of which help foster sustainable communities. Because of the extensive planning and partnering involved, as well as extenuating circumstances, many grantees have been implementing their HOPE VI redevelopment plans more slowly than anticipated. HUD has worked diligently with grantees to increase the total number of projects completed, as measured by completion of all units (whether public housing, tax credit, market-rate, or homeownership) proposed in the revitalization plan.



Results and Analysis: For FY 2009, 17 grants completed all unit production, resulting in a cumulative total of 109 completed projects for the HOPE VI program, surpassing the goal of 103 by approximately six percent. The FY 2009 achievement is attributable to HUD's continued emphasis on timeliness and accountability in the implementation of HOPE VI grants and the PHAs' on-going efforts to meet the commitments of their revitalization plans. With approximately $716 million in HOPE VI funds awarded through June 30, 2009, but not yet expended, HUD continues to work closely with grantees to implement the grants in a timely manner and to positively affect the affected communities.

Supplemental Performance and Resources Information. The overall impact of HOPE VI can be seen in the program's total planned affordable housing opportunities, which continue to be produced as the current HOPE VI grants proceed to completion. The HOPE VI program will produce a total of 153,804 housing opportunities, which include public housing units, other affordable housing units, market-rate units, and Housing Choice Vouchers opportunities that originated through HOPE VI. Of these, 131,035, or over 85 percent, will be affordable housing opportunities for public housing and low-income families compared to 96,694 public housing units planned to be demolished under the program. As of June 30, 2009, HOPE VI had already completed 108,970 of the planned 131,035 affordable housing opportunities.

This program is subject to the availability of appropriations by Congress. The Congress appropriated $120 million for the HOPE VI program in FY 2009. The President's FY 2010 budget proposes no additional funds for HOPE VI and is instead proposing the Choice Neighborhoods Initiative. Though the Department is not requesting additional funds for HOPE VI, it is focused on continuing the progress of current projects and maximizing the effective use of available prior year funds.

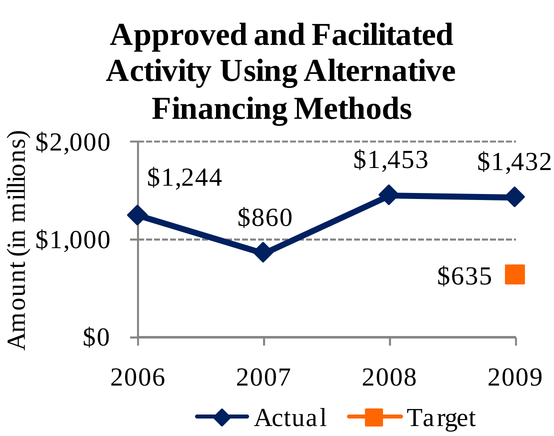
Data Discussion. The data are submitted quarterly to HUD by PHAs via the Public and Indian Housing's HOPE VI quarterly progress reporting system. Data are judged to be reliable for this measure. Data provided for this goal is from July 1, 2008, through June 30, 2009. Submitted data are reviewed by HUD staff and are verified through grant management activities and site visits. HUD Headquarters staff reviews the reports each quarter and compares progress to stated goals and the results of on-site visits by HUD staff. Field and Headquarters staff verifies reports of redevelopment progress through site visits. The system has been subject to routine integrity checks by the system administrator.

Program Website. http://www.hud.gov/offices/pih/programs/ph/hope6/

B.23: The Department will approve and facilitate $635 million of activity using alternative financing methods.

Public Benefit and Program Accomplishments

Public Benefit: The Department established this annual indicator to track the amount of other financing leveraged by its PIH programs. The principal programs that support this goal are the HOPE VI Revitalization program and the Capital Fund Financing Program. Such financing contribute toward the Department's strategic goals for creating decent, affordable housing, and increasing homeownership opportunities, both of which help foster sustainable communities.



Results and Analysis: For FY 2009, over $1.4 billion of other financing was leveraged which was over two times the goal of $635 million.

Supplemental Performance and Resources Information. HOPE VI is HUD's primary program for eliminating distressed public housing by demolishing unsustainable developments and rebuilding in accordance with community-sensitive principles. The mixed-financing approach to replacement public housing development is the single most important development tool currently available to PHAs' implementing HOPE VI Revitalization projects. It emphasizes the formation of public and private partnerships to ensure long-term sustainability of public housing developments and the leveraging of public and private resources to transform the isolated communities, in which many public housing residents live, into vibrant and sustainable mixed-income communities with a wide range of family incomes.

The Capital Fund Financing Program is an appropriations-based financing program that makes financing available to PHAs. The Capital Fund appropriation and the Capital Fund Financing Program support the Public Housing Capital Program investment, estimated to have a value of approximately $190 billion. Through the Capital Funds Financing Program the agencies borrow funds from the private markets, pledge a portion of their capital funds subject to the availability of appropriations, and then repay the financing as they receive their capital funds in future years. Proceeds from the Capital Fund Financing Program transactions are used to improve, modernize and/or development of public housing, thus protecting and enhancing the affordable housing stock.

The HOPE VI program is subject to the availability of appropriations by Congress. The Congress appropriated $120 million for the HOPE VI program in FY 2009. The President's FY 2010 budget proposes no additional funds for HOPE VI and is instead proposing the Choice Neighborhoods Initiative. Though the Department is not requesting additional funds for HOPE VI, it is focused on continuing the progress of current projects and maximizing the effective use of available prior year funds. Rating agencies monitor the Capital Fund Financing Program, and transactions approved using the vehicle, on an ongoing basis. Since the level of appropriations is crucial to supporting the debt service needs of the Capital Fund Financing Program, as appropriations have diminished over the course of time, rating agencies have expressed concern. By way of example, Standard and Poor's in a 2006 report noted that "many issues show declining (debt) coverage due to federal cuts in modernization funds during the past few years."

The report further stated that, "the trend of declining Congressional appropriations to the (Capital Fund) program warrants continued monitoring." While appropriations have stabilized since 2006**,** resurgence in the trend of declining Capital Fund appropriations would lead to the re-emergence of the concern previously expressed by rating agencies, as well as investors and lenders that participate in the program. Though the Recovery Act has made additional grant funding available for capital investment for the next three years, this means that PHAs have less need of, and less time to pursue, the Capital Fund Financing Program. This could lead to a decrease in the level of interest in the Capital Fund Financing Program and other alternate financing programs and/or increase the cost of borrowing. Additionally, downturns in the economy, such as that experienced in the last year, can negatively impact the viability of leveraging funds through Capital Fund Financing Program transactions and other such alternate financing methods (including HOPE VI).

Data Discussion. For the HOPE VI program, the data are submitted to HUD by PHAs via PIH's HOPE VI Quarterly Progress Reporting system. Data are judged to be reliable for this measure. Data provided for this goal is for the year ending June 30, 2009. Submitted data are reviewed by

HUD staff and are verified through grant management activities and site visits. HUD Headquarters staff reviews the reports each quarter and compares progress to stated goals and the results of on-site visits by HUD staff. Field and Headquarters staff verifies reports of redevelopment progress through site visits. The system has been subject to routine integrity checks by the system administrator. For the Capital Fund Financing Program, the data are collected by HUD and based on the Capital Fund Financing Program and other types of alternate financing proposals received from PHAs. Data are judged to be reliable for this measure. The measure focuses on the key element of the program, which is the amount of funds leveraged through the program. Data are derived from the financing packages that are reviewed by HUD during its approval process.

Program Website. http://www.hud.gov/offices/pih/programs/ph/hope6/, http://www.hud.gov/offices/pih/programs/ph/capfund/cffp.cfm

B.24: The Department will develop baseline data and future years' targets for the Housing Choice Voucher program assessment tool.

Reporting on this indicator has been postponed until HUD has an implementing rate on the new scoring system in place.

B.25: The conversion to asset management will be certified for 50 percent of PHAs with 250 or more units who applied for assessment.

Public Benefit and Program Accomplishments

Public Benefit: This indicator measures the portion of PHAs who successfully applied and transitioned to asset management. HUD published a final rule, Revisions to the Public Housing Operating Fund Program (79 FR 54983). In accordance with this rule, PHAs that experience a decline in operating subsidy can have their losses "stopped" by demonstrating successful conversion to asset management, also referred to as the "stop-loss" provision. This rule serves as an incentive for early adoption of asset management. The benefit for implementation of asset management will lead to better management and oversight of the PHAs.

Results and Analysis: For FY 2009, the Operating Fund Program had 123 "decliners" that applied of which 92 were certified as having successfully converted to asset management. This represented 75 percent of those that applied and surpassed the goal of 50 percent. HUD will continue to work closely with PHAs that want to apply for the Stop-Loss Program to convert to assessment management. The Operating Fund Program permits a PHA to resubmit based on failed criteria in order to have their losses stop and convert to asset management by 2011.

Supplemental Performance and Resources Information. The Department has secured the services of a contractor that will provide assistance to the Department in processing stop-loss submissions and review the progress of PHAs with 250 or less units, whose funding levels decline in meeting the criteria for successful conversion to asset management. The Department is implementing asset management to ensure efficiency in the management of PHAs for project based funding, project based budgeting, project based accounting, and project based management.

Data Discussion. The financial and management source is derived from the data supplied by the PHAs. The data was reliable and complete to measure submissions. Submitted data was verified by an independent assessor through desk, Central Office Cost Center, and on-site reviews. The Stop-Loss Review Checklist Tool (http://www.hud.gov/offices/pih/programs/ph/am/stoploss.cfm) illustrates steps to ensure data volatility for the Stop-Loss submission received from the PHAs.

Program Website. http://www.hud.gov/offices/pih/programs/ph/am/stoploss.cfm

Goal C: Strengthen Communities

PERFORMANCE REPORT CARD – GOAL C								
	Performance Indicator	**2006 Actual**	**2007 Actual**	**2008 Actual**	**2009 Actual**	**2009 Target**	**Met/Miss**	**Notes**
	CPD							
C.1	At least 17,000 units of rental housing will be in development or in service by September 2009 in the areas most affected by the 2005 Gulf Coast hurricanes.	N/A	N/A	N/A	45,500	17,000	✔	
C.2	At least $9 billion of CDBG disaster recovery funds will be disbursed for homeowner compensation payments to 145,000 households in Louisiana and Mississippi by September 2009.	N/A	N/A	N/A	150,122	145,000	✔	a
C.3	At least $700 million will be obligated by states to the local projects for restoration and enhancement of infrastructure throughout the five Gulf Coast states receiving supplemental CDBG Disaster Recovery Funding by September 2009.	N/A	N/A	N/A	$1,552	$700	✔	b
C.4	Expand use of CDBG for economic opportunity by creating or retaining at least 36,779 jobs.	66,133	43,231	38,214	29,398	36,779	✖	c
C.5	Increase economic opportunity through the use of CDBG funds in 66 percent of entitlement grantees that have unemployment rates above the national unemployment rate.	N/A	87.00%	85.00%	87.50%	66.00%	✔	c
C.6	Grantees expend at least 90 percent of State and entitlement CDBG funds on activities that benefit low- and moderate-income persons.	N/A	N/A	95.60%	94.63%	90.00%	✔	c
C.7	Sole proprietors will claim $133 million in Empowerment Zone and Renewal Community wage credits.	$128	$155	$121	$178	$133	✔	d
C.8	Eliminate the blighting influence of 5,000 vacant, boarded up, or abandoned properties by the end of FY 2009.	N/A	5,900	9,180	7,450	5,000	✔	
C.9	The percentage of formerly homeless individuals who remain housed in HUD permanent housing for at least six months will be at least 77 percent.	69.00%	74.90%	75.10%	82.20%	77.00%	✔	e
C.10	The percentage of homeless persons who have moved from HUD transitional housing into permanent housing will be at least 65 percent.	62.40%	68.90%	71.10%	67.70%	65.00%	✔	e
C.11	The employment rate of persons exiting HUD homeless assistance projects will be at least 20 percent.	17.00%	22.80%	21.90%	19.70%	20.00%	✖	e
C.12	The percentage of HOPWA clients in permanent housing who maintain housing stability will be 85 percent in 2009, 90 percent in 2012, and increase by one percentage point each year thereafter; the percentage of HOPWA clients receiving short-term housing assistance who experience reductions in their risks of homelessness will be 60 percent in 2009, 70 percent in 2012, and will increase by two percentage points each subsequent year.							
	HOPWA clients maintaining housing stability.	N/A	93.00%	92.00%	94.00%	85.00%	✔	
	HOPWA short-term clients risking homelessness.	N/A	N/A	N/A	92.00%	60.00%	✔	

PERFORMANCE REPORT CARD – GOAL C								
	Performance Indicator	**2006 Actual**	**2007 Actual**	**2008 Actual**	**2009 Actual**	**2009 Target**	**Met/Miss**	**Notes**
	FHA/Housing							
C.13	At least 35 percent of single family mortgages endorsed for insurance by FHA are in underserved communities.	40.20%	42.00%	39.20%	35.50%	35.00%	✓	
C.14	The share of multifamily properties insured by FHA in underserved areas is maintained at 40 percent of initial endorsements.	41.00%	46.00%	59.40%	58.60%	40.00%	✓	
C.15	HUD will continue to monitor and enforce Fannie Mae's and Freddie Mac's performance in meeting or surpassing HUD-defined geographic targets for mortgage purchases in underserved areas.							
	Fannie Mae	41.40%	43.60%	N/A	N/A	N/A	N/A	f
	Freddie Mac	42.30%	42.70%	N/A	N/A	N/A	N/A	f
C.16	FHA mortgage insurance enables at least seven hospitals to obtain affordable financing for construction or modernization projects.	9	9	8	10	7	✓	
C.17	The share of units that have functioning smoke detectors and are in buildings with functioning smoke detectors will be 92.8 percent or greater for multifamily housing.	93.80%	93.50%	93.60%	93.80%	92.80%	✓	
	PIH							
C.18	Overcrowded households in Indian country shall be reduced by three percent.	2,002	2,176	2,174	1,938	1,400	✓	g
	Healthy Homes and Lead Hazard Control							
C.19	The number of children under the age of six who have elevated blood lead levels will be 210,000 or less in 2009.	270,000	235,000	215,000	209,000	210,000	✓	
C.20	As part of a 10-year effort to eradicate lead hazards, the Lead Hazard Control Grant programs will make 11,800 units lead safe in FY 2009.	9,638	10,602	12,569	13,873	11,800	✓	

N/A: not available

a - households

b - number reported in millions

c - due to timing of data collection issues, HUD is using estimates

d - uses Internal Revenue Service CY data that corresponds to two years before HUD FY (i.e. FY 2008 data has CY 2006 source year)

e - data through first three quarters of respective calendar year

f - HUD no longer tracks this indicator

g - New units created

Community Planning and Development

C.1: At least 17,000 units of rental housing will be in development or in service by September 2009 in the areas most affected by the 2005 Gulf Coast hurricanes.

Public Benefit and Program Accomplishments

Public Benefit: This indicator establishes a goal to develop and restore the rental housing stock in the Gulf Coast jurisdictions most affected by the hurricanes of 2005. HUD's Community Development Block Grant disaster recovery program creates the foundation for sustained long-term disaster recovery through restoration of rental housing stock and restoration of damaged infrastructure. A total of $19.7 billion in supplemental CDBG disaster recovery funding has been appropriated for the Gulf Coast states, with the majority targeted to housing-oriented activities including rental housing programs. Some states have targeted resources for small rental units, multifamily units or a combination of these programs. Each state coordinates its own process for soliciting and/or developing projects within its impacted areas.

Results and Analysis: Through the end of FY 2009, Gulf Coast recovery grantees have at least 41,372 units of affordable rental housing in development and have completed 4,128 units, exceeding the target of 17,000 developmental units. Of those completed, 533 were in Florida, 1,179 were in Mississippi, and 2,416 were in Louisiana. Of those in development, 26,113 are in Louisiana, 8,279 are in Mississippi, 4,729 are in Florida, 2,199 are in Texas, and 52 are in Alabama. This represents approximately $1.9 billion in funding budgeted for these developments.

Supplemental Performance and Resources Information. Timelines for environmental clearance, engineering and design, and bidding processes at the local level will have an impact on the pace of rental housing development activities. Further, progress on infrastructure activities such as those contemplated under indicator C.3 has a significant impact on the ability of rental programs to proceed. Development and/or rehabilitation of multifamily units depend on coordination of state and local funding sources. The effectiveness of small rental programs also depends upon the condition of existing stock and financing of new development. Rental housing activities have been slow to proceed given extended timelines in the development process as noted above.

Data Discussion. Grantees submit quarterly performance reports online in the Disaster Recovery Grant Reporting System. CPD staff in Headquarters and the Field review grantee reports to assess accuracy and monitor to ensure that reported performance measures are accurate and that the results are produced in compliance with program requirements.

Program Website. http://www.dca.state.fl.us/fhcd/cdbg/disasterrecovery.cfm
http://doa.louisiana.gov/cdbg/DRHome.htm
http://www.msdisasterrecovery.com/

http://www.adeca.alabama.gov/C8/FY2005%20Application%20Manual/default.aspx
Http://www.tdhca.state.tx.us/cdbg/first-supplemental/index.htm
http://www.tdhca.state.tx.us/cdbg/second-supplemental/index.htm

C.2: At least $9 billion of CDBG disaster recovery funds will be disbursed for homeowner compensation payments to 145,000 households in Louisiana and Mississippi by September 2009.

Public Benefit and Program Accomplishments

Public Benefit: The states of Louisiana and Mississippi requested eligibility waivers to allow them to use their CDBG disaster recovery funds for homeowner compensation and incentive programs. HUD granted these statutory and regulatory waivers during 2006, after which the states launched homeowner compensation programs. These are innovative programs operating in complex and unstable economic environments. HUD establishing this measure – that at least $9 billion of CDBG disaster recovery funds will be disbursed for homeowner compensation payments to 145,000 households in Louisiana and Mississippi by September 2009 to underscore and acknowledge the importance of carrying out these programs in a timely manner and will encourage these grantees to continue striving to exceed these timing goals.

Results and Analysis: A cumulative total of 150,122 homeowner compensation payment grants have been distributed as of September 30, 2009, exceeding the goal of disbursement to 145,000 households. Of the grants distributed, 124,985 were in Louisiana, and 25,137 were in Mississippi, amounting to a total disbursement of $9.8 billion ($8 billion in Louisiana and $1.8 billion in Mississippi), exceeding the target of $9 billion.

Supplemental Performance and Resources Information. These funds highlight both the degree of devastation resulting from Hurricanes Katrina, Wilma, and Rita and the priority of rebuilding housing resources to restore stability and activity in the hardest hit hurricane locations.

Data Discussion. Grantees submit quarterly performance reports online in the Disaster Recovery Grant Reporting System. In addition, HUD receives more frequent updates from Louisiana. CPD staff in Headquarters and the Field Offices review grantee reports to assess accuracy and monitor to ensure that reported performance measures are accurate and that the results are produced in compliance with program requirements.

Program Website.
http://www.adeca.alabama.gov/C8/FY2005%20Application%20Manual/default.aspx
http://www.dca.state.fl.us/fhcd/cdbg/disasterrecovery.cfm
http://doa.louisiana.gov/cdbg/DRHome.htm http://www.msdisasterrecovery.com/
http://www.tdhca.state.tx.us/cdbg/first-supplemental/index.htm
http://www.tdhca.state.tx.us/cdbg/second-supplemental/index.htm

C.3: At least $700 million will be obligated by states to the local projects for restoration and enhancement of infrastructure throughout the five Gulf Coast states receiving supplemental CDBG Disaster Recovery Funding by September 2009.

Public Benefit and Program Accomplishments

Public Benefit: This indicator establishes a goal to restore and improve infrastructure in the Gulf Coast jurisdictions most affected by the hurricanes of 2005. In addition to infrastructure planning, these programs provide resources to the State and local governments to restore critical infrastructure and create infrastructure to relocate residents out of harm's way as needed. The five Gulf States will use CDBG disaster recovery funds to reconstruct and construct streets, water lines, sewer systems, critical government buildings and other public facilities to support relief, recovery, and revitalization of the most affected areas. Each state coordinates its own process for soliciting and/or developing projects within its impacted areas.

Results and Analysis: Altogether, $1.5 billion has been obligated for these activities more than double the goal. Each of the five states receiving Gulf Coast Recovery grants has allocated funds for local public facilities and infrastructure, and obligated more than twice the amount projected.

Supplemental Performance and Resources Information. Of funds obligated during FY 2009, $581 million was for public facilities, $637 million was for streets and water systems and $333 million was for general rehabilitation and/or reconstruction of a public improvement. As of September 30, 2009, Louisiana ($529 million) and Mississippi ($883 million) obligated 91 percent of the funds in FY 2009 for public facility and infrastructure projects.

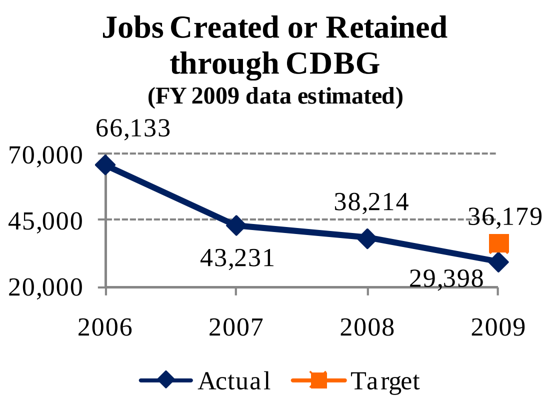
Data Discussion. Grantees submit quarterly performance reports online in the Disaster Recovery Grant Reporting System. CPD staff in Headquarters and the Field Office review grantee reports to assess accuracy and monitor to ensure that reported performance measures are accurate and that the results are produced in compliance with program requirements.

Program Website.
http://www.adeca.alabama.gov/C8/FY2005%20Application%20Manual/default.aspx
http://www.dca.state.fl.us/fhcd/cdbg/disasterrecovery.cfm
http://doa.louisiana.gov/cdbg/DRHome.htm http://www.msdisasterrecovery.com/
http://www.tdhca.state.tx.us/cdbg/first-supplemental/index.htm
http://www.tdhca.state.tx.us/cdbg/second-supplemental/index.htm

C.4: Expand use of CDBG for economic opportunity by creating or retaining at least 36,779 jobs.

Public Benefit and Program Accomplishments

Public Benefit: The number of jobs created and retained through the use of CDBG funds is a key indicator for the Department because supporting increased employment levels is an overall indicator of the health of the economy. The CDBG goal to create and retain jobs supports HUD's strategic goal to strengthen communities giving families a better place to live, work and raise a family. In FY 2009, the total number of jobs to be created was increased from 36,090 jobs to 36,779 to reflect actual program outcomes in FY 2008 and FY 2009 appropriations, including continued Section 108 funding. Specifically, the job figure comprised 30,779 CDBG jobs, reduced from 36,090 and 6,000 Section 108 Loan Guarantee jobs, and increased from zero jobs as section 108 received a new appropriation of funding.



Results and Analysis: Although the CDBG portion of the goal was not met, the Section 108 program goal was exceeded by 35 percent. In FY 2009, grantees reported that CDBG assistance assisted in the creation or retention of 21,309 jobs, a shortfall of 9,470 jobs in comparison to the FY 2009 goal of 30,779 jobs. For the Section 108 loan guarantee program, application commitments reflect that 8,089 jobs will be created as a result of Section 108 loan guarantee assistance, an increase of 2,089 jobs over the goal of 6,000. The total number of jobs created or retained as a result of assistance through these two programs is 29,398. Section 108 loan guarantee commitments in FY 2009 were $230,000,000.

Supplemental Performance and Resources Information. Local governments receive formula CDBG funds either directly from HUD or through states. Local governments and states develop plans and priorities for expenditure of CDBG funds through CPD's consolidated planning process. The number of jobs created or retained as a result of CDBG assistance is primarily a function of grantee funding decisions and local level implementation. Section 108 loan guarantees are available to local governments receiving CDBG funds either directly from HUD or through State CDBG programs. Local governments (or States) submit applications to HUD for loan guarantee assistance and commitments are approved as long as proposed projects meet basic qualifying criteria and HUD has available loan guarantee authority. Again, projects are developed and implemented by grantees.

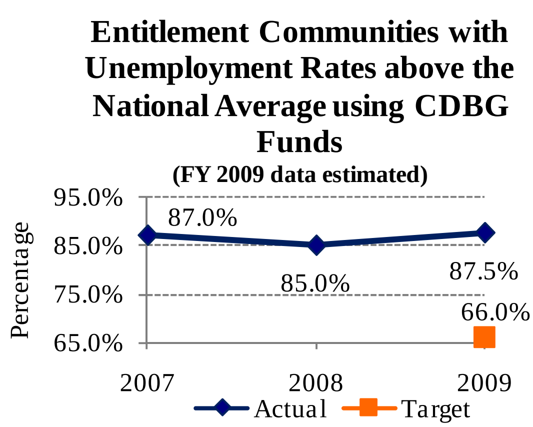
Data Discussion. Estimates for CDBG goals are based on historical accomplishments reported by grantees in the Integrated Disbursement and Information System on jobs created and/or retained, the actual CDBG appropriation, and jobs associated with Section 108 approved commitments, estimated spend-out rates and a three percent adjustment for inflation. CDBG accomplishment data are derived from grantee data entries through the data system. Section 108 program data is derived from applications approved during FY 2009.

Program Website.
http://www.hud.gov/offices/cpd/communitydevelopment/programs/108/index.cfm

C.5: Increase economic opportunity through the use of CDBG funds in 66 percent of entitlement grantees that have unemployment rates above the national unemployment rate.

Public Benefit and Program Accomplishments

Public Benefit: The percentage of entitlement communities with unemployment rates above the national average using CDBG funds for economic development is an important measurement for HUD. CDBG funds can assist these communities in expanding economic opportunities. Promoting activities that stimulate local economies is important as it contributes to a key HUD strategic goal of strengthening communities. For FY 2009, the goal was that at least 66 percent of the entitlement communities with unemployment rates above the national average will use CDBG funds for economic development activities and other activities that promote economic opportunity.



Results and Analysis: In FY 2009, 87.5 percent of CDBG entitlement grantees with unemployment rates higher than the national average used CDBG funds to address this issue, exceeding the goal of at least 66 percent, as well as the FY 2008 result of 85 percent. CPD's analysis of FY 2009 data indicates that 296 grantees had qualifying local employment rates (as measured by the Bureau of Labor Statistics) using October 2008 unemployment data. Of those 296 grantees, 259 of those grantees were undertaking activities that increased economic opportunity during FY 2009.

Supplemental Performance and Resources Information. This indicator establishes a goal to improve unemployment conditions in those jurisdictions where the unemployment rate is higher than that faced by the nation as a whole. High unemployment is one indicator that cities or suburbs are not sharing in national economic growth. HUD's CDBG program may be used to create jobs in low-income communities and help families make progress toward self-sufficiency, all of which contribute to reducing concentrations of unemployment. While grantees have wide discretion in their use of funds, CPD will encourage grantees with unemployment rates exceeding the national average to use their CDBG funds to create communities of opportunity and choice for lower income residents.

Data Discussion. HUD used the Bureau of Labor Statistics data to identify the number of entitlement grantees for which the unemployment rate is above the national average. The Bureau of Labor Statistics can provide unemployment data for only 920 of the 1,154 entitlement communities in the CDBG program for FY 2009. HUD reviewed information reported by these grantees in the Integrated Disbursement and Information System on their use of CDBG for activities that increase economic opportunities, including the number of jobs created and retained, number of jobs with health benefits, and the number of businesses assisted. The Bureau of Labor Statistics is the best available data source for employment and unemployment rates. The Bureau of Labor Statistics employs rigorous data quality standards, and it is not feasible for HUD to verify Bureau of Labor Statistics data independently. HUD continues its collaborations with grantees and technical assistance providers to ensure that the performance indicators will measure this long-term goal.

Program Website. http://www.hud.gov/offices/cpd/communitydevelopment/programs/

C.6: Grantees expend at least 90 percent of state and entitlement CDBG funds on activities that benefit low- and moderate-income persons.

Public Benefit and Program Accomplishments

Public Benefit: The percentage of CDBG funds that are used to directly benefit low- and moderate-income persons is a key indicator for the Department as it supports the overall goal of the CDBG program, that funds principally benefit low- and moderate-income persons. Targeting low- and moderate-income persons is the core of the CDBG program.

Results and Analysis: CDBG grantees report that 94.63 percent of CDBG funds expended in FY 2009 were for activities that primarily benefit low- and moderate-income persons, thus exceeding the goal of 90 percent as well as the statutory requirement of 70 percent. For FY 2009, this indicator combined the separate indicators on low and moderate income benefit that existed for the entitlement and State CDBG programs. The revised FY 2009 goal called for grantees to spend at least 90 percent of state and entitlement CDBG funds on activities that benefit low- and moderate-income persons. Due to timing of data collection issues, HUD is using estimates.

Supplemental Performance and Resources Information. State and local governments received formula CDBG funds totaling $3.635 billion in FY 2009. Grantees develop plans and priorities for expenditure of CDBG funds through CPD’s consolidated planning process. The percentage of funds expended for activities is primarily a function of grantee funding decisions and local level implementation.

Data Discussion. Information reported by grantees on their use of CDBG funds in Integrated Disbursement and Information System is compiled to report on this goal. CDBG funds used for activities that are available to all residents of a particular geographic area (identified by the grantee) are presumed to serve low- and moderate-income persons if, generally, at least 51 percent of the residents of the area served are low- and moderate-income. In addition, for activities directly serving households and individuals, the grantee reports the income levels of those actually served. CPD field office verifies program data when monitoring grantees.

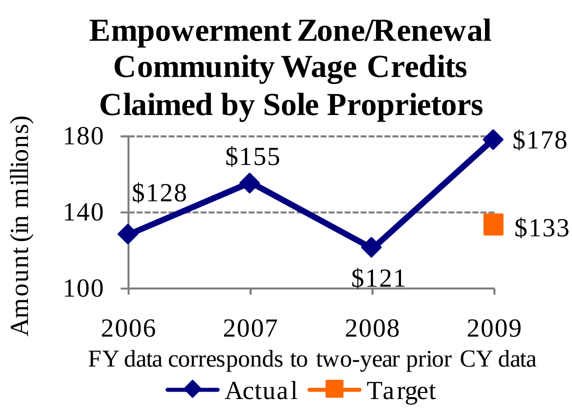
Program Website. http://www.hud.gov/offices/cpd/communitydevelopment/programs/

C.7: Sole proprietors will claim $133 million in Renewal Communities and Empowerment Zone wage credits.

Public Benefit and Program Accomplishments

Public Benefit: The economic foundations of Empowerment Zones and Renewal Communities grow stronger as more businesses claim Empowerment Zone and Renewal Community employment credits because the credits help the businesses save money and encourage the hiring of local residents. This stronger foundation helps businesses to stay viable and expand in distressed areas and to maintain and increase employment options for residents of these communities. As businesses claim these tax credits in increasing rates, communities get stronger, thereby strengthening communities.

For FY 2009, HUD established a target that sole proprietors would claim $183 million in Renewal Community and Empowerment Zone wage credits. This target was reduced to $133 million to reflect recent trends in the volume of employment credits. This performance measure is considered an intermediate outcome because implementation of the Renewal Community and Empowerment Zone programs focuses strongly on making economic development professionals, business owners, and tax preparers for small- and medium-sized businesses aware of the tax incentives.



Results and Analysis: In FY 2009, sole proprietors claimed approximately $178 million in Renewal Community and Empowerment Zone employment credits, which is 34 percent more than the FY 2009 goal of $133 million, and represents a 47 percent increase from the approximately $121 million in credits claimed from the previous year. The $178 million in credits was significantly higher than the goal because IRS became able to provide more updated performance data to HUD. Until FY 2009, the most recently-available data that HUD could obtain from the IRS was applicable to tax incentives claimed two years in arrears. In addition, these IRS data were based on only a sample of tax returns that businesses filed. Beginning in FY 2009, HUD acquired data from another division of IRS that was able to provide tax return data only one year in arrears and based on figures gathered from all tax returns.

Although the volume of employment credits claimed yearly for the most part has been increasing, HUD expects the FY 2010 credits claimed to be approximately 2 percent less than the FY 2009 figure, or approximately $173 million, due to negative changes in nationwide employment.

Supplemental Performance and Resources Information. Congress has allocated approximately $11 billion in tax incentives to businesses in the designated Empowerment Zones and Renewal Communities through calendar year 2009 to encourage businesses to sustain and expand their activities in these areas and to hire local residents.

The Office of Community Renewal, in partnership with the Internal Revenue Service, provides information and technical assistance to tax practitioners, business owners, and administrators of the 70 HUD-designated Empowerment Zones and Renewal Communities so that the $11 billion package of tax incentives will be claimed. The Office of Community Renewal believes that once a business owner learns about these valuable incentives the owner will continue to claim them each year. Therefore, the implementation effort for the Empowerment Zone and Renewal Community programs focuses on educating additional business owners on these incentives so they may begin to claim them. The increases in employment credit claims among sole proprietors in Empowerment Zones and Renewal Communities provides evidence that the Office of Community Renewal's aggressive marketing efforts have been successful.

Data Discussion. The Office of Community Renewal obtains data on the volume of employment credits claimed from the Internal Revenue Service. HUD considers these data to be valid.

Program Website. http://www.hud.gov/cr.

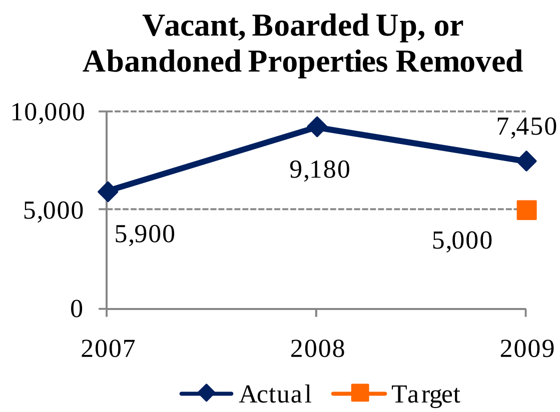
C.8: Eliminate the blighting influence of 5,000 vacant, boarded up, or abandoned properties by the end of FY 2009.

Public Benefit and Program Accomplishments

Public Benefit: This initiative is expected to make a measurable contribution to the priority outcome of restoring and strengthening neighborhood communities by improving the quality of residents' lives since vacant, abandoned, or boarded up properties are associated with neighborhood decline. The removal or improvement of these properties is a promising indicator of neighborhood improvement.

Results and Analysis: The goal was met with the clearance or demolition of at least 7,450 structures, 49 percent above the goal of 5,000 properties. While lower than last year's actual of 9,180 properties cleared, it is still significantly above the goal. CPD used the most recent data available from the IDIS to identify grantees that used CDBG funds for FY 2009 activities involving demolition or clearance.

Supplemental Performance and Resources Information: Local governments receive formula CDBG funds either directly from HUD or through states. They develop plans and priorities for expenditure of CDBG funds through CPD's consolidated planning process. The number of structures addressed is primarily a function of grantee funding decisions and local level implementation as HUD does not dictate the proportion which is dedicated to the elimination of blight.



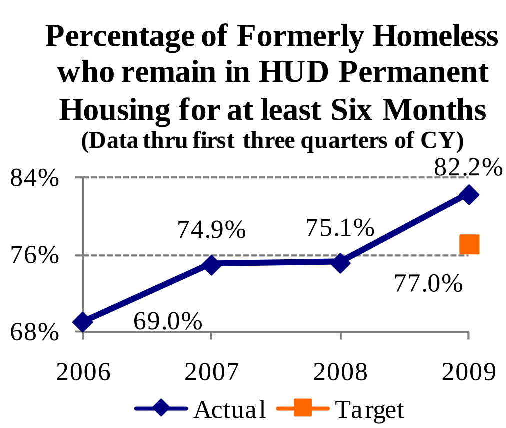
Data Discussion: Currently, the goal is measured using data as reported by CDBG grantees regarding their demolition activities. The Department also is exploring whether combining United States Postal Service data with other measures of census tract distress will allow HUD to construct a statistical definition of "vacant and abandoned" that can be tracked over time.

Program Website: http://www.hud.gov/offices/cpd/communitydevelopment/programs/

C.9: The percentage of formerly homeless individuals who remain housed in HUD permanent housing projects for at least 6 months will be at least 77 percent.

Public Benefit and Program Accomplishments

Public Benefit: This measure tracks the number of formerly homeless persons who remain in permanent housing for at least six months in beds funded by HUD under the McKinney-Vento Homeless Assistance Act. Housing retention demonstrates that public dollars are spent on effective programs and represents the end of the cycle of homelessness for many individuals and families.



Results and Analysis: In FY 2009, HUD exceeded this goal, with an achievement of 82.2 percent of formerly homeless persons remaining in permanent housing for at least six months. This is a 7.1 percentage point increase from last year's achievement of 75.1 percent. HUD will strive to continue to exceed its statistical benchmarks for increasing permanent housing opportunities for formerly homeless individuals. The reporting period is from January 1, 2009, to September 30, 2009.

HUD's performance relative to retaining formerly homeless individuals in permanent housing can be attributed to a new emphasis on permanent housing retention. Along with other measures, combining new permanent housing units with appropriate supportive services has mitigated the impact of recent national surges in unemployment and homelessness on the availability of homeless resources. Since 2006, HUD has communicated its new emphasis on permanent housing retention through its annual Homeless Assistance Grant application, highlighted it in national broadcasts and Notices of Funding Availability, and required communities to report on the steps they are taking to achieve this goal at the local level. This emphasis on performance and permanent housing has pushed communities to focus on these goals and use all available mainstream resources to aid in service provision, which in turn has led to visible successes. HUD anticipates that in FY 2010, this number will remain fairly constant.

Supplemental Performance and Resources Information. The ultimate goal of homeless assistance is to help homeless families and individuals achieve the outcome of staying in permanent housing and obtaining self-sufficiency. Congress requires that 30 percent of HUD's homeless assistance funding is allocated to permanent housing. One of HUD's programs, Shelter plus Care, provides permanent housing assistance, while communities secure an equal level of funding for a variety of supportive services from other sources. This combination ensures that residents receive the housing and services they need to maintain stable permanent housing and make progress towards self-sufficiency. Other HUD programs that provide permanent housing, including the Supportive Housing Program and the Moderate Rehabilitation/Single Room Occupancy program, help to meet other needs related to homelessness. Many communities are increasing their permanent housing stock as a direct result of the statutory requirement and HUD's emphasis on permanent housing. This increases the number of available housing units and allows communities to house more homeless persons.

Historically, Homeless Assistance Grants appropriation levels have increased steadily, which has contributed significantly to HUD's ability to achieve this goal. The appropriation in FY 2008 was $1.5 billion, and the appropriation in FY 2009 increased to $1.6 billion. The increases in funding ensure that existing permanent housing programs, as well as transitional housing programs that prepare homeless persons for permanent housing, will be able to continue operating, while new programs can be added in communities with remaining need. HUD's Samaritan Bonus initiative increases the link between funding levels and new permanent housing. This initiative provides communities with "bonus" funding, above their regular allocations, in order to develop new permanent housing units.

Data Discussion. Data for this indicator are collected from HUD's Annual Progress Report, which each homeless assistance project submits at the end of the operating year. This report represents a means of reporting on the outcomes of HUD-funded homeless assistance projects. Field Office monitors grantees on a sample basis to assess quality of data in grantee reports. HUD intends to improve reliability of this measure by developing an electronic Annual Progress Report, which can be generated by the local Homeless Management Information System. This will eliminate transaction lag of the paper-based reporting system and increase response rates. Because projects begin annual operations at different times, the data reflect projects that ended their operational year in 2009 and whose Annual Progress Reports were entered in HUD's database by September 30, 2009. Due to the varied operation dates for projects, the data for all Annual Progress Report-based indicators represent at least 39 percent of all projects operating in 2009. An independent assessment in 2004 showed CPD-Annual Progress Report performance indicator data passed quality tests for validity, completeness, and consistency.

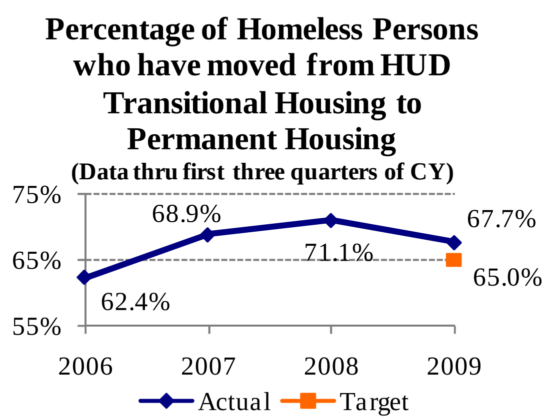
Program Website. http://www.hud.gov/offices/cpd/homeless/programs/index.cfm

C.10: The percentage of homeless persons who have moved from HUD transitional housing into permanent housing will be at least 65 percent.

Public Benefit and Program Accomplishments

Public Benefit: The ultimate objective of homeless assistance is to help homeless families and individuals achieve the outcome of obtaining permanent housing and self-sufficiency. HUD has focused on creating new permanent housing, which targets hard-to-serve homeless populations who tend to have a more difficult time with permanent housing retention. When there are more permanent supportive housing options available to this population, a higher percentage of people leaving transitional housing will be able to move into permanent housing. Another benefit of this process is that it opens up availability in emergency shelters and transitional housing for other people who need housing and supportive services. This measure tracks the number of homeless persons who move from HUD-funded transitional housing projects into permanent housing or other supportive housing.

Results and Analysis. In FY 2009, the rate of homeless persons who have moved from HUD transitional housing into permanent housing was 67.7 percent, exceeding the goal of 65 percent. While HUD's performance relative to this indicator has decreased by 2.7 percentage points, HUD's achievement is very significant in light of the economic challenges facing many Americans to include increased incidents of unemployment and homelessness. The reporting period is from January 1, 2009 to September 30, 2009.



HUD also continues to provide the supportive services necessary to move people who are homeless from transitional housing to permanent housing, allowing more vacancies for homeless persons in need of transitional housing and accompanying supportive services. Since 2006, HUD has published this goal in its annual Homeless Assistance Grant application, and required communities to report on the steps they are taking to achieve this goal at the local level. This emphasis on performance and permanent housing has pushed communities to focus on these goals and use all available mainstream resources to aid in service provision, which in turn has led to visible successes. Further, in FY 2010, HUD expects that communities will continue to strive toward exceeding their achievements from FY 2009. HUD anticipates that the results will show these efforts and the number of individuals and families moving from transitional housing into permanent housing will increase.

***Supplemental Performance and Resources Information*:** Transitional housing with supportive services is an important stepping stone toward permanent housing for many homeless persons. This key part of a community's continuum of care helps homeless individuals and families gain the skills to achieve self-sufficiency. When moving to permanent housing, the needs of the homeless subpopulations within a particular community are varied. Some people need extensive supportive services while in permanent housing to maintain self-sufficiency; for others, market-rate housing with minimal services is adequate. This measure tracks formerly homeless persons moving into all types of permanent housing. Historically, Homeless Assistance Grants appropriation levels have increased steadily, which has contributed significantly to HUD's ability to achieve this goal. The appropriation in FY 2008 was $1.5 billion, and the appropriation in FY 2009 increased to $1.6 billion. The increases in funding ensures that existing transitional housing programs can continue offering quality services to persons who need the support in order to increase their skills and employment, and move to permanent housing. At the same time, increases in funding allow new programs to be added in communities with remaining need.

Data Discussion. Data for this indicator are collected from HUD's Annual Progress Report, which each homeless assistance project submits at the end of the operating year. This report represents a means of reporting on the outcomes of HUD-funded homeless assistance projects. Field staff monitors grantees on a sample basis to assess quality of data in grantee reports. HUD intends to improve reliability of this measure by developing an electronic Annual Progress Report, which can be generated by the local Homeless Management Information System. This will eliminate transaction lag of the paper-based reporting system and increase response rates. Because projects begin annual operations at different times, the data reflect projects that ended their operational year in 2009 and whose Annual Progress Reports were entered in HUD's database by September 30, 2009. Due to the varied operation dates for projects, the data for all Annual Progress Report-based indicators represent at least 39 percent of all projects operating in 2009. An independent assessment in 2004 showed that CPD-Annual Progress Report performance indicator data passed quality tests for validity, completeness, and consistency.

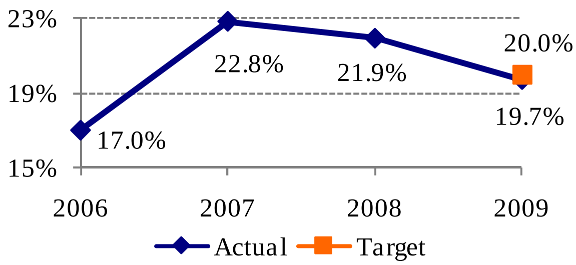
Program Website. http://www.hud.gov/offices/cpd/homeless/programs/index.cfm

C.11: The employment rate of persons exiting HUD homeless assistance projects will be 20 percent.

Public Benefit and Program Accomplishments

Public Benefit: Stable employment is a critical step for homeless persons in achieving the outcome of greater self-sufficiency and obtaining and remaining in permanent housing. This indicator tracks the number of adult clients who are employed upon exit from HUD-funded homeless assistance projects.

Employment Rate of Persons Exiting HUD Homeless Assistance Projects
(Data thru first three quarters of CY)



Results and Analysis: In FY 2009, the employment rate of persons exiting HUD funded homeless assistance projects was 19.7 percent, close to the goal. While the employment rate of persons exiting HUD homeless assistance projects decreased by 2.2 percent from FY 2008, there was a 66 percent increase in the number of individuals receiving employment income for participants in HUD funded projects in FY 2009. These achievements demonstrate that HUD funded homelessness programs are responsive to changing economic trends and continue to provide critical resources and services while meeting or exceeding statistical benchmarks. The reporting period is from January 1, 2009, to September 30, 2009.

Under the Supportive Housing Program, employment assistance combined with case management and housing has enabled many communities to achieve improved employment outcomes. Since 2006, HUD has published this goal in its annual Homeless Assistance Grant application, and required communities to report on the steps they are taking to achieve this goal at the local level. This emphasis on performance has pushed communities to focus on these goals and use all available mainstream resources to aid in service provision, which in turn has led to visible successes. HUD will continue to monitor the employment rate in its Annual Progress Report and through the Continuum of Care application. Past years showed strong increases, but the result for FY 2009 demonstrated that these increases could be leveling off. In FY 2010 HUD anticipates an achievement consistent with that of FY 2009.

Supplemental Performance and Resources Information. Housing and employment are linked in helping homeless individuals and families obtain and remain in permanent housing: when people have stable housing, it is often easier for them to maintain employment, and vice versa. HUD encourages communities to provide comprehensive housing and services to homeless individuals and families, which can include employment training and job search assistance. Homeless programs generally serve people with mental and physical disabilities or other challenges that make it difficult to obtain and retain employment. Only a portion of the population served by HUD's homeless programs have a goal of employment as a source of income. For this reason, HUD encourages linking many clients to mainstream income benefits; as people become stabilized, their barriers to employment can be addressed. This measure helps HUD gauge progress toward the goal of improved employment for homeless persons. Historically, Homeless Assistance Grants appropriation levels have increased steadily, which has contributed significantly to HUD's ability to achieve this goal. The appropriation in FY 2008 was $1.5 billion, and the appropriation in 2009 increased to $1.6 billion. The increases in funding ensure that existing programs that provide homeless persons with employment training and increased skills for self-sufficiency will be able to continue offering quality services, while new programs can be added to help more homeless persons gain skills to become employed. In this way, increases in funding enable more communities, and HUD, to achieve this goal.

Data Discussion. Data for this indicator are collected from HUD's Annual Progress Report, which each homeless assistance project submits at the end of the operating year. This report represents a means of reporting on the outcomes of HUD-funded homeless assistance projects. Field staff monitors grantees on a sample basis to assess quality of data in grantee reports. HUD intends to improve reliability of this measure by developing an electronic Annual Progress Report, which can be generated by the local Homeless Management Information System. This will eliminate transaction lag of the paper-based reporting system and increase response rates. Because projects begin annual operations at different times, the data reflect projects that ended their operational year in 2009 and whose Annual Progress Reports were entered in HUD's database by September 30, 2009. Due to the varied operation dates for projects, the data for all Annual Progress Report-based indicators represent at least 39 percent of all projects operating in 2009. An independent assessment in 2004 showed that CPD-Annual Progress Report performance indicator data passed quality tests for validity, completeness, and consistency.

Program Website. http://www.hud.gov/offices/cpd/homeless/index.cfm

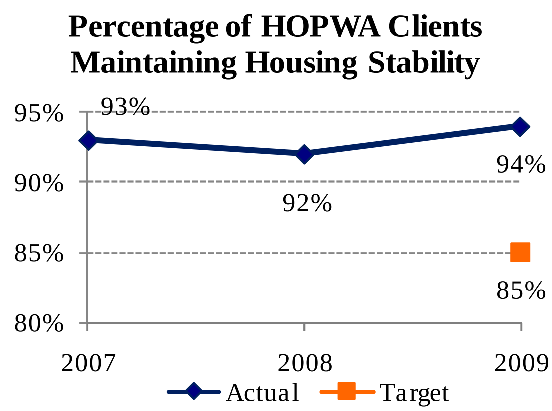
C.12: The percentage of Housing Opportunities for Persons with AIDS program clients who maintain housing stability, avoid homelessness, and access care will be maintained at 85 percent for permanent housing in 2009 and 60 percent for short term/transitional housing

Public Benefit and Program Accomplishments

Public Benefit: HOPWA serves as a supportive housing intervention to help reduce the risks of homelessness for the special needs population of persons living with HIV/AIDS and their families who have affordable housing needs. HOPWA support that achieves stable housing serves as a base from which program beneficiaries may participate in an effective comprehensive care program for this special needs population, who face other life challenges such as mental illness, substance abuse, and sobriety issues, and thereby improve their access to required HIV care and treatment. Permanent supportive housing is a critical component of promoting the housing stability of persons and their families living with HIV/AIDS. In addition to on-going rental assistance and other permanent housing support, HOPWA short-term and transitional housing is designed to assist households who are at severe risk of homelessness avoid displacement from current housing. These short-term efforts also help address needs through transitional supportive housing, such as residential addiction counseling and treatments. Program beneficiary data reports that 83 percent of households are classified as extremely low income (less than 30 percent of median income), another 12 percent as having very low incomes (below 50 percent of median income), and 5 percent being low income (below 80 percent of median income). The HOPWA performance goals for these two objectives are designed to demonstrate that by FY 2012, 90 percent of beneficiaries in permanent housing will achieve housing stability and that those receiving short-term or transitional housing will reach 70 percent housing stability. These long-term measures involve interim annual goals, targeting results to 85 percent for permanent housing projects in 2009 and for 60 percent for short-term efforts in 2009.

Results and Analysis: The HOPWA program exceeded its FY 2009 performance goals. The HOPWA program has demonstrated effective results in promoting stability in housing arrangements consistent with HUD's overall mission for decent, safe, and affordable housing.

- The goal of 85 percent for those receiving permanent housing assistance will achieve housing stability has been exceeded. Of those receiving permanent housing assistance, ninety-four percent achieved housing stability and six percent were reported as unstably housed.



- The goal of 60 percent for those receiving short-term and transitional housing will result in reduced risk of homelessness has been exceeded. Of those receiving short term and transitional housing assistance, 92 percent achieved housing stability with reduced risks of homelessness.

Supplemental Performance and Resources Information: In FY 2009, $310 million was appropriated for HOPWA program activities. These resources are administered by 122 formula grantees (on behalf of 131 states and qualifying cities that are eligible for HOPWA formula funding) and 105 competitive grantees who partner with over 850 area housing agencies and nonprofit organizations to provide direct assistance for beneficiaries. These federal housing resources are made available to communities through HUD's Consolidated Planning process and through competitive/renewal grants that serve as model efforts and undertake programs in non-formula areas. In FY 2009, HOPWA recorded a record level of program outlays by grantees with $317.1 million expended. There is also related research on HIV and homeless populations that involved the use of supportive housing as an intervention for special needs households. This effort in a Chicago study involved HOPWA and homeless assistance funding to reduce use and related costs for emergency services, hospitalization and nursing care, once beneficiaries were stabilized in housing and adequate health care arrangements. Preliminary data reported for clients who were homeless indicates that daily support in supportive housing efforts averages $34 per day, compared to hospitalization costs of $2,168 per day, and nursing care at $84 to $132 per day. HUD continues to work in partnership with the Centers for Disease Control and Prevention on the pending results from a Housing and Health study on the connections of stable housing to prevention and care outcomes. The study involved the use of HOPWA rental housing assistance for persons living with HIV/AIDS who were homeless or at severe risk of homelessness and will help advance the body of knowledge on the relationship between housing and HIV care. The final paper and study results are pending publication.

***Data Discussion*:** The HOPWA program conducts an ongoing evaluation and analysis of grantee performance reporting outcome data supported through technical assistance and training efforts. The program has a comprehensive data set that enables the assessment of beneficiary outcomes that are divided into two separate measures: (1) housing stability in permanent housing; and (2) reduced risks of homelessness in short-term and transitional housing.

In FY 2009, this data also includes client outcomes from households in permanent housing facilities, as projects were asked to track results separately from other short-term and transitional facility results. For short term housing assistance, program activities support beneficiaries who are later out placed into other permanent housing support, restored to more independent living or temporarily assisted in reducing their presenting risks of homelessness thought the short-term support. To help guide grantees' performance reporting efforts and evaluation of results, the program has continued to conduct training targeted to project sponsors on program oversight and reporting, and through the publication of quarterly grantee performance profiles that are posted on the program websites.

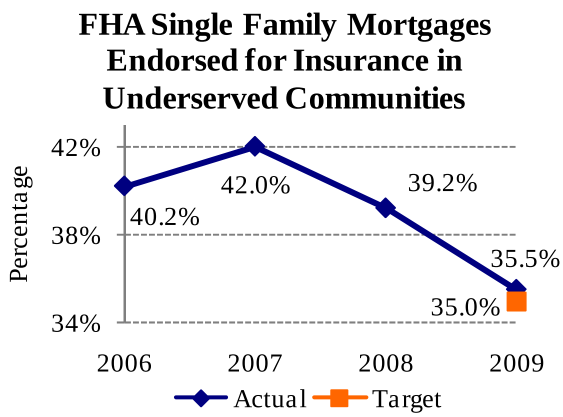
***Program Website*.** http://www.hud.gov/offices/cpd/aidshousing/index.cfm HOPWA resources are also included in the Homelessness Resource Exchange site and accessed at www.HUDHRE.info/HOPWA.

FHA/Housing

C.13: At least 35 percent of single family mortgages endorsed for insurance by FHA are in underserved communities.

Public Benefit and Program Accomplishments

Public Benefit: FHA's role in the mortgage market is to extend homeownership opportunities to families that otherwise might not achieve homeownership. Specifically, FHA-insured lending in traditionally underserved neighborhoods helps achieve the important outcome of stabilizing communities by increasing homeownership rates, and providing solid secure financing options. There is substantial evidence that lower-income and minority neighborhoods are less well-served by the conventional mortgage market than are more affluent and non-minority neighborhoods. Having FHA serve these markets helps provide stability and a safe alternative for those who cannot qualify for a traditional conventional loan.



Results and Analysis. The FY 2009 level was determined to be 35.5 percent, which exceeded the targeted level of 35 percent.

Supplemental Performance and Resources Information. In FY 2008, 39.2 percent of single family mortgages endorsed for insurance by FHA were in underserved communities. The revised FY 2009 goal was to ensure that at least 35 percent of all single family mortgages endorsed for insurance by FHA is in underserved areas. FHA serves as a source for affordable, safe and secure financing in underserved markets. While FHA contributes to the stabilization of these markets, it should not be the sole source of housing financing opportunities for individuals in these communities.

Underserved neighborhoods are defined in metropolitan areas as census tracts either with a minority population of 30 percent and median family income below 120 percent of the metropolitan area median, or with median family income at or below 90 percent of area median (irrespective of minority population percentage.) A similar definition of underserved applies to non-metropolitan areas, using counties rather than tracts.

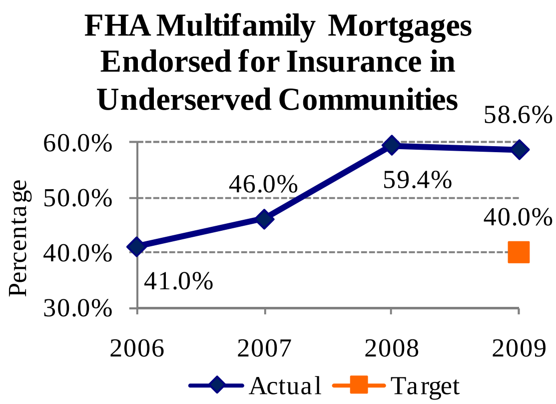
Data Discussion. This measure uses data from FHA's Consolidated Single Family Statistical System. This measure may fluctuate when the census tracts constituting underserved areas are redefined using the latest census data. The fluctuations are not expected to substantially reduce the reliability of this national summary measure. An independent assessment completed in 2004 showed that Consolidated Single Family Statistical System performance indicator data passed six-sigma quality tests for validity, completeness, and consistency. HUD verifies FHA data for underserved communities by comparison with Home Mortgage Disclosure Act data.

Program Website. http://www.hud.gov/offices/hsg/sfh/hsgsingle.cfm

C.14: The share of multifamily properties insured by FHA in underserved areas is maintained at 40 percent of initial endorsements.

Public Benefit and Program Accomplishments

Public Benefit: FHA multifamily insurance is an important contributor to strengthening the social and economic fabric in underserved communities by providing affordable housing, which is in critical short supply. FHA programs include those that insure loans for new construction and substantial rehabilitation of multifamily rental units (Sections 221(d)(3), 221(d)(4), and 220, and risk-sharing under 542(b) and (c)), as well as Section 223(f), which insures mortgages for existing multifamily properties, either to refinance an existing mortgage or to facilitate the purchase of a property. A moderate amount of repairs may be included in the mortgage. These programs improve the quality and affordability of rental housing, increase their availability in underserved neighborhoods, and promote revitalization of those neighborhoods.



Results and Analysis. The FY 2009 level was determined to be 58.6 percent, which significantly exceeded the revised targeted level of 40 percent.

Supplemental Performance and Resources Information. This indicator measures the proportion of multifamily properties in “underserved” neighborhoods, as a percentage of all multifamily properties that receive FHA mortgage endorsements. Underserved neighborhoods are defined in metropolitan areas as census tracts either with a minority population of 30 percent and median family income below 120 percent of the metropolitan area median, or with median family income at or below 90 percent of area median (irrespective of minority population percentage). A similar definition of underserved applies to non-metropolitan areas, using counties rather than tracts.

The revised FY 2009 goal, which was influenced by national economic conditions, was increased from the original 33 percent to 40 percent of all multifamily properties during the year.

Data Discussion. The data for this indicator are from FHA’s Real Estate Management System and Census data. Initial endorsements are the loan closings recorded in the Development Application Processing system (DAP) and the Multifamily Insurance System, as described in detail in Indicator B.4. Underserved area is derived using the procedures posted on the Program Website noted below. Briefly, the Office of Policy Development and Research determines which census tracts meet the definition of underserved and annually posts a database listing each tract as served or underserved. To do so for FY 2008, the Office of Policy Development and Research used the 2000 Census' census tract boundaries, tract numbering system, and median income and minority percentage data and OMB’s June 2003 Metropolitan Statistical Area specifications updated through October 2007.

Multifamily’s conclusions on served status should be very accurate as Policy Development and Research, the Census Bureau, and OMB have rigorous data quality standards and all geocoding and status look-ups are done electronically using well-respected geocoding software.

Program Website. http://hudatwork.hud.gov/po/h/hm/fog/dev/underservedgeocodesrv.cfm

C.15: HUD will continue to monitor and enforce Fannie Mae's and Freddie Mac's performance in meeting or surpassing HUD-defined geographic targets for mortgage purchases in underserved areas.

This indicator was deleted. HUD will no longer be reporting on Fannie Mae's and Freddie Mac's performance. Pursuant to the Housing and Economic Recovery Act of 2008, which became law on July 30, 2008, HUD's regulatory responsibilities over Fannie Mae and Freddie Mac immediately transferred to a new regulator, the Federal Housing Finance Agency.

C.16: FHA mortgage insurance enables at least seven hospitals to obtain affordable financing for construction or modernization projects.

Public Benefit and Program Accomplishments

Public Benefit: Modern hospital facilities are necessary to help strengthen and sustain communities across the country. Section 242 mortgage insurance allows hospitals to lock in low interest rates and reduce borrowing costs for major renovation, expansion, and replacement projects that help improve healthcare access and quality. FHA will continue successful efforts to geographically diversify its hospital portfolio, branching out to serve hospitals in regions that historically have made little use of the program.

Results and Analysis. In FY 2009, FHA mortgage insurance enabled ten hospitals to obtain affordable financing for construction or modernization projects, exceeding the FY 2009 goal of 7 hospitals, as well as the FY 2008 result of 8. As of September 30, 2009, HUD has insured cumulatively 376 hospital loans totaling $15.3 billion since its inception in 1969. Of those, 90 hospital loans are currently active.

Supplemental Performance and Resources Information. Hospitals are vital contributors to the economic strength and growth of local and regional communities. Hospitals are typically among the largest employers in their service areas, providing jobs and job growth even in times of economic recession and stimulating demand for local businesses. Using the widely respected IMPLAN economic model, HUD estimated the economic impact of the 10 projects approved in FY 2009. The model estimates that during the construction period alone, these projects will support over 8,800 jobs and generate $2.6 billion in economic development in these communities. After construction of the projects is complete, the new service lines and expanded capacity created by these projects will generate an annual economic impact of $1.1 billion and support over 6,000 jobs in these communities.

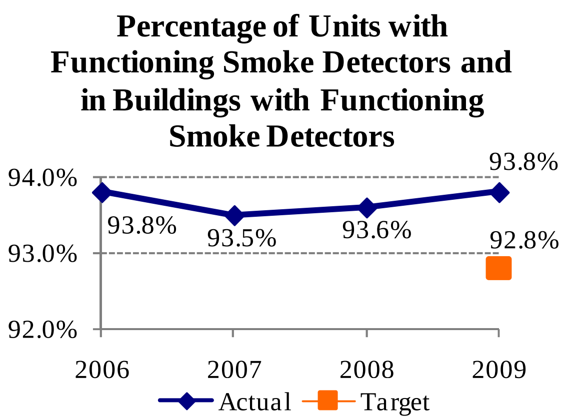
Data Discussion. The data source is the Multifamily Insurance System. There are no complex data requirements to measure this result. The period of the data (number of commitments issued) is FY 2009. The data are complete, valid, and reliable.

Program Website. http://www.fha.gov/healthcare/index.cfm

C.17: The share of units that have functioning smoke detectors and are in buildings with functioning smoke detectors will be 92.8 percent or greater for multifamily housing.

Public Benefit and Program Accomplishments

Public Benefit: This indicator measures the estimated share of units that are protected by a fully functional smoke detection system, defined as smoke detectors that are observed to be both present and operative in the unit as well as the building in which the unit is located. The National Fire Protection Association reports that although smoke alarms cut the chances of dying in a house fire by 40 to 50 percent, about one-quarter of U.S. households lack working smoke alarms.



Results and Analysis: The FY 2009 level was determined to be 93.8 percent, exceeding the targeted level of 92.8 percent.

Supplemental Performance and Resources Information. The Real Estate Assessment Center's physical inspections of assisted housing include checks of fire safety features including the presence of operational smoke detectors in housing units, common areas, and utility areas of buildings. A significant majority of deficiencies for multifamily housing include apartment units with smoke detectors that need batteries.

Data Discussion. Data for this indicator are from the Real Estate Assessment Center's Physical Assessment Subsystem, based on a sample of units from each project, and weighted to represent the entire stock. For private multifamily properties, results for FY 2008 reflect the most recent inspections available as of September 30, 2009.

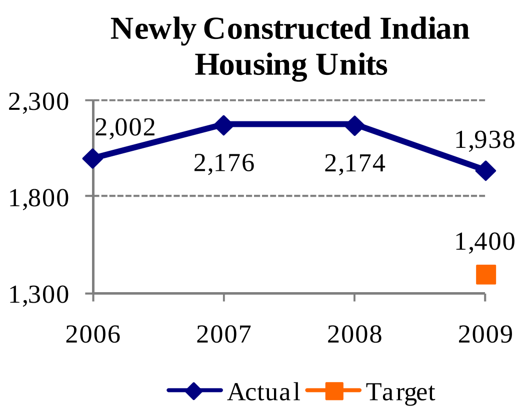
Program Website. http://www.hud.gov/offices/hsg/hsgmulti.cfm

C.18: Overcrowded households in Indian Country shall be reduced by 1,400.

Public Benefit and Program Accomplishments

Public Benefit: This indicator measures the reduction in the number of overcrowded households in Indian Country. Recent studies confirm U.S. Census data indicating that overcrowding in Indian Country is especially acute. The lack of available affordable housing and can lead to a range of health and social problems. The Indian Housing Block Grant program provides more housing units that relieves overcrowding and thus supports the Department's goals of providing permanent housing to homeless families and mitigating housing conditions that threaten health.

During FY 2003, the Office of Native American Programs and several participating tribes developed an estimate of the extent of overcrowding in Indian Country, based partly on U.S. Census data. They concluded that an estimated 47,169 households were overcrowded in 2003. The Department's goal was to reduce the number of overcrowded households by 3 percent (1,400 units) of the 2003 baseline.



Results and Analysis: In FY 2009, the Department reduced overcrowding in Indian Country by 4.1 percent (1,938 units), exceeding the goal of a three percent (1,400 units) reduction from the FY 2003 baseline. Since FY 2003, overcrowding in Indian Country has been reduced by 32.1 percent (15,150 households). Recipients of the program have built an average of 1,960 new units for each of the last 5 fiscal years.

Supplemental Performance and Resources Information. HUD sets targets for this indicator based on past performance because recipients of Indian Housing Block Grant funds are permitted to set their own goals based on changing local needs. Trend data suggest that building new units continues to be a priority for recipients; however, spending for this activity has decreased slightly each year for the last 4 years, from almost 25 percent of total funding in FY 2006, to 17 percent in FY 2009.

Since FY 2005, the annual appropriation for this program has increased slightly from $622 million to $645 million in FY 2009. For most of its grantees, the Indian Housing Block Grant is the main or sole source of funding for affordable housing. Affordable housing projects in Indian Country tend to be long-term, and thus performance levels may not occur in the same fiscal year with changes in funding levels. Additionally, during FY 2009 recipients received $497 million under the Recovery Act. This funding will equate to approximately 160 new rental units being constructed and 66 rental units begin rehabilitated over the next three years.

Data Discussion. Data on overcrowding come from the decennial United States Census. Data on the number of new housing units built are collected from more than 500 grantees' Annual Performance Reports, captured in the Performance Tracking Databases of each of the six Area Offices of Native American Programs. Grantees report annually, no later than 90 days after their year ends. The results reported herein include the most recent grantee fiscal year reports received. Accomplishments reported in this document will require annual revision as grantees continue reporting and submitting updates to their Annual Performance Reports. Recipients whose fiscal year ends on September 30 are reported in the next fiscal year.

The current measurement method assumes that each new housing unit constructed relieves overcrowding by one household. HUD recognizes this is an imperfect method to measure overcrowding, but a more precise, cost effective, and feasible measurement tool has not yet been identified. HUD has worked with tribal housing representatives to revise the planning and reporting forms that grantees are required to submit annually. The improved forms will be designed to collect more information relevant to overcrowding and other housing conditions, while simplifying the overall planning and reporting processes.

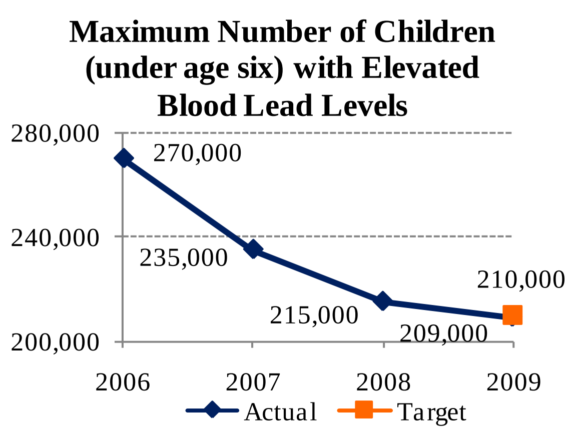
Program Website. http://www.hud.gov/offices/pih/ih/grants/ihbg.cfm

Healthy Homes and Lead Hazard Control

C.19: The number of children under the age of six who have elevated blood lead levels will be 210,000 or less in 2009.

Public Benefit and Program Accomplishments

Public Benefit: Lead poisoning is the number one environmental disease impacting children. A child under age 6 is said to have an elevated blood lead level (i.e., be lead poisoned) if the child's blood is confirmed as having at least 10 micrograms of lead per deciliter. These children, especially those less than three years old, are vulnerable to permanent developmental problems because of the well-documented effect of lead on developing nervous systems. Consequences for the community include higher health care costs, lower academic performance, special education costs, higher delinquency, and lower earning capacity in adulthood.



Results and Analysis: The outcome target was met. Data from the Center for Disease Control and Prevention's National Health and Nutrition Examination Survey indicate that fewer than 209,000 children had elevated blood lead levels for 2009; the Center estimate of the number of children with elevated blood lead levels is 185,000.

At the baseline period of 1991-1994, the Survey indicated that there were 890,000 children with elevated blood lead levels; for 1999-2002, this had dropped to 310,000. HUD's major effort in this area has been to control lead hazards in housing through grants and enforcement of HUD's lead regulations, thereby developing local infrastructure. In support of these efforts, HUD has conducted outreach on this issue, and has expanded the public/private infrastructure needed to implement the program. In addition to the grant programs, HUD enforces two housing-related lead safety regulations, and partners with the Centers for Disease Control and Prevention, the Environmental Protection Agency, other federal, state and local agencies, and with the private sector, to implement its lead hazard control effort.

Supplemental Performance and Resources Information. The results are directly linked to the accomplishments of HUD grantees under its lead grant programs and of HUD's regulatory enforcement program. The grants provide communities with the funding resources and technical information to reach out to property owners and the lead hazard evaluation and control industries to establish and implement programs that make homes lead safe. The regulatory enforcement program targets violators and reaches agreements with them to control lead hazards in housing in addition to paying fines. Funding for the lead grant programs and the accompanying lead technical contracts has been relatively stable over the past several years, at approximately $140 million to $145 million.

Data Discussion. The National Health and Nutrition Examination Survey, conducted by the Centers for Disease Control and Prevention, uses actual physical examinations of a large, nationally representative sample of children to determine blood-lead levels, among other things. This survey, the only national survey of children's blood lead levels, is regarded as providing the best national estimate of a number of health outcomes, and incorporates a variety of quality control and verification procedures that make it reliable. HUD does not verify the survey results independently; doing so would unnecessarily duplicate the Centers for Disease Control and Prevention's verification procedures. The survey cannot identify the source of elevated blood lead levels.

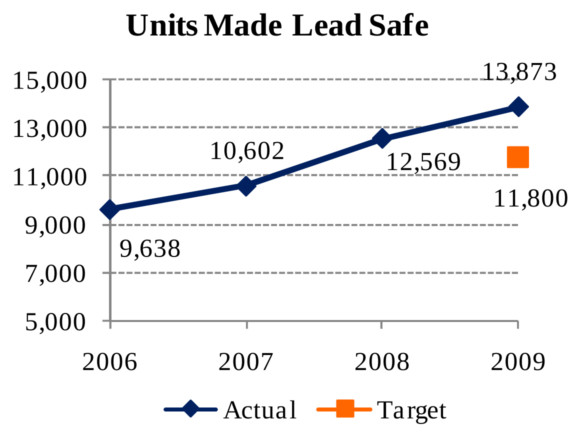
Program Website. www.hud.gov/offices/lead

C.20: As part of a 10-year effort to eradicate lead hazards, the Lead Hazard Control Grant programs will make 11,800 units lead safe in FY 2009.

Public Benefit and Program Accomplishments

Public Benefit: The mission of the Office of Healthy Homes and Lead Hazard Control (OHHLHC) is to reduce health and safety hazards in housing in a comprehensive and cost effective manner, with a particular focus on protecting the health of children and other sensitive populations in low income households. These efforts serve to reduce housing related health hazards in support of HUD's Strategic Goal to Strengthen Communities, in particular HUD's strategic objective to "Address housing conditions that threaten health."

The Office provides grants to state and local governments to develop cost-effective ways to reduce lead-based paint hazards. In addition, the office enforces HUD's lead-based paint regulations, provides public outreach and technical assistance, and conducts technical studies to help protect children and their families from health and safety hazards in the home. The Office of Healthy Homes and Lead Hazard Control's Lead-Based Paint Hazard Control and Lead Hazard Reduction Demonstration Programs provide state and local government grantees with funds to perform lead hazard control in privately owned rental and owner-occupied housing targeted to low-income households with young children, those who are most harmed by lead. Started in 1992, this program has demonstrated replicable results and has been recognized as one of most successful programs in HUD.



Results and Analysis: During FY 2009, the lead hazard control grant programs awarded and monitored by the Office made over 13,873 housing units lead-safe, 18 percent more than the goal, and, as a result, significantly reduced the potential for the children living in these homes to become lead poisoned. As of September 2009, the Lead Hazard Control Grant program has made 124,617 units lead-safe nationwide since its inception. The program has dramatically increased the number of lead-safe homes nationwide and contributed to reducing both the average blood lead levels and incidence of lead-poisoned children.

Supplemental Performance and Resources Information. Each dollar invested in lead paint hazard control results in a return of at least $17, and much as $221, so the lead hazard control grant programs' FY 2009 total budget of $125.2 million will yield a net savings in the range of $2.0 billion to $27.5 billion.

Data Discussion. Data on the number of housing units made lead safe is provided by the grantees through the Office of Healthy Homes and Lead Hazard Control's on-line Quarterly Progress Reporting System, and is verified by the Office of Healthy Homes and Lead Hazard Control's staff through ongoing monitoring, including review of project descriptions, clearance examination reports, invoices, and the narrative elements of the quarterly reports, as well as by on-site monitoring of selected grantees.

Program Website. www.hud.gov/offices/lead

Goal D: Ensure Equal Opportunity in Housing

	Performance Indicator	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2009 Target	Met/Miss	Notes
	PERFORMANCE REPORT CARD – Goal D							
	Fair Housing and Equal Opportunity							
D.1	Increase the impact of Fair Housing Act enforcement by increasing the efficiency of fair housing complaint processing.							
	HUD will close or charge 55 percent of its Fair Housing Act complaints filed during the fiscal year within 100 days.	N/A	N/A	60.00%	60.00%	55.00%	✔	
	Fair Housing Assistance Program agencies will close or charge 50 percent of its Fair Housing complaints filed during the fiscal year within 100 days.	51.00%	46.00%	50.00%	53.00%	50.00%	✔	
	HUD will close or charge 60 percent of its aged Fair Housing Act complaints within the fiscal year.	N/A	63.00%	73.00%	72.00%	60.00%	✔	
	Fair Housing Assistance Program agencies will close or charge 95 percent of its aged Fair Housing complaints within the fiscal year.	N/A	N/A	97.00%	97.00%	95.00%	✔	
D.2	Recipients of Fair Housing Initiatives Program education and outreach grants will hold at least 450 activities, to include outreach to faith-based and grassroots organizations, reaching at least 270,000 people.							
	Public events held.	697	1,486	1,783	933	450	✔	
	People reached at public events.	250,799	247,201	296,641	1,060,320	270,000	✔	
D.3	Increase the number of HUD-assisted units made accessible as a result of Voluntary Compliance Agreements.	N/A	Develop	Goal Met	857	600	✔	

N/A: Not available

D.1: Increase the impact of Fair Housing Act enforcement by increasing the efficiency of fair housing complaint processing.

Public Benefits and Program Accomplishments

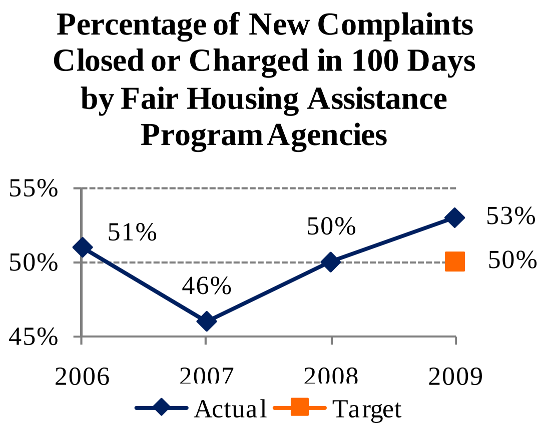
Public Benefit: Enforcement of fair housing laws is crucial to enhancing housing opportunities for all people of the United States and ensuring that enforcement is completed in a timely manner is key to the public's confidence in the efforts of the Department and its Fair Housing Assistance Program partners to ensure equal opportunity in housing. The Department's goal is to provide effective, quality investigations within 100 days, with an understanding that some cases will require an extended investigation period. If a case is not closed within 100 days, it is considered "aged."

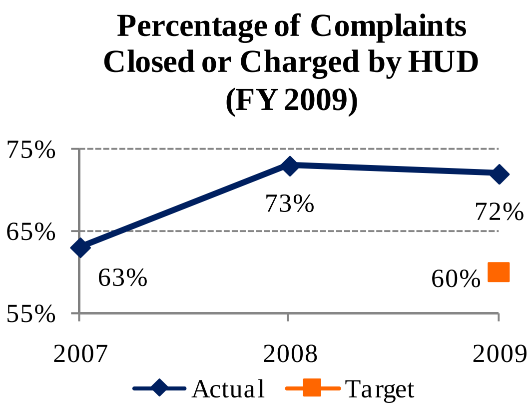
This indicator includes four subparts that are intended to reflect HUD's and its fair housing partners' efficiency in closing the inventory of fair housing complaints. This indicator examines the percentage of newly filed cases that HUD and Fair Housing Assistance Program agencies each complete within 100 days either by closing the investigation or issuing a charge or cause determination. To ensure a quality investigation of previously filed cases, HUD also looks at any case that had been open more than 100 days, "aged," before the start of the fiscal year. This indicator examines the percentage of these cases closed by HUD or a Fair Housing Assistance Program agency during the fiscal year.

- HUD will close or charge 55 percent of its Fair Housing Act complaints filed during the fiscal year within 100 days.
- Fair Housing Assistance Program agencies will close or charge 50 percent of its Fair Housing complaints filed during the fiscal year within 100 days.
- HUD will close or charge 60 percent of its aged Fair Housing Act complaints within the fiscal year.
- Fair Housing Assistance Program agencies will close or charge 95 percent of its aged Fair Housing complaints within the fiscal year.

Results and Analysis: The Department exceeded the four subparts of this goal. Specifically:

- HUD completed 60 percent of its new cases in FY 2009 within 100 days. This exceeded the target of closing 55 percent within 100 days by five percentage points, or nine percent, and equals the 2008 results. This performance is attributable to a number of factors. First and foremost, HUD investigators were efficient in their handling of fair housing investigations. In addition, in FY 2008, the Office of Fair Housing and Equal Opportunity began tracking performance on this indicator on a monthly basis, which helped ensure cases were processed more efficiently.





- This year Fair Housing Assistance Program agencies closed 53 percent of their new cases within 100 days. The result exceeded the target of 50 percent by three percentage points, or six percent. This result is an improvement over FY 2008 performance, when Fair Housing Assistance Program agencies closed 50 percent of new cases within 100 days, missing the target of 53 percent.

- In FY 2009, the Department closed 72 percent of its "aged" inventory by the end of the fiscal year. This exceeded the goal of closing 60 percent of the "aged" cases inventory by 12 percentage points, or 20 percent. It is virtually unchanged from FY 2008, when the Department closed 73 percent of its "aged" cases.

- Agencies in the Fair Housing Assistance Program closed 97 percent of the "aged" cases in their inventory in FY 2009, consistent with results from FY 2008. This result was two percent more than the Department's goal of 95 percent.

Supplemental Performance and Resources Information. One of the key resources involved in investigating fair housing cases is staffing. Sufficient staffing allows the Department to ensure that each investigator is carrying a workload that allows him or her to conduct a timely and quality investigation of a fair housing complaint.

The Fair Housing Assistance Program received $25.5 million in funding for FY 2009, a slight decrease from $25.6 million in FY 2008. Currently, there are 105 state and local agencies in the Fair Housing Assistance Program. In FY 2009, these agencies investigated more than three out of every four fair housing complaints filed with HUD and the Fair Housing Assistance Program agencies. HUD reimbursed Fair Housing Assistance Program agencies for each fair housing investigation completed. In FY 2009, the maximum reimbursement amount was $2,450 for each case with an additional $500 possible for investigations that resulted in a finding of discrimination so that funds are available to support further enforcement efforts such as litigation. The maximum reimbursement amount represents a $50 increase above FY 2008. Prior to this increase the standard reimbursement amount had remained constant since FY 2003. This increase in the maximum potential reimbursement was coupled with better alignment of reimbursement standards to the 100 day performance metric. Together, these incentives helped to improve Fair Housing Assistance Program performance on this indicator.

This year's Fair Housing Assistance Program performance is particularly noteworthy in light of both the economic downturn and the state and local budget crises. Many agencies, including the largest agency in the Fair Housing Assistance Program, the California Department of Fair Employment and Housing, experienced salary cuts, layoffs, and furloughs. Two Fair Housing Assistance Program agencies closed during FY 2009 due to funding issues. Given their limited resources in FY 2009, Fair Housing Assistance Program agencies made extraordinary efforts to ensure timely and quality complaint processing.

The payment standards for cases investigated by Fair Housing Assistance Program agencies promotes the timely investigation of these cases by decreasing the reimbursement based on the age of a case. If a case remains open for an excessive period of time, the Department has authority to withhold payment entirely.

One final contributing factor to the efficient handling of Fair Housing Assistance Program investigations is the training provided at HUD's National Fair Housing Training Academy. The Training Academy, established in 2004, provides comprehensive training for fair housing professionals in all aspects of fair housing investigation. Since its inception, more than 3,000 fair housing professionals have attended classes there. HUD requires staff of Fair Housing Assistance Program agencies to complete the Training Academy curriculum.

Data Discussion. The Department records and maintains case data in the Office of Fair Housing and Equal Opportunity's Title VIII Automated Paperless Office and Tracking System. This system provides continuous tracking of case data, as it is entered by HUD and Fair Housing Assistance Program investigators. Data entries are verified through random checks of physical case files and documented case closures.

Program Website. http://www.hud.gov/fairhousing
http://www.hud.gov/offices/fheo/partners/FHAP/
http://www.hud.gov/fairhousing
http://www.hud.gov/offices/fheo/partners/FHAP/

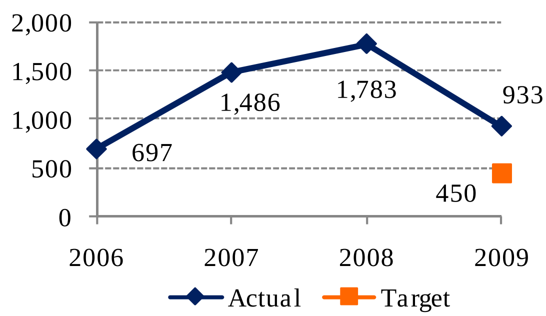
D.2: Recipients of Fair Housing Initiative Program education and outreach grants will hold at least 400 activities, to include outreach to faith-based and grassroots organizations, reaching at least 270,000 people.

Public Benefit and Program Accomplishments

Public Benefit. Tracking outreach events by Fair Housing Initiatives Program grantees is an important indicator for HUD because it impacts the public's understanding of fair housing rights and responsibilities. The Fair Housing Act's principal enforcement mechanism is the filing of individual complaints. It is therefore critical to fair housing enforcement that the public understand their rights and know how to file a complaint if those rights are violated. The targets for this indicator were revised during FY 2009 to increased both the number of activities from

300 to 450, and the number of people to 270,000 from 180,000 to reflect FY 2008 outcomes and consistently better than expected performance for this goal.

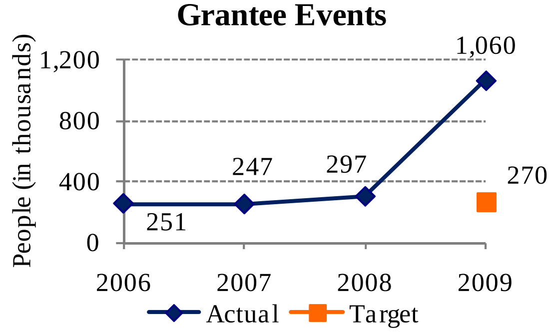
Public Events by Fair Housing Initiatives Program Grantees



Results and Analysis. HUD vastly exceeded this goal. Fair Housing Initiatives Program grantees held 933 education and outreach events and activities in FY 2009, more than doubling the goal of 450 events. These events reached 1,060,320 people during FY 2009, which is 293 percent greater than the goal of 270,000 people, and exceeds FY 2008 performance of 296,641 by a similar margin.

These outreach sessions informed consumers about housing discrimination, lending discrimination, and what they can do if they believe that they are a victim.

People Reached by Fair Housing Initiatives Program Grantee Events



Supplemental Performance and Resources Information. The amount of fair housing education and outreach in the country is directly related to the amount of funding awarded through the Education and Outreach Initiative in the Fair Housing Initiatives Program. In FY 2009, the Department provided $3.5 million in the Education and Outreach Initiative to fund approximately 25 groups who will hold education and outreach events. The FY 2009 funding level represents a $4 million increase for the Education and Outreach Initiative over FY 2008 when the Department funding was $3.1 million for 20 groups. Private Enforcement Initiative grantees are required to commit 10 percent of their $21.1 million in funding to education and outreach efforts. Consequently, the net total funding for FY 2009 was $5.6 million.

Created under the Housing and Community Development Act of 1987, the Fair Housing Initiatives Program provides funding to public and private organizations that develop programs that are designed to prevent or eliminate discriminatory housing practices. Through the Education and Outreach Initiative, the Fair Housing Initiatives Program provides grants to state and local government agencies and nonprofit organizations for initiatives that explain to the general public and housing providers what equal opportunity in housing means and what housing providers need to do to comply with the Fair Housing Act. To further these efforts these groups hold housing fairs, fair housing conferences, educational seminars, and outreach at community events.

Data Discussion. HUD requires Fair Housing Initiatives Program grantees to report their education and outreach activities. HUD tracks the total number of events held and persons reached based on data derived from the quarterly and final reports submitted by the grantees. HUD also requires that Fair Housing Initiatives Program grantees submit copies of items, such as the programs and attendance sheets from education and outreach activities, to verify their activities. The data are reported in HUD's Integrated Performance Reporting System.

Program Website. http://www.hud.gov/offices/fheo/partners/FHIP/fhip.cfm

D.3: Increase the number of HUD-assisted units made accessible as a result of Voluntary Compliance Agreements.

Public Benefit and Program Accomplishments

Public Benefit. The number of accessible units created as the result of Voluntary Compliance Agreements is an important indicator of HUD's efforts to ensure that recipients of HUD funding provide equal access to persons with disabilities. HUD established a goal during FY 2009 that at least 600 HUD-assisted units would be made accessible as a result of Voluntary Compliance Agreements.

Results and Analysis. In FY 2009, 871 HUD-assisted units were certified as accessible, according to federal accessibility standards, exceeding the goal of 600 HUD-assisted units by 271 units, or 45 percent. In FY 2007, HUD developed a database to effectively track the number of accessible housing units made available as a result of fair housing enforcement efforts. Information was collected and evaluated in FY 2008, and HUD established the target mid-year FY 2009.

Supplemental Performance and Resources Information. Section 504 of the Rehabilitation Act of 1973 requires that a public housing authority make units accessible for individuals with disabilities, including mobility disabilities. HUD requires that five percent of the units in a multifamily housing project (including public housing) be accessible to individuals with mobility impairments, and that an additional two percent of the units are accessible for individuals with hearing or vision impairments. Section 504 regulations allow HUD to prescribe a higher percentage of accessible units based on census data or other available current data or in response to evidence of a need.

HUD conducts compliance reviews of housing authorities in every region of the country in order to ensure that they comply with the requirements of Section 504. If the Department finds that a housing authority is not in compliance it will issue a Letter of Findings and attempt to resolve the findings through a Voluntary Compliance Agreement between the Department and the housing authority. This indicator tracks the number of accessible units created as a result of those agreements.

Data Discussion. This year HUD reviewed the information in the database and clarified procedures for recording the efforts of the field offices in creating accessible units through

Voluntary Compliance Agreements. This system will continue to be refined during the upcoming year.

Managers provide quality assurance by reviewing the results of fair housing enforcement efforts. Accessible housing units are also verified through on-site inspections conducted by field staff to ensure compliance with applicable fair housing laws and other regulations. The database will allow the Department to monitor the effectiveness of the Voluntary Compliance Agreements in increasing the number of accessible units made available by recipients of HUD federal financial assistance.

Program Website. http://www.hud.gov/offices/fheo/disabilities/index.cfm

Goal E: Embrace High Standards of Ethics, Management, and Accountability

PERFORMANCE REPORT CARD – GOAL E								
	Performance Indicator	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2009 Target	Met/Miss	Notes
	Cross-Departmental							
E.1	HUD will reduce mission critical skill gaps by reducing targeted competency gaps by 50 percent in its four core business program offices: Public and Indian Housing; Housing; Community Planning and Development; and Fair Housing and Equal Opportunity.	10.00%	50.00%	70.00%	79.00%	50.00%	✔	a
E.2	By the end of FY 2013, HUD will have an integrated enterprise-wide financial management system that is compliant with all laws and regulations.	N/A	Progress toward completion	Evaluated Contract Proposals	Completion pushed back to 2015	Stay on schedule for 2013 deadline	✘	b
E.3	The rate of program errors and improper payments in HUD's rental housing assistance programs will continue to be reduced.	5.40%	5.50%	3.50%	3.50%	3.40%	✘	b
E.4	HUD employees continue to become increasingly satisfied with the Department's performance and work environment.	N/A	61.00%	90.00%	N/A	More Satisfied	N/A	c
	CPD							
E.5	Financial management and targeting of CPD program resources to meet the needs of underserved populations are maximized through the monitoring of 20 percent of grantees for compliance with program requirements.	23.00%	22.00%	22.00%	22.00%	20.00%	✔	
	FHA/Housing							
E.6	The Accelerated Claim and Asset Disposition demonstration program (Section 601) will exceed the rate of net recovery received through the conveyance program on the sale of single family assets.	76.00%	72.93%	66.31%	71.38%	66.20%	✔	d
E.7	Respond to 2,000 inquiries, complaints, and subdivision registrations related to the Interstate Land Sales Full Disclosure Act.	5,671	7,609	7,701	8,417	2,000	✔	
E.8	The FHA Mutual Mortgage Insurance fund meets congressionally-mandated capital ratio targets.	6.82%	6.40%	3.00%	<2.00%	2.00%	✘	
	Support Offices							
E.9	HUD will reduce mission critical skill gaps by 25 percent in the identified leadership and management competency of the Management Competency plan.	N/A	100.00%	29.00%	51.00%	25.00%	✔	a

PERFORMANCE REPORT CARD – GOAL E								
	Performance Indicator	**2006 Actual**	**2007 Actual**	**2008 Actual**	**2009 Actual**	**2009 Target**	**Met/Miss**	**Notes**
E.10	Eighty percent of HUD fellows and interns are retained and targeted for mission-critical positions in HUD offices.	Recruit	98.00%	93.00%	92.00%	80.00%	✔	
E.11	HUD financial statements receive an unqualified audit opinion.	Yes	Yes	Yes	Yes	Yes	✔	
E.12	HUD will test, train, and exercise the Continuity of Operations and Continuity of Government capabilities.	Yes	Yes	Yes	Yes	Yes	✔	
E.13	Continue to modernize HUD's business operations to improve agency efficiency and effectiveness, maintain well-managed information technology investments aligned with priorities defined in the Enterprise. Transition Strategy, and promote cross agency and internal collaboration and reuse through business modernization planning (segment architecture development) for core mission areas and shared services.	N/A	Yes	Yes	Yes	Yes	✔	
E.14	HUD will meet specified information technology-related security requirements.							
	Continuously monitor the status of IT resources to include continuation of the certification and accreditation effort to ensure that 100 percent of major applications and general support systems that are documented in the Inventory of Automated Systems (IAS) have been fully certified and accredited.	N/A	N/A	100.00%	100.00%	100.00%	✔	
	Prioritize and oversee remediation of high priority risks.	N/A	N/A	100.00%	100.00%	100.00%	✔	
	Ensure that 90 percent of HUD employees and contractors will have completed information technology Security Awareness Training.	N/A	N/A	96.00%	98.00%	90.00%	✔	
E.15	The Office of the Chief Information Officer will perform Data Management Maturity assessments of three major HUD information systems and report on their level of maturity.	N/A	N/A	4	3	3	✔	
E.16	HUD partners become more satisfied with the Department's performance, operations, and programs.	N/A	N/A	N/A	N/A	N/A	N/A	
E.17	Policy Development and Research work products will be high quality and useful to customers.							
	Percent of key users who are satisfied.	94.00%	N/A	N/A	N/A	85.00%	N/A	
	Files downloaded from the HUD USER research clearinghouse.	8.3	7.41	7.18	7.29	7	✔	e

N/A: not available

a - lowest percent used as actual

b - one-year lag in data

c - rounded number, action plan percentage implemented for 2008 data

d - data through 8/31/2009

e - number reported in millions

Cross-Departmental

E.1: HUD will reduce mission critical skill gaps by reducing targeted competency gaps by 50 percent in its four core business program offices: Public and Indian Housing; Housing; Community Planning and Development; and Fair Housing and Equal Opportunity.

Public Benefits and Program Accomplishments

Public Benefit: As part of HUD's Strategic Plan, the Strategic Human Capital Management Plan, and the Office of Administration Management Plan, HUD program offices were tasked to develop and implement workforce planning strategies to identify and develop the workforce needed to address future challenges. Particular attention was vested in the Department's core business functions and the four core business program offices were required to identify targeted mission critical competency gaps and initiate actions to address closing those skill gaps by at least 50 percent.

Results and Analysis. All of the four core business offices exceeded the established goal of a 50 percent reduction in the targeted mission critical competencies. All four offices assessed their current inventory for the identified mission critical competencies based on "Competency Demand" vs. "Competency Supply." This approach yielded the dual benefit of strengthening the skills of existing staff in mission critical positions for improved performance, and adding value to outreach and recruitment by helping to identify necessary technical skills among job applicants and prospective hires.

Specific results from the core business offices are as follows:

- ***PIH:*** PIH exceeded the 50 percent goal of reducing skill gaps in the targeted competency by a 79 percent reduction in Financial Analysis category and by eliminating the entire gap in the Knowledge of Government Systems category. Public Housing Revitalization Specialists in the Office of Public and Indian Housing were given in-depth training on managing government systems and financial analysis. This training improved the financial and systems management skills of the staff and allowed PIH to reduce the skill gaps in these competencies by one hundred percent and ninety percent respectively.
- ***FHEO*:** FHEO exceeded the 50 percent goal of reducing skill gaps in the targeted competency by an 80 percent reduction. Staff in FHEO was given comprehensive training on conciliation. FHEO trained eighty percent of the staff that needed the Conciliation competency. These improvements led to better documentation with few discrepancies on FHEO activities. FHEO also supplemented its training activities with hiring staff needed to fill several competency gaps and supervisory positions.
- ***Housing*:** Housing exceeded the 50 percent goal of reducing skill gaps in the targeted competency by eliminating the entire gap. Housing employees were given training in

Project Management and Single Family Housing. Housing trained one hundred percent of the staff that needed Project Management and Single Family housing competencies. The training helped the housing staff better manage the FHA program and its resources.

- ***CPD*:** CPD exceed the 50 percent goal of reducing skill gaps in the targeted competency by eliminating the entire gap. CPD trained one hundred percent of employees in the Grants management competency. The training CPD employees received places them in a better position to meet revised regulatory requirements for performance reporting of competitive and formula Grantees.

The chart below shows the competencies targeted and the percentage of the gap reduction.

Program Office	Competency (Comp.)	Baseline Skill Level (number of employees)			Current Skill Level (number of employees)			Pct. of Gap Closed
		Comp. Demand	Comp. Supply	Skill Gap	Comp. Demand	Comp. Supply	Remaining Gap	
PIH	Knowledge of Government systems	322	302	20	322	322	0	100%
	Financial Analysis	166	96	70	166	151	15	79%
FHEO	Conciliation	320	300	20	320	316	4	80%
Housing	Project Management	333	302	31	333	333	0	100%
	Knowledge of S.F. Housing	314	276	38	314	314	0	100%
CPD	Grants Management Program	400	324	76	400	400	0	100%

Supplemental Performance and Resources Information. The mission critical competencies were identified for their direct link to organizational goals and priorities, as well as for their impact on mission accomplishments. The expectation was that success in closing these skill gaps would help ensure qualified staff to continue HUD’s principal mission and program operations, into the future, in a highly effective and efficient manner, for the highest quality of service to HUD customers.

Data discussion. A skill gap is considered reduced either by completing the specified training or through recruitment. The Office of Training Services gathered skill gap closure data from each of the program offices. The baseline data represent managers’ perceptions of their staff and may be limited by subjectivity. Initially, the data was developed at a strategic level, based on the managers’ knowledge of the capability of existing staff and subsequently augmented with employee input during the development of Individual Training Action Plans.

Program Website. http://www.hud.gov/offices/adm

E.2: By the end of FY 2013, HUD will have an integrated enterprise-wide financial management system that is compliant with all laws and regulations.

Public Benefits and Program Accomplishments

Public Benefit: This indicator measures HUD's progress in creating an Integrated Core Financial System, an essential component of quality federal financial management. HUD's mission is carried out through the appropriate distribution of significant financial resources to help with the housing needs of individuals, families, and communities throughout America. The Chief Financial Officers Act of 1990, the Government Performance and Results Act, and the Federal Financial Management Improvement Act of 1996 require that Federal financial management systems provide accurate, reliable, and timely financial management information. The efficient and effective use of appropriated funds is vital to earning the public's trust; and, for assuring that the programs properly distribute these resources to benefit those in need, as Congress intends. In addition to the Office of the Chief Financial Officer, FHA and Ginnie Mae are two components of HUD which are supported by compliant commercial off the shelf core financial systems. The objective of the HUD Integrated Financial Management Improvement Project is a phased implementation of the Integrated Core Financial System, enabling us to be better stewards over the Department's financial resources and activity. The improvement project's implementation strategy is to: (1) migrate FHA's Subsidiary Ledger; (2) implement the financial system for Office of the Chief Financial Officer; (3) implement the financial system for FHA; and, (4) implement the financial system for Ginnie Mae. HUD will accrue benefits from each milestone, but with the implementation of the financial system for Ginnie Mae milestone, the Department will achieve a significant financial management goal that the Office of the Inspector General and the Government Accountability Office have repeatedly called for over the last 35 years: HUD's financial system will be planned, managed and linked together electronically in an efficient and effective manner to provide department wide financial system support necessary to meet the agency's financial management needs.

Results and Analysis: This final goal of the Integrated Core Financial System implementation will not be met by FY 2013. The anticipated implementation of the financial system for Ginnie Mae milestone is revised to the end of FY 2015. The delay was associated with a protest to the contract and related activities. The project began in 2003 with the analysis of existing financial systems, information flows, and business events. In 2005, the Integrated Procurement Team in the Office of the Chief Financial Officer began to prepare the statement of work and other documentation necessary for procuring the commercial off the shelf software, and for selecting the System Integrator/Shared System Provider for the necessary 10 year contractual support to implement and host the financial system. The software selection was completed and FHA has implemented this software as the FHA Subsidiary Ledger. The start of the 10 year service contract caused delays, but the award recommendation is on schedule for the first quarter of FY 2010. HUD has worked closely with OMB developing the procurement strategy, which was then revised to reflect the best practices available in the federal environment. After a delay, due to funding reallocations, the request for proposals was distributed in FY 2007 with the expectation of an award in FY 2008.

In the first quarter of FY 2009, HUD achieved the goal of awarding the HUD Integrated Financial Management Improvement Project contract. The protest of this award was resolved in March of 2009 through the Court's acceptance of the Mitigation Plan. Evaluation of the submitted proposals resumed in April 2009 and is progressing (according to the revised schedule) toward a recommendation for award during the first quarter of FY 2010. Once the contract is in place, there will be an 18-month Base Period, eight 12-month Option Periods, and a final six-month Option Period.

Supplemental Performance and Resources Information. HUD is, and has been for many years, in substantial compliance with the Federal Financial Management Improvement Act of 1996, since its core financial systems continue to meet the standards of the Act. The Department currently maintains four independent and non-integrated financial systems that support core functions, and a reporting system to prepare consolidated financial statements for internal and external reporting.

HUD is prepared for the challenge of implementing this commercial off the shelf, Financial Systems Integration Office compliant, Enterprise Resources Planning system in 18 months, and during the same period migrating the FHA Subsidiary Ledger to the HUD Integrated Financial Management Improvement Project environment. The Department's most immediate challenge is completion of the procurement process.

Data Discussion. At contract award, interim milestones will be finalized and reflected in the performance-based, fixed price contract. HUD's solicitation included these objectives, and the contractors' proposals outline how they will be achieved. Project progress will be monitored throughout the term of the contract.

Program Website. Not available.

E.3: The rate of program errors and improper payments in HUD's rental housing assistance programs will continue to be reduced.

Public Benefits and Program Accomplishments

Public Benefit: With enactment of the Improper Payments Information Act of 2002, and issuance of OMB's implementation guidance for the Act, HUD is required to annually set goals and report on its progress in reducing gross improper payment levels as a percentage of total program payments. This Performance Indicator measures the annual progress the Department has made in the reduction of these improper payments (both under and overpayments) as a percent of HUD's total payments for three high-risk rental housing assistance programs.

The rental housing assistance programs (Public Housing, Housing Choice Vouchers, and Project-Based Assistance programs) constitute HUD's largest disbursing activity, valued at over

$29 billion in expenditures. In FY 2000, a HUD Quality Control Study estimated that approximately $3.2 billion in gross improper payments were attributed to a combination of program administrator errors and tenant income reporting errors. A third type of error, billing errors, was later identified. The three major sources of error that result in under or overpayments in these complex programs are defined as follows:

- Program administrator error: the program administrator's failure to properly apply income exclusions and deductions and correctly determine income, rent, and subsidy levels;
- Tenant income reporting: the tenant beneficiary's failure to properly disclose all income sources; and
- Billing: errors in the billing and payment of subsidies between third party program administrators and HUD.

By reducing erroneous payments, the integrity of programs involving over $29 billion in HUD expenditures is protected and the number of families that can be served through our assisted housing programs is maximized. HUD has taken aggressive steps to address the root causes of improper rental assistance payments to better ensure that the right benefits go to the right people.

Results and Analysis. HUD did not meet its improper payment goal for the FY 2009 reporting period (based on FY 2008 data). HUD missed the goal due to an increase in income reporting errors. The actual improper payments rate was 3.5 percent, or 0.1 percentage point above the FY 2008 goal. The projected goal for next year (using FY 2009 data) is 3.3 percent. Although HUD missed the goal this reporting period, HUD believes that the goals for FY 2009 and beyond are realistic and achievable.

Supplemental Performance and Resources Information. The reduction of improper payments increases the number of households that will receive subsidies in conjunction with HUD's strategic goal to provide access to affordable housing. Since the inception of this measurement, HUD has 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. The overall reduction in improper payments for HUD's three major types of Rental Housing Assistance Programs over the past nine years has been primarily attributed to HUD's efforts to work with its housing industry partners through enhanced program guidance, training, oversight, and enforcement. Collectively, these efforts have had a positive impact on the program administrators' ability to reduce their errors in the calculation of income, rent, and subsidies. The Department also has found a direct correlation in the reduction of improper payments to the number of monitoring reviews of public housing agencies (PHAs) and the number of management and occupancy reviews at multifamily housing properties, as well as the increased availability and use of the Enterprise Income Verification system by PHAs, and by owners, management agents, and contract administrators for HUD's Project-Based Assistance programs. The Department intends to make the use of EIV mandatory, as noted in the published final rule "Refinement of Income and Rent Determination Requirements in Public and Assisted Housing Programs," which was issued in January 2009. The effective date for implementation of the mandatory use of EIV is January 2010.

More recently, program structure changes have reduced the opportunities for improper payments in two of HUD's Rental Assistance Programs. In HUD's Public Housing program, changes were implemented to improve the efficient use of funding in the Public Housing Operating Fund. These structure changes effectively eliminated all three previously reported types of improper payments due to Administrator, Income Reporting, and Billing errors. It should be noted that PHAs could still make Administrator errors, and tenants could still under-report or not report their income. However, in the new structure, the effect of these errors would be borne by the PHA, and HUD's subsidy payment would remain unchanged. Nonetheless, HUD retains program oversight responsibility to ensure the proper performance and benefits of the program, and will continue to focus on effective measures to reduce performance errors by PHAs. In addition, the establishment of a budget based funding methodology was implemented for the Housing Choice Voucher Program in FY 2005 that effectively eliminated the opportunity for billing errors in that program.

HUD's goals and results are reflected in the table below:

Rental Assistance Improper Payment Reduction History FY 2000 – FY 2008										
FY 2000 Baseline Improper Payment Amount and Percentage	FY 2004		FY 2005		FY 2006		FY 2007		FY 2008	
	Goal	Actual	Goal	Actual	Goal	Actual	Goal	Actual	Goal	Actual
$3.2B (17.1%)	6.9%	5.6%	5.6%	5.4%	5.0%	5.5%	4.6%	3.5%	3.4%	3.5%

Data Discussion. Periodic error measurement studies overseen by the Office of Policy Development and Research are supported by the PIH and Housing program organizations. The data are reliable for this measure, assuming availability of funding to cover the cost of the studies. The independent HUD Office of Inspector General reviews the error measurement methodology and support, as well as management controls over the related program activity, as part of its audit of HUD's annual financial statements. The Government Accountability Office also oversees HUD's progress in addressing this issue, which the Government Accountability Office had designated as a high-risk program area. (Due to HUD's progress in reducing improper payments in the rental housing assistance program, the Government Accountability Office's high-risk program designation was eliminated in 2007.)

Program Websites. http://www.hud.gov/offices/pih/ and http://www.hud.gov/offices/hsg/

E.4: HUD employees continue to become increasingly satisfied with the Department's performance and work environment.

Public Benefits and Program Accomplishments

Public Benefit: This indicator is directly linked to both the Department's Strategic Plan and its Strategic Human Capital Management Plan. This indicator helps to support two of the Department's human capital goals, which are to become a mission-focused agency and to maintain a high-quality, effective, and efficient workforce. In FY 2008, HUD implemented 90 percent of the 2006 Federal Human Capital Survey Action Plan approved by the Secretary.

Results and Analysis: In FY 2009, the Department conducted an Annual Employee Survey. The complete results are not yet available, but will be available no later than January 2010. The Secretary and leadership of the Department are fully engaged in addressing and improving employee satisfaction and relevant issues. Secretary Donovan and Deputy Secretary Sims have held town hall meetings with the employees and multiple communication methods have been used to illustrate employee value. Even though modifications were made to the 2006 Action Plan based on the results of the FY 2008 survey, HUD continues to implement the recommendations from the existing Plan until the modified Plan is finalized. This Plan, now known as the Draft 2009 Action Plan, is subject to further modification based on the finalized input and data from HUD's developing FY 2010-2015 Strategic Plan and OPM's 2009 Annual Employee Survey respectively. The Draft 2009 Action Plan consists of six objectives:

- Leaders will create a productive and desirable work environment that will further the employee engagement effort. Employee engagement will increase and result in higher levels of performance, retention, and commitment.
- HUD will improve the acquisition of qualified employees using innovative recruiting strategies. As the organization is clarified on its business needs, there will be a comprehensive employee-skill match affected.
- The succession planning effort will be furthered as employees are given opportunity to train and develop in a range of areas within the organization. Cross-programmatic and cross-functional training contributes to the succession planning effort by increasing the pool of mission–critical skilled talent.
- Leaders will develop and consistently model transparent and trustworthy behavior. Ethical leadership will foster increased employee satisfaction and dedication to the agency.
- Managers will become accountable for dealing with ineffective employee performance and will actively take steps to motivate employees. The belief that managers are behaving equitably will permeate the culture and foster an atmosphere of trust.
- Critical skill gap analysis results in clarified understanding of the skill needs of the employee and the appropriate training opportunities are defined and implemented.

Supplemental Performance and Resources Information. The Federal Human Capital Survey is administered every two years by the Office of Personnel Management and at no cost to HUD. In years when the Federal Human Capital Survey is not administered by OPM, HUD completes the requirement through other resources, which may include contract services.

Data Discussion. The Federal Human Capital Survey was administered by the Office of Personnel Management. The survey data are nearly free of sampling error because all full time employees received the survey. Data collected were weighed to produce survey estimates that represent the survey population. The weights developed take into account the variable probabilities of selection across the sample domains, on response, and known demographic characteristics of the survey population. In 2006, the Federal Human Capital Survey response rate was 49.4 percent and 4,075 employees participated compared to the 2008 response rate which was 43 percent and 3,467 employees participated. The 2009 Annual Employee Survey was given to 9,608 HUD employees and 54 percent of that population responded.

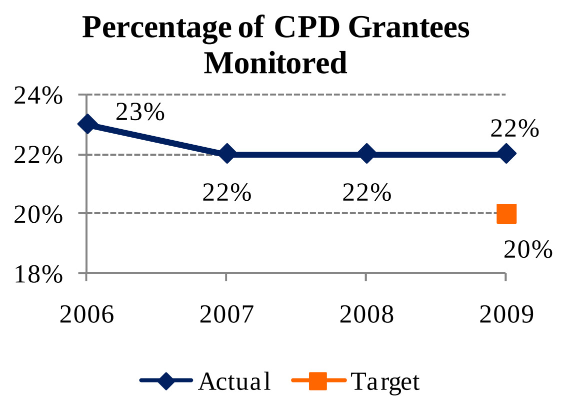
Program Website. http://www.hud.gov/offices/adm

CPD

E.5: Financial management and targeting of CPD program resources to meet the needs of underserved populations are maximized through the monitoring of 20 percent of grantees for compliance with program requirements.

Public Benefits and Program Accomplishments

Public Benefit: State and local governments as well as non-profit organizations are recipients of Community Planning and Development formula and competitive grants to assist in building viable neighborhoods, expanding homeownership and affordable housing opportunities, and providing economic opportunities. This indicator measures whether the grantee has adequate policies and procedures to ensure that HUD funds are used in compliance with applicable statutory and regulatory provisions, and that funds are spent for eligible activities, produces measurable results, and meet financial and grants management requirements. In FY 2009, 20 percent of grantees (958) were scheduled for monitoring to ensure compliance with statutory and regulatory requirements.



Results and Analysis: CPD field office staff monitored 1,047 grantees or 22 percent of 4,789 active competitive and formula grantees, thereby exceeding the goal of 20 percent. Monitoring measures the effectiveness of grantees' financial management controls in reducing the number of erroneous payments for questionable and ineligible uses. It also identifies whether HUD resources are targeted to improve underserved communities. Monitoring supports the HUD strategic goal of embracing high standards of ethics, management and accountability by ensuring that financial resources are properly used for eligible activities to meet underserved community needs of low- and moderate-income persons.

Supplemental Performance and Resources Information. Annually, CPD field offices conduct risk assessments on all active formula and competitive grantees. Program requirements monitored are based on results of the annual risk assessment. Monitoring serves to promote improvement in grantee performance. Based on risk assessment results, CPD selects grantees for monitoring and technical assistance to improve performance of poor performing grantees, and/or to validate grantee accomplishments and compliance. The number of on-site monitoring events is dictated by the amount of travel funds allocated to each field office. Monitoring events compete with other program priorities, technical assistance and training needs.

Data Discussion. CPD field offices report how many grantees were monitored in the Department's internal tracking system, HUD Integrated Performance Reporting System. Monitoring activities are carried out in compliance with guidelines established in the HUD Monitoring Desk Guide (Training Edition) and CPD Monitoring Handbook. Field office supervisors review monitoring activity and reporting by field office staff.

Program Website. N/A

FHA/Housing

E.6: The Accelerated Claim and Asset Disposition demonstration program (Section 601) will exceed the rate of net recovery received through the conveyance program on the sale of single family assets.

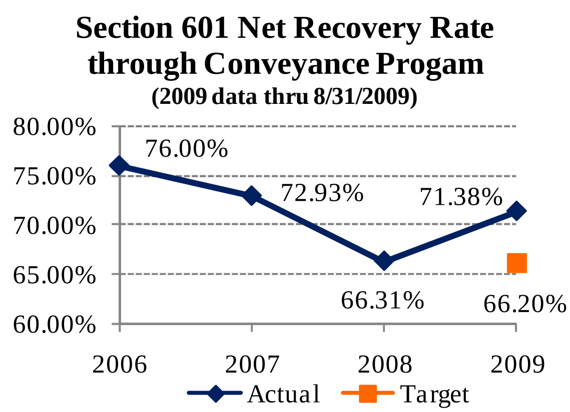
Public Benefits and Program Accomplishments

Public Benefit: The overall goal of Single Family loan sales is to ensure that FHA's public policy issues are addressed while maximizing the returns to the FHA Insurance Funds and providing a disposition alternative for defaulted FHA single family assets.

Section 601 of the FY 1999 HUD Appropriations Act amended Section 204 of the National Housing Act (12 U.S.C. 1710) to provide HUD with greater flexibility in the single family claim and asset disposition process. HUD was conducting a demonstration program to maximize recoveries on claims paid and to support the Department's outcome goal of homeownership retention.

FHA has the opportunity to execute various asset disposition strategies as a part of the Accelerated Claim and Asset Disposition demonstration, including special servicing, securitizations, whole loan sales, and a combination of whole loan/pipeline sales. FHA utilized structured financing and retained an equity interest in the limited liability companies formed to acquire, service, and dispose of portfolios of single family notes. Assets in the initial Joint

Ventures were bid on a forward pipeline basis. For future transactions, the Department is reviewing different offering strategies and other aspects of the sales process.



Results and Analysis: The level was determined to be 71.38 percent of Unpaid Principle Balance as of August 31, 2009, exceeding the level under the conveyance program of 66.2 percent in the same period.

Supplemental Performance and Resources Information. The first demonstration initiative was a sealed bid auction held in October 2002. Claims were paid beginning October 31, 2002. Three subsequent auctions were held September 2003, June 2004, and May 2005. This indicator tracks the rate of recovery on FHA claims between FY 2008 and FY 2009. The benchmark or target for this performance indicator which is the final rate of net recovery received on the sale of Single Family assets through the conveyance program, will be determined when fiscal year end data is available.

The average net recovery rate during FY 2008 was 68.9 percent of unpaid principal balance. An average recovery of 78.6 percent of unpaid principal balance has been achieved across the life of the demonstration.

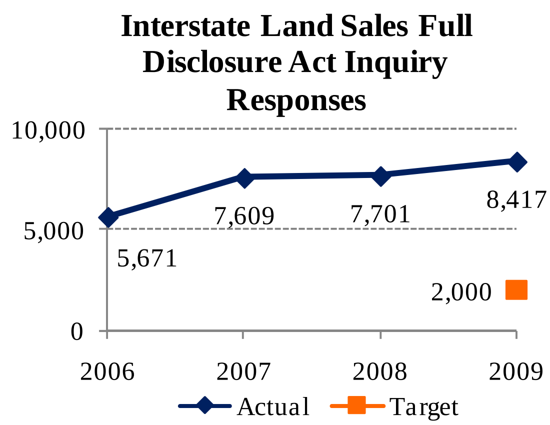
Data Discussion. The data source is the Single Family Insurance System – Claims Subsystem, this provides the acquisition cost data for this indicator. FHA's Single Family Acquired Asset Management System provides the expense detail for the conveyance program (Claims subsystem "type 1" transfer claims) rate of net recovery. FHA's Subsidiary Ledger provides the Accelerated Claim and Asset Disposition recovery rate on sale of assets (Claims subsystem "type 2" claims) through its PeopleSoft financial program. For convenience, all data are reported from FHA's Single Family Housing Enterprise Data Warehouse.

Program Website. http://www.hud.gov/offices/hsg/comp/asset/sfam/sfls.cfm

E.7: Respond to 2,000 inquiries, complaints, and subdivision registrations related to the Interstate Land Sales Full Disclosure Act.

Public Benefits and Program Accomplishments

Public Benefit: Consumers are protected from fraud and abuse in the sale or lease of nonexempt undeveloped lots or units through a program mandated by the Interstate Land Sales Full Disclosure Act (Title XIV of the Housing and Urban Development Act of 1968, as amended), which also requires registration of subdivisions marketed in interstate commerce. This program protects consumers by making developers provide pertinent information to consumers when they are considering purchasing land, and imposes on developers statutory and regulatory penalties for non-compliance.



Results and Analysis: The level was determined to be 8,417, thereby exceeding the targeted level 2,000 inquiries.

Supplemental Performance and Resources Information. The goal of the Interstate Land Sales program is to ensure compliance with the Act. Full disclosure of pertinent facts to consumers in Property Reports ensures that they are knowledgeable about the lot and surrounding common areas and infrastructure for future housing construction and helps to prevent them from becoming unwitting victims of fraud in the purchase or lease of land. To ensure that consumers benefit from up-to-date information about their rights in the purchase or lease of land, and to ensure that appropriate remedies are implemented in cases where these rights have been violated, the Office of Interstate Land Sales will respond to 2,000 inquiries, complaints and subdivision registrations in FY 2009.

Data Discussion. The data source is the PO 30 Case Tracking System and Website email box. Actions that are counted include advisory opinions, initial filings, financial statements, amendments, annual reports, certification requests, consolidations, exemption orders, no action letters, and consumer complaints received about violations of the Act as well as referrals from other regulatory agencies.

Program Website. http://www.hud.gov/offices/hsg/sfh/ils/ilshome.cfm

E.8: The FHA Mutual Mortgage Insurance Fund meets congressionally-mandated capital reserve targets.

Public Benefits and Program Accomplishments

Public Benefit: HUD is mandated by law to maintain a capital ratio of two percent for FHA single-family mortgage insurance programs supported by the Mutual Mortgage Insurance Fund. The capital ratio measures the net worth and financial soundness of this fund. The benefit to the public of maintaining a certain capital ratio is in minimizing the chance that FHA would require taxpayer subsidies to pay for insurance claims. The capital ratio concept was developed to establish a reserve fund that could pay for extraordinary claims under a range of economic conditions. Maintaining some level of net worth, as measured by a capital reserve account, is important for assuring that FHA is being operated in an actuarially sound manner.

Results and Analysis: Independent actuarial studies of the Mutual Mortgage Insurance Fund predict that the capital ratio is now below two percent. This ratio is not a result of high claim payments in the past year, but a forward-looking prediction based on an expectation of continuing declines in house prices and a sluggish economy. The actuarial studies also expect FHA to experience historically high net losses on claim payments made during next year.

Supplemental Performance and Resources Information. The Mutual Mortgage Insurance Fund capital ratio is defined as the sum of FHA's capital resources (Capital Reserve Account balances plus cash-on-hand), plus the net present value of expected future cash flows (resulting from premium collections, asset earnings, and insurance claim losses), divided by insurance-in-force. The net present value of future cash flows is typically negative because FHA has already booked upfront premiums and period premiums collected to-date. Thus, the capital ratio is less than the capital resource ratio. FHA's capital resources have grown in FY 2009 and are now over $31 billion. With insurance-in-force of approximately $685 billion, the ratio of total capital resources to insurance-in-force is thus above 4 percent. The capital ratio itself assumes a wind-down scenario in which FHA insures no new business. The actuaries are estimating that the drop in the capital ratio to below 2 percent will be temporary and that, as house prices stabilize and the country comes out of the recent recession, new FHA insurance will generate net receipts that will rebuild its capital position. The actuarial studies suggest that the capital ratio could again be above two percent within a few years. Congress set a minimum Mutual Mortgage Insurance Fund capital ratio of two percent as a means of assuring that FHA's primary single family insurance programs will be self-financing, except under the most severe economic conditions. FHA receives revenues through up-front and annual insurance premiums paid by the homebuyers with FHA-insured mortgage loans, and through earnings on the balances in the Capital Reserve Account. Because the Department is expected to operate Mutual Mortgage Insurance Fund programs in an actuarially sound manner, it is subject to an independent annual actuarial study that assesses the current economic value, capital ratio, and ability of the FHA to provide homeownership opportunities while remaining self-supporting. For FY 2009, HUD contracted for two separate actuarial studies, one for single-family forward mortgages and one for reverse mortgages. Beginning in FY 2009, FHA's reverse mortgage insurance program (known as Home Equity Conversion Mortgage or HECM) has been part of the Mutual Mortgage Insurance Fund set of programs. The capital ratio has significantly exceeded the congressionally-mandated two percent thresholds each year since 1995. As mentioned earlier, the economic downturn and severe house price declines have adversely impacted the Mutual Mortgage Insurance Fund in 2009.

Data Discussion. The capital ratio value is determined through an annual independent actuarial study of the Mutual Mortgage Insurance Fund. Data on historical loan originations and loan performance are provided to the contractor by HUD. The contractor then adds economic data and develops statistical and financial models to project cash flows from insurance activities. Independently produced economic forecasts are used with the models to predict future performance of outstanding business and to measure the economic net worth used to calculate the final capital ratio number. FHA loan-level data are entered into HUD's information systems by direct-endorsement lenders and loan servicers, with monitoring by FHA. The methods and results of the independent actuarial study are validated as part of the audit process on HUD's annual financial statements.

Program Website. http://www.hud.gov/offices/hsg/hsgrroom.cfm

Support Offices

E.9: HUD will reduce mission critical skill gaps by 25 percent in the identified leadership and management competency of the Management Competency plan.

Public Benefits and Program Accomplishments

Public Benefit: As HUD continues to implement both the Department's Strategic Plan and its Strategic Human Capital Management Plan, HUD remains committed to having a high quality, results accomplishing workforce. HUD developed a department-wide Management Competency plan to ensure that HUD maintains a highly trained and effective corps of supervisors, managers, and executives to lead the Department in accomplishing its current and future mission, goals, and objectives. In FY 2009, HUD conducted a skills assessment, identified a set of three targeted competencies, and developed and implemented an action plan for closing the identified leadership and management competency skill gaps by at least 25 percent.

Results and Analysis. The Department exceeded this goal for three identified competencies. In FY 2009, HUD's top three management skill gaps were: (1) Teambuilding, (2) Human Resource Management, and (3) Conflict Management. The annual training needs assessment showed that a total of 855 employees needed training in these three areas. The following chart shows the competencies targeted and the percentage of gap reduction.

Competency	Baseline Skill Level (number of non-SES supervisors)			Current Skill Level (number of non-SES supervisors)			Pct. of Gap Closed
	Total Number of Supervisors	Already Trained Supervisors	Skill Gap	Trained	Not Trained	Remaining Gap	
Team Building	1400	1056	344	175	169	169	51%
Human Resource Management	1400	1121	279	178	101	101	64%
Conflict Management	1400	1168	232	280*	0	0	100%

*Footnote: An additional 48 managers received refresher training.

Supplemental Performance and Resources Information. In FY 2006, HUD trained all current supervisors, managers, and executives in the identified leadership and management competency on conflict management or alternative dispute resolution. In FY 2007, HUD implemented a supervisory training curriculum aimed at providing needed introductory and refresher supervisory training for HUD managers and supervisors. In FY 2008, supervisory training was mandated for all new managers and supervisors. During FY 2009, spending for Leadership and Management training amounted to $579,500. In FY 2010, HUD will continue training to close remaining gaps.

Data Discussion. A skill gap is considered reduced either by completing the specified training or through recruitment. Skill gap closure data was gathered by the Office of Training Services from each of the Department's program offices and saved in the Department's centralized learning management system called the HUD Virtual University.

Program Website. Not available.

E.10: Eighty percent of HUD fellows and interns are retained and targeted for mission-critical positions in HUD offices.

Public Benefits and Program Accomplishments

Public Benefit: The HUD fellow and intern programs offer individuals valuable work experiences and training opportunities and provide the training necessary to fill mission-critical skill gaps as employees retire. This indicator is a key component of an outcome measure of effective succession planning, which will ensure that the Department's employees have the skills and knowledge they need to achieve HUD's mission and that institutional knowledge is sustained. Key programs used in the succession planning efforts include: a) the Presidential Management Fellow, b) the Federal Career Intern, c) the Legal Honors Intern, and d) the MBA Fellows program. The FY 2009 goal was to retain 80 percent of the interns that were hired in FY 2007 and FY 2008.

Results and Analysis. The *"HUD Fellows Program"* retained 92 percent of all interns, exceeding the 80 percent retention target. In accordance with program office needs, the 2007 class of Interns were allocated to various offices and placed in mission critical positions upon conversion at the end of the two year developmental period. The HUD Fellows Program has grown from 47 Interns/Fellows in FY 2007 to a total of 135 Interns/Fellows by the end of FY 2008.

A sizable number of Fellows have participated in vital projects within the Department and are the current recipients of various awards for their valuable contributions. This has not only increased program office support but has solidified management support from the Secretary throughout the Department in favor of the HUD Fellows Program as a viable strategy to help replenish the aging HUD workforce. In FY 2008, the HUD Fellows Program was also applauded in an article in the *Federal Times*. The 2008 class of Interns has completed their first year of the program and is actively engaged in their second year of training and development. The Department has hired 102 fellows for the FY 2009 Fellows class.

Supplemental Performance and Resources Information. The Department has dedicated $1,500 as a training allowance for each participant in the HUD Fellows Program. All training is required to be essential to their development for the targeted occupation in the program office.

Each HUD Fellow has a performance plan that is tailored to their specific program office. The Office of Administration reviews and monitors all Individual Development Plans to ensure that each Fellow receives the requisite training for their targeted position.

Data Discussion. All performance reviews are jointly prepared by the program offices and the HUD Fellows Program Staff. The HUD Fellows Program Staff is responsible for the overall administration of the centralized program and promotions of participants upon the successful completion of yearly requirements during the course of the developmental program.

Program Website. Not available.

E.11: HUD financial statements receive an unqualified audit opinion.

Public Benefits and Program Accomplishments

Public Benefit: Annually, HUD's Office of Inspector General conducts an audit of HUD's consolidated financial statements. Financial statement audits review the accuracy of the financial statements, the adequacy of the underlying data systems and internal controls, and compliance with applicable laws and regulations. The success or failure of an organization's financial stewardship is measured in the annual audit of its financial statements. The receipt of an unqualified audit opinion is a strong indicator of HUD's accountability and the success of its efforts to stabilize its financial management systems and operating environment. In addition to providing an opinion on the financial information presented in HUD's financial statements, the auditors also conduct a review of internal controls in which a weakness could have a material impact on that presentation. If any weaknesses are identified, the auditors provide recommendations for improvement.

Results and Analysis: This performance measure was met. For its FY 2009 consolidated financial statements audit, HUD received an unqualified (i.e., "clean") opinion for the tenth consecutive year. In addition, HUD's audit was completed within the 45 days time requirement. In FY 2009, the OIG reported no material weaknesses for the second consecutive year; however, the OIG identified eleven significant deficiencies as reported in their audit report which can be found in Section 3 of this report.

Supplemental Performance and Resources Information. Producing its annual and quarterly financial statements within the required time frames serves as an indicator of HUD's fiscal effectiveness and efficiency of operations. The financial statements report the cost associated with program delivery, and cover all of HUD's operations and the entire FY 2009 gross discretionary budget authority of $55.7 billion. The financial statements identify the major program areas and the budgetary and proprietary resources expended to ensure that HUD met its program goals.

Data Discussion. The Office of Inspector General audits are independent of HUD management, performed in accordance with the Government Accountability Office auditing standards, and adhere to the Office of Management and Budget and other guidelines and standards governing the preparation and audit of agency financial statements.

Program Website. http://portal.hud.gov/portal/page/portal/HUD/program_offices/cfo

E.12: HUD will test, train, and exercise the Continuity of Operations and Continuity of Government capabilities.

Public Benefits and Program Accomplishments

Public Benefit: It is imperative that HUD continues providing essential services to its beneficiaries during a broad range of emergency circumstances (e.g., hurricanes, bomb threats, acts of terrorism). Exercising/implementing a Continuity of Operations Plan ensures HUD is able to do so because it results in the deliberate and planned deployment of personnel to emergency relocation sites.

In FY 2009, this goal was slightly revised so that the Office of Security and Emergency Planning would (1) perform quarterly testing of the Headquarters Continuity of Operations and Continuity of Government alert and notification procedures; (2) conduct annual training of the Program Office Continuity of Operations Coordinators; and (3) conduct an annual Continuity of Operations Plan exercise.

Results and Analysis: HUD achieved this FY 2009 goal. As a result, coordinators and emergency relocation group members are trained on pertinent policies and procedures, and overall Continuity of Operations plans are improved. HUD will continue these activities in FY 2010.

***Supplemental Performance and Resources Information*.** Federal policy requires federal agencies to have Continuity of Operations Plans, with requirements determined by the White House and Department of Homeland Security (DHS) – Federal Continuity Directive 1. In meeting this goal, the Department conducted its training conference for coordinators in May 2009 and conducted the continuity exercise in June 2009. The training conference included presentations by leaders from the Department of Homeland Security's National Continuity Program office as well as pandemic influenza health experts from Department of Health and Human Services. The continuity exercise included activating the Headquarters continuity plan; relocating the entire continuity emergency relocation group personnel to the emergency relocation site; testing the systems and procedures; and reviewing HUD's essential functions. Also, HUD participated in interagency coordination and planning exercises.

Approximately $2.9 million was spent on continuity of operations planning (including salaries, alternate site support, contractor support services, training, logistics and travel) during this fiscal year, comparable to previous years' spending. Resource requirements are estimated to increase 10-to-15 percent per year over the next five years due to expected increased participatory requirements.

Data Discussion. The Office of Security and Emergency Planning maintains a database to document the mandatory reporting of the results of testing and training activities. HUD maintains comprehensive information by office that quarterly notification tests, annual training sessions, as well as other indicators, have been completed. The information is self-reported by the offices and reviewed by the office heads to ensure accuracy. The Office of Security and Emergency Planning performs an initial evaluation of data quality and the Government Accountability Office/Office of Inspector General may perform independent assessments and evaluations. The data are reliable for this measure.

Program Website. Not Available.

E.13: Continue to modernize HUD's business operations to improve agency efficiency and effectiveness, maintain well-managed information technology investments aligned with priorities defined in the Enterprise Transition Strategy, and promote cross agency and internal collaboration and reuse through business modernization planning (segment architecture development) for core mission areas and shared services.

Public Benefits and Program Accomplishments

Public Benefit: The modernization of HUD business processes and information technology environment represents a significant change in the way HUD designs, invests in, and implements information technology in support of its business. Better information technology can improve service delivery and assist in more effectively carrying out HUD's mission.

The execution will ensure that HUD's partners and stakeholders can leverage modern infrastructure when they do business with the Department; enable evidence-based decision-making that the public demands; and provide reliable performance data by which HUD and its stakeholders can measure progress. This plan presents a methodology for enabling HUD to effectively execute this modernization mission and improve performance management.

Modernization includes the introduction of shared tools to enhance HUD's current applications and the removal of redundant or obsolete systems. This process also increases access to relevant business information through simple, self-service utilities and improves the effectiveness of interactions between HUD employees, business partners and citizens. This can result in the significant outcomes of improving both data and performance.

Not only does it guide the modernization process, but provides a blueprint for HUD to direct its Development, Modernization, and Enhancement investments so that no investment allocation is changed without first considering how it affects the whole system. Ultimately, a department-wide system that encourages coordination in this way can provide cost savings for HUD. Redirected investment allocations will also result in a more optimized information technology portfolio. Next year, Development, Modernization, and Enhancement investments will be directed by Transformation Initiatives at HUD.

Results and Analysis. The established goals for modernization planning were met. The modernization planning activities resulted in several notable successes, including:

- Adoption and incorporation of the Federal Segment Architecture Methodology to include new and revised Federal guidance into HUD's business modernization planning activities;
- Development of an Enterprise Architecture segment prioritization framework to measure and monitor HUD's Program Areas by Line of Business (segment);
- Significant progress in business modernization planning in the areas of Human Resources Management and Federal Housing Administration; and
- Received the Federal Enterprise Architecture Certification Institute's 2009 Leadership in Government Transformation Using Enterprise Architecture Award for the completion and implementation of the Acquisition Management business modernization planning activities.

The Department also met the goals established for information technology management. HUD maintains a well-managed Information Technology Investment Management process that promotes collaboration with mission areas. This systematic process manages risks and returns, and focuses on achieving desired business outcomes through the continuous selection, control, and evaluation of IT initiatives. Information Technology Investment Portfolio System tools have also been updated and streamlined to provide improved usability and additional capabilities to support investment management. In response to GAO reports, the Re-Baselining Policy and procedures were also implemented. An Integrated Baseline Review process has been instituted to ensure all investments have clearly established and validated performance measurement baselines with clear cost, schedule, and performance goals. The following investment management activities have been accomplished:

- 100 percent of major information technology development investments were reviewed for progress, and corrective actions were implemented when performance targets were not met;
- 100 percent of all major steady state investments were evaluated for meeting operational requirements, user satisfaction, and system performance;
- 100 percent of the major information technology investments were evaluated against OMB investment performance indicators; and
- None of the IT investments were identified on the OMB FY 2009 Watch List.

Supplemental Performance and Resources Information. The Enterprise Architecture Team spent approximately $1.1 million in FY 2009 Enterprise Architecture efforts to ensure significant progress in business system modernization continues. Information Technology Investment Management spent approximately $1.5 million in FY 2009 to select, control, and evaluates information technology investments in the Working Capital Fund information technology portfolio.

Data Discussion. Enterprise Architecture activities are included in HUD's Information Technology Strategic Plan for FY 2007 – FY 2012. Status reports provide tracking information on planned activities. Program Managers regularly review the status reports to ensure that planned actions occur.

Program Website. http://www.hud.gov/offices/cio/ea/newea/index.cfm: provides details of HUD's Enterprise Architecture practices.

E.14: HUD will meet specified information technology-related security requirements.

Public Benefits and Program Accomplishments

Public Benefit: With a sound information technology security program in place, HUD's Office of Information Technology Security has ensured the safety of the Department's valuable information assets with the selection and application of appropriate safeguards, that protect the confidentiality, integrity, availability, intended use, and value of electronically stored, processed or transmitted information within the Department. This includes vital financial and other confidential information of citizens that will be better protected against unauthorized disclosure.

Results and Analysis: The established goals were met. The Office of Information Technology Security continued to reduce risks and vulnerabilities and protect HUD's information systems and resources from unauthorized access, use and modification. The following information highlights the results.

- As of the end of FY 2009, 100 percent of HUD's major applications and general support systems documented in the Inventory of Automated Systems had undergone Certification and Accreditation. The Information Technology Security staff has coordinated with program offices, system owners, and project leads to: Integrate Information Technology security tasks and milestones into project plans of systems in development, and to ensure that such systems are certified and accredited prior to their operation; ensure that system level contingency plans were effectively tested and that lessons learned during such testing were integrated into the applicable system contingency plan; and, quarterly review of all Plans of Action and Milestones to ensure timely remediation of weaknesses.
- Individual weaknesses in security controls continued to be prioritized according to risk, and, were recorded in system plans of action and milestones. Corresponding remediation efforts of program offices were monitored for timeliness and completeness, resulting in a substantial reduction in their number.
- The Office of Information Technology Security refocused its penetration testing of components of the HUD network to weekly vulnerability scans of components of the

HUD network. The Office of IT Security developed a process to track progress on remediation of vulnerabilities discovered as a result of the scan.

In addition, the following activities have been accomplished.

- Ensuring that system owners perform self-assessments of system security controls in accordance with OMB direction.
- Ensuring that vulnerability scanning of HUD's operating systems and databases is conducted according to a risk-based schedule.
- Ensuring that automated scanning is conducted to identify weaknesses in web-based applications according to a risk-based schedule.
- Ensuring that weaknesses in security controls identified in reported incidents are reported and investigated and corrective action is taken.
- Over 98 percent of HUD employees completed annual information technology security training that included enterprise-wide computer-based awareness training of all users; specialized information technology security training for personnel assigned significant security responsibilities; and provision of role-based training to personnel serving in key security responsibilities. (Note: the final numbers on the contractors is not yet available.)

Supplemental Performance and Resources Information. The FY 2009 budget requirement of $1.975 million was needed to support the Information Technology Security Program at HUD. There are currently 13 full-time equivalent resources allocated to support a sound IT security program ensuring the safety of the Department's information assets.

Data Discussion. The source of this information is the Office of Information Technology Security. Files and records are maintained by HUD's Office of Information Technology Security to substantiate the information provided above. The data provided addresses progress made during FY 2009. The data presented herein can be revalidated with the Compliance Division of the Office of Information Technology Security.

Program Website. http://hudweb.hud.gov/po/i/it/security/secure.cfm

E.15: The Office of the Chief Information Officer will perform Data Management Maturity assessments of three major HUD information systems and report on their level of maturity.

Public Benefits and Program Accomplishments

Public Benefit: Over the years, HUD's program offices have developed a large number of data systems for a variety of business purposes such as controlling financial resources, tracking administrative procedures and recording program impacts. Program offices are ultimately responsible for the management and the quality of their data, including data provided by business partners. As a result of these assessments, the public are assured more reliable and consistent data in conducting business with HUD.

The Office of the Chief Information Officer has initiated an enterprise-wide effort to align HUD its data management priorities with its mission and program office objectives. This has improved data management functions across the Department. This initiative evaluates the data management practices in program areas and in Lines of Business (LOBs) and provides guidance on improving the management of the information used within these areas. During FY 2009, HUD provided the following value add services to business areas:

- Reconciling different interpretations of data
- Accessing the uses of data across the enterprise, their composition and source
- Streamlining data management functions
- Promoting data sharing and reuse
- Establishing data standards and governance models

Results and Analysis. The established goal was met. HUD assessed the three following mission critical systems:

<u>Tenant Rental Assistance Certification System (TRACS)</u> – This systems assessment was completed on November 7, 2008. Overall the data management artifacts met or exceeded all of HUD current data management requirements. In addition, rapid responses to the artifacts requested demonstrated that the TRACS Team has excellent document management and support. Multifamily housing support for this assessment also demonstrated outstanding management commitment to improving TRACS data management and support for HUD's business.

<u>Disaster Recovery Grant Reporting System (DRGR)</u> – The DRGR data management maturity assessment was completed on January 27, 2009. Overall, DRGR data management artifacts met or exceeded all of HUD current data management requirements. In addition, the DRGR Team provided several other data management artifacts that were not required, but were useful in documenting the DRGR data requirements. Overall, management was impressed with the responses that the DRGR system owners and contractor support staff provided to every request for information. These rapid responses demonstrated that the DRGR Team has excellent document management and support.

<u>Unisys Migration</u> – The Unisys Migration effort data management maturity assessments was completed on March 19, 2009. HUD found the Unisys Migration effort to be lacking the required data artifacts to complete a thorough data management maturity assessment. HUD had 6 major recommendations for the Unisys Migration Team. As of the date of this report, HUD was only able to obtain a PDF version of the "HUD Re-Host Migration Project Plan" (dated January 22, 2009), which documented the approximate dates when the Database Schemas were to be completed. The Office of the Chief Information Officer was informed by a Unisys

Migration project manager that several Database Schemas had been completed and were available for review, but this documentation was not provided.

Supplemental Performance and Resources Information. HUD spent approximately $27 thousand in FY 2009 to ensure the Data Management Maturity Assessments of HUD information systems.

Data Discussion. The data are from the following systems: TRACS (assessed November 7, 2008), DRGR (assessed January 27, 2009), and Unisys Migration (assessed March 9, 2009). Recommendations for improvement were identified to the Program Areas in the Data Management Maturity Assessments Report.

All three data management maturity assessments were completed ahead of schedule. In addition, HUD started the Data Management Maturity Assessments effort for the Human Resources segment and completed the first phase. The final report is due in November 2009.

Program Website. http://hudatwork.hud.gov/po/i/edm/index.cfm

E.16: HUD partners become more satisfied with the Department's performance, operations, and programs.

Public Benefits and Program Accomplishments

Public Benefit: HUD partners—including government, non-profit, and for-profit entities are critical to the Department's overall performance because they deliver services for a majority of HUD programs. Addressing issues to increase their satisfaction with HUD's programs and operations makes them more willing and able to support HUD in achieving common objectives. During FY 2001, the Office of Policy Development and Research surveyed eight partner groups to assess partner satisfaction with the Department and perceptions of management changes at HUD and conducted a second stakeholder survey during FY 2005. The Department's goal has been to observe an increase in satisfaction among partner groups. A third partner survey is underway, with results to be available for the next performance report. The latest survey effort has larger samples in order to be useful for assessing and improving HUD's field office operations but does not include the multifamily partner groups that previously participated. If resources are available, an enhanced survey effort of FHA's multifamily as well as single family partner organizations will be conducted during the 2009–2010 period.

Results and Analysis: Compared with FY 2001 respondents, one of eight partner groups, Mayoral partners, expressed significantly greater satisfaction with HUD's programs in FY 2005. Increases in satisfaction reported by four other groups were not significantly different. Of the eight partner groups, three expressed significantly different levels of satisfaction in connection with HUD's operation of those programs. The change was a statistically significant improvement for two groups, Community Development agencies and Public Housing Agency partners, and a statistically significant decrease for one group, Section 202/811 Multifamily Housing partners.

Supplemental Performance and Resources Information. Due to funding limitations, the 2009 HUD Partner Survey was procured in two funding years as a base contract and an option. The first five surveys under the base contract are currently in the field. In addition to public housing agency directors, community development directors, non-profit organizations, and Fair Housing Assistance Program partners, a new partner group being surveyed is Fair Housing Initiative Program directors. The initial report for Phase One of the 2009 HUD Partner Survey is due in February 2010.

Under the option, four surveys are being designed for the Office of Housing: owners of Section 202/811 properties, owners of HUD-insured properties, owners of HUD-assisted multifamily properties, and—new this year—FHA-approved lenders. Data collection for Phase Two of the 2009 HUD Partner Survey is anticipated to begin in early December.

The final report including results for all nine groups will include comparisons to previous survey results, summaries at the program office level, and, for the first time, summaries at the field office level (or at the regional level when confidentiality cannot be maintained for the smaller geographic area.)

Data Discussion. The overall response rate for the FY 2005 survey effort was 73 percent, substantially higher than typical levels for comparable surveys. Sources of satisfaction or dissatisfaction may be difficult to identify, and a single policy or event may satisfy some partners and dissatisfy others. HUD modifies the survey methodology and instrument to focus on pertinent management topics and improve validity of results. As a result, responses may not be strictly comparable from year to year. The survey instruments used in FY 2001 and FY 2005 each were pretested to validate the data collection. The surveys differ slightly in focus because the management environment has changed, although a core set of questions are retained to ensure comparability. Survey results are substantially verified in a qualitative way on an ongoing basis as the Department solicits views of partner groups in program activities and negotiated rulemaking.

Program Website. The 2006 report, "Partner Satisfaction with HUD's Performance," as well as the report for the baseline survey, is available at www.huduser.org.

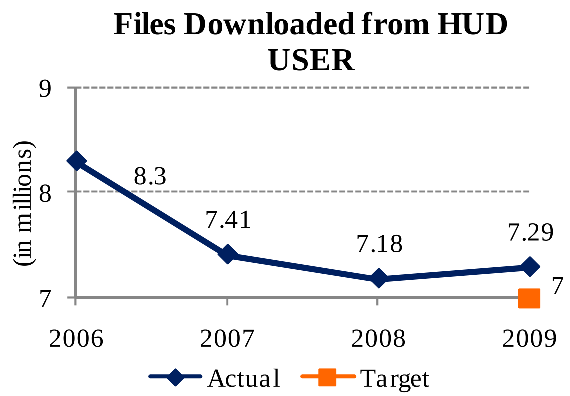
E.17: Policy Development and Research work products will be high quality and useful to customers.

Public Benefits and Program Accomplishments

Public Benefit: The independent program evaluation, housing data collection, and policy-focused research conducted by the Office of Policy Development and Research has two major public benefits. It enables public accountability for HUD's FY 2009 $55.7 billion budget, and also established an infrastructure of publicly available data for understanding and more effectively addressing housing and urban development issues.

FY 2009 performance is assessed with an outcome indicator and an output indicator. The outcome indicator is customers' overall assessment of whether research products are useful. The output indicator is the volume of work products downloaded from The Office of Policy Development and Research's website during the fiscal year, reflecting both the value of the research and the success of outreach and dissemination activities. The FY 2009 goal was adjusted upward from 6.8 million to 7.0 million downloads of files related to housing and community development topics, reflecting FY 2008 outcomes and updated analysis.

Results and Analysis: The customer satisfaction survey used to measure usefulness of the Office of Policy Development and Research products was placed under contract at the end of FY 2008 and data for reporting on the usefulness measure will become available during FY 2010. Among the most recent (FY 2006) survey respondents, 87 percent of all users were highly satisfied or moderately satisfied with the quality of the information available on HUD USER. Satisfaction with the quality of information was even higher among the key users of the listserv groups, reaching 94 percent. Regarding the HUD USER website itself, 84 percent of respondents expressed satisfaction. The final report, "Assessment of the Office of Policy Development and Research Website," is available at the link below.



During FY 2009, users of the HUD USER research clearinghouse downloaded nearly 7.29 million electronic files, surpassing the upwardly revised goal of 7.0 million downloads. The volume is 1.5 percent greater than the FY 2008 tally of 7.18 million downloads. The downloads were accomplished during 3.8 million visits to the HUD USER website. The number of downloads varies from month to month, reflecting the timing and popularity of new reports and information.

Supplemental Performance and Resources Information. The level of funding is a major factor affecting this indicator. The FY 2009 research funding ($32.0 million from the Research and Technology account) remained substantially below the $38.1 million appropriated as recently as FY 2005, when $6.9 million more was provided for housing technology research. About 92 percent of the FY 2008 appropriation was allocated to mandatory data collection efforts, such as the American Housing Survey, and other fixed costs. Very few resources remained for discretionary research efforts needed to evaluate and strengthen national housing and community development programs and policy.

Several years of lower appropriations have restricted the flow of major research efforts, thus constraining the number of highly-demanded publications downloaded from HUD USER. To better sustain policy-relevant research, HUD's FY 2010 budget request restructures the Research and Technology account to focus on the America Housing Survey and other core elements in the housing data infrastructure. This investment is supplemented by funding through two components — program evaluation and performance measurement, and program demonstrations- of the proposed Transformation Initiative. Funding of program evaluation and performance measurement would support strengthened accountability for existing programs, and funding of program demonstrations would enable testing of cost-effective program and policy innovations.

Data Discussion. Users' judgments of the usefulness of research products are measured using surveys. The FY 2005 data consist of 10,795 valid responses to the website survey and 1,832 valid responses to the listserv surveys (995 for News and American Housing Survey list servers and 837 for the Regulatory Barriers Clearinghouse listserv.) All users between October 7, 2004, and December 10, 2004, were asked to participate. An analysis conducted to validate the sample revealed no significant differences between respondents and non-respondents, nor between visitors during the survey period and the rest of the year.

Data on files downloaded from HUD USER are gathered in monthly reports from Sage Computing, HUD's web hosting and content management provider for HUD USER, and provide a reliable portrayal of usage trends. Beginning in mid-2003, the counts have been generated with Web Trends software, a standard analytical application in the web hosting industry. Although no counting errors are likely, users may download multiple files while obtaining the information they were seeking, and a single user may download the same product more than once. An effort has been made to exclude partial downloads, but a small proportion of partial downloads are known to remain in the total. The FY 2005 customer survey provided independent qualitative and quantitative information for validating usage patterns from automated data.

Program Website. www.huduser.org

Goal F: Promote Participation of Faith-Based and Community Organizations

	PERFORMANCE REPORT CARD – GOAL F							
	Performance Indicator	**2006 Actual**	**2007 Actual**	**2008 Actual**	**2009 Actual**	**2009 Target**	**Met/Miss**	**Notes**
	Center for Faith-Based and Community Initiatives							
F.1	The Center for Faith-Based and Community Initiatives will measure the participation of faith-based and community organizations, through new and past relationships with public-private partners and through the Department's Super Notice of Funding Availability process for FY 2009 compared to FY 2008.	$512	$513	N/A	N/A	N/A	N/A	a, b
F.2	Comprehensive outreach programs are conducted for faith-based and community organizations throughout the nation to increase partnerships and provide information on HUD programs and resources.							
	Grant Writing Sessions.	N/A	52	68	40	40	✔	
	Seven "Unlocking Doors Initiatives" forums.	N/A	N/A	7	8	8	✔	
F.3	The Center for Faith-Based and Community Initiatives will work collaboratively with HUD program and field offices to build and expand partnerships between non-profit organizations (both faith-based and secular) and HUD within the communities we serve.	1	1	3	>2	2	✔	

N/A: Not available

a - number reported in millions

b - one-year lag in data

Center for Faith-Based and Neighborhood Partnerships

F.1: The Center for Faith-Based and Neighborhood Partnerships will measure the participation of faith-based and community organizations, through new and past relationships with public-private partners and through the Department's SuperNOFA process for FY 2009 compared to FY 2008.

This indicator has been deleted to reflect a shift in emphasis of this initiative under the new Administration to a partnership model that engages a wide range of stakeholders – both secular and faith-based – to collaborate with the federal government not only through grants but other important non-financial partnerships. New metrics and indicators that capture efforts at collaboration and partnerships, both financial and non-financial, are under development.

F.2: Comprehensive outreach programs are conducted for faith-based and community organizations throughout the nation to increase partnerships and provide information on HUD programs and resources.

Public Benefits and Program Accomplishments

Public Benefit: Neighborhood-based non-profit organizations, whether faith-based or secular, play an important role in community renewal and revitalization, given their front-line programmatic experience and their expertise in often being among the first to recognize broader trends (economic, demographic, social, etc.) affecting low income communities and vulnerable populations. HUD is better able to accomplish its mission and strategic objectives by pro-actively engaging these organizations, both through financial partnerships (e.g., grants) and non-financial partnerships (e.g., convening events to promote peer learning and best practices). HUD's engagement with a broad range of stakeholders also provides invaluable feedback to the department on its programs and policies.

This measurement looks at the number of Center Grant Writing Trainings and "Unlocking Doors" Initiative activities undertaken, as well as other representational activities. The Center measures these activities as a way of determining whether the scope of its outreach is national in character, whether it reaches a broad array of actors in a broad number of settings, and whether the Center's actions do build and strengthen effective organizational partnerships.

The Center targeted to hold 40 Grant Writing Training sessions around the country in FY 2009. The training covers a range of organizational capacity building topics for small non-profits that are seeking to improve their effectiveness and compete for federal funding. The training also provides topical skills around organizational and board development, strategic planning, financial management and performance management and evaluation. Participation in these sessions does not guarantee success in future federal competitions, nor is such success warranted or implied. It does, however, offer participants the tools, skills, and workshop experience that have been helpful for demonstrating both knowledge of the federal funding process and capacity to administer federal funds according to federal standards.

In addition, the Center targeted to organize eight convening events, as part of its "Unlocking Doors" Initiative. In FY 2008, convening events focused on affordable housing creation. In FY 2009, convening events addressed a number of key priorities for HUD, including foremost mitigating the impact of the foreclosure crisis and implementation of the American Recovery and Reinvestment Act, single- and multi-family affordable housing creation and preservation, and community development.

Results and Analysis: The Center proposed to hold 40 Grant Writing Training sessions, and it met its goal. The Center proposed to hold eight "Unlocking Doors" convening events, and not only met the goal of eight roundtables but has established working groups in number of cities in the Mid-Atlantic, Midwest and Mountain West to continue to address needs identified in initial sessions. In this work the Center exceeded its targets of last year, of 30 Grant Writing Training sessions and seven "Unlocking Doors" forums.

Supplemental Performance and Resources Information. In Orange County, California, the Center met with non-profit and religious leaders, local elected and law enforcement officials, representatives of the Federal Deposit Insurance Corporation and other stakeholders to address the foreclosure crisis and specifically how to educate and help communities avoid common foreclosure scams. In Dayton, Ohio, the Center convened a group of faith-based and secular neighborhood non-profits in order to discuss the implementation of the Recovery Act, learn more about the housing and community development challenges facing the community, and identify next steps in bringing other federal partners to the table to support the group's efforts in addressing these challenges. In Richmond, Virginia, the Center has been meeting regularly with a group of local stakeholders including non-profit, state, and city officials to explore potential housing solutions for hard-to-house populations, including refugees. The Center also co-sponsored the first-of-its kind regional conference for faith-based and secular non-profits, Tribal Leaders and Organizations, and other federal agencies to address a comprehensive set of housing, health, economic and community development needs on reservations. [See performance indicator F.3 discussion below.]

Work for this Indicator is undertaken by nine FTEs. Grant Writing Training is delivered by Center staff as well as members of Field Policy Management or program office field staff, the Center underwriting travel costs. Other representational and outreach activities are also undertaken in coordination with these same members and staff.

Trend information is unavailable. Both Grant Writing Training and "Unlocking Doors" programs were substantially revised for the current fiscal year, rendering like-to-like comparisons impossible. The Center also anticipates significant revisions for the FY 2010 Grant Writing Training curriculum. Work in Indian Country is a new initiative of the Center.

Data Discussion. The data for this indicator is reliable and compete, compiled by records available in the Center that show registrations to receive the Center's newsletters and other electronic disseminations and attendance lists at outreach events.

Program Website. http://portal.hud.gov/portal/page/portal/HUD/program_offices/faith_based

F.3: The Center for Faith-Based and Neighborhood Partnerships will work cooperatively with the HUD program offices to build and expand partnerships between faith-based and community organizations (both faith-based and secular) HUD within the communities we serve.

Public Benefits and Program Accomplishments

Public Benefit: In the HUD FY 2010 Budget, Secretary Donovan has laid out a roadmap for a transformed HUD that envisions a robust, coordinated approach across HUD program offices as well as with other federal departments in meeting the housing and community development needs of neighborhoods around the country. In FY 2009, the Center has implemented its core programs in coordination not only with other HUD offices but wherever possible by bringing other federal actors to the table, recognizing that neighborhoods face challenges that are inter-connected and seek solutions that are place-based, centered around the community rather than centered around bureaucracies.

The Center here measures its outcomes in establishing collaborative partnerships with other HUD program offices and federal departments in order to build and strengthen partnerships with faith-based and secular neighborhood non-profit organizations. This responds to a central thrust of HUD's Transformation Initiative, which requires engagement of multiple actors to work in a more coordinated manner to achieve goals related to the Recovery, provision of affordable housing and the building of sustainable, inclusive communities.

Results and Analysis: The Center met this goal. The Center's Grant Writing Training program is a model of cross-departmental coordination. The Center works closely with HUD's Office Field Policy and Management, Community Planning and Development, Housing and other program areas to set tailored agendas for specific trainings, recruit HUD trainers, and review and advice on training curriculum on a regular basis.

A number of convening events in FY 2009 were the result of close coordination and planning with other offices. The Center worked with the Office of Field Policy and Management, state and local officials and other outside stakeholders to hold a community gathering in Camden to learn more in depth about the specific challenges resulting from high levels of concentrated poverty and unemployment, among other issues. The listening session led to a commitment by HUD to return and offer a two-day technical assistance workshop for faith-based and secular neighborhood non-profits, drawing heavily on peer learning models by tapping respected local organizations to lead several of the training sessions. The Center worked to ensure that in addition to HUD other federal departments with a stake in the community were also present at this highly successful event, including the U.S. Department of Education, the U.S. Department of Health and Human Services (HHS) and the U.S. Department of Agriculture.

The Center worked with the Public and Indian Housing Office of Native American Programs to hold the first-of-its kind Faith-Based and Neighborhood Partnerships Indian Country conference, in Denver, CO. [See Supplemental Performance and Resources Information section below.]

The Center joined other HUD leadership with Secretary Donovan in a major visit to the Gulf Coast in late August to mark the Fourth Anniversary of Hurricane Katrina. The Center met with a range of stakeholders and faith-based and secular neighborhood non-profits to discuss ongoing needs related to the recovery efforts and identify best practices that might be replicated or scaled up. As a result of this initial gathering, the Center is planning to undertake a broader effort with other HUD program offices to encourage peer learning not only among Gulf Coast organizations but with non-profits in other parts of the country that are active in disaster recovery work.

As reported in Indicator F. 2, the Center exceeded its target outcomes for last year. In FY 2009, the Center increased the number of Grant Writing Trainings from 30 to 40, and the number of "Unlocking Doors" convening events from seven to eight, even while significantly changing the format in each of those activities.

Supplemental Performance and Resources Information. Many have long considered Native Americans to be the forgotten Americans, because they live apart from mainstream America on reservations where, it is assumed, they receive the assistance they require, by way of need and by way of legal obligations, in order to maintain personal and family life within their tribal customs. This assumption is often sadly mistaken: homelessness and inadequate housing opportunities, and low levels of economic development, are prevalent on reservations, as they are in other areas where other low- and moderate-income Americans live.

Conversations with the Office of Native American Programs led to a joint decision that the Center would co-sponsor with ONAP the first-ever Faith-Based and Neighborhood Partnerships Indian Country Conference. Approximately one hundred fifty representatives of the tribes and peoples of the Northern Plains gathered in Denver, CO, where they shared with HUD and other officials the challenges they currently face, and learned about resources currently available yet generally significantly underutilized by Native American peoples, in large part because of gaps in information dissemination. Thus the conference became a motive of hope for the representatives of these peoples and a basis for additional follow-up activities already under planning.

Data Discussion. This is a qualitative, outcome-driven indicator. The Center measures its success here by the quality of the follow-up work and collaborations, including new peer-learning networks. Given that our traditional HUD partners seek to continue working with the Center, our new HUD partners wants to continue working together, and those we serve have asked for continuing and expanding collaborative follow-through, the Center believes the qualitative data for FY 2009 is reliable and complete. In FY 2010, the Center is investing in the development of additional performance measures to assess the impact of its work. This investment responds to part of HUD's larger Transformation Initiative, in which Secretary Donovan has called for rigorous evidence to help inform programming decisions and measure progress and performance vis-à-vis the department's goals.

Program Website. http://portal.hud.gov/portal/page/portal/HUD/program_offices/faith_based

Message from the Acting Deputy Chief Financial Officer

November 16, 2009

In Fiscal Year 2009, HUD assumed a more prominent role in addressing the country's economic problems. The Department met the challenge and responded timely, while maintaining its historically high standard of financial management and reporting. The housing crisis has kept the Department in the news on a daily basis. The American Recovery and Reinvestment Act (Recovery Act), passed in February 2009 to address America's economic crisis, brings substantial new challenges and responsibilities to the Office of the Chief Financial Officer (OCFO). These include an increased focus on transparency and accountability, additional efforts to evaluate and mitigate potential risks associated with Recovery Act programs, and development and approval of funds control plans to ensure an efficient and effective process of accounting for and disbursing Recovery Act funds.

The Department's progress is measured by the results and outcomes captured in this Performance and Accountability Report. The report presents HUD's successes and challenges in both the financial and program arenas. It serves as the principal publication and report to the President, the Congress, and the American people regarding HUD's program leadership and our stewardship and management of the public funds entrusted to it.

I am particularly pleased to report that, for the tenth consecutive year, HUD received an unqualified, or "clean," audit opinion, and for the second consecutive year there were no material weaknesses identified on the Department's consolidated financial statements from its independent Office of Inspector General. 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 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. Other significant financial management accomplishments during FY 2009 include:

- Developed two budgets, i.e., for FY 2010 and FY 2011, reflecting the new Administration's direction for the Agency. This was a tremendous effort completed in an extremely short timeframe.
- Continued excellence in performance and accountability reporting as noted by receiving the Certificate of Excellence in Accountability Reporting from the Association of Government Accountants for the third consecutive year. This certificate recognizes the Department's

excellence in linking budget and performance information in its FY 2008 Performance and Accountability Report.

- Completed a fourth assessment of the effectiveness of internal controls over financial reporting, in accordance with requirements of Appendix A of OMB Circular A-123. This is similar to the Sarbanes-Oxley Act requirements for the private sector. Based on the results of that evaluation, the Secretary was able to report, with reasonable assurance, that the Department's internal controls over financial reporting, as of June 30, 2009, were operating effectively, and no material weaknesses were found in their design or operation. Nevertheless, opportunities for improving controls were identified and corrective actions have been initiated.
- Continued, through the third quarter of the fiscal year, the Department's record of receiving "Green" ratings from the Office of Management and Budget on eight of nine key federal accounting practices. For the ninth goal (i.e., the individual travel card timeliness goal), HUD temporarily received a yellow rating, however corrective actions were taken that returned HUD's score to "Green" prior to the end of the fiscal year. These ratings placed HUD among the top performers in the federal government.
- Implemented a new web-based financial reporting system, titled the HUD Financial Management system. The system provides many improvements to the availability, processing, and security of HUD's financial reporting.

Under the Government Performance and Results Act, management continued to assess and refine HUD's performance measures, quality of data, and compilation procedures. The OCFO refined its procedures to ensure HUD's stakeholders have the most useful and accurate performance data available that reflects the benefits to our constituents. HUD is proud of its many accomplishments, but realizes that much work remains in this very challenging financial environment. The OCFO will continue to promote sound business practices and improved accountability while supporting HUD's mission of promoting home ownership, supporting community development, and increasing access to affordable housing free from discrimination.

The Department's excellence in financial management is attributable to the combined effort of management, employees, and business partners. Specifically, I want to recognize my staff in the Office of the Chief Financial Officer, the FHA Comptroller's Office, Ginnie Mae's Office of Finance, the Office of Inspector General, and other HUD program and administrative components that are involved in the stewardship of HUD's funds. Their continued dedication and effort is essential in providing HUD's program management team with the budgetary, accounting, financial management systems, auditing, and performance management services necessary to effectively support HUD's mission and deliver results for the American people.

Anthony P. Scardino

FINANCIAL STATEMENTS

Introduction

The principal financial statements have been prepared to report the financial position and results of operations of HUD, pursuant to the requirements of 31 U.S.C. 3515(b). While the financial statements have been prepared from HUD's books and records in accordance with formats prescribed by OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records.

The principal financial statements and notes should be read with the realization that they are for a component of the U.S. Government, a sovereign entity. One implication is that the liabilities reported in the financial statements cannot be liquidated without legislation that provides resources to do so.

The financial statements presented herein are:

The **Consolidated Balance Sheet**, as of September 30, 2009 and 2008, which presents those resources owned or managed by HUD that are available to provide future economic benefits (assets); amounts owed by HUD that will require payments form those resources or future resources (liabilities); and residual amounts retained by HUD comprising the difference (net position).

The **Consolidated Statement of Net Cost,** which presents the net cost of HUD operations for the years ended September 30, 2009 and 2008. HUD's net cost of operations includes the gross costs incurred by HUD less any exchange revenue earned from HUD activities.

The **Consolidated Statement of Changes in Net Position,** which presents the change in HUD's net position resulting from the net cost of HUD operations, budgetary financing sources other than exchange revenues, and other financing sources for the years ended September 30, 2009 and 2008.

The **Combined Statement of Budgetary Resources,** which presents the budgetary resources available to HUD during FY 2009 and 2008, the status of these resources at September 30, 2009 and 2008, and the outlay of budgetary resources for the years ended September 30, 2009 and 2008.

The **Notes to the Financial Statements** provide important disclosures and details related to information reported on the statements.

Consolidated Balance Sheet

For the Period Ending September 2009 and 2008

(Dollars in Millions)

	2009	2008
ASSETS		
Intragovernmental		
Fund Balance with Treasury (Note 4)	$ 113,641	$ 85,539
Investments (Note 5)	19,912	28,544
Other Assets (Note 9)	14	22
Total Intragovernmental Assets	133,567	114,105
Investments (Note 5)	145	48
Accounts Receivable (Net) (Note 6)	129	239
Credit Program Receivables and Related Foreclosed Property (Note 7)	8,058	9,565
General Property Plant and Equipment (Note 8)	234	234
Other Assets (Note 9)	1,189	845
TOTAL ASSETS	**143,322**	**125,036**
LIABILITIES		
Intragovernmental Liabilities		
Accounts Payable (Note 10)	7	11
Debt (Note 11)	5,083	5,608
Other Intragovernmental Liabilities (Note 14)	2,038	1,655
Total Intragovernmental Liabilities	7,128	7,274
Accounts Payable (Note 10)	974	892
Loan Guarantees (Note 7)	34,153	19,613
Debt Held by the Public (Note 11)	477	729
Federal Employee and Veterans' Benefits (Note 12)	69	85
Loss Reserves (Note 13)	560	550
Other Governmental Liabilities (Note 14)	1,614	1,378
TOTAL LIABILITIES	**44,975**	**30,521**
NET POSITION		
Unexpended Appropriations - Earmarked Funds (Note 18)	11,720	(376)
Unexpended Appropriations	66,203	66,832
Cumulative Results of Operations - Earmarked Funds (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**

The accompanying notes are an integral part of these statements.

Consolidated Statement of Net Cost

For the Period Ending September 2009 and 2008

(Dollars in Millions)

	2009	2008
COSTS:		
Federal Housing Administration		
Gross Cost (Note 19)	$ 14,689	$ 11,378
Less: Earned Revenue	(2,266)	(1,471)
Net Program Costs	12,423	9,907
Government National Mortgage Association		
Gross Cost (Note 19)	148	110
Less: Earned Revenue	(658)	(1,007)
Net Program Costs	(510)	(897)
Section 8:		
Gross Cost (Note 19)	25,259	24,735
Less: Earned Revenue		
Net Program Costs	25,259	24,735
Low Rent Public Housing Loans and Grants		
Gross Cost (Note 19)	3,678	3,238
Less: Earned Revenue		
Net Program Costs	3,678	3,238
Operating Subsidies:		
Gross Cost (Note 19)	4,540	4,150
Less: Earned Revenue		
Net Program Costs	4,540	4,150
Housing for the Elderly and Disabled		
Gross Cost (Note 19)	1,379	1,392
Less: Earned Revenue	(309)	(363)
Net Program Costs	1,070	1,029
Community Development Block Grants:		
Gross Cost (Note 19)	6,466	8,996
Less: Earned Revenue		
Net Program Costs	6,466	8,996
HOME:		
Gross Cost (Note 19)	1,956	2,013
Less: Earned Revenue		
Net Program Costs	1,956	2,013
Other:		
Gross Cost (Note 19)	3,630	3,872
Less: Earned Revenue	(37)	(33)
Net Program Costs	3,593	3,839
Costs Not Assigned to Programs:	182	144
Consolidated:		
Gross Cost (Note 19)	61,927	60,028
Less: Earned Revenue	(3,270)	(2,874)
NET COST OF OPERATIONS	**$ 58,657**	**$ 57,154**

The accompanying notes are an integral part of these statements.

Consolidated Statement of Changes in Net Position

For the Period Ending September 2009

(Dollars in Millions)

	EARMARKED FUNDS	ALL OTHER FUNDS	CONSOLIDATED TOTAL
CUMULATIVE RESULTS OF OPERATIONS:			
Beginning of Period	$ 14,089	$ 13,969	$ 28,058
Adjustments:			
Corrections of Errors			
Beginning Balances, As Adjusted	14,089	13,969	28,058
BUDGETARY FINANCING SOURCES:			
Appropriations Used	1,530	53,217	54,747
Transfers In/Out Without Reimbursement	5	(2,066)	(2,061)
Other Financing Sources (non-exchange):			
Transfers In/Out Without Reimbursement		(1,742)	(1,742)
Imputed Financing		79	79
Total Financing Sources	1,535	49,488	51,023
Net Cost of Operations	(990)	(57,667)	(58,657)
Net Change	545	(8,179)	(7,634)
CUMULATIVE RESULTS OF OPERATIONS	**14,634**	**5,790**	**20,424**
UNEXPENDED APPROPRIATIONS:			
Beginning of Period	(376)	66,816	66,440
Adjustments			
Changes in Accounting Principles			
Corrections of Errors			
Beginning Balances, As Adjusted	(376)	66,816	66,440
BUDGETARY FINANCING SOURCES:			
Appropriations Received	13,626	53,863	67,489
Appropriations Transfers In/Out		(86)	(86)
Other Adjustments		(1,174)	(1,174)
Appropriations Used	(1,530)	(53,216)	(54,746)
Total Budgetary Financing Sources	12,096	(613)	11,483
Unexpended Appropriations	**11,720**	**66,203**	**77,923**
NET POSITION	**$ 26,354**	**$ 71,993**	**$ 98,347**

The accompanying notes are an integral part of these statements.

Consolidated Statement of Changes in Net Position

For the Period Ending September 2008

(Dollars in Millions)

	EARMARKED FUNDS	ALL OTHER FUNDS	CONSOLIDATED TOTAL
CUMULATIVE RESULTS OF OPERATIONS:			
Beginning of Period	$ 13,266	$ 22,953	$ 36,219
Adjustments:			
Corrections of Errors		8	8
Beginning Balances, As Adjusted	13,266	22,961	36,227
BUDGETARY FINANCING SOURCES:			
Appropriations Used	9	49,525	49,534
Transfers In/Out Without Reimbursement		(628)	(628)
Other Financing Sources (non-exchange):			
Transfers In/Out Without Reimbursement		(32)	(32)
Imputed Financing		112	112
Total Financing Sources	9	48,977	48,986
Net Cost of Operations	814	(57,968)	(57,154)
Net Change	823	(8,991)	(8,168)
CUMULATIVE RESULTS OF OPERATIONS	**14,089**	**13,970**	**28,059**
UNEXPENDED APPROPRIATIONS:			
Beginning of Period	(376)	54,871	54,495
Adjustments			
Changes in Accounting Principles			
Corrections of Errors		2	2
Beginning Balances, As Adjusted	(376)	54,873	54,497
BUDGETARY FINANCING SOURCES:			
Appropriations Received	9	63,873	63,882
Appropriations Transfers In/Out		(241)	(241)
Other Adjustments		(2,149)	(2,149)
Appropriations Used	(9)	(49,525)	(49,534)
Total Budgetary Financing Sources		11,958	11,958
Unexpended Appropriations	**(376)**	**66,831**	**66,455**
NET POSITION	**$ 13,713**	**$ 80,801**	**$ 94,514**

The accompanying notes are an integral part of these statements.

Combined Statement of Budgetary Resources

For the Period Ending September 2009 and 2008

(Dollars in Millions)

	2009 Budgetary	2009 NonBudgetary Credit Program Financing Accounts	2008 Budgetary	2008 Credit Program Financing Accounts
Budgetary Resources:				
Unobligated Balance, Brought Forward	$ 53,378	$ 8,300	$ 42,984	$ 4,219
Recoveries of Prior Year Unpaid Obligations	1,010	10	940	19
Budget Authority				
Appropriation	67,492		63,888	
Borrowing Authority	4	475	4	940
Contract Authority				
Spending Authority from Offsetting Collections				
Earned				
Collected	5,171	31,266	4,361	14,188
Change in Receivable from Federal Sources	(144)	1	(66)	(41)
Change in Unfilled Customer Orders				
Advance Received	(11)		1	
W/O Advance from Federal Sources	5	3	1	(2)
Subtotal Budget Authority	72,517	31,745	68,189	15,085
Nonexpenditure Transfers, Net			(2)	
Temporarily Not Available Per PL				
Permanently not available	(7,080)	(883)	(11,343)	(691)
Total Budgetary Resources	119,825	39,172	100,768	18,632
Status of Budgetary Resources:				
Obligations Incurred				
Direct	77,953	12,205	46,634	10,332
Reimbursable	1,528		753	
Subtotal	79,481	12,205	47,387	10,332
Unobligated Balances				
Apportioned	13,490	5,884	17,757	2,638
Subtotal	13,490	5,884	17,757	2,638
Unobligated Balances Not Available	26,854	21,083	35,624	5,662
Total Status of Budgetary Resources	**119,825**	**39,172**	**100,768**	**18,632**
Change in Obligated Balance				
Obligated Balance, Net				
Unpaid Obligations, Brought Forward	57,120	1,595	65,806	1,342
Less: Uncollected Customer Payments from Federal Sources	(279)	(18)	(344)	(62)
Total Unpaid Obligated Balance, Net	56,841	1,577	65,462	1,280
Obligations Incurred, Net	79,481	12,205	47,387	10,332
Less: Gross Outlays	(66,841)	(12,326)	(55,120)	(10,060)
Total Unpaid Obligated Balance Transferred, Net				
Less: Recoveries of Prior Year Unpaid Obligations, Actual	(1,010)	(10)	(940)	(19)
Change in Uncollected Customer Payments from Federal Sources	139	(5)	65	43
Obligated Balance, Net - End of Period				
Unpaid Obligations	68,751	1,464	57,133	1,594
Less: Uncollected Customer Payments from Federal Sources	(141)	(23)	(279)	(18)
Total Obligated Balance, Net - End of Period	68,610	1,441	56,854	1,576
Net Outlays				
Gross Outlays	66,841	12,326	55,120	10,060
Less Offsetting Collections	(4,272)	(31,266)	(4,362)	(14,188)
Less: Distributed Offsetting Receipts	(1,141)		(1,541)	
Net Outlays	**$ 61,428**	**$ (18,940)**	**$ 49,217**	**$ (4,128)**

The accompanying notes are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS

September 30, 2009 and 2008

NOTE 1 - ENTITY AND MISSION

The U.S. Department of Housing and Urban Development (HUD) was created in 1965 to (1) provide housing subsidies for low and moderate income families, (2) provide grants to states and communities for community development activities, (3) provide direct loans and capital advances for construction and rehabilitation of housing projects for the elderly and persons with disabilities, and (4) promote and enforce fair housing and equal housing opportunity. In addition, HUD insures mortgages for single family and multifamily dwellings; insures loans for home improvements and manufactured homes; and facilitates financing for the purchase or refinancing of millions of American homes.

HUD's major programs are as follows:

The **Federal Housing Administration** (FHA) was established under the National Housing Act of 1934 and became a wholly owned government corporation in 1948 subject to the Government Corporation Control Act, as amended. While FHA was established as a separate Federal entity, it was subsequently merged into HUD in 1965. FHA administers active mortgage insurance programs which are designed to make mortgage financing more accessible to the home-buying public and thereby to develop affordable housing. FHA insures private lenders against loss on mortgages which finance single family homes, multifamily projects, health care facilities, property improvements, and manufactured homes.

The **Government National Mortgage Association** (Ginnie Mae) was created in 1968 as a wholly owned Government corporation within HUD to administer mortgage support programs that could not be carried out in the private market. Ginnie Mae guarantees the timely payment of principal and interest on mortgage-backed securities issued by approved private mortgage institutions and backed by pools of mortgages insured or guaranteed by FHA, the Rural Housing Service (RHS), the Department of Veterans Affairs (VA) and the HUD Office of Public and Indian Housing (PIH).

The **Section 8 Rental Assistance** programs assist low- and very low-income families in obtaining decent and safe rental housing. HUD makes up the difference between what a low- and very low-income family can afford and the approved rent for an adequate housing unit with the Housing Choice Voucher (HCV) Program funding cycle that started January 1, 2005 and ended December 31, 2005. As of January 1, 2005, Congress changed the basis of the program funding to PHAs from a "unit-based" process where program variables affected the annual Federal funding amount to a "budget-based" process where annual Federal funding is a fixed amount. Under the budget-based process, Public Housing Agencies (PHAs) draw the program fund allocated to them on a monthly basis, i.e., one twelve of the annual allocation.

Operating Subsidies are provided to PHAs and Tribally Designated Housing Entities (TDHEs) to help finance the operations and maintenance costs of their housing projects.

The **Community Development Block Grant** (CDBG) programs provide funds for metropolitan cities, urban counties, and other communities to use for neighborhood revitalization, economic development, and improved community facilities and services. The United States Congress appropriated $2 billion in FY 2002 and $783 million in emergency supplemental appropriations in FY 2001 for a "Community Development Fund" for emergency expenses to respond to the September 11, 2001 terrorist attacks on the United States. Funds of $22.3 million were disbursed in FY 2009 and $177.8 million was disbursed in FY 2008. Any remaining un-obligated balances shall remain available until expended. The United States Congress appropriated $17.5 billion in FY 2008 and $150 million in emergency supplemental appropriations in FY 2005 for the "Community Development Fund" for emergency expenses to respond to the Hurricane Katrina relief efforts. Funds of $2.2 billion were disbursed in FY 2009 and $4.6 billion was disbursed in FY 2008. Any remaining un-obligated balances shall remain available until expended.

The **Low Rent Public Housing Grants** program provides grants to PHAs and TDHEs for construction and rehabilitation of low-rent housing. This program is a continuation of the Low Rent Public Housing Loan program which pays principal and interest on long-term loans made to PHAs and TDHEs for construction and rehabilitation of low-rent housing.

The **Section 202/811 Supportive Housing for the Elderly and Persons with Disabilities** programs, prior to fiscal 1992, provided 40 year loans to nonprofit organizations sponsoring rental housing for the elderly or disabled. During fiscal 1992, the program was converted to a grant program. The grant program provides capital for long-term supportive housing for the elderly (Section 202) and disabled (Section 811).

The **Home Investments Partnerships** program provides grants to states, local governments, and Indian tribes to implement local housing strategies designed to increase home ownership and affordable housing opportunities for low- and very low-income families.

Other Programs not included above consist of other smaller programs which provide grant, subsidy funding, and direct loans to support other HUD objectives such as fair housing and equal opportunity, energy conservation, assistance for the homeless, rehabilitation of housing units, removal of lead hazards, and home ownership. The programs provide 13 percent of HUD's consolidated revenues and financing sources for FY 2009 and 8 percent of HUD's consolidated revenues and financing sources for FY 2008.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Consolidation

The Department's FY 2009 financial statements do not include the accounts and transactions of the Office of Fair Housing and Equal Opportunity two transfer appropriations, the Appalachian Regional Commission and the Department of Transportation Surface Transportation Projects.

Some laws require departments (parent) to allocate budget authority to another department (child). Allocation means a delegation, authorized by law, by one department of its authority to obligate and outlay funds to another department. HUD, the child account, receives budget authority and then obligates and outlays sums of up to the amount included in the allocation. As required by OMB Circular A-136, financial activity is in the parent account which is also accountable for and maintains the responsibility for reporting while the child performs on behalf of the parent and controls how the funds are expended. Consequently, these balances are not included in HUD's consolidated financial statements as specified by OMB Circular A-136.

B. Basis of Accounting

The Department's FY 2009 financial statements do not include the accounts and transactions of the Office of Federal Housing Enterprise Oversight.

On July 30, 2008, the President signed into law the Housing and Economic Recovery Act of 2008, Pub. L. 110-289, 122 Stat. 2654 (HERA), which amended the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 and the Federal Home Loan Bank Act (1992 Act). One of the provisions of HERA created the Federal Housing Finance Agency (FHFA), which is empowered with regulatory oversight of Fannie Mae, Freddie Mac and the Federal Home Loan Banks (collectively, regulated entities). The formation of this new agency comprises the transfer of personnel, property, and program activities of the Federal Housing Enterprise Oversight (OFHEO); the Federal Housing Finance Board (FHFB), which provides oversight for the Federal Home Loan Banks, and certain employees and activities of the Department of Housing and Urban Development (HUD) related to the regulation of the housing mission of Fannie Mae and Freddie Mac.

The financial statements are presented in accordance with the OMB Circular No. A-136, Financial Reporting Requirements, and in conformance with the Federal Accounting Standards Advisory Board's (FASAB) Statements of Federal Financial Accounting Standards (SFFAS).

The financial statements are presented on the accrual and budgetary bases of accounting. Under the accrual method, HUD recognizes revenues when earned, and expenses when a liability is incurred, without regard to receipt or payment of cash. Generally, procedures for HUD's major grant and subsidy programs require recipients to request periodic disbursement concurrent with incurring eligible costs. Budgetary accounting facilitates compliance with legal requirements on the use of Federal funds.

The Department's disbursement policy permits grantees/recipients to request funds to meet immediate cash needs to reimburse themselves for eligible incurred expenses and eligible expenses expected to be received and paid within three days or as subsidies are payable. HUD's disbursement of funds for these purposes are not considered advance payments, but are viewed as good cash management between the Department and the grantees. In the event that it is determined that the grantee/recipient did not disburse the funds within the three day time frame, interest earned must be returned to HUD and deposited into one of Treasury's miscellaneous receipt accounts.

C. Use of Estimates

The preparation of the principal financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Amounts reported for net loans receivable and related foreclosed property and the loan guarantee liability represent the Department's best estimates based on pertinent information available.

To estimate the allowance for subsidy (AFS) associated with loans receivable and related to foreclosed property and the Liability for Loan Guarantees (LLG), the Department uses cash flow model assumptions associated with loan guarantee cases subject to the Federal Credit Reform Act of 1990 (FCRA), as described in Note 7, to estimate the cash flows associated with future loan performance. To make reasonable projections of future loan performance, the Department develops assumptions based on historical data, current and forecasted program and economic assumptions.

Certain programs have higher risks due to increased chances of fraudulent activities perpetrated against the Department. The Department accounts for these risks through the assumptions used in the liabilities for loan guarantee estimates. HUD develops the assumptions based on historical performance and management's judgments about future loan performance.

D. Credit Reform Accounting

The primary purpose of the Federal Credit Reform Act of 1990, which became effective on October 1, 1991, is to more accurately measure the cost of Federal credit programs and to place the cost of such credit programs on a basis equivalent with other Federal spending. OMB Circular No. A-11, Part 5, Federal Credit Programs defines Loan Guarantee as any guarantee, insurance or other pledge with respect to the payment of all or a part of the principal or interest on any debt obligation of a non-Federal borrower (Issuer) to a non-Federal lender (Investor). FHA practices Credit Reform accounting. In the opinion of Ginnie Mae management, and HUD's General Counsel, the Federal Credit Reform Act does not apply to Ginnie Mae. Nevertheless, in consultation with the OMB, Ginnie Mae has adopted certain credit reform practices.

The FCRA establishes the use of the program, financing, general fund receipt and capital reserve accounts for loan guarantees committed and direct loans obligated after September 30, 1991 (Credit Reform). It also establishes the liquidating account for activity relating to any loan guarantees committed and direct loans obligated before October 1, 1991 (pre-Credit Reform). These accounts are classified as either budgetary or non-budgetary in the Combined Statements of Budgetary Resources. The budgetary accounts include the program, capital reserve and liquidating accounts. The non-budgetary accounts consist of the credit reform financing accounts.

The program account is a budget account that receives and obligates appropriations to cover the subsidy cost of a direct loan or loan guarantee and disburses the subsidy cost to the financing account. The program account also receives appropriations for administrative expenses. The financing account is a non-budgetary account that records all of the cash flows resulting from Credit Reform direct loans or loan guarantees. It disburses loans, collects repayments and fees, makes claim payments, holds balances, borrows from U.S. Treasury, earns or pays interest, and receives the subsidy cost payment from the program account.

The general fund receipt account is a budget account used for the receipt of amounts paid from the financing account when there are negative subsidies from the original estimate or a downward re-estimate. In most cases, the receipt account is a general fund receipt account and amounts are not earmarked for the credit program. They are available for appropriations only in the sense that all general fund receipts are available for appropriations. Any assets in this account are non-entity assets and are offset by intragovernmental liabilities. At the beginning of the following fiscal year, the fund balance in the general fund receipt account is transferred to the U.S. Treasury general fund. The FHA general fund receipt accounts of the General Insurance (GI) and Special Risk Insurance (SRI) funds are in this category.

In order to resolve the different requirements between the FCRA and the National Affordable Housing Act of 1990 (NAHA), OMB instructed FHA to create the capital reserve account to retain the Mutual Mortgage Insurance/Cooperative Management Housing Insurance (MMI/CMHI) negative subsidy and subsequent downward re-estimates. Specifically, the NAHA required that FHA's MMI fund achieve a Capital Ratio of 2.0 percent by FY 2000. The Capital Ratio is defined as the ratio of economic net worth (current cash plus the present value of all future net cash flows) of the MMI fund to unamortized insurance in force (the unpaid balance of insured mortgages). Therefore, to ensure that the calculated Capital Ratio reflects the actual strength of the MMI fund, the resources of the capital reserve account, which are considered FHA assets, are included in the calculation of the MMI fund's economic net worth.

Continued economic weakness and projections of additional, significant house price declines into FY 2010, have reduced the economic net worth of the MMI Fund which is now less than 2 percent of insurance-in-force. While FHA has sufficient cash-on-hand to pay for all expected net future losses on current books of business, the MMI Fund has only a small additional margin should economic conditions and guaranteed-loan performance be even worse than is now projected. The FY 2009 actuarial study projects that the economy will stabilize and new business will generate net income that can also fund any additional, unforeseen losses on current books of business.

One additional change in FY 2009 has been that FHA reverse-mortgage insurance is now a part of the MMI Fund group of programs. Since reverse mortgages are fundamentally distinct from all other single-family loans, HUD has contracted for a separate independent actuarial study of that program. Combined results of the forward-loan and reverse-loan actuarial studies are used to compute a final estimate of economic net worth and to calculate the Capital Ratio for the entire MMI Fund.

Beginning in Fiscal Year 2009, FHA is using the amortized value of the insured loans to calculate both the forward and reverse mortgage portions of the capital ratio. The combined MMI capital ratio for the MMI Fund at the end of fiscal year 2009 is 0.53 percent which represents decline from the amortized fiscal year 2008 capital ratio of 3.22 percent (3.0 percent unamortized). FHA is undergoing a number of credit policy initiatives to strengthen the MMI Fund and minimize the change of any further declines in its economic net worth.

The liquidating account is a budget account that records all cash flows to and from FHA resulting from pre-Credit Reform direct loans or loan guarantees. Liquidating account collections in any year are available only for obligations incurred during that year or to repay debt. Unobligated balances remaining in the GI and SRI liquidating funds at year-end are transferred to the U.S. Treasury’s General Fund. Consequently, in the event that resources in the GI/SRI liquidating account are otherwise insufficient to cover the payments for obligations or commitments, the FCRA provides the GI/SRI liquidating account with permanent indefinite authority to cover any resource shortages.

E. Operating Revenue and Financing Sources

HUD finances operations principally through appropriations, collection of premiums and fees on its FHA and Ginnie Mae programs, and interest income on its mortgage notes, loans, and investments portfolio.

Appropriations for Grant and Subsidy Programs

HUD receives both annual and multi-year appropriations, and recognizes those appropriations as revenue when related program expenses are incurred. Accordingly, HUD recognizes grant-related revenue and related expenses as recipients perform under the contracts. HUD recognizes subsidy-related revenue and related expenses when the underlying assistance (e.g., provision of a Section 8 rental unit by a housing owner) is provided or upon disbursal of funds to PHAs.

Ginnie Mae Fees

Fees received for Ginnie Mae’s guaranty of mortgage-backed securities are recognized as earned. Commitment fees represent income that Ginnie Mae earns for providing approved issuers with authority to pool mortgages into Ginnie Mae mortgage-backed securities. The authority Ginnie Mae provides issuers expires 12 months from issuance for single family issuers and 24 months from issuance for multifamily issuers. Ginnie Mae receives Commitment Fees as issuers request Commitment Authority and recognizes the Commitment Fees as earned as Issuers use their Commitment Authority, with the balance deferred until earned or expired, whichever occurs first. Fees from expired commitment Authority are not returned to issuers.

F. Appropriations and Moneys Received from Other HUD Programs

The National Housing Act of 1990, as amended, provides for appropriations from Congress to finance the operations of GI and SRI funds. For Credit Reform loan guarantees, appropriations to the GI and SRI funds are provided at the beginning of each fiscal year to cover estimated losses on insured loans during the year. For pre-Credit Reform loan guarantees, FHA has permanent indefinite appropriation authority to finance any shortages of resources needed for operations.

Monies received from other HUD programs, such as interest subsidies and rent supplements, are recorded as revenue for the liquidating accounts when services are rendered. Monies received for the financing accounts are recorded as additions to the LLG or the Allowance for Subsidy when collected.

G. Investments

HUD limits its investments, principally comprised of investments by FHA's MMI/CMHI Fund and by Ginnie Mae, to non-marketable market-based Treasury interest-bearing obligations (i.e., investments not sold in public markets). The market value and interest rates established for such investments are the same as those for similar Treasury issues, which are publicly marketed.

HUD's investment decisions are limited by Treasury policy which: (1) only allows investment in Treasury notes, bills, and bonds; and (2) prohibits HUD from engaging in practices that result in "windfall" gains and profits, such as security trading and full scale restructuring of portfolios, in order to take advantage of interest rate fluctuations.

FHA's normal policy is to hold investments in U.S. Government securities to maturity. However, in certain circumstances, FHA may have to liquidate its U.S. Government securities before maturity to finance claim payments.

HUD reports investments in U.S. Government securities at amortized cost. Premiums or discounts are amortized into interest income over the term of the investment. HUD intends to hold investments to maturity, unless needed for operations. No provision is made to record unrealized gains or losses on these securities because, in the majority of cases, they are held to maturity.

The Departments of Veterans Affairs and Housing and Urban Development Appropriations Act of 1999 and Section 601 of the Independent Agencies Act of 1999 provide FHA with new flexibility in reforming its single family claims and property disposition activities. In accordance with these Acts, FHA implemented the Accelerated Claims Disposition Demonstration program (the 601 program) to shorten the claim filing process, obtain higher recoveries from its defaulted guaranteed loans, and support the Office of Housing's mission of keeping homeowners in their home. To achieve these objectives, FHA transfers assigned mortgage notes to private-sector entities in exchange for cash and equity interest. The servicing and disposition of the mortgage notes are performed by the private-sector entities whose primary mission is dedicated to these types of activity.

With the transfer of assigned mortgage notes under the 601 program, FHA obtains ownership interest in the private-sector entities. To comply with the requirement of Opinion No. 18 issued by the Accounting Principles Board (APB 18), FHA uses the equity method of accounting to measure the value of its investments in these entities. The equity method of accounting requires FHA to record its investments in the entities at cost initially. Periodically, the carrying amount of the investments is adjusted for cash distributions to FHA and for FHA's share of the entities' earnings or losses.

Multifamily Risk Sharing Debentures [Section 542(c)] is a program available to lenders where the lender shares the risk in a property by issuing debentures for claim amount paid by FHA on defaulted insured loans. If FHA's risk is over 50 percent, HUD must review and approve the underwriting standards, terms, and conditions of the loan. If the loan defaults FHA pays the lender the initial settlement. On the settlement date the lender issues FHA a debenture for the amount of the settlement at the note rate (determined by the U.S. Treasury) thus sharing the risk in the property.

H. Credit Program Receivables and Related Foreclosed Property

HUD finances mortgages and provides loans to support construction and rehabilitation of low rent housing, principally for the elderly and disabled under the Section 202/811 program. Prior to April 1996, mortgages were also assigned to HUD through FHA claims settlement (i.e., Mortgage Notes Assigned (MNAs). Single family mortgages were assigned to FHA when the mortgagor defaulted due to certain "temporary hardship" conditions beyond the control of the mortgagor, and when, in management's judgment, it is likely that the mortgage could be brought current in the future. FHA's loans receivable include MNAs, also described as Secretary-held notes, and purchase money mortgages (PMM). Under the requirements of the FCRA, PMM notes are considered to be direct loans while MNA notes are considered to be defaulted guaranteed loans. The PMM loans are generated from the sales on credit of FHA's foreclosed properties to qualified non-profit organizations. The MNA notes are created when FHA pays the lenders for claims on defaulted guaranteed loans and takes assignment of the defaulted loans for direct collections. In addition, multifamily mortgages are assigned to FHA when lenders file mortgage insurance claims for defaulted notes.

Credit program receivables for direct loan programs and defaulted guaranteed loans assigned for direct collection are valued differently based on the direct loan obligation or loan guarantee commitment date. These valuations are in accordance with the Federal Credit Reform Act of 1990 and SFFAS No. 2, "Accounting for Direct Loans and Loan Guarantees," as amended by

SFFAS No. 18. Those obligated or committed on or after October 1, 1991 (post-Credit Reform) are valued at the net present value of expected cash flows from the related receivables.

Credit program receivables resulting from obligations or commitments prior to October 1, 1991 (pre-Credit Reform) are recorded at the lower of cost or fair value (net realizable value). Fair value is estimated based on the prevailing market interest rates at the date of mortgage assignment. When fair value is less than cost, discounts are recorded and amortized to interest income over the remaining terms of the mortgages or upon sale of the mortgages. Interest is recognized as income when earned. However, when full collection of principal is considered doubtful, the accrual of interest income is suspended and receipts (both interest and principal) are recorded as collections of principal. Pre-Credit Reform loans are reported net of allowance for loss and any unamortized discount. The estimate for the allowance on credit program receivables is based on historical loss rates and recovery rates resulting from asset sales and property recovery rates, and net of cost of sales.

Foreclosed property acquired as a result of defaults of loans obligated or loan guarantees committed on or after October 1, 1991, is valued at the net present value of the projected cash flows associated with the property. Foreclosed property acquired as a result in defaulted loans obligated or loan guarantees committed prior to 1992 is valued at net realizable value. The estimate for the allowance for loss related to the net realizable value of foreclosed property is based on historical loss rates and recovery rates resulting from property sales, and net of cost of sales.

I. Borrowings

As further discussed in Note 11, several of HUD's programs have the authority to borrow funds from the U.S. Treasury for program operations. These borrowings, representing unpaid principal balances and future accrued interest is reported as debt in HUD's consolidated financial statements. The PIH Low Rent Public Housing Loan Program and the Housing for the Elderly or Handicapped fund were financed through borrowings from the Federal Financing Bank or the U.S. Treasury prior to the Department's conversion of these programs to grant programs. The Department also borrowed funds from the private sector to assist in the construction and rehabilitation of low rent housing projects under the PIH Low Rent Public Housing Loan Program. Repayments of these long-term borrowings have terms up to 40 years.

In accordance with Credit Reform accounting, FHA also borrows from the U.S. Treasury when cash is needed in its financing accounts. Usually, the need for cash arises when FHA has to transfer the negative credit subsidy amount related to new loan disbursements, and existing loan modifications from the financing accounts to the general fund receipts account (for cases in GI/SRI funds) or the liquidating account (for cases in MMI/CMHI funds). In some instances, borrowings are also needed to transfer the credit subsidy related to downward re-estimate from the GI/SRI financing account to the GI/SRI receipt account or when available cash is less than claim payments due.

J. Liability for Loan Guarantees

The potential future losses related to FHA's central business of providing mortgage insurance are accounted for as Loan Guarantee Liability in the consolidated balance sheets. As required by SFFAS No. 2, the Loan Guarantee Liability includes the Credit Reform related Liabilities for Loan Guarantees (LLG) and the Loan Loss Reserve (LLR).

The LLG and LLR are calculated as the present value of anticipated cash outflows for defaults, such as claim payments, premium refunds, property expense for on-hand properties and sale expense for sold properties, less anticipated cash inflows such as premium receipts, proceeds from asset sales and principal and interest on Secretary-held notes acquired from FHA's claim settlements of defaulted mortgages or pursuant to Section 221 (g) (4) of the National Housing Act.

HUD records its loan loss reserves for its mortgage insurance programs operated through FHA. FHA loss reserves are recorded for the net present value of estimated future cash flows associated with FHA-insured mortgage loans endorsed before fiscal year 1992.

K. Full Cost Reporting

Beginning in FY 1998, SFFAS No. 4, Managerial Cost Accounting Concepts and Standards for the Federal Government, required that full costing of program outputs be included in Federal agency financial statements. Full cost reporting includes direct, indirect, and inter-entity costs. For purposes of the consolidated department financial statements, HUD identified each responsible segment's share of the program costs or resources provided by HUD or other Federal agencies. These costs are treated as imputed cost for the Statement of Net Cost and imputed financing for the Statement of Changes in Net Position.

L. Accrued Unfunded Leave and Federal Employees Compensation Act (FECA) Liabilities

Annual leave and compensatory time are accrued as earned and the liability is reduced as leave is taken. The liability at year-end reflects cumulative leave earned but not taken, priced at current wage rates. Earned leave deferred to future periods is to be funded by future appropriations. To the extent that current or prior year appropriations are not available to fund annual leave earned but not taken, funding will be obtained from future financing sources. Sick leave and other types of leave are expensed as taken.

HUD also accrues the portion of the estimated liability for disability benefits assigned to the agency under the Federal Employee Compensation Act (FECA), administered and determined by the Department of Labor (DOL). The liability, based on the net present value of estimated future payments based on a study conducted by DOL, was $69 million as of September 30, 2009 and $85 million as of September 30, 2008. Future payments on this liability are to be funded by future financing sources.

M. Retirement Plans

The majority of HUD's employees participate in either the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS). FERS went into effect pursuant to Public Law 99-335 on January 1, 1987. Most employees hired after December 31, 1983, are automatically covered by FERS and Social Security. Employees hired before January 1, 1984, can elect to either join FERS and Social Security or remain in CSRS. HUD expenses its contributions to the retirement plans.

A primary feature of FERS is that it offers a savings plan whereby HUD automatically contributes one percent of pay and matches any employee contribution up to five percent of an individual's basic pay. Under CSRS, employees can contribute up to $16,500 of their pay to the savings plan, but there is no corresponding matching by HUD. Although HUD funds a portion of the benefits under FERS relating to its employees and makes the necessary withholdings from them, it has no liability for future payments to employees under these plans, nor does it report CSRS or FERS assets, accumulated plan benefits, or unfunded liabilities applicable to its employees' retirement plans. These amounts are reported by the Office of Personnel Management (OPM) and charged to expense with a corresponding amount considered as an imputed financing source. HUD's matching contribution to these retirement plans during FY 2009 was $36 million. The amount for FY 2008 was $32 million.

N. Loss Reserves

HUD records loss reserves for its mortgage insurance programs operated through FHA and its financial guaranty programs operated by Ginnie Mae. FHA loss reserves are recorded for the net present value of estimated future cash flows associated with FHA-insured mortgage loans endorsed before fiscal year 1992. Ginnie Mae establishes reserves for actual and probable defaults of issuers of Ginnie Mae-guaranteed mortgage-backed securities; such reserves are based on management's judgment about historical claim and loss information and current and projected economic factors.

O. Financial Accounting Standards Board Interpretation No. 45, Guarantor's Accounting and Disclosure Requirements for Guarantees

The Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 45 (FIN 45), *Guarantor's Accounting and Disclosure Requirements for Guarantees,* Including Indirect Guarantees of Indebtedness of Others, an interpretation of FASB Statements No. 5, 57, and 107, and Rescission of FASB Interpretation No. 34, in November 2002. FIN 45 clarifies the requirements of FASB Statement No. 5, Accounting for Contingencies, relating to the guarantor's accounting for, and disclosure of, the issuance of certain types of guarantees that upon issuance of a guarantee, the guarantor must recognize a liability for the fair value of the obligation it assumes under the guarantee. We have computed the fair value of our guarantee based on the life of the mortgage-backed securities and their underlying loans. Based on this evaluation we have disclosed an asset and liability of $902.5 million as of September 30, 2009, and $680.2 million as of September 30, 2008 categorized as other assets and other liabilities, see Note A. There is no impact on the net financial position of Ginnie Mae due to FIN 45.

NOTE 3 – ENTITY AND NON-ENTITY ASSETS

Non-entity assets consist of assets that belong to other entities but are included in the Department's consolidated financial statements and are offset by various liabilities to accurately reflect HUD's net position. The Department's non-entity assets principally consist of: (1) U.S. deposit of negative credit subsidy in the GI/SRI general fund receipt account, (2) escrow monies collected by FHA that are either deposited at the U.S Treasury, Minority-Owned banks or invested in U.S. Treasury securities, and (3) cash remittances from Section 8 bond refundings deposited in the General Fund of the Treasury.

HUD's assets as of September 30, 2009 and 2008 were as follows (dollars in millions):

Description	2009			2008		
	Entity	Non-Entity	Total	Entity	Non-Entity	Total
Intragovernmental						
Fund Balance with Treasury (Note 4)	$ 113,360	$ 281	$ 113,641	$ 83,916	$ 1,623	$ 85,539
Investments (Note 5)	19,908	4	19,912	28,536	8	28,544
Other Assets (Note 9)	14	-	14	22	-	22
Total Intragovernmental Assets	$ 133,282	$ 285	$ 133,567	$ 112,474	$ 1,631	$ 114,105
Investments (Note 5)	145	-	145	48	-	48
Accounts Receivable (net) (Note 6)	74	55	129	183	56	239
Loan Receivables and Related Foreclosed Property (net) (Note 7)	8,058	-	8,058	9,565	-	9,565
General Property, Plant, and Equipment (net) (Note 8)	234	-	234	234	-	234
Other Assets (Note 9)	1,097	92	1,189	742	103	845
Total Assets	**$142,890**	**$ 432**	**$ 143,322**	**$123,246**	**$ 1,790**	**$125,036**

NOTE 4 – FUND BALANCE WITH THE U.S. TREASURY

The U.S. Treasury, which, in effect, maintains HUD's bank accounts, processes substantially all of HUD's receipts and disbursements. HUD's fund balances with the U.S. Treasury as of September 30, 2009 and 2008 were as follows (dollars in millions):

Description	2009	2008
Revolving Funds	$ 35,006	$ 17,126
Appropriated Funds	78,390	66,802
Trust Funds	6	4
Other	239	1,607
Total - Fund Balance	**$ 113,641**	**$ 85,539**

The Department's Fund Balance with Treasury includes receipt accounts established under current Federal Credit Reform legislation and cash collections deposited in restricted accounts that cannot be used by HUD for its programmatic needs. These designated funds established by the Department of Treasury are classified as suspense and/or deposit funds and consist of accounts receivable balances due from the public. A Statement of Budgetary Resources is not prepared for these funds since any cash remittances received by the Department are not defined as a budgetary resource.

In addition to fund balance, contract and investment authority are also a part of HUD's funding sources. Contract authority permits an agency to incur obligations in advance of an appropriation, offsetting collections, or receipts to make outlays to liquidate the obligations. HUD has permanent indefinite contract authority. Since federal securities are considered the equivalent of cash for budget purposes, investments in them are treated as a change in the mix of assets held, rather than as a purchase of assets.

A primary reason for the increase in HUD's fund balance with Treasury is appropriations received under the American Recovery and Reinvestment Act of 2009 further discussed in Note 18. HUD's fund balances with U.S. Treasury as reflected in the entity's general ledger as of September 30, 2009 and 2008 were as follows (dollars in millions):

Status of Resources - 2009

Description	Unobligated Available	Unobligated Unavailable	Obligated Not Yet Disbursed	Unfilled Customer Orders	Status of Total Resources	Fund Balance	Other Authority	Total Resources
FHA	$ 6,450	$ 31,749	$ 2,304	$ (89)	$ 40,414	$ 29,947	$ 10,467	$ 40,414
GNMA	1	14,332	176	(46)	14,463	5,254	9,209	14,463
Section 8 Rental Assistance	427	154	11,965	-	12,546	11,668	878	12,546
CDBG	7,971	15	17,348	-	25,334	25,334	-	25,334
HOME	288	5	7,282	-	7,575	7,575	-	7,575
Operating Subsidies	4	1	1,185	-	1,190	1,190	-	1,190
PIH Loans and Grants	264	33	12,250	-	12,547	12,479	68	12,547
Section 202/811	916	101	4,432	-	5,449	5,449	-	5,449
Section 235/236	12	874	3,567	-	4,453	1,099	3,354	4,453
All Other	3,041	673	9,706	(29)	13,391	13,388	3	13,391
Total	**$ 19,374**	**$ 47,937**	**$ 70,215**	**$ (164)**	**$ 137,362**	**$ 113,383**	**$ 23,979**	**$ 137,362**

Status of Resources Covered by Fund Balance

Description	Unobligated Available	Unobligated Unavailable	Obligated Not Yet Disbursed	Unfilled Customer Orders	Fund Balance	Non-Budgetary: Suspense, Deposit and Receipt Accounts	Total Fund Balance
FHA	$ 6,450	$ 21,282	$ 2,304	$ (89)	29,947	$ 183	$ 30,130
GNMA	1	5,123	176	(46)	5,254	-	$ 5,254
Section 8 Rental Assistance	418	42	11,208	-	11,668	16	$ 11,684
CDBG	7,971	15	17,348	-	25,334	-	$ 25,334
HOME	288	5	7,282	-	7,575	-	$ 7,575
Operating Subsidies	4	1	1,185	-	1,190	-	$ 1,190
PIH Loans and Grants	264	33	12,182	-	12,479	-	$ 12,479
Section 202/811	916	101	4,432	-	5,449	-	$ 5,449
Section 235/236	3	-	1,096	-	1,099	-	$ 1,099
All Other	3,038	673	9,706	(29)	13,388	59	$ 13,447
Total	**$ 19,353**	**$ 27,275**	**$ 66,919**	**$ (164)**	**$ 113,383**	**$ 258**	**$ 113,641**

Status of Resources Covered by Other Authority

Description	Unobligated Available	Unobligated Unavailable	Obligated Not Yet Disbursed	Unfilled Customer Orders	Permanent Indefinite Authority	Investment Authority	Borrowing Authority
FHA	$ -	$ 10,467	$ -	$ -	$ -	$ 10,467	$ -
GNMA	-	9,209	-	-	-	9,209	-
Section 8 Rental Assistance	9	112	757	-	878	-	-
CDBG	-	-	-	-	-	-	-
HOME	-	-	-	-	-	-	-
Operating Subsidies	-	-	-	-	-	-	-
PIH Loans and Grants	-	-	68	-	68	-	-
Section 202/811	-	-	-	-	-	-	-
Section 235/236	9	874	2,471	-	3,354	-	-
All Other	3	-	-	-	-	-	3
Total	**$ 21**	**$ 20,662**	**$ 3,296**	**$ -**	**$ 4,300**	**$ 19,676**	**$ 3**

Status of Receipt Account Balances

Description	Fund Balance
FHA	$ 183
Section 8 Rental Assistance	16
All Other	59
Total	**$ 258**

Status of Resources - 2008

Description	Unobligated Available	Unobligated Unavailable	Obligated Not Yet Disbursed	Unfilled Customer Orders	Status of Total Resources	Fund Balance	Other Authority	Total Resources
FHA	$ 2,987	$ 24,708	$ 2,458	$ (240)	$ 29,913	$ 11,079	$ 18,834	$ 29,913
GNMA	-	13,973	131	(37)	14,067	4,836	9,231	14,067
Section 8 Rental Assistance	480	135	11,663	-	12,278	8,865	3,413	12,278
CDBG	13,116	19	15,671	-	28,806	28,806	-	28,806
HOME	375	4	5,047	-	5,426	5,426	-	5,426
Operating Subsidies	-	2	1,184	-	1,186	1,186	-	1,186
Public Housing Loans and Grants	220	19	8,638	-	8,877	8,306	571	8,877
Section 202/811	978	1,124	4,759	-	6,861	6,861	-	6,861
Section 235/236	9	771	4,294	-	5,074	975	4,099	5,074
All Other	2,230	531	4,883	(20)	7,624	7,626	(2)	7,624
Total	**$ 20,395**	**$ 41,286**	**$ 58,728**	**$ (297)**	**$ 120,112**	**83,966**	**$ 36,146**	**$ 120,112**

Status of Resources Covered by Fund Balance

Description	Unobligated Available	Unobligated Unavailable	Obligated Not Yet Disbursed	Unfilled Customer Orders	Fund Balance	Non-Budgetary: Suspense, Deposit and Receipt Accounts	Total Fund Balance
FHA	$ 2,987	$ 5,874	$ 2,458	$ (240)	$ 11,079	$ 1,511	12,590
GNMA	-	4,742	131	(37)	4,836	-	4,836
Section 8 Rental Assistance	443	135	8,287	-	8,865	11	8,876
CDBG	13,116	19	15,671	-	28,806	-	28,806
HOME	375	4	5,047	-	5,426	-	5,426
Operating Subsidies	-	2	1,184	-	1,186	-	1,186
PIH Loans and Grants	220	19	8,067	-	8,306	-	8,306
Section 202/811	978	1,124	4,759	-	6,861	-	6,861
Section 235/236	1	2	972	-	975	-	975
All Other	2,230	531	4,885	(20)	7,626	51	7,677
Total	**$ 20,350**	**$ 12,452**	**$ 51,461**	**$ (297)**	**$ 83,966**	**$ 1,573**	**$ 85,539**

Status of Resources Covered by Other Authority

Description	Unobligated Available	Unobligated Unavailable	Obligated Not Yet Disbursed	Unfilled Customer Orders	Permanent Indefinite Authority	Investment Authority	Borrowing Authority
FHA	$ -	$ 18,834	$ -	$ -	$ -	$ 18,834	$ -
GNMA	-	9,231	-	-	-	9,231	-
Section 8 Rental Assistance	37	-	3,376	-	3,413	-	-
PIH Loans and Grants	-	-	571	-	571	-	-
Section 235/236	8	769	3,322	-	4,099	-	-
All Other	-	-	(2)	-	(2)	-	-
Total	**$ 45**	**$ 28,834**	**$ 7,267**	**$ -**	**$ 8,081**	**$ 28,065**	**$ -**

Status of Receipt Account Balances

Description	Fund
FHA	$ 1,511
Section 8 Rental Assistance	11
All Other	51
Total	**$ 1,573**

An immaterial difference exists between HUD's recorded Fund Balances with the U.S. Treasury and the U.S. Department of Treasury's records. It is the Department's practice to adjust its records to agree with Treasury's balances at the end of the fiscal year. The adjustments are reversed at the beginning of the following fiscal year.

NOTE 5 - INVESTMENTS

The U.S. Government securities are non-marketable intra-governmental securities. Interest rates are established by the U.S. Treasury and during fiscal year 2009 ranged from 0.63 percent to 7.25 percent. During fiscal year 2008 interest rates ranged from 2.63 percent to 7.25 percent. The amortized cost and estimated market value of investments in debt securities as of September 30, 2009 and 2008 were as follows (dollars in millions):

	Cost	Amortized (Premium)/ Discount, Net	Accrued Interest	Net Investments	Market Value
FY 2009	$ 19,725	$ 61	$ 126	$ 19,912	$ 21,225
FY 2008	$ 28,236	$ 39	$ 269	$ 28,544	$ 29,745

Investments in Private-Sector Entities

These investments in private-sector entities are the result of FHA's participation in the Accelerated Claims Disposition Demonstration program and Risk Sharing Debentures in fiscal years 2008 and 2007 as discussed in Note 2G. The following table presents financial data on FHA's investments in Section 601 and Risk Sharing Debentures as of September 30, 2009 and 2008 (dollars in millions):

(Dollars in Millions)	Beginning Balance	New Acquisitions	Share of Earnings or Losses	Return of Investment	Redeemed	Ending Balance
2009						
601 Program	$ 18	$ -	$ (5)	$ (2)	$ -	$ 11
Risk Sharing Debentures	30	138	-	-	(34)	134
Total	**$ 48**	**$ 138**	**$ (5)**	**$ (2)**	**$ (34)**	**$ 145**
2008						
601 Program	$ 41	$ -	$ (4)	$ (19)	$ -	$ 18
Risk Sharing Debentures	80	-	-	-	(50)	30
Total	**$ 121**	**$ -**	**$ (4)**	**$ (19)**	**$ (50)**	**$ 48**

The fiscal year for the Section 601 Program investments is from December 1 to November 30 for 2008. The condensed audited financial statements reported $58 million in assets, $58 million in liabilities and partner's capital, and ($17) million in net income for these investments.

NOTE 6 - ACCOUNTS RECEIVABLE (NET)

The Department's accounts receivable represents Section 8 year-end settlements, claims to cash from the public and state and local authorities for bond refundings, sustained audit findings, FHA insurance premiums and foreclosed property proceeds. A 100 percent allowance for loss is established for all delinquent accounts 90 days and over.

Section 8 Settlements

Prior to January 1, 2005, the Housing Choice Voucher (HCV) Program's Section 8 subsidies were disbursed based on estimated amounts due under the contracts. At the end of each year, the actual amount due under the contracts was determined. The excess of subsidies paid to PHAs during the year over the actual amount due was reflected as an accounts receivable in the balance sheet. These receivable amounts were "collected" by offsetting such amounts with subsidies due to the PHAs in subsequent periods. On January 1, 2005, Congress changed the basis of the program funding from a "unit-based" process with program variables that affected the total annual Federal funding need, to a "budget-based" process that limits the Federal funding to PHAs to a fixed amount. Under this "budget-based" process, HUD records an expense for the HCV Program when each monthly allocation of program funds is added to the PHAs letter-of-credit for drawdown and the PHA records a corresponding revenue on its books. A year-end settlement process to determine actual amounts due is no longer applicable.

Bond Refundings

Many of the Section 8 projects constructed in the late 1970s and early 1980s were financed with tax exempt bonds with maturities ranging from 20 to 40 years. The related Section 8 contracts provided that the subsidies would be based on the difference between what tenants could pay pursuant to a formula, and the total operating costs of the Section 8 project, including debt service. The high interest rates during the construction period resulted in high subsidies. When interest rates came down in the 1980s, HUD was interested in getting the bonds refunded. One method used to account for the savings when bonds are refunded (PHAs sell a new series of bonds at a lower interest rate, to liquidate the original bonds), is to continue to pay the original amount of the bond debt service to a trustee. The amounts paid in excess of the lower "refunded" debt service and any related financing costs, are considered savings. One-half of these savings are provided to the PHA, the remaining one-half is returned to HUD. As of September 30, 2009 and 2008, HUD was due $51 million and $52 million, respectively.

Other Receivables

Other receivables include sustained audit findings, refunds of overpayment, FHA insurance premiums and foreclosed property proceeds due from the public.

The following shows accounts receivable as reflected in the Balance Sheet as of September 30, 2009 and 2008 (dollars in millions):

	2009			2008		
Description	**Gross Accounts Receivable**	**Allowance for Loss**	**Total, Net**	**Gross Accounts Receivable**	**Allowance for Loss**	**Total, Net**
Public						
Section 8 Settlements	$ 73	$ (62)	$ 11	$ 73	$ (47)	$ 26
Bond Refundings	55	(4)	51	54	(2)	52
Other Receivables:						
FHA	98	(82)	16	131	(3)	128
GNMA	45	-	45	26	-	26
Other Receivables	9	(3)	6	17	(10)	7
Total Assets	**$ 280**	**$ (151)**	**$ 129**	**$ 301**	**$ (62)**	**$ 239**

NOTE 7 - DIRECT LOANS AND LOAN GUARANTEES, NON-FEDERAL BORROWERS

HUD reports direct loan obligations or loan guarantee commitments made prior to FY 1992 and the resulting direct loans or defaulted guaranteed loans, net of allowance for estimated uncollectible loans or estimated losses.

Direct loan obligations or loan guarantee commitments made after FY 1991, and the resulting direct loans or defaulted guaranteed loans, are governed by the Federal Credit Reform Act of 1990 and are recorded as the net present value of the associated cash flows (i.e., interest rate differential, interest subsidies, estimated delinquencies and defaults, fee offsets, and other cash flows).

The Federal Housing Administration, (FHA) ensures Home Equity Conversion Mortgages (HECM), also known as reverse mortgages. These loans are used by senior homeowners age 62 and older to convert the equity in their home into monthly streams of income and/or a line of credit to be repaid when they no longer occupy the home. Unlike ordinary home equity loans, a HUD reverse mortgage does not require repayment as long as the home is the borrower's principal residence.

The FHA also administers the HOPE for Homeowners (H4H) program. The program was established by Congress to help those at risk of default and foreclosure refinance into more affordable, sustainable loans. The principal obligation of all mortgages insured under the H4H program may not exceed $300 billion. The H4H program was established by the Housing and Economic Recovery Act of 2008 and signed into law on July 30, 2008. Under the H4H program, eligible homeowners may refinance their current mortgage loans into a new mortgage insured by FHA. The program requires borrowers to share with HUD a portion of the equity created upon the issuance of the new FHA insured loan as well as a portion of any future appreciation on the subject property.

The following is an analysis of loan receivables, loan guarantees, liability for loan guarantees, and the nature and amounts of the subsidy costs associated with the loans and loan guarantees for fiscal years 2009 and 2008:

A. List of HUD's Direct Loan and/or Loan Guarantee Programs:

1. FHA
   a) MMI/CMHI Direct Loan Program
   b) GI/SRI Direct Loan Program
   c) MMI/CMHI Loan Guarantee Program
   d) GI/SRI Loan Guarantee Program
   e) H4H Loan Guarantee Program
   f) HECM Program
2. Ginnie Mae
3. Housing for the Elderly and Disabled
4. Low Rent Public Housing Loan Fund
5. All Other
   a) Revolving Fund
   b) Flexible Subsidy
   c) CDBG, Section 108(b)
   d) Indian Housing Loan Guarantee Fund
   e) Loan Guarantee Recovery Fund
   f) Native Hawaiian Housing Loan Guarantee Fund
   g) Title VI Indian Housing Loan Guarantee Fund
   h) Green Retrofit Direct Loan Program

B. Direct Loans Pre and Post Credit Reform Act 1990 (dollars in millions):

	2009				
Direct Loan Programs	**Loans Receivable, Gross**	**Interest Receivable**	**Allowance for Subsidy Cost (Present Value)**	**Foreclosed Property**	**Value of Assets Related to Direct Loans**
FHA					
a) MMI/CHMI Direct Loan Program	$ -	$ 1	$ (4)	$ -	$ (3)
b) GI/SRI Direct Loan Program	13	4	(9)	-	8
Housing for the Elderly and Disabled	3,506	38	(13)	1	3,532
Low Rent Public Housing Loans	1	1	-	-	2
All Other					
a) CPD Revolving Fund	5	(1)	(5)	1	-
b) Flexible Subsidy Fund	609	11	(543)	-	77
c) Green Retrofit Program	-	-	-	-	-
Total	**$ 4,134**	**$ 54**	**$ (574)**	**$ 2**	**$ 3,616**

	2008				
Direct Loan Programs	**Loans Receivable, Gross**	**Interest Receivable**	**Allowance for Subsidy Cost (Present Value)**	**Foreclosed Property**	**Value of Assets Related to Direct Loans**
FHA					
a) MMI/CHMI Direct Loan Program	$ 1	$ -	$ (4)	$ -	$ (3)
b) GI/SRI Direct Loan Program	13	4	(5)	-	12
Housing for the Elderly and Disabled	3,943	48	(12)	-	3,979
Low Rent Public Housing Loans	1	1	-	-	2
All Other					
a) CPD Revolving Fund	5	-	(5)	1	1
b) Flexible Subsidy Fund	626	10	(559)	-	77
Total	**$ 4,589**	**$ 63**	**$ (585)**	**$ 1**	**$ 4,068**

C. Defaulted Guaranteed Loans from Pre-1992 Guarantees (Allowance for Loss Method) (dollars in millions):

	2009				
	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Current Year Allowance for Loan and Interest Losses	Foreclosed Property, Net	Defaulted Guaranteed Loans Receivable, Net
FHA					
a) MMI/CMHI Funds	$ 19	$ 3	$ (12)	$ 16	$ 26
b) GI/SRI Funds, Excluding HECM	2,677	202	(2,168)	2	713
c) GI/SRI Funds, HECM	4	2	(1)	2	7
Total	**$ 2,700**	**$ 207**	**$ (2,181)**	**$ 20**	**$ 746**

	2008				
	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Current Year Allowance for Loan and Interest Losses	Foreclosed Property, Net	Defaulted Guaranteed Loans Receivable, Net
FHA					
a) MMI/CMHI Funds	$ 16	$ 3	$ (1)	$ 9	$ 27
b) GI/SRI Funds, Excluding HECM	2,796	182	(744)	5	2,239
c) GI/SRI Funds, HECM	5	2	-	1	8
Total	**$ 2,817**	**$ 187**	**$ (745)**	**$ 15**	**$ 2,274**

D. Defaulted Guaranteed Loans from Post-FY 1991 Guarantees (dollars in millions):

2009	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Allowance for Subsidy Cost (Present Value)	Foreclosed Property, Gross	Value of Assets Related to Defaulted Guaranteed Loans
FHA					
a) MMI/CMHI Funds	$ 560	$ -	$ (3,165)	$ 4,875	$ 2,270
b) GI/SRI Funds, Excluding HECM	625	-	(478)	281	428
c) GI/SRI Funds, HECM	772	418	(223)	31	998
All Other	-	-	-	-	-
Total	**$ 1,957**	**$ 418**	**$ (3,866)**	**$ 5,187**	**$ 3,696**

2008	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Allowance for Subsidy Cost (Present Value)	Foreclosed Property, Gross	Value of Assets Related to Defaulted Guaranteed Loans
FHA					
a) MMI/CMHI Funds	$ 403	$ -	$ (2,219)	$ 4,053	$ 2,237
b) GI/SRI Funds, Excluding HECM	395	1	(576)	400	220
c) GI/SRI Funds, HECM	565	277	(89)	13	766
All Other	-	-	-	-	-
Total	**$ 1,363**	**$ 278**	**$ (2,884)**	**$ 4,466**	**$ 3,223**

	2009	**2008**
Total Credit Program Receivables and Related Foreclosed Property, Net	$ 8,058	$9,565

E. Guaranteed Loans Outstanding (dollars in millions):

	2009	
Loan Guarantee Programs	Outstanding Principal, Guaranteed Loans, Face Value	Amount of Outstanding Principal Guaranteed
FHA Programs		
a) MMI/CMHI Funds	$ 711,827	$ 674,638
b) GI/SRI Funds	92,361	82,603
c) H4H Progam	4	4
All Other	3,531	3,526
Total	**$ 807,723**	**$ 760,771**

	2008	
Loan Guarantee Programs	Outstanding Principal, Guaranteed Loans, Face Value	Amount of Outstanding Principal Guaranteed
FHA Programs		
a) MMI/CMHI Funds	$ 479,995	$ 447,652
b) GI/SRI Funds	93,201	84,069
All Other	3,182	3,177
Total	**$ 576,378**	**$ 534,898**

Home Equity Conversion Mortgage Loans Outstanding:

Loan Guarantee Programs	2009 Current Year Endorsements	Cumulative Current Outstanding Balance	Cumulative Maximun Potential Liability
FHA Programs	$ 30,080	$ 59,877	$ 102,500

Loan Guarantee Programs	2008 Current Year Endorsements	Cumulative Current Outstanding Balance	Cumulative Maximun Potential Liability
FHA Programs	$ 24,166	$ 43,741	$ 77,736

New Guaranteed Loans Disbursed (Current Reporting Year):

Loan Guarantee Programs	Outstanding Principal, Guaranteed Loans, Face Value	Amount of Outstanding Principal Guaranteed
FHA Programs		
a) MMI/CMHI Funds	$ 330,385	$ 328,097
b) GI/SRI Funds	6,942	6,922
c) H4H Program	4	4
All Other	607	606
Total	**$ 337,938**	**$ 335,629**

New Guaranteed Loans Disbursed (Prior Reporting Year):

Loan Guarantee Programs	Outstanding Principal, Guaranteed Loans, Face Value	Amount of Outstanding Principal Guaranteed
FHA Programs		
a) MMI/CMHI Funds	$ 171,825	$ 167,352
b) GI/SRI Funds	12,907	12,650
All Other	486	485
Total	**$ 185,218**	**$ 180,487**

F. Liability for Loan Guarantees (Estimated Future Default Claims, Pre-1992) (dollars in millions):

2009

Loan Guarantee Programs	Liabilities for Losses on Pre-1992 Guarantees, Estimated Future Default Claims	Liabilities for Loan Guarantees for Post-1991 Guarantees (Present Value)	Total Liabilities For Loan Guarantees
FHA Programs	$ 136	$ 33,886	$ 34,022
All Other	-	131	131
Total	**$ 136**	**$ 34,017**	**$ 34,153**

2008

Loan Guarantee Programs	Liabilities for Losses on Pre-1992 Guarantees, Estimated Future Default Claims	Liabilities for Loan Guarantees for Post-1991 Guarantees (Present Value)	Total Liabilities For Loan Guarantees
FHA Programs	$ 183	$ 19,302	$ 19,485
All Other	-	128	128
Total	**$ 183**	**$ 19,430**	**$ 19,613**

G. Subsidy Expense for Post-FY 1991 Loan Guarantees:

Subsidy Expense for Current Year Loan Guarantees (dollars in millions):

	2009				
Loan Guarantee Programs	**Endorsement Amount**	**Default Component**	**Fees Component**	**Other Component**	**Subsidy Amount**
FHA					
a) MMI/CMHI Funds, Excluding HECM	$ 330,384	$ 9,991	$ (13,639)	$ 3,496	$ (151)
b) MMI/CMHI Funds, HECM	30,080	1,043	(1,457)	-	(414)
c) GI/SRI Funds	6,942	203	(350)	1	(146)
d) H4H Program	4	1	-	-	1
All Other	-	16	-	-	16
Total	**$ 367,410**	**$ 11,254**	**$ (15,446)**	**$ 3,497**	**$ (694)**

Subsidy Expense for Prior Year Loan Guarantees (dollars in millions):

	2008				
Loan Guarantee Programs	**Endorsement Amount**	**Default Component**	**Fees Component**	**Other Component**	**Subsidy Amount**
FHA					
a) MMI/CMHI Funds	$ 171,875	$ 4,546	$ (6,601)	$ 1,620	$ (435)
b) GI/SRI Funds, Excluding HECM	13,883	435	(566)	-	(131)
c) GI/SRI Funds, HECM	24,311	486	(948)	-	(462)
All Other	-	12	-	-	12
Total	**$ 210,069**	**$ 5,479**	**$ (8,115)**	**$ 1,620**	**$ (1,016)**

Modification and Re-estimates (dollars in millions)

	2009			
Loan Guarantee Programs	**Total Modifications**	**Interest Rate Re-estimates**	**Technical Re-estimates**	**Total Re-estimates**
FHA				
a) MMI/CMHI Funds	$ (362)	$ -	$ 7,274	$ 6,912
b) GI/SRI Funds	(6)	-	3,138	3,132
All Other	-	-	(15)	(15)
Total	**$ (368)**	**$ -**	**$ 10,397**	**$ 10,029**

	2008			
Loan Guarantee Programs	**Total Modifications**	**Interest Rate Re-estimates**	**Technical Re-estimates**	**Total Re-estimates**
FHA				
a) MMI/CMHI Funds	$ -	$ -	$ 8,650	$ 8,650
b) GI/SRI Funds	-	-	1,709	1,709
All Other	-	-	(9)	(9)
Total	**$ -**	**$ -**	**$ 10,350**	**$ 10,350**

Total Loan Guarantee Subsidy Expense (dollars in millions)

Loan Guarantee Programs	**Current Year**	**Prior Year**
FHA		
a) MMI/CMHI Funds	$ 6,347	$ 8,215
b) GI/SRI Funds	2,986	1,116
c) H4H Program	1	-
All Other	$ 1	$ 3
Total	**$ 9,335**	**$ 9,334**

H. Subsidy Rates for Loan Guarantees by Programs and Component:

Budget Subsidy Rates for Loans Guarantee for FY 2009

Loan Guarantee Program	Default	Fees and Other Collections	Other	Total
FHA Programs				
MMI/CMHI				
Single Family	3.04%	-4.12%	1.06%	-0.03%
HECM	3.45%	-4.82%		-1.37%
GI/SRI				
Multifamily				0.00%
Section 221(d)(4)	4.14%	-5.24%		-1.10%
Section 207/223(f)	1.47%	-4.76%		-3.29%
Section 223(a)(7)	1.47%	-4.76%		-3.29%
Section 232	3.39%	-5.48%		-2.09%
Section 242	2.63%	-5.14%		-2.51%
H4H				
Single Family - Section 257	22.40%	-8.41%	-0.61%	13.38%
All Other Programs				
CDBG, Section 108(b)	-2.26%			-2.26%
Loan Guarantee Recovery	50.00%			50.00%
Indian Housing	2.52%			2.52%
Native Hawaiian Housing	2.52%			2.52%
Title VI Indian Housing	12.34%			12.34%
Green Retrofit Direct Loan Program	89.82%			89.82%

The subsidy rates above pertain only to FY 2009 cohorts. These rates cannot be applied to the guarantees of loans disbursed during the current reporting year to yield the subsidy expense. The subsidy expense for new loan guarantees reported in the current year could result from disbursements of loans from both current year cohorts and prior year(s) cohort. The subsidy expense reported in the current year also includes modifications re-estimates.

I. Schedule for Reconciling Loan Guarantee Liability Balances (post 1991 Loan Guarantees) (dollars in millions):

Beginning Balance, Changes, and Ending Balance	FY 2009	FY 2008
Beginning balance of the loan guarantee liability	$ 19,613	$ 7,551
Add: subsidy expense for guaranteed loans disbursed during the reporting years by component:		
(a) Interest supplement costs	-	5,467
(b) Default costs (net of recoveries)	11,254	(8,102)
(c) Fees and other collections	(15,446)	1,620
(d) Othe subsidy costs	3,497	-
Total of the above subsidy expense components	$ (695)	$ (1,015)
Adjustments:		
(a) Loan guarantee modifications	(367)	-
(b) Fees Received	8,771	5,469
(c) Interest supplemental paid	-	-
(d) Foreclosed property and loans acquired	3,909	4,683
(e) Claim payments to lenders	(10,487)	(8,490)
(f) Interest accumulation on the liability balance	1,086	167
(g) Other	113	(67)
Ending balance of the subsidy cost allowance before re-estimates	$ 21,943	$ 8,298
Add or Subtract subsidy re-estimates by component:		
(a) Interest rate re-estimate	-	10,180
(b) Technical/default re-estimate	6,670	1,141
(c) Adjustment of prior years credit subsity re-estimates	5,540	(6)
Total of the above re-estimate components	12,210	11,315
Ending balance of the subsidy cost allowance	**$ 34,153**	**$ 19,613**

J. Administrative Expense (dollars in millions):

Loan Guarantee Program	FY 2009	FY 2008
FHA	$ 585	$ 505
All Other	-	1
Total	**$ 585**	**$ 506**

NOTE 8 – GENERAL PROPERTY, PLANT, AND EQUIPMENT (NET)

General property, plant, and equipment consists of furniture, fixtures, equipment and data processing software used in providing goods and services that have an estimated useful life of two or more years. Purchases of $100,000 or more are recorded as an asset and depreciated over their estimated useful life on a straight-line basis with no salvage value. Capitalized replacement and improvement costs are depreciated over the remaining useful life of the replaced or improved asset. Generally, the Department's assets are depreciated over a 4-year period, unless it can be demonstrated that the estimated useful life is significantly greater than 4 years.

The following shows general property, plant, and equipment as of September 30, 2009 and 2008, (dollars in millions):

Description	FY 2009 Cost	FY 2009 Accumulated Depreciation and Amortization	FY 2009 Book Value	FY 2008 Cost	FY 2008 Accumulated Depreciation and Amortization	FY 2008 Book Value
Equipment	$ 23	$ (22)	$ 1	$ 36	$ (32)	$ 4
Leasehold Improvements	-	-	-	7	(6)	1
Internal Use Software	152	(84)	68	130	(89)	41
Internal Use Software in Development	165	-	165	188	-	188
Total Assets	**$ 340**	**$ (106)**	**$ 234**	**$ 361**	**$ (127)**	**$ 234**

NOTE 9 - OTHER ASSETS

The following shows HUD's Other Assets as of September 30, 2009 (dollars in millions):

Description	FHA	Ginnie Mae	All Other	Total
Intragovernmental Assets:				
Other Assets	$ 14	$ -	$ -	$ 14
Total Intragovernmental Assets	**14**	**-**	**-**	**14**
Mortgagor Reserves for Replacement - Cash	$ 92	-	-	92
Financial Accounting Standards Board Interpretation No 45	-	902	-	902
Other Assets	37	158	-	195
Total	**$ 143**	**$ 1,060**	**$ -**	**$ 1,203**

The following shows HUD's Other Assets as of September 30, 2008 (dollars in millions):

Description	FHA	Ginnie Mae	All Other	Total
Intragovernmental Assets:				
Other Assets	$ 21	$ -	$ 1	$ 22
Total Intragovernmental Assets	21	-	1	22
Mortgagor Reserves for Replacement - Cash	$ 103	$ -	$ -	$ 103
Financial Accounting Standards Board Interpretation No 45	-	680	-	680
Other Assets	31	29	2	62
Total	**$ 155**	**$ 709**	**$ 3**	**$ 867**

NOTE 10 – LIABILITIES COVERED AND NOT COVERED BY BUDGETARY RESOURCES

The following shows HUD's liabilities as of September 30, 2009 and 2008 (dollars in millions):

Description	2009			2008		
	Covered	Not-Covered	Total	Covered	Not-Covered	Total
Intragovernmental						
Accounts Payable	$ 7	$ -	$ 7	$ 11	$ -	$ 11
Debt	5,083	-	5,083	5,608	-	5,608
Other Intragovernmental Liabilities	2,021	17	2,038	1,631	24	1,655
Total Intragovernmental Liabilities	$ 7,111	$ 17	$ 7,128	$ 7,250	$ 24	$ 7,274
Accounts Payable	974	-	974	892	-	892
Liabilities for Loan Guarantees	34,153	-	34,153	19,613	-	19,613
Debt	477	-	477	729	-	729
Federal Employee and Veterans' Benefits	-	69	69	-	85	85
Loss Reserves	560	-	560	550	-	550
Other Liabilities	1,534	80	1,614	1,295	83	1,378
Total Liabilities	**$ 44,809**	**$ 166**	**$ 44,975**	**$ 30,329**	**$ 192**	**$ 30,521**

Of the $1.66 billion reported in 2008 as other governmental Liabilities $5.53 million represents collections on civil penalties assessed against former Fannie Mae executives ($3.03 million) and a Freddie Mac executive ($2.00 million) as part of the settlements with OFHEO regarding accounting improprieties uncovered in separate examinations. A liability Due to Treasury was reported by OFHEO at September 30, 2008 for the amount of the penalties collected.

An additional $0.50 million was accrued by OFHEO for the amount remaining to be paid as part of the settlement terms with the former Freddie Mac executive. The liability Due to Treasury included the penalty due to be collected. As discussed in Note 2B, OFHEO is now a part of FHFA and is therefore not included in HUD's FY 2009 data.

NOTE 11 - DEBT

Several HUD programs have the authority to borrow funds from the U.S. Treasury for program operations. Additionally, the National Housing Act authorizes FHA, in certain cases, to issue debentures in lieu of cash to pay claims. Also, PHAs and TDHEs borrowed funds from the private sector and from the Federal Financing Bank (FFB) to finance construction and rehabilitation of low rent housing. HUD is repaying these borrowings on behalf of the PHAs and TDHEs.

The following shows HUD borrowings, and borrowings by PHAs/TDHEs for which HUD is responsible for repayment, as of September 30, 2009 (dollars in millions):

Description	Beginning Balance	Net Borrowings	Ending Balance
Agency Debt:			
Held by Government Accounts	$ 775	$ (117)	$ 658
Held by the Public	729	(252)	477
Total Agency Debt	$ 1,504	$ (369)	$ 1,135
Other Debt:			
Debt to the U.S. Treasury	$ 4,832	$ (407)	$ 4,425
Total Debt	**$ 6,336**	**$ (776)**	**$ 5,560**
Classification of Debt:			
Intragovernmental Debt			$ 5,083
Debt held by the Public			477
Total Debt			**$ 5,560**

The following shows HUD borrowings, and borrowings by PHAs/TDHEs for which HUD is responsible for repayment, as of September 30, 2008 (dollars in millions):

Description	Beginning Balance	Net Borrowings	Ending Balance
Agency Debt:			
Held by Government Accounts	$ 886	$ (111)	$ 775
Held by the Public	981	(252)	729
Total Agency Debt	$ 1,867	$ (363)	$ 1,504
Other Debt:			
Debt to the U.S. Treasury	$ 4,573	$ 260	$ 4,833
Total Debt	**$ 6,440**	**$ (103)**	**$ 6,337**
Classification of Debt:			
Intragovernmental Debt			$ 5,608
Debt held by the Public			729
Total Debt			**$ 6,337**

Interest paid on borrowings as of September 30, 2009 and 2008 was $374 million and $294 million respectively. The purpose of these borrowings is discussed in the following paragraphs.

Borrowings from the U.S. Treasury

HUD is authorized to borrow from the U.S. Treasury to finance Housing for Elderly and Disabled loans. The Treasury borrowings typically have a 15-year term, but may be repaid prior to maturity at HUD's discretion. However, such borrowings must be repaid in the sequence in which they were borrowed from Treasury. The interest rates on the borrowings are based on Treasury's 30-year bond yield at the time the notes are issued. Interest is payable on April 30 and October 31. Interest rates ranged from 10.67 percent to 16.18 percent during FY 2007. All Treasury borrowings were paid in full during FY 2007.

In fiscal years 2009 and 2008, FHA borrowed $470 million and $940 million, respectively, from the U.S. Treasury. The borrowings were needed when FHA initially determined negative credit subsidy amounts related to new loan disbursements or to existing loan modifications. In some instances, borrowings were needed where available cash was less than claim payments due or downward subsidy-estimates. All borrowings were made by FHA's financing accounts. Negative subsidies were generated primarily by the MMI/CMHI Fund financing account; downward re-estimates have occurred from activity of the FHA's loan guarantee financing accounts. These borrowings carried interest rates ranging from 3.71 percent to 7.34 percent during FY 2009 and from 2.33 percent to 7.34 percent during FY 2008.

Borrowings from the Federal Financing Bank (FFB) and the Public

During the 1960s, 1970s, and 1980s, PHAs obtained loans from the private sector and from the FFB to finance development and rehabilitation of low rent housing projects. HUD is repaying these borrowings on behalf of the PHAs, through the Low Rent Public Housing program. For borrowings from the Public, interest is payable throughout the year. Interest rates range from 3.25 percent to 6.0 percent during both fiscal years 2009 and 2008. The borrowings from the FFB and the private sector have terms up to 40 years. FFB interest is payable annually on November 1. Interest rates range from 10.67 percent to 16.18 percent during both fiscal years 2009 and 2008.

Before July 1, 1986, the FFB purchased notes issued by units of general local government and guaranteed by HUD under Section 108. These notes had various maturities and carried interest rates that were one-eighth of one percent above rates on comparable Treasury obligations. The FFB still holds substantially all outstanding notes, and no note purchased by the FFB has ever been declared in default.

Debentures Issued To Claimants

The National Housing Act authorizes FHA, in certain cases, to issue debentures in lieu of cash to settle claims. FHA-issued debentures bear interest at rates established by the U.S. Treasury. Interest rates related to the outstanding debentures ranged from 4.00 percent to 10.38 percent in FY 2009 and 4.00 percent to 12.88 percent in FY 2008. Debentures may be redeemed by lenders prior to maturity to pay mortgage insurance premiums to FHA, or they may be called with the approval of the Secretary of the U. S. Treasury.

NOTE 12 – FEDERAL EMPLOYEE and VETERANS' BENEFITS

HUD also accrues the portion of the estimated liability for disability benefits assigned to the agency under the Federal Employee Compensation Act (FECA), administered and determined by the Department of Labor (DOL). The liability, based on the net present value of estimated future payments based on a study conducted by DOL, was $69 million as of September 30, 2009, and $85 million as of September 30, 2008. Future payments on this liability are to be funded by future financing sources.

The Department's Federal Employee and Veterans' benefit expenses totaled approximately $155 million for FY 2009; this includes $43 million to be funded by OPM. Federal Employee and Veterans' benefit expenses totaled approximately $141 million for FY 2008. This included $39 million to be funded by OPM for federal employee health benefits and $39 million for pension costs discussed earlier in Note 2M. Amounts funded by OPM are charged to expense with a corresponding amount considered as an imputed financing source.

The remaining balance of $39 million recorded as an imputed cost in the Consolidated Statement of Changes in Net Position represents HUD's settlement of two group cases paid from the Judgment Fund in FY 2008 and is not related to federal employee and veterans' benefits.

NOTE 13 - LOSS RESERVES

For fiscal years 2009 and 2008, Ginnie Mae established loss reserves of $560 million and $550 million, respectively, which represents probable defaults by issuers of mortgage-backed securities, through a provision charged to operations. The reserve is relieved as losses are realized from the disposal of the defaulted issuers' portfolios. Ginnie Mae recovers part of its losses through servicing fees on the performing portion of the portfolios and the sale of servicing rights which transfers to Ginnie Mae upon the default of the issuer. Ginnie Mae management believes that its reserve is adequate to cover probable losses from defaults by issuers of Ginnie Mae guaranteed mortgage-backed securities.

Ginnie Mae incurs losses when insurance and guarantees do not cover expenses that result from issuer defaults. Such expenses include: (1) unrecoverable losses on individual mortgage defaults because of coverage limitations on mortgage insurance or guarantees, (2) ineligible mortgages included in defaulted Ginnie Mae pools, (3) improper use of proceeds by an issuer, and (4) non-reimbursable administrative expenses and costs incurred to service and liquidate portfolios of defaulted issuers.

NOTE 14 - OTHER LIABILITIES

The following shows HUD's Other Liabilities as of September 30, 2009 (dollars in millions):

Description	Non-Current	Current	Total
Intragovernmental Liabilities			
FHA Special Receipt Account Liability	$ -	$ 1,914	$ 1,914
Unfunded FECA Liability	17	-	17
Employer Contributions and Payroll Taxes	-	7	7
Miscellaneous Receipts Payable to Treasury	-	89	89
Advances to Federal Agencies	-	11	11
Total Intragovernmental Liabilities	$ 17	$ 2,021	$ 2,038
Other Liabilities			
FHA Other Liabilities	$ -	$ 300	$ 300
FHA Escrow Funds Related to Mortgage Notes	-	115	115
Ginnie Mae Deferred Income	-	114	114
Deferred Credits	-	15	15
Deposit Funds	-	32	32
Accrued Unfunded Annual Leave	80	-	80
Accrued Funded Payroll Benefits	-	55	55
Other - FIN 45	-	903	903
Total Other Liabilities	**$ 97**	**$ 3,555**	**$ 3,652**

Special Receipt Account Liability

The special receipt account liability is created from negative subsidy endorsements and downward credit subsidy in the GI/SRI special receipt account.

The following shows HUD's Other Liabilities as of September 30, 2008 (dollars in millions):

Description	Non-Current	Current	Total
Intragovernmental Liabilities			
FHA Special Receipt Account Liability	-	1,530	1,530
Unfunded FECA Liability	18	-	18
Employer Contributions and Payroll Taxes	-	6	6
OFHEO/Fannie Mae Penalty Settlement	-	6	6
Miscellaneous Receipts Payable to Treasury	81	-	81
Advances to Federal Agencies	$ -	$ 14	$ 14
Total Intragovernmental Liabilities	$ 99	$ 1,556	$ 1,655
Other Liabilities			
FHA Other Liabilities	-	259	259
FHA Escrow Funds Related to Mortgage Notes	-	151	151
FHA Unearned Premiums	13	15	28
Ginnie Mae Deffered Income	-	90	90
Deferred Credits	-	9	9
Deposit Funds	27	2	29
Accrued Unfunded Annual Leave	83	-	83
Accrued Funded Payroll Benefits	$ -	$ 49	$ 49
Other - FIN 45	$ -	$ 680	$ 680
Total Other Liabilities	**$ 222**	**$ 2,811**	**$ 3,033**

NOTE 15 – OPERATING LEASES

As described in Note 2B, OFHEO became part of FHFA in FY 2008. Therefore, the disclosure of future minimum lease payments would not be applicable to HUD's notes for FY 2009. OFHEO had an occupancy lease with the Office of Thrift Supervision (OTS) at 1700 G Street NW, Washington DC that covered office space and building services which included utilities, security guards, janitorial services, mail delivery, use of the loading dock, garage parking and building operation and maintenance. In FY 2005, OFHEO obtained additional rental space at 1750 Pennsylvania Avenue, NW, Washington, DC through a private sector subleassor.

Total rent expense on the two leases for the year ended September 30, 2008 was approximately $5.3 million.

NOTE 16 - FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

Some of HUD's programs, principally those operated through FHA and Ginnie Mae, enter into financial arrangements with off-balance sheet risk in the normal course of their operations.

A. FHA Mortgage Insurance

Unamortized insurance in force outstanding for FHA's mortgage insurance programs as of September 30, 2009 and 2008 was $817 billion and $575 billion, respectively, as disclosed in Note 7E. The maximum claim amount (MCA) outstanding for FHA's reverse mortgage insurance program (HECM) as of September 30, 2009 and 2008 was $103 billion and $78 billion respectively as disclosed in Note 7E. Last 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.

B. Ginnie Mae Mortgage-Backed Securities

Ginnie Mae financial instruments with off-balance sheet risk include guarantees of Mortgage-Backed Securities (MBS) and commitments to guaranty MBS. The securities are backed by pools of FHA-insured, RD-insured, and VA-guaranteed mortgage loans. Ginnie Mae is exposed to credit loss in the event of non-performance by other parties to the financial instruments. The total amount of Ginnie Mae guaranteed securities outstanding at September 30, 2009 and 2008, was approximately $826.0 billion and $576.8 billion, respectively. However, Ginnie Mae's potential loss is considerably less because the FHA and RD insurance and VA guaranty serve to indemnify Ginnie Mae for most losses. Also, as a result of the structure of the security, Ginnie Mae bears no interest rate or liquidity risk.

During the mortgage closing period and prior to granting its guaranty, Ginnie Mae enters into commitments to guaranty MBS. The commitment ends when the MBS are issued or when the commitment period expires. Ginnie Mae's risks related to outstanding commitments are much less than for outstanding securities due, in part, to Ginnie Mae's ability to limit commitment authority granted to individual issuers of MBS. Outstanding commitments as of September 30, 2009 and 2008 were $98.4 billion and $71.2 billion, respectively. Generally, Ginnie Mae's MBS pools are diversified among issuers and geographic areas. No significant geographic concentrations of credit risk exist; however, to a limited extent, securities are concentrated among issuers.

In fiscal years 2009 and 2008, Ginnie Mae issued a total of $79.6 billion and $43.4 billion respectively in its REMIC multi-class securities program. The estimated outstanding balance for the complete multi-class securities program (REMICs, Platinum's, etc.) at September 30, 2009 and 2008, were $350 billion and $253 billion, respectively. These guaranteed securities do not subject Ginnie Mae to additional credit risk beyond that assumed under the MBS program.

C. Section 108 Loan Guarantees

Under HUD's Section 108 Loan Guarantee program, recipients of CDBG Entitlement Grant program funds may pledge future grant funds as collateral for loans guaranteed by HUD (these loans were provided from private lenders since July 1, 1986). This Loan Guarantee Program provides entitlement communities with a source of financing for projects that are too large to be financed from annual grants. The amount of loan guarantees outstanding as of September 30, 2009 and 2008 was $2.2 billion and $2.4 billion, respectively. HUD's management believes its exposure in providing these loan guarantees is limited, since loan repayments can be offset from future CDBG Entitlement Program Funds and, if necessary, other funds provided to the recipient by HUD. HUD has never had a loss under this program since its inception in 1974.

NOTE 17 - CONTINGENCIES

Lawsuits and Other

HUD is party to a number of claims and tort actions related to lawsuits brought against it concerning the implementation or operation of its various programs. One group of related cases challenges the legality of actions the Department took in accordance with laws aimed at preserving rental housing units for low-income tenants and has been on-going for several years. The cases within this group were consolidated by the court under central case names. Several of these cases were resolved in previous fiscal years. One case was resolved this fiscal year where the Department accrued a liability of $875,000, which was paid by the Judgment Fund. The potential loss related to the few remaining cases cannot be accurately estimated at this time and; therefore, the Department has not accrued a liability in connection with the cases.

FHA is party in various legal actions and claims brought by or against it. In the opinion of management and general counsel, the ultimate resolution of these legal actions will not have a material effect on FHA's consolidated financial statements as of September 30, 2009. However, there are pending or threatened legal actions where judgment against FHA is reasonably possible with an estimated potential loss of $23 million.

On August 24, 2009, one of FHA's largest mortgage lenders and servicers filed for Chapter 11 bankruptcy protection. The organization was seized on August 4, 2009 by the Federal Bureau of Investigation and other federal and state regulators. The organization originated about 7.5 percent of FHA's nearly 2.5 million endorsements during FY 2008 and the first ten months of FY 2009. A review of the lender's endorsement files by FHA's Quality Assurance Division (QAD) completed in July 2009 detected 28 types of loan origination deficiencies that will be presented to the FHA Mortgagee Review Board. As of May 31, 2009, over 28 percent of their portfolio was in default, significantly higher than other lenders. Other federal investigators are continuing their review of allegations of corporate and loan file fraud. The ultimate resolution of these actions cannot be determined at this time and the accompanying financial statements do not include any specific provisions related to this closure.

During FY 2009, various financial institutions, mortgage brokers and servicers ceased operations due to their weak financial condition. The mortgage loans held by these institutions are transferred to other accredited servicers without material cost to FHA.

Ginnie Mae may be party to various legal actions and claims brought by or against it. Information on these legal actions and claims may be found at the appropriate footnotes in their related financial statements.

Neither the Department, nor its various components, recognized any potential legal liabilities of sufficient probability, certainty, and materiality to warrant recognition as accrued contingent liabilities for purposes of this footnote.

NOTE 18 – EARMARKED FUNDS

Earmarked funds are financed by specifically identified revenues and are required by statute to be used for designated activities or purposes.

Ginnie Mae

Ginnie Mae was created in 1968 through an amendment to the National Housing Act as a wholly-owned government corporation within the Department, and is administered by the Secretary of HUD and the President of Ginnie Mae. As such, Ginnie Mae is a self-financed government corporation and receives funds from general tax revenues for salaries and expenses. Program operations are financed by a variety of fees, such as guaranty, commitment, new issuer, handling, and transfer servicing fees, which are only to be used for Ginnie Mae's legislatively authorized mission.

Rental Housing Assistance Fund

The Housing and Urban Development Act of 1968 authorized the Secretary to establish a revolving fund into which rental collections in excess of the established basic rents for units in section 236 subsidized projects would be deposited. The Housing and Community Development Amendment of 1978 authorized the Secretary, subject to approval in appropriation acts, to transfer excess rent collections received after 1978 to the Troubled Projects Operating Subsidy program, renamed the Flexible Subsidy Fund. Prior to that time, collections were used for paying tax and utility increases in section 236 projects. The Housing and Community Development Act of 1980 amended the 1978 Act by authorizing the transfer of excess rent collections regardless of when collected.

All uncommitted balances of excess rental charges from the Rental Housing Assistance Fund as of June 30, 2005, and any collections made during fiscal year 2005 and all subsequent fiscal years, shall be transferred to the Flexible Subsidy Fund, as authorized by section 236(g) of the National Housing Act, as amended.

Flexible Subsidy

The Flexible Subsidy Fund assists financially troubled subsidized projects under certain FHA authorities. The subsidies are intended to prevent potential losses to the FHA fund resulting from project insolvency and to preserve these projects as a viable source of housing for low and moderate-income tenants. Priority was given with Federal insurance-in-force and then to those with mortgages that had been assigned to the Department.

The fee receipts are permanently appropriated and have helped finance a portion of the direct administrative expenses incurred in program operations. Activities are initially financed via transfer from the Manufactured Housing General Fund. At year-end, the transferred funds are returned to the general fund.

American Recovery and Reinvestment Act Programs

The American Recovery and Reinvestment Act (Recovery Act) of 2009 (P. L. 111-5), signed into law on February 17, 2009, includes $13.6 billion for 17 programs at HUD which are distributed across three themes that align with the broader Recovery goals. HUD's overriding goal is job creation and preservation through:

1. Promoting energy efficiency and creating green jobs: One-third of HUD's funds are aimed at "greening" the public and assisted housing stock, while building an industry for increasing residential energy efficiency.
2. Unlocking the credit markets and supporting shovel-ready projects: Another third of funds are aimed at addressing the sharp decline in the market for tax credits by providing "gap financing" to existing tax credit projects that have stalled or been delayed. Project-based rental assistance will support the maintenance of properties that may have otherwise been neglected.
3. Mitigating the effects of the economic crisis and preventing community decline: the last third of funds are targeted at stabilizing households at risk of homelessness and communities that have been impacted by the current economic and foreclosure crisis.

Manufactured Housing Fees Trust Fund

The National Manufactured Housing Construction and Safety Standards Act of 1974, as amended by the Manufactured Housing Improvement Act of 2000, authorizes development and enforcement of appropriate standards for the construction, design, and performance of manufactured homes to assure their quality, durability, affordability, and safety.

Fees are charged to the manufacturers for each manufactured home transportable section produced and will be used to fund the costs of all authorized activities necessary for the consensus committee, HUD, and its agents to carry out all aspects of the manufactured housing legislation. Fees are deposited in a trust fund administered by the Department, a portion of the fee receipts are transferred to the salaries and expense account to defray the direct administrative expenses to the program.

This account also presents activities formerly shown under the Interstate Land Sales account which provides protection to the public with respect to purchases or leases of subdivision lots.

The fee receipts are permanently appropriated and have helped finance a portion of the direct administrative expenses incurred in program operations. Activities are initially financed via transfer from the Manufactured Housing General Fund. At year-end, the transferred funds are returned to the general fund.

The following shows earmarked funds activity as of September 30, 2009 (dollars in millions):

	GNMA	Rental Housing Assistance	Flexible Subsidy	Recovery Act Funds	Manufactued Housing Fees Trust Fund	Eliminations	Total Earmarked Funds
Balance Sheet							
Fund Balance w/Treasury	$ 5,254	$ 3	$ 128	$ 12,100	$ 6	$ 10	$ 17,501
Investments	9,277	-	-	-	-	-	9,277
Accounts Receivable	45	-	-	-	-	-	45
Loans Receivable	-	-	76	-	-	-	76
General Property, Plant and Equipment	40	-	-	-	-	-	40
Other	1,059	-	-	-	-	-	1,059
Total Assets	**$ 15,675**	**$ 3**	**$ 204**	**$ 12,100**	**$ 6**	**$ 10**	**$ 27,998**
Accounts Payable	$ 58	$ -	$ -	$ 7	$ -	$ -	$ 65
Loss Reserves	560	-	-	-	-	-	560
Other Liabilities	1,019	-	-	-	-	-	1,019
Total Liabilities	$ 1,637	$ -	$ -	$ 7	$ -	$ -	$ 1,644
Unexpended Appropriations	$ -	$ 3	$ (376)	$ 12,093	$ -	$ -	$ 11,720
Cumulative Results of Operations	14,038	-	580	-	6	10	14,634
Total Net Position	$ 14,038	$ 3	$ 204	$ 12,093	$ 6	$ 10	$ 26,354
Total Liabilities and Net Position	**$ 15,675**	**$ 3**	**$ 204**	**$ 12,100**	**$ 6**	**$ 10**	**$ 27,998**
Statement of Net Cost For the Period Ended							
Gross Costs	$ 136	$ 4	$ (12)	$ 1,532	$ 6	$ -	$ 1,666
Less Earned Revenues	(657)	(3)	(13)	-	(3)	-	(676)
Net Costs	**$ (521)**	**$ 1**	**$ (25)**	**$ 1,532**	**$ 3**	**$ -**	**$ 990**
Statement of Changes in Net Position for the Period Ended							
Net Position Beginning of Period	$ 13,527	$ 4	$ 179	$ -	$ 3	$ -	$ 13,713
Appropriations Received	-	-	-	13,625	-	-	13,625
Transfers In/Out Without Reimbursement	(10)	-	-	-	6	10	6
Net Cost of Operations	521	(1)	25	(1,532)	(3)	-	(990)
Change in Net Position	$ 511	$ (1)	$ 25	$ 12,093	$ 3	$ 10	$ 12,641
Net Position End of Period	**$ 14,038**	**$ 3**	**$ 204**	**$ 12,093**	**$ 6**	**$ 10**	**$ 26,354**

The following shows earmarked funds activity as of September 30, 2008 (dollars in millions):

	GNMA	Rental Housing Assistance	Flexible Subsidy	Manufactured Housing Fees Trust Fund	Manufactured Housing Fees Receipt Acct	Eliminations	Total Earmarked Funds
Balance Sheet							
Fund Balance w/Treasury	$ 4,836	$ 4	$ 103	$ 4	$ -	$ -	$ 4,947
Investments	9,290	-	-	-	-	-	9,290
Accounts Receivable	26	-	-	-	-	-	26
Loans Receivable	-	-	75	-	-	-	75
General Property, Plant and Equipment	27	-	-	-	-	-	27
Other	710	-	-	-	-	-	710
Total Assets	**$ 14,889**	**$ 4**	**$ 178**	**$ 4**	**$ -**	**$ -**	**$ 15,075**
Accounts Payable	$ 39	$ -	$ -	$ -	$ -	$ -	$ 39
Loss Reserves	550	-	-	-	-	-	550
Other Liabilities	773	-	-	-	-	-	773
Total Liabilities	$ 1,362	$ -	$ -	$ -	$ -	$ -	$ 1,362
Unexpended Appropriations	$ -	$ -	$ (376)	$ -	$ -	$ -	$ (376)
Cumulative Results of Operations	13,527	4	554	4	-	-	14,089
Total Net Position	$ 13,527	$ 4	$ 178	$ 4	$ -	$ -	$ 13,713
Total Liabilities and Net Position	**$ 14,889**	**$ 4**	**$ 178**	**$ 4**	**$ -**	**$ -**	**$ 15,075**
Statement of Net Cost For the Period Ended							
Gross Costs	$ 110	$ 8	$ 95	$ 7	$ -	$ (8)	$ 212
Less Earned Revenues	$ (1,007)	$ (4)	$ (17)	$ (7)	$ -	$ 8	$ (1,027)
Net Costs	**$ (897)**	**$ 4**	**$ 78**	**$ -**	**$ -**	**$ -**	**$ (815)**
Statement of Changes in Net Position for the Period Ended							
Net Position Beginning of Period	$ 12,620	$ 8	$ 256	$ 4	$ -	$ -	$ 12,888
Appropriations Received	8	-	-	-	-	-	8
Transfers In/Out Without Reimbursement	2	-	-	-	-	-	2
Net Cost of Operations	$ 897	$ (4)	$ (78)	$ -	$ -	$ -	$ 815
Change in Net Position	$ 907	$ (4)	$ (78)	$ -	$ -	$ -	$ 825
Net Position End of Period	**$ 13,527**	**$ 4**	**$ 178**	**$ 4**	**$ -**	**$ -**	**$ 13,713**

NOTE 19 – INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE

The data below shows HUD's intragovernmental costs and earned revenue separately from activity with the public. Intragovernmental transactions are exchange transactions made between two reporting entities within the Federal government. Intragovernmental costs are identified by the source of the goods and services; both the buyer and seller are Federal entities. Also note that there may be instances where the revenue may be classified as non-Federal if the goods or services are subsequently sold to the public. Public activity involves exchange transactions between the reporting entity and a non-Federal entity.

The following shows HUD's intragovernmental costs and exchange revenue (dollars in millions):

2009	Federal Housing Administration	Government National Mortgage Association	Section 8 Rental Assistance	Community Development Block Grants	HOME	Operating Subsidies	Public and Indian Housing Loans and Grants	Housing for the Elderly and Disabled	All Other	Consolidating
Intragovernmental Costs	$ 303	$ 2	$ 87	$ 23	$ 12	$ 20	$ 111	$ 33	$ 241	$ 832
Public Costs	14,386	146	25,172	6,443	1,944	4,520	3,567	1,346	3,389	60,913
Subtotal Costs	$ 14,689	$ 148	$ 25,259	$ 6,466	$ 1,956	$ 4,540	$ 3,678	$ 1,379	$ 3,630	$ 61,745
Costs Not Assigned									$ 182	$ 182
Total Costs										$ 61,927
Intragovernmental Earned Revenue	$ (2,148)	$ (109)	$ -	$ -	$ -	$ -	$ -	$ -	$ (21)	$ (2,278)
Public Earned Revenue	(118)	(549)	-	-	-	-	-	(309)	(16)	(992)
Total Earned Revenue	(2,266)	(658)	-	-	-	-	-	(309)	(37)	(3,270)
Net Cost of Operations	**$ 12,423**	**$ (510)**	**$ 25,259**	**$ 6,466**	**$ 1,956**	**$ 4,540**	**$ 3,678**	**$ 1,070**	**$ 3,775**	**$ 58,657**

2008	Federal Housing Administration	Government National Mortgage Association	Section 8 Rental Assistance	Community Development Block Grants	Home	Operating Subsidies	Publicand Indian Housing Loansand Grants	Housing for the Elderly and Disabled	All Other	Consolidating
Intragovernmental Costs	$ 314	$ 2	$ 79	$ 26	$ 15	$ 29	$ 119	$ 31	$ 245	$ 860
Public Costs	11,064	108	24,656	8,970	1,998	4,121	3,119	1,361	3,627	59,024
Subtotal Costs	$ 11,378	$ 110	$ 24,735	$ 8,996	$ 2,013	$ 4,150	$ 3,238	$ 1,392	$ 3,872	$ 59,884
Costs Not Assigned									$ 144	$ 144
Total Costs										$ 60,028
Intragovernmental Earned Revenue	$ (1,394)	$ (633)	$ -	$ -	$ -	$ -	$ -	$ -	$ (15)	$ (2,042)
Public Earned Revenue	(77)	(374)	-	-	-	-	-	(363)	(18)	(832)
Total Earned Revenue	(1,471)	(1,007)	-	-	-	-	-	(363)	(33)	(2,874)
Net Cost of Operations	**$ 9,907**	**$ (897)**	**$ 24,735**	**$ 8,996**	**$ 2,013**	**$ 4,150**	**$ 3,238**	**$ 1,029**	**$ 3,983**	**$ 57,154**

NOTE 20 - TOTAL COST AND EARNED REVENUE BY BUDGET FUNCTIONAL CLASSIFICATION

The following shows HUD's total cost and earned revenue by budget functional classification for fiscal year 2009 (dollars in millions):

Budget Functional Classification	Gross Cost	Earned Revenue	Net Cost
Intragovernmental:			
Commerce and Housing Credit	$ 2	$ -	$ 2
Community and Regional Development	43	(7)	36
Income Security	482	(2)	480
Other Multiple Functions	$ (1)	$ (13)	$ (14)
Total Intragovernmental	526	(22)	504
With the Public:			
Commerce and Housing Credit	$ 14,858	$ (3,236)	$ 11,622
Community and Regional Development	6,688	-	6,688
Income Security	39,080	(12)	39,068
Administration of Justice	46	-	46
Other Multiple Functions	547	-	547
Total with the Public	$ 61,219	$ (3,248)	$ 57,971
Not Assigned to Programs:			
Income Security	182	-	182
Total with the Public	$ 182	$ -	$ 182
TOTAL:			
Commerce and Housing Credit	$ 14,860	$ (3,236)	$ 11,624
Community and Regional Development	6,731	(7)	6,724
Income Security	39,744	(14)	39,730
Administration of Justice	46	-	46
Other Multiple Functions	546	(13)	533
TOTAL:	**$ 61,927**	**$ (3,270)**	**$ 58,657**

The following shows HUD's total cost and earned revenue by budget functional classification for fiscal year 2008 (dollars in millions):

Budget Functional Classification	Gross Cost	Earned Revenue	Net Cost
Intragovernmental:			
Commerce and Housing Credit	$ 331	$ (2,027)	$ (1,696)
Community and Regional Development	90	(17)	73
Income Security	402	10	412
Other Multiple Functions	36	(7)	29
Total Intragovernmental	$ 859	$ (2,041)	$ (1,182)
With the Public:			
Commerce and Housing Credit	$ 11,567	$ (820)	$ 10,747
Community and Regional Development	9,499	-	9,499
Income Security	37,300	(13)	37,287
Administration of Justice	54	-	54
Other Multiple Functions	605	-	605
Total with the Public	$ 59,025	$ (833)	$ 58,192
Not Assigned to Programs:			
Community and Regional Development			
Income Security	$ 144	$ -	$ 144
Total with the Public	$ 144	$ -	$ 144
TOTAL:			
Commerce and Housing Credit	$ 11,898	$ (2,847)	$ 9,051
Community and Regional Development	9,589	(17)	9,572
Income Security	37,846	(3)	37,843
Other Multiple Functions	641	(7)	634
Administration of Justice	54	-	54
TOTAL:	**$ 60,028**	**$ (2,874)**	**$ 57,154**

NOTE 21 – NET COSTS of HUD's CROSS-CUTTING PROGRAMS

This note provides a categorization of net costs for two of HUD's major program areas whose costs were incurred across multiple programs. Section 8 costs are incurred to assist low- and very low- income families in obtaining decent and safe rental housing. In addition, costs incurred under the Other major program represent HUD's smaller programs. These programs provide assistance to support other HUD objectives such as fair housing and equal opportunity, energy conservation, homeless assistance, housing unit rehabilitation, and home ownership.

The following table shows the cross-cutting of HUD's major program areas that incur costs that cross multiple program areas for fiscal year 2009 (dollars in millions):

Fiscal Year 2009

HUD's Cross-Cutting Programs	Public and Indian Housing	Housing	Community Planning and Development	Other	Consolidated
Section 8:					
Intragovernmental Gross Costs	$ 42	$ 44	$ -	$ -	$ 86
Intragovernmental Earned Revenues	-	-	-	-	$ -
Intragovernmental Net Costs	$ 42	$ 44	$ -	$ -	$ 86
Gross Costs with the Public	$ 16,286	$ 8,837	$ 50	$ -	$ 25,173
Earned Revenues					-
Net Costs with the Public	$ 16,286	$ 8,837	$ 50	$ -	$ 25,173
Net Program Costs	**$ 16,328**	**$ 8,881**	**$ 50**	**$ -**	**$ 25,259**
CDBG					
Intragovernmental Gross Costs	$ -	$ -	$ 21	$ 2	$ 23
Intragovernmental Earned Revenues	-	-	-	-	$ -
Intragovernmental Net Costs	$ -	$ -	$ 21	$ 2	$ 23
Gross Costs with the Public	$ 75	$ -	$ 6,356	$ 12	$ 6,443
Earned Revenues	-	-	-	-	$ -
Net Costs with the Public	$ 75	$ -	$ 6,356	$ 12	$ 6,443
Net Program Costs	**$ 75**	**$ -**	**$ 6,377**	**$ 14**	**$ 6,466**
HOME					
Intragovernmental Gross Costs	$ -	$ -	$ 11	$ 1	$ 12
Intragovernmental Earned Revenues	-	-	-	-	$ -
Intragovernmental Net Costs	$ -	$ -	$ 11	$ 1	$ 12
Gross Costs with the Public	$ -	$ 45	$ 1,899	$ -	$ 1,944
Earned Revenues	-	-	-	-	$ -
Net Costs with the Public	$ -	$ 45	$ 1,899	$ -	$ 1,944
Net Program Costs	**$ -**	**$ 45**	**$ 1,910**	**$ 1**	**$ 1,956**
Low Rent Public Hsg Loans					
Intragovernmental Gross Costs	$ 109	$ -	$ -	$ 2	$ 111
Intragovernmental Earned Revenues	-	-	-	-	$ -
Intragovernmental Net Costs	$ 109	$ -	$ -	$ 2	$ 111
Gross Costs with the Public	$ 3,567	$ -	$ -	$ -	$ 3,567
Earned Revenues	-	-	-	-	$ -
Net Costs with the Public	$ 3,567	$ -	$ -	$ -	$ 3,567
Net Program Costs	**$ 3,676**	**$ -**	**$ -**	**$ 2**	**$ 3,678**
Other:					
Intragovernmental Gross Costs	$ 56	$ 162	$ 46	$ (23)	$ 241
Intragovernmental Earned Revenues	(2)	(4)	(1)	(14)	$ (21)
Intragovernmental Net Costs	$ 54	$ 158	$ 45	$ (37)	$ 220
Gross Costs with the Public	$ 526	$ 698	$ 2,163	$ 2	$ 3,389
Earned Revenues	-	(16)	-	-	$ (16)
Net Costs with the Public	$ 526	$ 682	$ 2,163	$ 2	$ 3,373
Costs Not Assigned to Programs	$ 63	$ 89	$ 30	$ -	$ 182
Net Program Costs	**$ 643**	**$ 929**	**$ 2,238**	**$ (35)**	**$ 3,775**

The following table shows the cross-cutting of HUD's major program areas that incur costs that cross multiple program areas for fiscal year 2008 (dollars in millions):

Fiscal Year 2008

HUD's Cross-Cutting Programs	Public and Indian Housing	Housing	Community Planning and Development	Other	Consolidated
Section 8:					
Intragovernmental Gross Costs	$ 38	$ 42	$ -	$ -	$ 80
Intragovernmental Earned Revenues	-	-	-	-	$ -
Intragovernmental Net Costs	$ 38	$ 42	$ -	$ -	$ 80
Gross Costs with the Public	$ 21,843	$ 2,811	$ 1	$ -	$ 24,655
Earned Revenues					-
Net Costs with the Public	$ 21,843	$ 2,811	$ 1	$ -	$ 24,655
Net Program Costs	**$ 21,881**	**$ 2,853**	**$ 1**	**$ -**	**$ 24,735**
CDBG					
Intragovernmental Gross Costs	$ -	$ -	$ 26	$ -	$ 26
Intragovernmental Earned Revenues	-	-	-	-	$ -
Intragovernmental Net Costs	$ -	$ -	$ 26	$ -	$ 26
Gross Costs with the Public	$ 24	$ -	$ 8,945	$ 1	$ 8,970
Earned Revenues	-	-	-	-	$ -
Net Costs with the Public	$ 24	$ -	$ 8,945	$ 1	$ 8,970
Net Program Costs	**$ 24**	**$ -**	**$ 8,971**	**$ 1**	**$ 8,996**
Other:					
Intragovernmental Gross Costs	$ 28	$ 89	$ 21	$ 101	$ 239
Intragovernmental Earned Revenues	(1)	-	(5)	(8)	$ (14)
Intragovernmental Net Costs	$ 27	$ 89	$ 16	$ 93	$ 225
Gross Costs with the Public	$ 596	$ 765	$ 1,891	$ 381	$ 3,633
Earned Revenues	-	(19)	-	-	$ (19)
Net Costs with the Public	$ 596	$ 746	$ 1,891	$ 381	$ 3,614
Costs Not Assigned to Programs	$ 50	$ 69	$ 25	$ -	$ 144
Net Program Costs	**$ 673**	**$ 904**	**$ 1,932**	**$ 474**	**$ 3,983**

NOTE 22 – FHA NET COSTS

FHA organizes its operations into two overall program types: MMI/CMHI and GI/SRI. These program types are composed of four major funds. The Mutual Mortgage Insurance fund (MMI), FHA's largest fund, provides basic Single Family mortgage insurance and is a mutual insurance fund, whereby mortgagors, upon non-claim termination of their mortgages, share surplus premiums paid into the MMI fund that are not required for operating expenses and losses or to build equity. The Cooperative Management Housing Insurance fund (CMHI), another mutual fund, provides mortgage insurance for management-type cooperatives. The General Insurance fund (GI), provides a large number of specialized mortgage insurance activities, including insurance of loans for property improvements, cooperatives, condominiums, housing for the elderly, land development, group practice medical facilities and nonprofit hospitals. The Special Risk Insurance fund (SRI) provides mortgage insurance on behalf of mortgagors eligible for interest reduction payments who otherwise would not be eligible for mortgage insurance. The Hope for Homeowners (H4H), program was established by HUD as an additional mortgage program designed to keep borrowers in their home.

The following table shows Net Cost detail for the Federal Housing Administration (dollars in millions):

	Fiscal Year 2009				Fiscal Year 2008		
	GI/SRI Program	MMI/CMHI Program	H4H Program	Total	GI/SRI Program	MMI/CMHI Program	Total
Costs							
Intragovernmental Gross Costs	$ 131	$ 167	$ 5	$ 303	$ 138	$ 175	$ 313
Intragovernmental Earned Revenues	(392)	(1,756)	-	(2,148)	(73)	(1,321)	(1,394)
Intragovernmental Net Costs	$ (261)	$ (1,589)	$ 5	$ (1,845)	$ 65	$ (1,146)	$ (1,081)
Gross Costs with the Public	$ 5,302	$ 9,072	$ 12	$ 14,386	$ 1,569	$ 9,496	$ 11,065
Earned Revenues	(71)	(47)	-	(118)	(68)	(9)	(77)
Net Costs with the Public	$ 5,231	$ 9,025	$ 12	$ 14,268	$ 1,501	$ 9,487	$ 10,988
Net Program Costs	**$ 4,970**	**$ 7,436**	**$ 17**	**$ 12,423**	**$ 1,566**	**$ 8,341**	**$ 9,907**

NOTE 23 – COMMITMENTS UNDER HUD'S GRANT, SUBSIDY, AND LOAN PROGRAMS

A. Contractual Commitments

HUD has entered into extensive long-term commitments that consist of legally binding agreements to provide grants, subsidies, or loans. Commitments become liabilities when all actions required for payment under an agreement have occurred. The mechanism for funding subsidy commitments generally differs depending on whether the agreements were entered into before or after 1988.

Prior to fiscal 1988, HUD's subsidy programs, primarily the Section 8 program and the Section 235/236 programs, operated under contract authority. Each year, Congress provided HUD the authority to enter into multiyear contracts within annual and total contract limitation ceilings. HUD then drew on and continues to draw on permanent indefinite appropriations to fund the current year's portion of those multiyear contracts. Because of the duration of these contracts (up to 40 years), significant authority exists to draw on the permanent indefinite appropriations. Beginning in fiscal 1988, the Section 8 and the Section 235/236 programs began operating under multiyear budget authority whereby the Congress appropriates the funds "up-front" for the entire contract term in the initial year.

As shown below, appropriations to fund a substantial portion of these commitments will be provided through permanent indefinite authority. These commitments relate primarily to the Section 8 program, and the Section 235/236 rental assistance and interest reduction programs, and are explained in greater detail below.

HUD's commitment balances are based on the amount of unliquidated obligations recorded in HUD's accounting records with no provision for changes in future eligibility, and thus are equal to the maximum amounts available under existing agreements and contracts. Unexpended appropriations and cumulative results of operations shown in the Consolidated Balance Sheet comprise funds in the U.S. Treasury available to fund existing commitments that were provided through "up-front" appropriations, and also include permanent indefinite appropriations received in excess of amounts used to fund the pre-1988 subsidy contracts and offsetting collections.

FHA enters into long-term contracts for both program and administrative services. FHA funds these contractual obligations through appropriations, permanent indefinite authority, and offsetting collections. The appropriated funds are primarily used to support administrative contract expenses, while the permanent indefinite authority and the offsetting collections are used for program services.

The following shows HUD's obligations and contractual commitments under its grant, subsidy, and loan programs as of September 30, 2009 (dollars in millions):

	Undelivered Orders			
Programs	**Unexpended Appropriations**	**Permanent Indefinite or Investment Authority**	**Offsetting Collection**	**Undelivered Orders - Obligations, Unpaid**
FHA	$ 153	$ 276	$ 685	$ 1,114
Section 8 Rental Assistance	11,206	757	-	11,963
Community Development Block Grants	17,326	-	-	17,326
HOME Partnership Investment Program	7,271	-	-	7,271
Operating Subsidies	1,023	-	-	1,023
Low Rent Public Housing Grants and Loans	12,078	67	-	12,145
Housing for Elderly and Disabled	4,430	-	-	4,430
Section 235/236	1,096	2,471	-	3,567
All Other	9,584	-	-	9,584
Total	**$ 64,167**	**$ 3,571**	**$ 685**	**$ 68,423**

Of the total Section 8 Rental Assistance contractual commitments as of September 30, 2009**,** $10 billion relates to project-based commitments, and $2 billion relates to tenant-based commitments.

The following shows HUD's obligations and contractual commitments under its grant, subsidy, and loan programs as of September 30, 2008 (dollars in millions):

	Undelivered Orders			
Programs	Unexpended Appropriations	Permanent Indefinite or Investment Authority	Offsetting Collection	Undelivered Orders - Obligations, Unpaid
FHA	$ 159	$ 300	$ 861	$ 1,320
Section 8 Rental Assistance	8,266	3,375	-	11,641
Community Development Block Grants	15,638	-	-	15,638
HOME Partnership Investment Program	5,040	-	-	5,040
Operating Subsidies	1,045	-	-	1,045
Low Rent Public Housing Grants and Loans	7,957	571	-	8,528
Housing for Elderly and Disabled	4,749	-	-	4,749
Section 235/236	971	3,322	-	4,293
All Other	4,692	-	81	4,773
Total	**$ 48,517**	**$ 7,568**	**$ 942**	**$ 57,027**

Of the total Section 8 Rental Assistance contractual commitments as of September 30, 2008, $6.9 billion relates to project-based commitments, and $4.7 billion relates to tenant-based commitments. With the exception of the Housing for the Elderly and Disabled and Low Rent Public Housing Loan Programs (which have been converted to grant programs), Section 235/236, and a portion of "all other" programs, HUD management expects all of the above programs to continue to incur new commitments under authority granted by Congress in future years. However, estimated future commitments under such new authority are not included in the amounts above.

B. Administrative Commitments

In addition to the above contractual commitments, HUD has entered into administrative commitments which are reservations of funds for specific projects (including those for which a contract has not yet been executed) to obligate all or part of those funds. Administrative commitments become contractual commitments upon contract execution.

The following shows HUD's administrative commitments as of September 30, 2009 (dollars in millions):

	Reservations			
Programs	**Unexpended Appropriations**	**Permanent Indefinite Appropriations**	**Offsetting Collections**	**Total Reservations**
Section 8 Rental Assistance	$ 107	$ 6	$ -	$ 113
Community Development Block Grants	1,058	-	-	1,058
HOME Partnership Investment Program	270	-	-	270
Low Rent Public Housing Grants and Loans	139	-	-	139
Housing for Elderly and Disabled	180	-	-	180
Section 235/236	-	4	-	4
All Other	661	-	-	661
Total	**$ 2,415**	**$ 10**	**$ -**	**$ 2,425**

The following chart shows HUD's administrative commitments as of September 30, 2008

	Reservations			
Programs	**Unexpended Appropriations**	**Permanent Indefinite Appropriations**	**Offsetting Collections**	**Total Reservations**
Section 8 Rental Assistance Project-Based	$ 100	$ 8	$ -	$ 108
Community Development Block Grants	1,814	-	-	1,814
HOME Partnership Investment Program	349	-	-	349
Low Rent Public Housing Grants and Loans	122	-	-	122
Housing for Elderly and Disabled	227	-	-	227
Section 235/236	-	5		5
All Other	405	-	-	405
Total	**$ 3,017**	**$ 13**	**$ -**	**$ 3,030**

NOTE 24 – EFFECTS of HURRICANES

Multifamily Hurricane Cost

Ginnie Mae guarantees to advance payments of principal and interest on Mortgage Backed Securities (MBS) when the issuer of the pooled mortgages behind the MBS's defaults. Ginnie Mae files the claims for loans defaulted within the defaulted issuer's portfolio to FHA, VA, or RHS. Ginnie Mae has not incurred any losses due to date and does not expect any material future losses.

The effects of Hurricanes Katrina, Rita, and Wilma in 2005 and Hurricanes Ike and Gustav in 2008 resulted in increased funding for the Department for assisting in meeting housing needs of those displaced by the disaster.

The Department continues to provide transitional housing assistance to displaced public housing residents, displaced Section 8 participants, and displaced families from other HUD assisted programs, and individuals who were homeless in the disaster affected area prior to Katrina. FHA is providing assistance to affected homeowners through its existing programs.

The following shows the status of budgetary resources information for HUD's programs funded to support disaster relief as of September 30, 2009 (dollars in millions):

	CDBG	Tenant-Based Rental Assistance	Prevention of Resident Displacement	Total
Budgetary Resources				
Unobligated Balance, beginning of period	$ 2,000	$ -	$ 1	$ 2,001
Recoveries	-	4	-	4
Budget Authority	-	-	-	-
Spending Authority from Offsetting Collections	-	-	(1)	(1)
Permanently Not Available, Recissions	-	-	-	-
Total Budgetary Resources	**$ 2,000**	**$ 4**	**$ -**	**$ 2,004**
Status of Budgetary Resources				
Obligations Incurred	$ 1,000	$ 4	$ -	$ 1,004
Unobligated Balance, available	1,000	-	-	1,000
Unobligated Balance, not available	-	-	-	-
Total Status of Budgetary Resources	**$ 2,000**	**$ 4**	**$ -**	**$ 2,004**
Change in Obligated Balance				
Obligated Balance, net beginning of period	$ 7,115	$ 34	$ -	$ 7,149
Obligations Incurred	1,000	4	-	1,004
Gross Outlays	(2,264)	(11)	-	(2,275)
Recoveries	-	(4)	-	(4)
Obligated Balance, net end of period	**$ 5,851**	**$ 23**	**$ -**	**$ 5,874**
Net Outlays	**2,264**	**11**	**1**	**2,276**

The data below displays cumulative activity for the four largest state recipients of HUD disaster assistance since the inception of the program. The obligations incurred and gross outlays shown above represent fiscal year activity. Dollars are in millions.

	Obligations	Outlays	Unliquidated
Florida	$ 285	$ 146	$ 139
Louisiana	12,600	9,148	3,452
Mississippi	5,525	3,035	2,490
Texas	638	372	266
Total	**$ 19,048**	**$ 12,701**	**$ 6,347**

The following table shows the status of budgetary resources information for HUD's programs funded to support disaster relief as of September 30, 2008 (dollars in millions):

	CDBG	Tenant-Based Rental Assistance	Prevention of Resident Displacement	Total
Budgetary Resources				
Unobligated Balance, beginning of period	$ -	$ -	$ 3	$ 3
Recoveries	-	6	2	8
Budget Authority	13,720	-	-	13,720
Spending Authority from Offsetting Collections	-	-	(4)	(4)
Permanently Not Available, Recissions	(377)	-	-	(377)
Total Budgetary Resources	**$ 13,343**	**$ 6**	**$ 1**	**$ 13,350**
Status of Budgetary Resources				
Obligations Incurred	$ 1,085	$ 6	$ -	$ 1,091
Unobligated Balance, available	8,338	-	1	8,339
Unobligated Balance, not available	3,920	-	-	3,920
Total Status of Budgetary Resources	**$ 13,343**	**$ 6**	**$ 1**	**$ 13,350**
Change in Obligated Balance				
Obligated Balance, net beginning of period	$ 10,529	$ 105	$ 2	$ 10,636
Obligations Incurred	1,085	5	-	1,090
Gross Outlays	(4,414)	(70)	-	(4,484)
Recoveries	-	(5)	(2)	(7)
Obligated Balance, net end of period	**$ 7,200**	**$ 35**	**$ -**	**$ 7,235**
Net Outlays	**4,414**	**70**	**4**	**4,488**

The data below displays cumulative activity for the four largest state recipients of HUD disaster assistance since the inception of the program. The obligations incurred and gross outlays shown above represent fiscal year activity. Dollars are in millions.

	Obligations	Outlays	Unliquidated
Florida	$ 285	$ 103	$ 182
Louisiana	11,600	8,180	3,420
Mississippi	5,525	2,487	3,038
Texas	638	200	438
Total	**$ 18,048**	**$ 10,970**	**$ 7,078**

NOTE 25 – APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED

Budgetary resources are usually distributed in an account or fund by specific time periods, activities, projects, objects, or a combination of these categories. Resources apportioned by fiscal quarters are classified as Category A apportionments. Apportionments by any other category would be classified as Category B apportionments.

HUD's categories of obligations incurred were as follows (dollars in millions):

	Category A	Category B	Exempt From Apportioment	Total
2009				
Direct	$ 1,863	$ 88,295	$ -	$ 90,158
Reimbursable	-	1,528	-	1,528
Total	**$ 1,863**	**$ 89,823**	**$ -**	**$ 91,686**
2008				
Direct	$ 1,481	$ 55,485	$ -	$ 56,966
Reimbursable	-	753	-	753
Total	**$ 1,481**	**$ 56,238**	**$ -**	**$ 57,719**

NOTE 26 – EXPLANATION OF DIFFERENCES BETWEEN THE STATEMENT OF BUDGETARY RESOURCES AND THE BUDGET OF THE UNITED STATES GOVERNMENT

The President's Budget containing actual FY 2009 data is not available for comparison to the Statement of Budgetary Resources. Actual FY 2009 data will be available in the Appendix to the Budget of the United States Government, FY 2011.

For FY 2008, an analysis to compare HUD's Statement of Budgetary Resources to the President's Budget of the United States was performed to identify any differences.

The following shows the difference between Budgetary Resources reported in the Statement of Budgetary Resources and the President's Budget for FY 2008 (dollars in millions):

	Budgetary Resources	Obligations Incurred	Net Outlays
Combined Statement of Budgetary Resources	$ 119,404	$ 57,723	$ 45,089
Difference #1 - Offsetting receipts	-	-	1,541
Difference #2 - Resources related to HUD's expired accounts not reported in the President's Budget	(746)	382	959
Difference #3 - Rounding	(3)	1	1
Difference #4 - Transfer of negative subsidy to GNMA Reserve Receipt account	(11)	-	-
Difference #5 - Adjustment of GNMA's Financing and Liquidating accounts FY 2007 ending balances	-	-	-
United States Budget	**$ 118,644**	**$ 58,106**	**$ 47,590**

NOTE 27 – RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

This note (formerly the Statement of Financing) links the proprietary data to the budgetary data. Most transactions are recorded in both proprietary and budgetary accounts. However, because different accounting bases are used for budgetary and proprietary accounting, some transactions may appear in only one set of accounts. The Reconciliation of Net Cost of Operations to Budget is as follows for the periods ending September 30, 2009 and 2008.

	2009	2008
Budgetary Resources Obligated		
Obligations Incurred	$ 91,686	$ 57,719
Spending Authority from Offsetting Collections and Recoveries	(36,424)	(19,401)
Obligations Net of Offsetting Collections	$ 55,262	$ 38,318
Offsetting Receipts	(1,141)	(1,541)
Net Obligations	$ 54,121	$ 36,777
Other Resources		
Transfers In/Out Without Reimbursement	$ (1,742)	$ (32)
Imputed Financing from Costs Absorbed by Others	79	112
Other Resources	(139)	(29)
Net Other Resources Used to Finance Activites	$ (1,802)	$ 51
Total Resources Used to Finance Activities	$ 52,319	$ 36,828
Resources Used to Finance Items Not Part of the Net Cost of Operations		
Change in Budgetary Resources Obligated for Goods/Services/Benefits Ordered but not Provided	$ (11,394)	$ 8,423
Credit Program Resources not Included in Net Cost (Surplus) of Operations	32,147	16,836
Other Changes to Net Obligated Resources Not Affecting Net Cost of Operations	(28,262)	(15,522)
Total Resources Used to Finance Items Not Part of Net Cost of Operations	$ (7,509)	$ 9,737
Total Resources Used to Finance the Net Cost of Operations	$ 44,810	$ 46,565
Components of Net Cost of Operations Not Requiring/Generating Resources in the Current Period		
Upward/Downward Reestimates of Credit Subsidy Expense	$ 12,252	$ 11,499
Increase in Exchange Revenue Receivable from the Public	(311)	(373)
Change in Loan Loss Reserve	(49)	(192)
Changes in Bad Debt Expenses Related to Credit Reform Receivables	1,431	(44)
Reduction of Credit Subsidy Expense from Guarantee Endorsements and Modifications	(1,084)	(1,048)
Other	1,608	747
Total Components of Net Cost of Operations Not Requiring/Generating Resources in the Current Period	$ 13,847	$ 10,589
Net Cost of Operations	**$ 58,657**	**$ 57,154**

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION

INTRODUCTION

This section provides information on resources utilized by HUD that do not meet the criteria for information required to be reported or audited in HUD's financial statements but are, nonetheless, important to understand investments made by HUD for the benefit of the Nation. The stewardship objective requires that HUD also report on the broad outcomes of its actions associated with these resources. Such reporting will provide information that will help the reader to better assess the impact of HUD's operations and activities.

HUD's stewardship reporting responsibilities extend to the investments made by a number of HUD programs in Non-Federal Physical Property, Human Capital, and Research and Development. Due to the relative immateriality of the amounts and in the application of the related administrative costs, most of the investments reported reflect direct program costs only. The investments addressed in this section are attributable to programs administered through the following divisions/departments:

- Community Planning and Development (CPD),
- Public and Indian Housing (PIH),
- Policy Development and Research (PD&R), and
- Healthy Homes and Lead Hazard Control (HHLHC).

OVERVIEW OF HUD'S MAJOR PROGRAMS

CPD seeks to develop viable communities by promoting integrated approaches that provide decent housing, a suitable living environment, and expanded economic opportunities for low- and moderate-income persons. HUD makes stewardship investments through the following CPD programs:

- **Community Development Block Grants (CDBG)** are provided to state and local communities, which use these funds to support a wide variety of community development activities within their jurisdiction. These activities are designed to benefit low- and moderate-income persons, aid in the prevention of slums and blight, and meet other urgent community development needs. State and local communities use the funds as they deem necessary, as long as the use of these funds meet at least one of these objectives. A portion of the funds supports the acquisition or rehabilitation of property owned by state and local governments, while other funds help to provide employment and job training to low- and moderate-income persons.
- **Disaster Grants** help state and local governments recover from major natural disasters. A portion of these funds can be used to acquire, rehabilitate, construct, or demolish physical property.

- **Housing Investment Partnership (HOME)** provides formula grants to states and localities (used often in partnership with local nonprofit groups) to fund a wide range of activities that build, buy, and/or rehabilitate affordable housing for low-income persons.
- **Housing Opportunities for People With AIDS (HOPWA)** provides education and employment assistance to assist families and individuals who are living with the challenges of HIV/AIDS and risks of homelessness. Resources are used to assist beneficiaries to obtain permanent housing results, as well as to address short-term and transitional housing needs.
- **YouthBuild** grants assist young individuals to obtain education, employment skills, and meaningful work experience in the construction trade, enabling them to become more productive and self-sufficient. This program was transferred to the Department of Labor, but it is reported here in order to show prior year results.

PIH ensures safe, decent, and affordable housing, creates opportunities for residents' self-sufficiency and economic independence, and assures the fiscal integrity of all program participants. HUD makes stewardship investments through the following PIH programs:

- **The Public Housing (PH) Capital Fund** provides grants to PHAs to improve the physical conditions and to upgrade the management and operation of existing public housing.
- **HOPE VI Revitalization Grants (HOPE VI)** are provided to support the improvement of the living environment of public housing residents in distressed public housing units. Some investments support the acquisition, construction or rehabilitation of property owned by the PHA, state or local governments, while others help to provide education and job training to residents of the communities targeted for rehabilitation.
- **Indian Housing Block Grants (IHBG)** provide funds needed to allow tribal housing organizations to maintain existing units and to begin development of new units to meet their critical long-term housing needs.
- **Indian Community Development Block Grants (ICDBG)** provide funds to Indian organizations to develop viable communities, including decent housing, a suitable living environment, and economic opportunities, principally for low and moderate-income recipients.
- **Native Hawaiian Housing Block Grants (NHHBG)** provides an annual block grant to the Department of Hawaiian Home Lands (DHHL) for a range of affordable housing activities to benefit low-income Native Hawaiians eligible to reside on the Hawaiian home lands. The DHHL has the authority under the NHHBG program to develop new and innovative affordable housing initiatives and programs based on local needs, including down payment and other mortgage assistance programs, transitional housing, domestic abuse shelters, and revolving loan funds.

PD&R's stewardship responsibilities include maintaining current information to monitor housing needs and housing market conditions, and to support and conduct research on priority housing and community development issues.

In prior years HUD made stewardship investments through the Community Development Work Study and the Partnership for Advancing Technology in Housing (PATH) program, as described below.

- **Community Development Work Study:** Colleges and universities throughout the United Sates have used this program to offer financial aid and work experience to students enrolled in a full-time graduate program in community development or a closely related field such as urban planning, public policy, or public administration. This program is not currently funded, but it is reported to reflect prior year activity.
- **Partnership for Advancing Technology in Housing (PATH).** PATH is a public/private sector initiative which seeks to expand the development and utilization of new technologies in order to make American homes stronger, safer, and more durable; more energy efficient and environmentally friendly; easier to maintain and less costly to operate; and more comfortable and exciting to live in. PATH links key agencies in the federal government with leaders from the home building, product manufacturing, insurance, financial, and regulatory communities in a unique partnership focused on technological innovation in the American housing industry. This program is not currently funded, but it is reported to reflect prior year activity.

The **HHLHC** program seeks to eliminate childhood lead poisoning caused by lead-based paint hazards and to address other childhood diseases and injuries, such as asthma, unintentional injury, and carbon monoxide poisoning, caused by substandard housing conditions.

- **Lead Technical Assistance Division,** in support of the Departmental Lead Hazard Control program, establishes and coordinates lead-based paint regulations and policy, and supports compliance assistance and enforcement. These programs also support technical assistance and the conduct of technical studies and demonstrations to identify innovative methods to create lead-safe housing at reduced cost. In addition, these programs are designed to increase the awareness of lead professionals, parents, building owners, housing and public health professionals, and others with respect to lead-based paint and related property-based health issues.
- **Lead Hazard Control Grants** help state and local governments and private organizations and firms control lead-based paint hazards in low-income, privately owned rental, and owner-occupied housing. The grants build program and local capacity and generate training and employment opportunities and contracts for low-income residents and businesses in targeted areas.

RSSI REPORTING - HUD'S MAJOR PROGRAMS

Non-Federal Physical Property

Investment in Non-Federal Physical Property: Non-Federal physical property investments support the purchase, construction, or major renovation of physical property owned by state and local governments. These investments support HUD's strategic goals to increase the availability of decent, safe, and affordable housing and to strengthen communities. Through these investments, HUD serves to improve the quality of life and economic vitality. The table on the next page summarizes material program investments in Non-Federal Physical Property. Additional information regarding these programs' contributions to HUD's goals may be found in Section 2 of this report.

Investments in Non-Federal Physical Property
Fiscal Year 2005 - 2009
(Dollars in millions)

Program	2005	2006	2007	2008	2009
CPD					
CDBG	$1,175	$1,170	$1,262	$1,284	$1,180
Disaster Grants	$40	$299	$120	$169	$144
HOME	$44	$30	$38	$54	$18
SHP - Homeless [1]	$40	$24	$21	$17	$14
PIH					
ICDBG	$71	$68	$58	$56	$61
NHHBG [1]	$9	$8	$9	$9	$11
IHBG	$326	$321	$267	$234	$346
HOPE VI	$157	$72	$95	$97	$104
PH Capital Fund [2]	$1,758	$1,289	$1,340	$1,793	$2,310
TOTAL [3]	**$3,620**	**$3,281**	**$3,208**	**$3,711**	**$4,188**

Notes:
1. *Supportive Housing Programs and Native Hawaiian Housing Block Grants are being reported for the first time this year for investments in human capital.*
2. *Current and historical amounts were derived from outlay data in the Line Of Credit Control System and may differ from prior year reports.*
3. *Differences between Totals and Column amounts shown on this chart are due to rounding.*

Human Capital

Investment in Human Capital: Human Capital investments support education and training programs that are intended to increase or maintain national economic productive capacity. These investments support HUD's strategic goals, which are to promote self-sufficiency and asset development of families and individuals; improve community quality of life and economic vitality; and ensure public trust in HUD. The table on the next page summarizes material program investments in Human Capital, for fiscal years 2005 through 2009. Additional information regarding these programs' contributions to HUD's goals may be found in Section 2 of this report.

Investments in Human Capital
Fiscal Year 2005 - 2009
(Dollars in millions)

Program	2005	2006	2007	2008	2009
CPD					
CDBG	$28	$4	$23	$32	$29
SHP - Homeless [1]	$5	$2	$41	$18	$16
HOPWA [1]	N/A	N/A	N/A	N/A	$3
Youthbuild [2]	$22	$22	$23	$19	$0
PIH					
HOPE VI	$13	$6	$8	$8	$9
IHBG [1]	$2	$2	$1	$1	$1
PD&R					
CDWS [3]	$3	$0	$0	$0	$0
OHHLHC					
Lead Technical Assistance [4]	$0	$0	$0	$0	$0
TOTAL [5]	**$72**	**$36**	**$96**	**$77**	**$59**

Notes:
1. *Supportive Housing Programs, HOPWA, and Indian Housing Block Grants are being reported for the first time this year for investments in human capital. Historical data for HOPWA are not available.*
2. *Youthbuild was transferred to the Department of Labor. The history is reported for the sake of consistency.*
3. *Congress did not fund the Community Development Work Study in FY 2008 and FY 2009.*
4. *Congress did not fund the Lead Technical Assistance program in FY 2008. FY 2009 funding was $0.2 million.*
5. *Differences between Totals and Column amounts shown on this chart are due to rounding.*

Results of Human Capital Investments: The table on the next page presents the results (number of people trained) of human capital investments made by HUD's CPD, PIH, PD&R, and HHLHC programs:

Results of Investments in Human Capital
Number of People Trained
Fiscal Year 2005 - 2009

Program	2005	2006	2007	2008	2009
CPD					
CDBG	122,578	79,833	52,277	60,498	47,578
SHP - Homeless [1]	N/A	N/A	N/A	22.8%	22.0%
HOPWA [2]	N/A	N/A	N/A	N/A	6,540
Youthbuild [3]	4,366	3,929	3,103	2,987	0
PIH					
Hope VI (*see table below*)					
IHBG [1]	N/A	N/A	N/A	N/A	485
PD&R					
CDWS [4]	108	0	0	0	0
OHHLHC					
Lead Technical Assistance	0	0	0	400	1,200
TOTAL	**127,052**	**83,762**	**55,380**	**63,885**	**55,803**

Notes:

1. *Supportive Housing Programs, HOPWA, and Indian Housing Block Grants are being reported for the first time this year for investments in human capital. SHP results are expressed in terms of percentage of persons exiting the programs having employment income. Amounts for these programs were not reported prior to FY 2009.*
2. *This is the first year of reporting HOPWA's investment in human capital in the RSSI.*
3. *Youthbuild was transferred to the Department of Labor. The history is reported for the sake of consistency.*
4. *Congress did not fund the CDWS in FY 2008 and FY 2009.*

HOPE VI Results of Investments in Human Capital: Since the inception of the HOPE VI program in FY 1993, the program has made significant investments in Human Capital related initiatives (i.e., education and training). The following table presents HOPE VI's key cumulative performance information for fiscal years 2008 and 2009, since the program's inception.

Key Results of HOPE VI Program Activities
Fiscal Years 2008 and 2009

HOPE VI Service	2008 Enrolled	2008 Completed	% Completed	2009 Enrolled	2009 Completed	% Completed
Employment Preparation, Placement, & Retention (1)	71,727	N/A	N/A	75,991	N/A	N/A
Job Skills Training Programs	29,821	15,992	54%	31,079	16,490	53%
High School Equivalent Education	15,593	4,631	30%	16,453	4,760	29%
Entrepreneurship Training	3,394	1,459	43%	3,496	1,505	43%
Homeownership Counseling	14,450	6,086	42%	15,259	6,506	43%

1. *Completion data are not applicable, since all who enroll are considered recipients of the training.*

Research and Development

Investments in Research and Development: Research and development investments support (a) the search for new knowledge and/or (b) the refinement and application of knowledge or ideas, pertaining to development of new or improved products or processes. Research and development investments are intended to increase economic productive capacity or yield other future benefits. As such, these investments support HUD's strategic goals, which are to increase the availability of decent, safe, and affordable housing in America's communities; and ensure public trust in HUD.

The following table summarizes HUD's research and development investments. Additional information regarding these programs' contributions to HUD's goals may be found in Section 2 of this report.

Investments in Research and Development
Fiscal Year 2005 - 2009
(Dollars in millions)

Program	2005	2006	2007	2008	2009
CPD					
IHBG (1)	$0.9	$0.5	$0.2	$0.3	$0.5
PD&R					
PATH (2)	$8.0	$5.0	$0.0	$0.0	$0.0
OHHLHC					
Lead Hazard Control	$5.0	$11.0	$5.0	$4.0	$2.7
TOTAL	**$13.9**	**$16.5**	**$5.2**	**$4.3**	**$3.2**

Note:
1. *This program is included for the first time.*
2. *PATH did not receive any appropriation in FY 2008 or FY 2009. Figures are included for continuity of information from FY 2005 and FY 2006.*

Results of Investments in Research and Development: In support of HUD's lead hazard control initiatives, the HHLHC program has conducted various studies. As indicated in the following table, such studies have contributed to an overall reduction in the per-housing unit cost of lead hazard evaluation and control efforts. These studies have also lead to the identification of the prevalence of related hazards.

Per-Housing Unit Cost of Lead Hazard Evaluation and Control
Fiscal Year 2005 – 2009

Program	2005	2006	2007	2008	2009
OHHLHC					
Lead Hazard Control	$6,650	$4,926	$4,900	$5,570	$5,554
TOTAL	**$6,650**	**$4,926**	**$4,900**	**$5,570**	**$5,554**

Required Supplementary Information

Statement of Budgetary Resources

The principal Statement of Budget Resources combines the availability, status, and outlay of HUD's budgetary resources during FY 2009 and 2008. Presented on the following pages is the reporting by major budgetary account of this combined information for the Department. (Additional disaggregated financial statements (i.e., Consolidating Balance Sheet and Consolidating Changes in Net Position) are located online at: http://www.hud.gov/offices/cfo/reports/2009par.cfm.)

Combining Statement of Budgetary Resources
For the Period Ending September 2009
(Dollars in Millions)

	Federal Housing Administration	Government National Mortgage Association	Section 8 Rental Assistance	Community Development Block Grants
Budgetary Resources:				
Unobligated Balance, Brought Forward	$ 27,695	$ 13,973	$ 615	$ 9,215
Recoveries of Prior Year Unpaid Obligations	36		346	8
Budget Authority				
Appropriation	7,554		26,605	6,900
Borrowing Authority	470			
Contract Authority				
Spending Authority from Offsetting Collections				
Earned				
Collected	33,596	1,889		
Change in Receivable from Federal Sources	(153)	9		
Change in Unfilled Customer Orders				
Advanced Received				
W/O Advance from Federal Sources	1			
Subtotal Budget Authority	41,470	1,898	26,605	6,900
Non Expenditure Transfers, Net	(58)	(1)	1,982	(33)
Temporarily Not Available Per PL				
Permanently not available	(1,247)		(3,284)	(12)
Total Budgetary Resources	**67,895**	**15,870**	**26,265**	**16,077**
Status of Budgetary Resources:				
Obligations Incurred				
Direct	29,695	8	25,684	8,092
Reimbursable		1,528		
Subtotal	29,695	1,536	25,684	8,092
Unobligated Balances				
Apportioned	6,450	1	427	7,970
Subtotal	6,450	1	427	7,970
Unobligated Balances Not Available	31,750	14,332	154	15
Total Status of Budgetary Resources	**67,895**	**15,870**	**26,265**	**16,077**
Change in Obligated Balance				
Obligated Balance, Net				
Unpaid Obligations, Brought Forward	2,458	131	11,663	15,671
Less: Uncollected Customer Payments from Federal Sources	(240)	(37)		
Total Unpaid Obligated Balance, Net	2,218	95	11,663	15,671
Obligations Incurred, Net	29,695	1,536	25,684	8,092
Less: Gross Outlays	(29,814)	(1,492)	(25,035)	(6,407)
Obligated Balance Transferred, Net				
Total Unpaid Obligated Balance Transferred, Net				
Less: Recoveries of Prior Year Unpaid Obligations, Actual	(36)		(346)	(8)
Change in Uncollected Customer Payments from Federal Sources	151	(9)		
Obligated Balance, Net - End of Period				
Unpaid Obligations	2,304	176	11,965	17,348
Less: Uncollected Customer Payments from Federal Sources	(89)	(46)		
Total Obligated Balance, Net - End of Period	2,215	130	11,965	17,348
Net Outlays				
Gross Outlays	29,814	1,492	25,035	6,407
Less Offsetting Collections	(33,596)	(1,001)		
Less: Distributed Offsetting Receipts	(183)	(888)	(16)	
Net Outlays	**$ (3,965)**	**$ (397)**	**$ 25,018**	**$ 6,407**

Figures may not add to totals because of rounding.

Combining Statement of Budgetary Resources

For the Period Ending September 2009

(Dollars in Millions)

	Home	Operating Subsidies	Public and Indian Housing Loans and Grants	Housing for the Elderly and Disabled	All Other
Budgetary Resources:					
Unobligated Balance, Brought Forward	$ 379	$ 2	$ 239	$ 2,102	$ 7,457
Recoveries of Prior Year Unpaid Obligations	11	1	31	99	489
Budget Authority					
Appropriation	4,075	4,455	8,103	1,015	8,785
Borrowing Authority			1		8
Contract Authority					
Spending Authority from Offsetting Collections					
Earned					
Collected			106	749	98
Change in Receivable from Federal Sources					
Change in Unfilled Customer Orders					
Advanced Received					(11)
W/O Advance from Federal Sources					8
Subtotal Budget Authority	4,075	4,455	8,210	1,764	8,887
Non Expenditure Transfers, Net	(4)		(37)	(3)	(1,845)
Temporarily Not Available Per PL					
Permanently not available	(7)	(2)	(609)	(1,854)	(949)
Total Budgetary Resources	**4,454**	**4,456**	**7,834**	**2,108**	**14,038**
Status of Budgetary Resources:					
Obligations Incurred					
Direct	4,161	4,451	7,537	1,090	9,439
Reimbursable					
Subtotal	4,161	4,451	7,537	1,090	9,439
Unobligated Balances					
Apportioned	288	4	264	916	3,053
Subtotal	288	4	264	916	3,053
Unobligated Balances Not Available	5	1	33	101	1,546
Total Status of Budgetary Resources	**4,454**	**4,456**	**7,834**	**2,108**	**14,038**
Change in Obligated Balance					
Obligated Balance, Net					
Unpaid Obligations, Brought Forward	5,047	1,184	8,638	4,759	9,165
Less: Uncollected Customer Payments from Federal Sources					(20)
Total Unpaid Obligated Balance, Net	5,047	1,184	8,638	4,759	9,144
Obligations Incurred, Net	4,161	4,451	7,537	1,090	9,439
Less: Gross Outlays	(1,915)	(4,449)	(3,895)	(1,318)	(4,843)
Obligated Balance Transferred, Net					
Total Unpaid Obligated Balance Transferred, Net					
Less: Recoveries of Prior Year Unpaid Obligations, Actual	(11)	(1)	(31)	(99)	(489)
Change in Uncollected Customer Payments from Federal Sources					(8)
Obligated Balance, Net - End of Period					
Unpaid Obligations	7,282	1,185	12,250	4,432	13,272
Less: Uncollected Customer Payments from Federal Sources					(28)
Total Obligated Balance, Net - End of Period	7,282	1,185	12,250	4,432	13,244
Net Outlays					
Gross Outlays	1,915	4,449	3,895	1,318	4,843
Less Offsetting Collections			(106)	(749)	(86)
Less: Distributed Offsetting Receipts					(54)
Net Outlays	**$ 1,915**	**$ 4,449**	**$ 3,789**	**$ 569**	**$ 4,702**

Figures may not add to totals because of rounding.

Combining Statement of Budgetary Resources
For the Period Ending September 2009
(Dollars in Millions)

	Budgetary Total	Federal Housing Administration Non Budgetary	Other NonBudgetary Credit Program Accounts	Total NonBudgetary Credit Program Financing	Total
Budgetary Resources:					
Unobligated Balance, Brought Forward	$ 53,378	$ 8,148	$ 152	$ 8,300	$ 61,678
Recoveries of Prior Year Unpaid Obligations	1,010	10		10	1,020
Budget Authority					
Appropriation	67,492				67,492
Borrowing Authority	4	470	5	475	479
Contract Authority					
Spending Authority from Offsetting Collections					
Earned					
Collected	5,171	31,233	34	31,266	36,438
Change in Receivable from Federal Sources	(144)	1		1	(144)
Change in Unfilled Customer Orders					
Advanced Received	(11)				(11)
W/O Advance from Federal Sources	5	1	3	4	8
Subtotal Budget Authority	72,517	31,705	42	31,746	104,263
Non Expenditure Transfers, Net					
Temporarily Not Available Per PL					
Permanently not available	(7,080)	(883)		(883)	(7,963)
Total Budgetary Resources	**119,825**	**38,979**	**194**	**39,172**	**158,998**
Status of Budgetary Resources:					
Obligations Incurred					
Direct	77,953	12,180	25	12,205	90,158
Reimbursable	1,528				1,528
Subtotal	79,481	12,180	25	12,205	91,686
Unobligated Balances					
Apportioned	13,490	5,875	9	5,885	19,374
Subtotal	13,490	5,875	9	5,885	19,374
Unobligated Balances Not Available	26,854	20,924	159	21,083	47,937
Total Status of Budgetary Resources	**119,825**	**38,979**	**194**	**39,172**	**158,998**
Change in Obligated Balance					
Obligated Balance, Net					
Unpaid Obligations, Brought Forward	57,120	1,595		1,595	58,716
Less: Uncollected Customer Payments from Federal Sources	(279)	(2)	(16)	(18)	(297)
Total Unpaid Obligated Balance, Net	56,841	1,593	(16)	1,577	58,418
Obligations Incurred, Net	79,481	12,180	25	12,205	91,686
Less: Gross Outlays	(66,841)	(12,302)	(25)	(12,327)	(79,168)
Obligated Balance Transferred, Net					
Total Unpaid Obligated Balance Transferred, Net					
Less: Recoveries of Prior Year Unpaid Obligations, Actual	(1,010)	(10)		(10)	(1,020)
Change in Uncollected Customer Payments from Federal Sources	139	(1)	(3)	(5)	134
Obligated Balance, Net - End of Period					
Unpaid Obligations	68,751	1,464		1,464	70,214
Less: Uncollected Customer Payments from Federal Sources	(141)	(4)	(19)	(23)	(163)
Total Obligated Balance, Net - End of Period	68,610	1,460	(19)	1,441	70,051
Net Outlays					
Gross Outlays	66,841	12,302	25	12,327	79,168
Less Offsetting Collections	(4,272)	(31,233)	(34)	(31,266)	(35,538)
Less: Distributed Offsetting Receipts	(1,141)				(1,141)
Net Outlays	**$ 61,428**	**$ (18,931)**	**$ (9)**	**$ (18,940)**	**$ 42,488**

Figures may not add to totals because of rounding.

Combining Statement of Budgetary Resources

For the Period Ending September 2008

(Dollars in Millions)

	Federal Housing Administration	Government National Mortgage Association	Section 8 Rental Assistance	Community Development Block Grants
Budgetary Resources:				
Unobligated Balance, Brought Forward	$ 22,843	$ 13,096	$ 1,202	$ 786
Recoveries of Prior Year Unpaid Obligations	72		498	16
Budget Authority				
Appropriation	627	8	29,443	17,586
Borrowing Authority	3			
Contract Authority				
Spending Authority from Offsetting Collections				
Earned				
Collected	1,636	1,562		
Change in Receivable from Federal Sources	(25)	(40)		
Change in Unfilled Customer Orders				
Advanced Received				
W/O Advance from Federal Sources				
Subtotal Budget Authority	2,241	1,531	29,443	17,586
Non Expenditure Transfers, Net	(41)		(10)	(1)
Temporarily Not Available Per PL				
Permanently not available	(293)		(7,956)	(398)
Total Budgetary Resources	**24,821**	**14,626**	**23,176**	**17,989**
Status of Budgetary Resources:				
Obligations Incurred				
Direct	5,274	8	22,561	4,854
Reimbursable		645		
Subtotal	5,274	653	22,561	4,854
Unobligated Balances				
Apportioned	365		480	13,116
Subtotal	365	-	480	13,116
Unobligated Balances Not Available	19,183	13,973	135	19
Total Status of Budgetary Resources	**24,821**	**14,626**	**23,176**	**17,989**
Change in Obligated Balance				
Obligated Balance, Net				
Unpaid Obligations, Brought Forward	954	129	14,067	19,768
Less: Uncollected Customer Payments from Federal Sources	(263)	(77)		
Total Unpaid Obligated Balance, Net	692	52	14,067	19,768
Obligations Incurred, Net	5,274	653	22,561	4,854
Less: Gross Outlays	(5,293)	(650)	(24,467)	(8,935)
Obligated Balance Transferred, Net				
Total Unpaid Obligated Balance Transferred, Net				
Less: Recoveries of Prior Year Unpaid Obligations, Actual	(72)		(498)	(16)
Change in Uncollected Customer Payments from Federal Sources	25	40		
Obligated Balance, Net - End of Period				
Unpaid Obligations	863	131	11,663	15,671
Less: Uncollected Customer Payments from Federal Sources	(238)	(37)		
Total Obligated Balance, Net - End of Period	626	95	11,663	15,671
Net Outlays				
Gross Outlays	5,293	650	24,467	8,935
Less Offsetting Collections	(1,636)	(1,562)		
Less: Distributed Offsetting Receipts	(1,511)		(11)	
Net Outlays	**$ 2,147**	**$ (912)**	**$ 24,456**	**$ 8,935**

Figures may not add to totals because of rounding.

Combining Statement of Budgetary Resources
For the Period Ending September 2008
(Dollars in Millions)

	Home	Operating Subsidies	Public and Indian Housing Loans & Grants	Housing for the Elderly and Disabled	All Other
Budgetary Resources:					
Unobligated Balance, Brought Forward	$ 321	$ 3	$ 224	$ 1,179	$ 3,332
Recoveries of Prior Year Unpaid Obligations	10	1	25	25	293
Budget Authority					
Appropriation	1,704	4,200	4,082	972	5,265
Borrowing Authority			1		
Contract Authority					
Spending Authority from Offsetting Collections					
Earned					
Collected			99	998	66
Change in Receivable from Federal Sources					(1)
Change in Unfilled Customer Orders					
Advanced Received					1
W/O Advance from Federal Sources					1
Subtotal Budget Authority	1,704	4,200	4,183	1,970	5,332
Non Expenditure Transfers, Net	(3)		(17)	(2)	72
Temporarily Not Available Per PL					
Permanently not available	(5)	(2)	(1,124)	(32)	(1,533)
Total Budgetary Resources	**2,027**	**4,202**	**3,291**	**3,139**	**7,496**
Status of Budgetary Resources:					
Obligations Incurred					
Direct	1,647	4,200	3,052	1,038	4,000
Reimbursable					107
Subtotal	1,647	4,200	3,052	1,038	4,107
Unobligated Balances					
Apportioned	375		220	978	2,222
Subtotal	375	-	220	978	2,222
Unobligated Balances Not Available	4	2	19	1,124	1,167
Total Status of Budgetary Resources	**2,027**	**4,202**	**3,291**	**3,139**	**7,496**
Change in Obligated Balance					
Obligated Balance, Net					
Unpaid Obligations, Brought Forward	5,379	1,097	9,129	5,076	10,207
Less: Uncollected Customer Payments from Federal Sources					(5)
Total Unpaid Obligated Balance, Net	5,379	1,097	9,129	5,076	10,202
Obligations Incurred, Net	1,647	4,200	3,052	1,038	4,107
Less: Gross Outlays	(1,969)	(4,113)	(3,518)	(1,330)	(4,844)
Obligated Balance Transferred, Net					
Total Unpaid Obligated Balance Transferred, Net					
Less: Recoveries of Prior Year Unpaid Obligations, Actual	(10)	(1)	(25)	(25)	(293)
Change in Uncollected Customer Payments from Federal Sources					
Obligated Balance, Net - End of Period					
Unpaid Obligations	5,047	1,184	8,638	4,759	9,177
Less: Uncollected Customer Payments from Federal Sources					(5)
Total Obligated Balance, Net - End of Period	5,047	1,184	8,638	4,759	9,172
Net Outlays					
Gross Outlays	1,969	4,113	3,518	1,330	4,844
Less Offsetting Collections			(100)	(998)	(67)
Less: Distributed Offsetting Receipts					(19)
Net Outlays	**$ 1,969**	**$ 4,113**	**$ 3,418**	**$ 332**	**$ 4,758**

Figures may not add to totals because of rounding.

Combining Statement of Budgetary Resources
For the Period Ending September 2008
(Dollars in Millions)

	Budgetary Total	Federal Housing Administration Non Budgetary	Other NonBudgetary Credit Program Accounts	NonBudgetary Credit Program Financing Accounts	Total
Budgetary Resources:					
Unobligated Balance, Brought Forward	$ 42,984	$ 4,077	$ 143	$ 4,219	$ 47,203
Recoveries of Prior Year Unpaid Obligations	940	19		19	959
Budget Authority					
Appropriation	63,888				63,888
Borrowing Authority	4	940		940	944
Contract Authority					
Spending Authority from Offsetting Collections					
Earned					
Collected	4,361	14,160	27	14,188	18,549
Change in Receivable from Federal Sources	(66)	(41)		(41)	(107)
Change in Unfilled Customer Orders					
Advanced Received	1				1
W/O Advance from Federal Sources	1		(2)	(2)	(1)
Subtotal Budget Authority	68,189	15,059	26	15,085	83,273
Non Expenditure Transfers, Net	(2)				(3)
Temporarily Not Available Per PL					
Permanently not available	(11,343)	(691)		(691)	(12,033)
Total Budgetary Resources	**100,768**	**18,464**	**168**	**18,632**	**119,400**
Status of Budgetary Resources:					
Obligations Incurred					
Direct	46,634	10,316	16	10,332	56,966
Reimbursable	753				752
Subtotal	47,387	10,316	16	10,332	57,718
Unobligated Balances					
Apportioned	17,757	2,622	16	2,638	20,395
Subtotal	17,757	2,622	16	2,638	20,395
Unobligated Balances Not Available	35,624	5,526	136	5,662	41,286
Total Status of Budgetary Resources	**100,768**	**18,464**	**168**	**18,632**	**119,400**
Change in Obligated Balance					
Obligated Balance, Net					
Unpaid Obligations, Brought Forward	65,807	1,342		1,342	67,149
Less: Uncollected Customer Payments from Federal Sources	(344)	(44)	(18)	(62)	(406)
Total Unpaid Obligated Balance, Net	65,462	1,298	(18)	1,280	66,743
Obligations Incurred, Net	47,386	10,316	16	10,332	57,718
Less: Gross Outlays	(55,119)	(10,043)	(16)	(10,059)	(65,180)
Obligated Balance Transferred, Net					
Total Unpaid Obligated Balance Transferred, Net					
Less: Recoveries of Prior Year Unpaid Obligations, Actual	(940)	(19)		(19)	(959)
Change in Uncollected Customer Payments from Federal Sources	65	42	2	43	108
Obligated Balance, Net - End of Period					
Unpaid Obligations	57,133	1,595		1,595	58,728
Less: Uncollected Customer Payments from Federal Sources	(279)	(2)	(16)	(18)	(297)
Total Obligated Balance, Net - End of Period	56,854	1,593	(16)	1,577	58,431
Net Outlays					
Gross Outlays	55,120	10,043	16	10,060	65,180
Less Offsetting Collections	(4,362)	(14,160)	(27)	(14,188)	(18,550)
Less: Distributed Offsetting Receipts	(1,541)				(1,541)
Net Outlays	**$ 49,217**	**$ (4,117)**	**$ (11)**	**$ (4,128)**	**$ 45,089**

Figures may not add to totals because of rounding.

U.S. Department of Housing and Urban Development
Office of Inspector General
451 7th St., S.W.
Washington, D.C. 20410-4500

INDEPENDENT AUDITOR'S REPORT[1]

To the Secretary,
U.S. Department of Housing and Urban Development:

In accordance with the Chief Financial Officers (CFO) Act of 1990, the Department has prepared the accompanying consolidated balance sheets of the Department of Housing and Urban Development (HUD) as of September 30, 2009 and 2008 and the related consolidated statements of net cost, changes in net position, and the combined statement of budgetary resources for the fiscal years then ended. We are required by the Chief Financial Officers Act of 1990, as amended by the Government Management Reform Act of 1994 and implemented by Office of Management and Budget (OMB) Bulletin 07-04, *Audit Requirements for Federal Financial Statements,* to audit HUD's principal financial statements or select an independent auditor to do so. The objective of our audit was to express an opinion on the fair presentation of these principal financial statements.

With respect to the fiscal years 2009 and 2008 financial statements, we did not audit the financial statements of the Federal Housing Administration (FHA) and the Government National Mortgage Association (Ginnie Mae) for the periods ending September 30, 2009 and 2008, whose statements reflected total assets constituting 43 and 42 percent, respectively, of the related consolidated totals. Other independent auditors, whose reports have been furnished to us, audited those statements and our opinion on the fiscal year 2009 and 2008 financial statements, insofar as it relates to the amounts included for FHA and Ginnie Mae as of September 30, 2009 and 2008, is based solely on the reports of the other auditors. In connection with our audit, we also considered HUD's internal control over financial reporting and tested HUD's compliance with certain provisions of applicable laws, regulations, government-wide policy requirements, as well as certain provisions of contracts and grant agreements that could have a direct and material effect on its principal financial statements. These considerations are an integral part of an audit conducted in accordance with *Government Auditing Standards* and are important for assessing the results of the audit.

[1] This report is supplemented by a separate report issued by HUD-OIG to provide a more detailed discussion of the internal control and compliance issues and to provide specific recommendations to HUD management. The report is available at the HUD, OIG Internet site at http://www.hud.gov/oig/oigindex.html and is titled: Additional Details to Supplement Our Report on HUD's Fiscal Years 2009 and 2008 Financial Statements (2010-FO-0003, dated November 16, 2009).

Opinion on the Fiscal Years 2009 and 2008 Financial Statements

In our opinion, based on our audit and the reports of other auditors, for the accompanying fiscal years 2009 and 2008, the principal financial statements present fairly, in all material respects, the financial position of HUD as of September 30, 2009 and 2008 and its net costs, changes in net position, and budgetary resources for the fiscal years then ended, in conformity with accounting principles generally accepted in the United States of America.

As reported by FHA's auditor, the FHA Single Family Insurance Program is reported under the Federal Credit Reform Act of 1990. The act's objective is to estimate the program interest subsidy costs on a present value basis and to recognize the current budgetary impact during the life of the long-term mortgage assets rather than upon the actual future termination or default of the loans. The Loan Guarantee Liability is a management estimate of the net present value of future claims, net of premiums and recoveries, from loans insured as of the end of the fiscal year. This estimate is developed using econometric models, which integrate historical data with national house price forecasts to develop assumptions about future portfolio performance. Endorsements in the last two years make up over half of FHA's insured single family mortgage loans in the Mutual Mortgage Insurance Fund. These loans have very limited claims experience to support management's assumptions regarding their future performance. Because of this limited experience and the impact of the current economy on the housing market, the reliability of the Loan Guarantee Liability estimate for single family mortgages may be significantly affected. Due to the current economic conditions, this estimate is extremely sensitive to changes in house price forecasts.

The Mutual Mortgage Insurance Fund includes a Capital Reserve account from which increases in funding to cover accrued claim losses are drawn. FHA's auditor also reported as of September 30, 2009, this Capital Reserve account had $2.6 billion available to cover further increases in the MMI Fund's Loan Guarantee Liability. The Credit Reform Act of 1990 provides for permanent, indefinite budget authority should future increases in the Loan Guarantee Liability exceed funds available in the Capital Reserve account.

The other auditors and our audit also disclosed the following significant deficiencies in internal controls related to the need to:

- Adequately monitor Office of Community Planning and Development (CPD) grantees' compliance with program requirements;

- Continue improvements in the oversight and monitoring of subsidy calculations, intermediaries program performance, and Housing Choice Voucher funds;
- Improve the processes for reviewing obligation balances;
- Comply with federal financial management systems requirements;
- Further strengthen controls over HUD's computing environment;
- Improve personnel security practices for access to the Department's critical financial systems;
- Strengthen Ginnie Mae's monitoring and management controls in regard to the mortgage-backed security program;
- Implement short-term capacity management plans for FHA systems;
- Effect FHA modernization to address system risks;
- Address increased risk to management's estimate of the Loan Guarantee Liability brought about by economic conditions and inherent model design risks; and
- Enhance user access management processes for the FHA subsidiary ledger.

Most of these control weaknesses were reported in prior efforts to audit HUD's financial statements and some represent long-standing challenges. Our findings also include the following instances of non-compliance with applicable laws and regulations, government-wide policy requirements, and provisions of contract and grant agreements that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin 07-04.

- HUD did not substantially comply with the Federal Financial Management Improvement Act regarding system requirements;
- HUD did not substantially comply with the Anti-deficiency Act;
- FHA's Mutual Mortgage Insurance fund capitalization was not maintained at a minimum capital ratio of two percent which is required under Cranston-Gonzalez National Affordable Housing Act of 1990; and
- Ginnie Mae did not comply with the Federal Information Management Security Act.

The audit also identified $199.1 million in excess obligations recorded in HUD's records. We also are recommending that HUD seek legislative authority to implement $317 million in offsets against PHA's excess unusable funding held in Net Restricted Assets Accounts at the PHAs. These amounts represent funds that HUD could put to better use.

Consolidating Financial Information

We conducted our audit for the purpose of forming an opinion on the consolidated principal financial statements taken as a whole. HUD has presented consolidating balance sheets and related consolidating statements of net costs and changes in net position, and combining statements of budgetary resources as supplementary information in its *Fiscal Year 2009 Performance and Accountability Report.* The consolidating and combining financial information is presented for purposes of additional analysis of the financial statements rather than to present the financial position, changes in net position, budgetary resources, and net costs of HUD's major activities. The consolidating and combining financial information is not a required part of the principal financial statements. The fiscal year 2009 and 2008 financial information has been subjected to the auditing procedures applied to the principal financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Required Supplementary Information

In its *Fiscal Year* 2009 *Performance and Accountability Report,* HUD presents "Required Supplemental Stewardship Information" and "Required Supplementary Information." The Required Supplemental Stewardship Information presents information on investments in non-Federal physical property and human capital and investments in research and development. In the Required Supplementary Information, HUD presents a "Management Discussion and Analysis of Operations". This information is not a required part of the basic financial statements but is supplementary information required by the Federal Accounting Standards Advisory Board and OMB Circular A-136. We did not audit and do not express an opinion on this information; however, we applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information.

Additional details on the other auditors' and our findings regarding HUD's internal controls are summarized below and were provided in separate reports to HUD management. These additional details also augment the discussions of instances in which HUD had not complied with applicable laws and regulations, the information regarding our audit objectives, scope, and methodology, and recommendations to HUD management resulting from our audit.

Significant Deficiencies

CPD Needs to Adequately Monitor Grantees' Compliance with Program Requirements. In fiscal year 2009 we focused our review on the Office of Community Planning and Development's (CPD) timely monitoring reviews of its grantee and subgrantees. Our review indicated that there were a number of areas that need enhanced oversight and improved management reporting.

HUD does not consistently monitor and ensure that Community Development Block Grants (CDBG) Non-Entitlement funds were obligated and announced in accordance with the timeliness requirements. Program regulations require that states obligate and announce 100 percent of their annual grants to units of general local government within 15 months of signing the grant agreements. HUD completed its latest timeliness review of obligations for grant years 2000-2004 in 2006. Additionally, HUD did not begin the grant years 2005-2007 program timeliness review until September 2008, which is still ongoing. No review has been performed for states that signed grant agreements in 2008.

HOME Program funds totaling $24.7 million are not being expended timely due to poor performing Community Housing Development Organizations (CHDO) and subgrantees. We have also found that these funds have accumulated due to the programs' cumulative accounting requirements that allow one grantee's poor performance within a participating jurisdiction to be hidden or go undiscovered.

HUD needs to improve its efforts to review the status of each of its Homeless Assistance contracts on a regular basis, which would have identified excess funds that could be deobligated and recaptured. As a result, we recommend that the Office develop the management reports needed to effectively track its Homeless Assistance Program expiration dates. We also recommend that Field Offices review the status of the identified contracts and recapture up to the $42 million in undisbursed obligations for expired contracts that were funded with grants during 1997- 2001.

A review of the HUD's HOME program found that 20 percent of the participating jurisdictions that made their final draw were still listed on the open activities report. HOME program regulations require participating jurisdictions to enter project completion information into IDIS within 120 days of making a final draw for a project. The widespread failure of participating jurisdictions to close out projects in IDIS by entering completion and beneficiary data in a timely manner results in national underreporting of actual HOME Program accomplishments.

HUD Management Must Continue to Improve Oversight and Monitoring of Subsidy Calculations, Intermediaries' Program Performance, and Housing Choice Voucher Funds. Since 1996, we have reported on weaknesses with the monitoring of the housing assistance programs' delivery and the verification of subsidy payments. We focused on the impact these weaknesses had on HUD's ability to (1) ensure intermediaries are correctly calculating housing subsidies and (2) verify tenant income and billings for subsidies. During the past several years, HUD has made progress in correcting this deficiency. HUD's increased and improved monitoring has resulted in a significant decline in improper payment estimates over the last several years. However, HUD needs to continue to place emphasis on its on-site monitoring and technical assistance to ensure that acceptable levels of performance and compliance are achieved and periodically assess the accuracy of intermediaries rent determinations, tenant income verifications, and billings.

In our fiscal year 2009 review of the Housing Choice Voucher program, we also noted that housing agencies have accumulated $840 million in funds in a Net Restricted Asset Account, of which $317 million has been categorized as unusable to the housing agencies. In fiscal year 2009, we learned that a large number of PHAs requested additional funding. The extra funding was needed to cover anticipated funding shortfalls, which was placing many families at risk of losing their subsidy due to the recession and increased demand for services. After working with the requesting PHAs, HUD identified 104 PHAs that needed $42.4 million in additional funding. We also are recommending that HUD seek legislative authority to implement $317 million in offsets against PHA's excess unusable funding held in Net Restricted Assets Accounts at the PHAs. These amounts represent funds that HUD could put to better use.

HUD Needs to Improve Processes for Reviewing Obligation Balances. HUD needs to improve controls over the monitoring of obligation balances to ensure they remain necessary and legally valid as of the end of the fiscal year. HUD's procedures for identifying and deobligating funds that are no longer needed to meet its obligations were not always effective. Our review of the 2009 year-end obligation balances showed $ 132.4 million in excess funds that could be recaptured. This has been a long-standing weakness, and we have been reporting deficiencies in this area for several years. HUD has been working to implement improved procedures and information systems, however progress has been slow.

HUD Financial Management Systems Need to Comply with Federal Financial Management System Requirements. In fiscal year 2009, a review of the Office of Community Development and Planning's formula grants found that the reporting process was not in compliance with federal financial management requirements. Additionally, as reported in prior years, HUD has not completed development of an adequate integrated financial management system. HUD is required to implement a unified set of financial systems and the financial portions of mixed systems. This encompasses the software, hardware, personnel, processes (manual and automated), procedures, controls, and data necessary to carry out financial management functions, manage financial operations of the agency, and report on the agency's financial status to central agencies, Congress, and the public. As currently configured, HUD financial management systems do not meet the test of being unified, meaning that the systems are not planned for and managed together, operated in an integrated fashion, and linked electronically to efficiently and effectively provide agency-wide financial system support necessary to carry out the agency's mission and support the agency's financial management needs.

Controls over HUD's Computing Environment Can Be Further Strengthened. HUD's computing environment, data centers, networks, and servers provide critical support to all facets of the Department's programs, mortgage insurance, servicing, and administrative operations. In prior years, we reported on various weaknesses with general system controls and controls over certain applications, as well as weak security management. These deficiencies increase risks associated with safeguarding funds, property, and assets from waste, loss, unauthorized use, or misappropriation. We evaluated selected information system general controls of the Department's computer systems on which HUD's financial systems reside. Our review found information systems control weaknesses that could negatively affect the integrity, confidentiality, and availability of computerized data.

Weak Personnel Security Practices Continue to Pose Risks of Unauthorized Access to the Department's Critical Financial Systems. For several years, HUD's personnel security practices over access to critical and sensitive systems have been inadequate and, therefore, the risk of unauthorized access to HUD's financial systems remains a critical issue. OIG followed up on previously reported information technology personnel security weaknesses and found that deficiencies still exist. HUD has no assurance that all users who have access to HUD critical and sensitive systems have had the appropriate background investigation.

Ginnie Mae Should Improve Programs Compliance and Controls Regarding Monitoring of Issuers. In fiscal year 2008, control deficiencies related to the monitoring of Ginnie Mae Mortgage-Backed

Security program unmatched loans and segregation of duty issue were reported. In fiscal year 2009, Ginnie Mae hired a new chief risk officer which substantially resolved the segregation of duty issue. While Ginnie Mae made significant improvements in their operating procedures, the unmatched loan monitoring issue has not been fully remediated as of September 30, 2009. Consequently, the issue is reported again as a repeat finding in fiscal year 2009.

FHA Financial system capacity limitations could impact business processing. As a result of increased loan application and endorsement volume, the Unisys mainframe began to approach its operating capacity in the fall of 2008. HUD developed an informal written short term capacity management plan at the end of fiscal year 2009 that identifies the actions that have been taken and future activities required. However, because this growth in volume developed so quickly, the plan does not document (1) utilization benchmarks and required responses and (2) clear organizational and staff roles and responsibilities. Without a formalized plan, FHA may not be able to sufficiently address further capacity issues timely or effectively, which may impact FHA's ability to process and record financial transactions timely and reliably**.**

Effective FHA modernization is necessary to address systems risks. As reported last year, FHA continues to make progress improving its overall financial system control environment despite limited systems resources. Given the state of the current systems, FHA's financial systems will continue to require expensive maintenance and monitoring and are likely to pose increasing risks to the reliability of FHA's financial reporting until the modernization efforts are completed. FHA's proposed plan may be inconsistent with the current HUD Strategic Plan without a comprehensive risk assessment. This proposed plan will also need to have an effective implementation plan and leadership team to ensure that the current systems are replaced within a timeframe that does not put FHA's financial operations at further risk.

Economic conditions and inherent model design increases risks to management estimates. FHA management's current year estimate of the Loan Guarantee Liability for for the Mutual Mortgage Insurance Fund may be optimistic due to an inherent design assumption, may not fully reflect the potential impact of recent events, and is extremely sensitive to changes in house price forecasts. These factors increase the risk to the reliability of the Loan Quarantee Liability estimate which could be mitigated by additional data analyses.

FHASL user access management processes need to be enhanced. FHA needs to ensure that effective user access management processes are in place.

Compliance with Laws and Regulations

HUD Did Not Substantially Comply with the Federal Financial Management Improvement Act. In its *Fiscal Year 2009 Performance and Accountability Report*, HUD reports that 2 of its 40 financial management systems do not comply with the requirements of the Federal Financial Management Improvement Act and OMB Circular A-127, *Financial Management Systems*. Even though 38 individual systems have been certified as compliant with federal financial management systems requirements, collectively and in the aggregate, deficiencies still exist.

HUD did not comply with the OMB Circular A -127 financial system assessment requirement. For the current three fiscal year cycle, fiscal year 2007 to 2009, HUD completed only 7 out of 40 A-127 financial management system reviews. HUD is required to perform reviews of all HUD financial management systems within a three year cycle.

We continue to report as significant deficiencies that (1) *Controls over HUD's Computing Environment Can Be Further Strengthened and (2) Weak Personnel Security Practices Continue to Pose Risks of Unauthorized Access to the Department's Critical Financial Systems.* These significant deficiencies discuss how weaknesses with general controls and certain application controls, and weak security management increase risks associated with safeguarding funds, property, and assets from waste, loss, unauthorized use or misappropriation.

Also, OIG audit reports have disclosed that security over financial information was not provided in accordance with OMB Circular A-130 *Management of Federal Information Resources*, Appendix III and the Federal Information Security Management Act.

HUD Did Not Substantially Comply with the Anti-Deficiency Act. Our review determined there are six Anti-Deficiency Act violations that have not been reported immediately to the President through OMB, Congress, or GAO, as required by the U.S. Code, Title 31 Section 1351.1517 (b) (Anti-deficiency Act). In addition, one potential Anti-Deficiency Act violation has been under review for two years without a final determination as to whether or not a violation has occurred.

FHA Does Not Comply with Cranston-Gonzalez National Affordable Housing Act (NAHA) of 1990. NAHA requires FHA's Mutual Mortgage Insurance Fund to maintain a minimum capital ratio of 2 percent and conduct an annual independent actuarial study to calculate this ratio. In fiscal year 2009, the independent actuarial review reported that this ratio fell below the minimum 2 percent based on September 30, 2009 balances.

Ginnie Mae Does Not Comply with the Federal Information Security Management Act. The Act requires Ginnie Mae to implement an agency-wide information security program to provide information security for the information systems that support the operations and assets of the agency including those provided or managed by a contractor. Ginnie Mae did not perform systems accreditation on the Integrated Portfolio Management System and initial certification and accreditation on Single Family Mastersubservicer Servicing System before these systems were allowed to operate.

Results of the Audit of FHA's Financial Statements

The independent certified public accounting firm of Urbach Kahn and Werlin LLP performed a separate audit of FHA's fiscal years 2009 and 2008 financial statements. Their report on FHA's financial statements, dated November 09, 2009[2] includes an unqualified opinion on FHA's financial statements, along with discussion of four significant deficiencies in internal controls and one instance of non-compliance with laws and regulations.

Results of the Audit of Ginnie Mae's Financial Statements

The independent certified public accounting firm of Carmichael, Brasher, Tuvell and Company performed a separate audit of the Ginnie Mae's fiscal years 2009 and 2008 financial statements. Carmichael, Brasher, Tuvell and Company's report on Ginnie Mae's financial statements, dated November 06, 2009,[3] includes an unqualified opinion on these financial statements. In addition, the audit results indicate that there was one significant deficiency with Ginnie Mae's internal controls which is a repeat finding from fiscal year 2008 and one instance of non-compliance with laws and regulations.

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[2] Urbach Kahn and Werlin LLP's report on FHA, Audit of Federal Housing Administration Financial Statements for Fiscal Years 2009 and 2008 (2010-FO-0002, dated November 13, 2009) was incorporated into this report.

[3] Carmichael Brasher Tuvell and Company's report on Ginnie Mae, Audit of Government National Mortgage Association Financial Statements for Fiscal Years 2009 and 2008 (2010-FO-0001, dated November 6, 2009) was incorporated into this report.

Objectives, Scope and Methodology

The accompanying principal financial statements are the responsibility of HUD management. Our responsibility is to express an opinion on these principal financial statements. As part of our audit, we considered HUD's internal controls over financial reporting by obtaining an understanding of the design effectiveness of internal controls, determined whether they have been placed in operation, assessed control risks, and performed tests of the reporting entity's internal controls to determine our audit procedures for the purpose of expressing our opinion on the principal financial statements. We are not providing assurance on those internal controls. Consequently, we do not provide an opinion on internal controls. We conducted our audit in accordance with *Government Auditing Standards*, and the requirements of OMB Bulletin 07-04, as amended. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion on the financial statements.

We also tested HUD's compliance with laws, regulations, government-wide policies, and provisions of contract and grant agreements that could have a direct and material effect on the financial statements. However, our consideration of HUD's internal controls and our testing of its compliance with laws, regulations, government-wide policies, and provisions of contract and grant agreements were not designed to and did not provide sufficient evidence to express an opinion on such matters and would not necessarily disclose all matters that might be material weaknesses, significant deficiencies or noncompliance with laws, regulations, government-wide policies, and provisions of contract and grant agreements. Accordingly, we do not express an opinion on HUD's internal controls or on its compliance with laws, regulations, government-wide policies, and provisions of contract and grant agreements.

With respect to internal controls related to performance measures to be reported in the Management's Discussion and Analysis and HUD's *Fiscal Year 2009 Performance and Accountability Report*, we obtained an understanding of the design of significant internal controls relating to the existence and completeness assertions, as described in Section 230.5 of OMB Circular A-11 *Preparation, Submission and Execution of the Budget*. We performed limited testing procedures as required by AU

Section 558 *Required* Supplementary *Information* and OMB Bulletin 07-04 *Audit Requirements for Federal Financial Statements, as amended.* Our procedures were not designed to provide assurance on internal control over reported performance measures and, accordingly, we do not provide an opinion on such controls.

Agency Comments and Our Evaluation

On October 30, 2009, we provided a draft of the internal control and compliance sections of our report to the CFO and appropriate assistant secretaries and other Departmental officials. Reflecting updated information and additional work performed, on November 10, 2009 we provided a revised draft of internal control and compliance sections of our report, for review and comment, and requested that the CFO coordinate a Department-wide response. The CFO responded in a memorandum dated November 12, 2008, which is included in its entirety in our separate report. The Department's response was considered in preparing the final version of this report.

This report is intended for the information and use of the management of HUD, OMB, the Government Accountability Office, and the U.S. Congress, and is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited. In addition to a separate report detailing the internal control and compliance issues included in this report and providing specific recommendations to HUD management, we noted other matters involving internal control over financial reporting and its operation that we are reporting to HUD management in a separate "management letter."

James A. Heist
Assistant Inspector General for Audit

November 16, 2009

Secretary's Audit Resolution Report to Congress

This information on the Department of Housing and Urban Development's audit resolution and follow-up activity covers the period October 1, 2008, through September 30, 2009. It is required by Section 106 of the Inspector General Act Amendments (Public Law 100-504), and provides information on the status of audit recommendations without management decisions and recommendations with management decisions, but no final action. The report also furnishes statistics on the total number of audit reports and dollar value of disallowed costs for FY 2009, and statistics on the total number of audit reports and dollar value of recommendations that funds be put to better use.

Audit Resolution Highlights

During FY 2009, the Department successfully exceeded its FY goal of reaching 99 percent of management decisions timely by reaching 99.90 percent or 1002 management decisions timely. Overall the Department achieved 1003 approved management decisions and successfully implemented 946 recommendations. The Department also made good progress in reducing its inventory of significantly overdue final actions, which are those recommendations greater than 12 months overdue. The Department identified 46 recommendations which could potentially be significantly overdue on September 30, 2009. This inventory was successfully addressed and the Department ended the year with just one significantly overdue recommendation out of 1734 open recommendations. This achievement was the result of a concerted Departmentwide effort to address and prevent overdue recommendations.

The table shown below provides a summary of the Department's OIG audit activities.

Summary of Management Decisions on Audit Recommendations

Opening Inventory Requiring Decisions	359 [1]
New Audit Recommendations Requiring Decisions	1,130
Management Decisions Already Made	(1,003)
Audit Recommendations Awaiting Management Decision	486
Recommendations Beyond Statutory Resolution Period	0

[1] *The opening inventory was decreased from 369 to 359 due to retroactive entries.*

Summary of Recommendations with Management Decisions and No Final Action

Opening Inventory – Final Actions Pending	1,191 [1]
Management Decisions Made During Report Period	1,003
Sub-Total No Final Action at End of Period	2,194
Final Actions Taken	(946) [2]
Audit Recommendations Reopened During Period (Without Final Actions)	0
Total Audit Recommendations Still Requiring Final Actions	1,248 [3]

[1] *Opening balance was increased from 1,182 to 1,191 due to nine OIG retroactive entries.*

[2] *Final Action was taken on a total of 946 recommendations (229 audits, of which 90 had final actions taken, thus closing the audits). The number of recommendations where a management decision and final action were concurrent was 243 in 82 audits.*

[3] *The Department had 72 audit reports with 147 recommendations under current repayment plans. These recommendations are considered open and count in the audit inventory until final repayment is made.*

Management Report on Final Action on Audits with Disallowed Costs

Audit Reports	Number of Audit Reports	Questioned Costs
A. Audit Reports with management decisions on which final action had not been taken at the beginning of the period.	227 [1]	$ 498,845,413
B. Audit Reports on which management decisions were made during the period.	106	$ 314,582,154
C. Total audit reports pending final action during period (total of A and B)	333	$ 813,427,567
D. Audit Reports on which final action was taken during the period		
1. Recoveries	56 [2]	$ 105,873,392
(a) Collections and offsets	50	$ 25,701,095
(b) Property	1	$ 285,281
(c) Other	16	$ 79,887,016
2. Write-offs	33	$ 67,499,949
3. Total of 1 and 2	62 [3]	$ 173,373,341
E. Audit Reports needing final action at the end of the period.	271 [4]	$ 640,054,226
F. Open Recommendations (with disallowed costs): (substract D3 from C)	(501) [5]	$ (448,880,984)

Please note that the Inspector General Act requires reporting at the audit report level versus the individual recommendation level. At the audit report level, total disallowed costs in the report are reported as open until all recommendations in a report are closed.

[1] *The opening balance was decreased from 229 to 227 due to 2 retroactive entries.*
[2] *Audit Reports are duplicated in D.1.(a), D.1.(b) and D.1.(c); thus the total is reduced by 11.*
[3] *Audit Reports are duplicated in both D.1 and D.2; thus the total is reduced by 27.*
[4] *Litigation, legislation, or investigation is pending for 28 audit reports with costs totaling $73,104,922.*
[5] *The figures in brackets represent data at the recommendation level as compared to the report level.*

Management Report on Final Action on Audits with Recommendations That Funds Be Put To Better Use

Audit Reports	Number of Audit Reports	Funds to be put to Better Use
A. Audit Reports with management decisions on which final action had not been taken at the beginning of the period.	156 [1]	$2,893,213,570
B. Audit Reports on which management decisions were made during the period.	70	$1,033,806,642
C. Total audit reports pending final action during period (total of A and B).	226	$3,927,020,212
D. Audit Reports on which final action was taken during the period.		
1. Value of Audit Reports implemented (completed).	40	$ 219,183,322
2. Value of Audit Reports that management concluded should not or could not be implemented.	11	$ 17,869,270
3. Total of 1 and 2.	45 [2]	$ 237,052,592
E. Audit Reports needing final action at the end of the period (subtract D3 from C).	181 [3]	$3,689,967,620
F. Open Recommendations (with funds put to better use): (subtract D3 from C).	(139) [4]	$ (190,549,934)

Please note that the Inspector General Act requires reporting at the audit report level versus the individual recommendation level. At the audit report level, total funds put to better use in the report are reported as open until all recommendations in a report are closed.

[1]*The opening balance was increased from 155 to 156 due to a retroactive entry.*
[2]*Audit Reports are duplicated in both D.1 and D.2; thus the total is reduced by 6.*
[3]*Litigation, legislation, or investigation is pending for 21 audit reports with costs totaling $44,890,804.*
[4]*The figures in brackets represent data at the recommendation level as compared to the report level.*

Delinquent Debt Collection

Fiscal Year Ending	Total Debt (In millions)	Delinquent Debt (In millions)	Delinquent Debt Collections (In millions)
2009*	**$10,205**	**$668**	**$372**

**The above totals reflect FY 2009 data from the Third Quarter Treasury Report on Receivables Due from the Public. The Treasury Report on Receivables for the Fourth Quarter was not available in time for incorporation into this report. The vast majority of these totals are comprised of debts from FHA and Housing programs. Less than one percent of delinquent debt originates from all other HUD programs. The Housing Financial Operations Center in Albany, New York, administers the vast majority of delinquent, eligible debts that HUD refers to the Department of the Treasury.*

HUD's Financial Operations Center remains committed to maximizing collections on delinquent FHA debts using all available collection tools, and to maintaining systems and processes that assure full compliance with the Debt Collection Improvement Act of 1996.

During FY 2009, the Center submitted $23.6 million of new delinquent debts to the Treasury Offset Program (TOP). At the end of the third quarter of FY 2009, a total of 9,857 debtors, representing $120.6 million in debt owed, were eligible for offset. Offset collections for HUD debts during FY 2009 totaled $9.7 million. Also during FY 2009, $19.0 million of new delinquent debts were referred to Treasury's Financial Management Service (FMS) for cross-servicing. At the end of the third quarter of FY 2009, a total of 4,124 HUD debts amounting to $63.7 million were at cross-servicing.

For the first time, the amount of delinquent debt referred to the Department of the Treasury for collection has decreased compared to the previous year. HUD attributes the decrease to a reduction in the number of loans in the FHA Title I Program HUD-held debt portfolio, which decreased due to the rate of debts being resolved exceeding the rate of new debts being added. Collections via offset declined proportionally.

Similarly, the number of "Notice of Intent" letters sent by the Center to delinquent debtors to advise them that their debts were past due decreased from 2,822 letters mailed in FY 2008 to 1,771 letters sent during FY 2009. These notices provide debtors with the right to establish repayment plans or appeal the enforceability of debts through the HUD Office of Appeals, or for federal employees, through an Administrative Law Judge. Debtors who fail to make payment arrangements or exercise their appeal rights are referred to FMS and are subject to an assortment of collection endeavors.

The Center continues to efficiently handle accounts where the debtor has filed bankruptcy by using the U.S. Court's Public Access to Court Electronic Records system. This system offers inexpensive, fast, and comprehensive bankruptcy case information on active and recently closed cases.

HUD has used administrative wage garnishment (AWG) via the cross-servicing program since 2002. During FY 2009, FMS reported $1.4 million in AWG collections for HUD debt with

415 active garnishment orders in place at the end of the fiscal year. The Albany Center also collected an additional $1.4 million via its direct administrative wage garnishment program.

After the Hurricane Katrina disaster, the Center suspended active collections against all debtors located within the FEMA-designated areas. During FY 2009, the Center reviewed the status of the 668 debts remaining in the suspended pool of debts. This review resulted in the termination of collection activities for 267 debts where the debtor is bankrupt, deceased, or where the statute of limitations for collection has expired. The Department will continue to re-evaluate whether a collection moratorium is appropriate for the remaining affected 401 debts.

Additional HUD debt collection initiatives during FY 2009 included: development of a draft update to HUD's claims collection regulations; issuance of IRS Form 1099-C to 2,413 debtors to report the termination of collection action on debts totaling $33.3 million; continued use of the Electronic On-line Solutions for Complete and Accurate Reporting System to respond to 1,138 consumer disputes that were filed with credit bureaus regarding HUD's credit reporting of delinquent debts; and a response within three days to all 129 requests for documents or information from FMS to support their cross-servicing efforts.

Other Accompanying Information

U.S. Department of Housing and Urban Development
Office of Inspector General
451 7th St., SW
Washington, DC 20410

October 14, 2009

MEMORANDUM FOR: Shaun Donovan, Secretary, S

FROM: Kenneth M. Donohue, Inspector General, G

SUBJECT: Management and Performance Challenges

In accordance with Section 3 of the Reports Consolidation Act of 2000, the Office of Inspector General (OIG) is submitting its annual statement to you summarizing our current assessment of the most serious management and performance challenges facing the U.S. Department of Housing and Urban Development (HUD) in fiscal year 2010. Through our audits, investigations, inspections, and evaluations, we work with departmental managers in recommending actions that best address these challenges. More details on our efforts in relation to these issues can be found in our Semiannual Report to the Congress.

The Department's primary mission is to increase homeownership, support community development, and increase access to affordable housing free from discrimination. HUD seeks to accomplish this mission through a wide variety of housing and community development grant, subsidy, and loan programs. Additionally, HUD assists families in obtaining housing by providing Federal Housing Administration (FHA) mortgage insurance for single-family and multifamily properties. HUD relies upon numerous partners for the performance and integrity of a large number of diverse programs. Among these partners are cities that manage HUD's Community Development Block Grant funds, public housing agencies that manage assisted housing funds, HUD-approved lenders that originate and service FHA-insured loans, Government National Morgtage Association mortgage-backed security issuers that provide mortgage capital, and other federal agencies with which HUD coordinates to accomplish its goals. HUD also has a substantial responsibility for administering disaster assistance programs. Currently, HUD is administering new mortgage assistance and grant programs in response to the nation's financial crisis, increase in foreclosures, and declining home values.

Achieving HUD's mission continues to be an ambitious challenge for its limited staff, given the agency's diverse programs, the thousands of intermediaries assisting the Department, and the millions of beneficiaries in its housing programs. The continuing national credit and financial crisis is having a profound impact on HUD. Proposed and new program changes have introduced new risks and enforcement challenges. More specifically, Congress has funneled $13.6 billion of the American Recovery and Reinvestment Act through 11 of HUD's programs. The Act will increase the oversight responsibilities for the Department for the next three years. HUD is also a key to the nation's mortgage industry where the market share of FHA-insured mortgages has increased dramatically from 1.9 percent in 2006 to 27 percent as of July 31, 2009. The attachment discusses these and other challenges facing HUD.

Attachment

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 the following pages, along with additional management comments.

Management and Performance Challenges

HUD Management's Perspective

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 facing the Department due to the economic crisis facing the country. The passing of the landmark American Recovery and Reinvestment Act (Recovery Act), which provided $13.6 billion to the Department in support of nine programs, as well as additional funding for the OIG, emphasized the need for this joint effort to ensure the funds were not only obligated and expended quickly, but also that adequate safeguards were in place to ensure the funds went to the right recipients.

Management agrees with the OIG's assessment of major challenges facing the Department. Following each of the OIG's narrative of the challenges, management has provided additional comments concerning the OIG assessment and Departmental progress addressing each challenge.

Oversight of American Recovery and Reinvestment funds. Congress allocated $13.6 billion in funding to U.S. Department of Housing and Urban Development (HUD) programs under the American Recovery and Reinvestment Act of 2009 (Recovery Act). This allocation added significant funding to public and Indian housing capital funds, Community Development Block Grants, the Neighborhood Stabilization Program, homelessness prevention, and other HUD programs to modernize and "green" the public and assisted housing inventory, increase the low-income housing tax credit market, stabilize neighborhoods hit by foreclosures, and prevent homelessness. Carrying out the goals of the Recovery Act, managing the influx of mortgages and refinancing, and conducting its normal operations is a significant challenge.

Capacity issues of Recovery Act funding recipients will challenge HUD. For example, HUD decided to provide Recovery Act public housing capital funding to housing authorities it deemed "troubled." Currently, there are 174 troubled authorities which received allocations totaling $350 million in Recovery Act funds. HUD also waived certain contracting requirements for housing authorities receiving Recovery Act capital funds. In the instance of the troubled housing authorities, HUD believed the troubled authorities were those most in need of Recovery Act funds and stated that it would increase oversight of these authorities. Regarding the contracting changes, HUD noted that the Recovery Act directed it to assist the authorities to expedite and facilitate the use of the funds. The waivers are meant to help expedite the use of funds. Funding the troubled authorities and waiving certain contracting requirements increased the challenge to oversee the $4 billion in capital funds. The housing authorities must obligate the funds within one year of availability and spend those funds within the next three fiscal years.

Oversight of American Recovery and Reinvestment funds continued.

The Recovery Act added $2 billion to the Neighborhood Stabilization Program that Congress created as part of the Housing and Economic Recovery Act of 2008. HUD administers the now nearly $6 billion program to redevelop abandoned and foreclosed homes. The Recovery Act set aside $50 million for technical assistance to improve the capacity of 'neighborhood stabilization" communities to carry out the program. HUD plans to hire 32 people to oversee the hundreds of new grant applications and up to 100 grants during the three-year life cycle of the Recovery Act funds. HUD will use the Disaster Recovery Grant Reporting system to collect information from the grantees. An Office of Inspector General (OIG) audit has determined that the system can collect the basic information that HUD needs to monitor the program. However, HUD needs to follow through and fully use the system to effectively target its monitoring efforts.

The Recovery Act added $3.5 billion to community planning and development funds for block grant activities and homelessness prevention; however, HUD must oversee the expenditure of these funds in the next three years.

In general, the Recovery Act directs HUD to ensure that (1) the $13.6 billion is awarded and distributed in a prompt, fair, and reasonable manner; (2) the recipients' use of funds is transparent to the public; (3) the funds are used for only authorized activities; (4) recipients avoid unnecessary delays and cost overruns; and (5) program goals are achieved, including specific program outcomes and improved results on broader economic indicators. This oversight role is and will be a challenge. Further, HUD must assist all of its recipients in reporting their use of funds on the Recovery Act Web site. HUD also has to ensure that the data the recipients report are accurate. This type of reporting is unprecedented.

During fiscal year 2009, we started and completed audits and reviews of Recovery Act-related activities. These audits and reviews addressed the administrative capacity of selected Recovery Act grantees to meet their responsibilities to properly administer these funds. We also assessed HUD's efforts to date to assess the risks associated with Recovery Act funding along with the Department's plans to mitigate those risks. In addition, we completed three audits of two of HUD's systems that will be used to administer Recovery Act funds. Our 20 capacity reviews looked at grantees' administrative systems to determine whether the grantees are capable of effectively administering the large influx of Recovery Act funds. Fifteen of these reviews raised issues with the grantees' capacity.

Oversight of American Recovery and Reinvestment Funds

Without question, the $13.6 billion of funding allocated to HUD under the Recovery Act presents significant challenges, requiring substantial effort to ensure that the objectives of the Act, including an unprecedented level of transparency and accountability, are met. HUD has risen to these challenges and continues to do so as follows:

- Effectively used OMB's implementing guidance, American Recovery and Reinvestment Act of 2009, M-09-10, to develop Recovery Act programs and controls.
- 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.
- Communicated Recovery Act requirements early and often to all stakeholders and potential recipients.
- 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.
- Developed processes to meet the requirements for program-based reporting and grantee reporting.

These efforts are ongoing and continually progressing toward achieving the goals of the Recovery Act. Specific comments to the OIG's points are as follows:

1. Capacity concerns

As outlined in the HUD Recovery program plans published in May 2009, HUD programs have hired additional staff in both headquarters and regional/field offices with necessary experience and skill sets to complete the work of the Recovery Act. This is detailed in a staffing survey recently completed for the Recovery Accountability and Transparency Board. Programs are also meeting the challenge of Recovery Act implementation by shifting internal workloads for operational efficiency, training internal staff on Recovery Act functions, and delaying other non-critical activities.

The Office of Inspector General (OIG) has issued reports on capacity reviews conducted on Recovery Act grantees. If the report identifies concerns, the program responds to the OIG with a plan to address the concern. Upon agreement by the OIG, program staff will work with the grantee to address and resolve the identified concerns. Some but not all programs have set-aside Recovery Act administrative funds for travel purposes, through which staff can travel on-site and work directly with grantees if necessary.

Specifically, the Office of Community Planning and Development (CPD) launched a major technical assistance effort for the Homelessness Prevention and Rapid Re-Housing Program (HPRP) and provides ongoing guidance for the program's grantees through its Homelessness Resource Exchange web page (www.hudhre.info). Resources include a Virtual Help Desk, which has provided responses to over 2,200 questions, a searchable Frequently Asked Questions database, and community documents to provide "peer to peer" guidance for grantees. This is in addition to the nine regional training conferences completed in May and June, and numerous other presentations given by CPD staff on HPRP to grantee organizations. CPD also is in the early stages of launching a major technical assistance effort for grantees across the country in support of the Neighborhood Stabilization Program (NSP). Through this program, grantees will have an opportunity to engage in needs assessments, clinics / workshops, and a resource exchange website.

The Office of Public Housing and Office of Native American Programs have provided and will continue to provide programmatic and technical assistance as appropriate throughout the Recovery Act process. The Department would like to clarify that the funding provided to troubled PHAs was not solely because troubled agencies have the most need of Recovery Act funds. Rather, HUD decided not to exclude troubled authorities from consideration for Recovery Act public housing capital funding for a variety of reasons, including need. For the Capital Fund Recovery Competition, the grant selection process included consultation with the responsible field offices, as relevant, concerning troubled authorities capacity. HUD also determined that monitoring during grant implementation would include increased oversight of any troubled authorities that received grant funding.

Concerning the waiver of contracting requirements for housing authorities receiving Recovery Act public housing capital funds, PIH also wishes to provide further information as follows: HUD relieved public housing authorities from state and local procurement requirements. The public notice period for changes to PHA plans was reduced from 45 days to 10 days in an effort to facilitate the prompt implementation of Recovery Act programs and the timely obligation and expenditure of funds. A waiver and exception policy was also adopted with respect to Buy American provisions under the Recovery Act.

2. Monitoring of expenditures and intended uses

HUD has established additional internal management controls to create a greater level of accountability for performance. The HUD Recovery Act program management team has worked extensively with the leads of the program and cross-cutting teams to prepare a bi-weekly program snapshot report for the steering committee to review with HUD's Deputy Secretary and Secretary. Drawing from the program and risk management plans, the reports include summary-level quantitative and qualitative financial and programmatic performance measures and targets, key milestones, and issues or risks. Interim spending and performance targets have been set to ensure that annual objectives from the program plans are met. Performance data is summarized by geographic region, as the initial effort to launch a department-wide place-based reporting system. Performance measure targets and milestones that are missed, or that are in jeopardy of being missed, will be accompanied by an explanation of the reasons why, including any issues affecting progress and the specific plan for their resolution or mitigation. The report also identifies specific grantees with performance issues and summarizes the actions being taken to address them. HUD categorizes grantees by risk, then monitors and allocates interventions, including training, technical assistance, and if warranted, disciplinary action, accordingly.

HUD has two financial reports that will be generated and analyzed on a weekly basis. These include a Summary Financial Report that indicates the amount of funds for each program, and a

Funding Notification Report, which shows the amount of funding by program for every jurisdiction, including local governments and some states.

The HUD Recovery Implementation Team has also launched a place-based reporting effort focused on tracking and managing disbursements by geographic region, which will serve as a pilot for later department-wide implementation beyond the Recovery Act. This place-based reporting will include examination of the following data overlays by place: annual appropriations compared to Recovery appropriations, as a proxy for assessing grantee capacity; Inspector General and Government Accountability Office findings by place; non-reporting by recipients during the quarterly federal reporting periods; and issues raised in the data quality review checks during quarterly reporting periods. The Recovery Implementation Team is also convening a series of stakeholder conversations in hard-hit areas across the country to learn what is working and what is not with regard to economic recovery.

Program-specific actions are detailed below.

CPD is developing risk analysis and monitoring guidance specifically for NSP, Recovery Act CDBG funds, and HPRP to be integrated into existing risk analysis and monitoring guidance covering CPD programs. For HPRP, HUD has hired four new staff at Headquarters that are designated to do on-site and desk monitoring, review IDIS draw-downs to ensure compliance with statutory expenditure deadlines, and identify and follow up on potential issues. The HPRP Virtual Help Desk has not only allowed HUD to disseminate important information to grantees and field office staff, it has been a source of identifying potential problems and addressing them directly with grantees before they become an issue.

Notably, in consultation with HUD’s Office of the Inspector General, CPD developed an important tool to drastically reduce, if not prevent, fraud in HPRP. All caseworkers who will be assisting applicant households, and the caseworker’s supervisor, will be required to sign an affidavit affirming their knowledge of HPRP program rules and the serious consequences, including prosecution, that will result from program abuse.

TCAP staff will conduct remote monitoring that will include a review of the grantee’s conformity to internal IDIS reporting for financial and project level data as well as financial management requirements in 24 CFR Parts 84 and 85, as applicable. TCAP will be using its existing IDIS system for funding and project level management and reporting. In order to drawdown funds and complete a project, certain project level data must be input into IDIS. TCAP will be developing reports from data in IDIS to monitor TCAP grantees in meeting their commitment and expenditure deadlines, as well as project level data to ensure that funds are expended on eligible activities.

The OIG’s review of the front-end risk assessments for TCAP and HPRP found no concerns.

The Office of Public and Indian Housing performs comprehensive monitoring of both troubled and non-troubled public housing authorities (PHAs). A comprehensive Recovery Act monitoring and oversight strategy has been developed for both troubled and non-troubled PHAs and is currently being implemented. The strategies include monitoring and oversight of a number of functions, including grant initiation, program requirements, and grant performance. All PHAs will receive a remote review, with on-site reviews being completed for those that meet the risk criteria outlined in the strategies. Training and technical assistance will be provided through on-site review, including corrective action for areas of non-compliance. Actions for non-compliance include locking grants to prevent access until corrective actions are completed.

The OIG conducted reviews of the formula used to allocate Recovery Act funds and the Front-End Risk Assessment developed for the four Recovery Act programs administered by ONAP, and no findings or concerns were identified. In addition, the risk assessment that ONAP uses to identify grantees for monitoring has been adjusted to ensure that grantees receiving significant amounts of Recovery Act funds will rise to the top of the risk assessment and be selected for monitoring. The monitoring strategy for all ONAP grantees selected for monitoring will include monitoring of Recovery Act funds. Staff will use a specific Recovery Act monitoring plan to cover the Recovery Act activities.

In the Office of Housing, Project-Based Rental Assistance grantees are already monitored and measured for effectiveness and the avoidance of fraud and mismanagement. These recipients are required to submit annual financial statements, are inspected on a regular annual cycle, and are also subject to monthly review of all subsidy payment requests.

The Office of Affordable Housing Preservation has, for the past ten years, administered the Mark-to-Market program, a property retrofit and refinance program. The new Green Retrofit Program involves a similar scope of work as Mark-to-Market, and the systems in place to accept, assign, track, monitor, and evaluate the program, its participants, timeliness, quality, fiduciary responsibility, quality control, and overall program monitoring and evaluation will be utilized for the new Green Retrofit Program. It is notable that in ten years, with over 3,000 properties completed through the Mark-to-Market process (compared to 300-400 properties that might be completed under the new program), the monitoring and evaluation processes, procedures, systems, and personnel in place have satisfied every audit and internal and external review conducted of the program, its funding, and its oversight.

The Office of Healthy Homes and Lead Hazard Control (OHHLHC) uses several methods to monitor the expenditures and intended uses of Recovery Act funds. OHHLHC monitors expenditures through the Line of Credit Control System (LOCCS) and the OHHLHC Quarterly Progress Reporting System (QPRS). QPRS also includes a current and cumulative financial report by budget category line item allowing for the monitoring of the use of funds.

3. Recipient reporting

An important element of HUD's monitoring and evaluation system is the project-level data collected from grantees on a quarterly basis. The Recovery Act specifically requires data collection fields for grantees and contractors, which is being collected directly from grantees through FederalReporting.gov. In 2010, HUD also will collect program-specific measures from grantees (e.g., number of units rehabilitated, developed, etc.).

Prior to this fiscal year, HUD had no enterprise-wide reporting system. As of the third quarter of FY 2009, HUD OCIO and Recovery programs developed the Recovery Act Management and Performance System (RAMPS), which was used by all Recovery programs in the fourth quarter to report on environmental review information. It will be used in the future to report on performance information and other additional reporting requirements as identified.

Over 11,000 HUD grantees are statutorily required to report quarterly into FederalReporting.gov on the activities funded by HUD Recovery dollars, as well as jobs created/retained and other project-level information. To support Recovery funding recipients in the completion of required quarterly reporting requirements, HUD has conducted extensive and proactive outreach to grantees. This technical assistance has included a website with numerous guidance materials and tip sheets (e.g., a completed "dummy template" pre-populated with generic information that will be common across all recipients), a call center, written guidance, four hour-long conference calls in partnership with the National Affordable Housing Management Association (NAHMA) and American Association of Homes and Services for the Aging (AAHSA), and dedicated staffing of a highly used email help desk, reportinghelp@hud.gov. The call center fielded several thousand calls over the reporting period. The email help desk fielded over 1,000 emails during the reporting period and this correspondence also led to hundreds of explanatory phone calls between grantees and HUD staff. Program Offices also sent out guidance tailored for their grantees, used program-specific email help desks, and posted updates regularly to both email listservers and agency web pages. HUD also convened a regular informal conference call to share experiences and best practices with other federal agencies in preparing for reporting.

During the reporting period, HUD conducted active outreach to grantees to remind them that reporting is a requirement of the Recovery Act. This included active outreach during the "late submission" period. Staff members across programs have developed a process to identify and communicate directly with every grantee that reported late, did not report, or had problems with their submission. This process included phone calls to grantees, email reminders (e.g., an automated email reminder system from HPRP's e-snaps system), list server messages, and guidance posted on program web sites.

During the data quality review period, HUD performed a comprehensive automated review of reports for potential errors. This included working with OMB on a daily basis to address data quality and submission issues related to the federal reporting requirements for HUD's prime recipients. Grantees who do not report at all will be subject to typical enforcement procedures as outlined in grant terms and conditions.

In addition to FederalReporting.gov, HPRP grantees are required to complete a quarterly performance report on HPRP expenditures, persons served, sub-grants and other information on uses of the grant funds. This reporting system is called e-snaps, and HUD will use the information collected in e-snaps to report on outcomes achieved with HPRP funds.

Single-family programs. The Federal Housing Administration's (FHA) single-family mortgage insurance programs enable millions of first-time borrowers and minority, low-income, elderly, and other underserved households to realize the benefits of homeownership. HUD manages a rapidly growing portfolio of more than $650 billion in single-family insured mortgages. Effective management of this portfolio represents a continuing challenge for the Department.

HUD has sustained significant losses in its single-family program and is taking on additional risk. The number of FHA mortgages has risen dramatically. The increased mortgage traffic is accompanied by increases in defaults and restructuring. FHA's mutual mortgage insurance fund has fallen below the legally required 2 percent capitalization ratio. FHA's staffing has not increased in proportion to the increased activity, and FHA's information technology has not kept pace with the rapid rise in loan volume. The lack of modern integrated business and financial management systems greatly increases organizational and management staffing control risks. Office of Housing management contracted to assess capacity issues early in the current fiscal year. Short-term solutions to expand computer hardware capacity were recommended and, thus far, have enabled the single-family program to meet continued program growth. The long-term infrastructure solutions are proposed in a September 2009 strategic plan that will need dedicated appropriations to develop and implement modern FHA systems over the next few fiscal years. During this development period, FHA will need to compensate with additional staff or the use of service providers.

In May, Congress gave FHA additional loss mitigation authority to assist FHA mortgagors in implementing the Helping Families Save Their Homes Act. One new loss mitigation option is the FHA-Home Affordable Modification Program to provide homeowners in default a greater opportunity to reduce their mortgage payments to a sustainable level. The Act modifies the HOPE for Homeowners Program with the goal of helping additional families avoid mortgage foreclosure.

HUD faces many oversight challenges in working with its approved single-family lenders. In our May 2009 Inspections and Evaluation report, we noted that the Mortgagee Review Board's (Board) sanctions directly affected only a small number of FHA-approved lenders out of a possible 12,461 lenders. The violations for which the Board cited lenders rarely warranted withdrawal of FHA lending authority. The sanctions and fines obtained against lenders were frequently mitigated. Elapsed time to complete Board action was slow, taking an average of 6.4 months following notice to the lender, and was prolonged by case development or settlement negotiations in many instances. The Board's public visibility was also greatly reduced because the results of its rulings were not published in the Federal Register.

<u>Single-family programs continued.</u>

During fiscal year 2009, OIG testified or submitted a statement for the record at five congressional hearings covering FHA single-family mortgage issues. At those hearings, we raised several concerns including the declining health of the FHA fund, the possibility that subprime lenders could become FHA lenders, and increasing fraud in the reverse mortgage market. FHA plays a major role in supporting the housing market and resolving foreclosure matters at this critical juncture. In addition, the current degree of FHA predominance in the market is unparalleled. It is clear that the Department is committed to positioning FHA as rapidly as possible to deal with the changing dynamics. FHA has announced plans to implement a set of credit policy changes that will enhance the agency's risk management functions. Measures are also proposed to address fraudulent loans that can contribute to FHA's losses. However, we remain concerned regarding FHA's ability and capacity to meet its current requirements and services and to help avert an avalanche of new defaults. HUD faces challenges going forward to ensure that the FHA fund reserves are sufficient to cover future losses. Further programmatic adjustments may be needed to reduce the risk to the mutual mortgage insurance fund, or premium adjustments may be needed to ensure that the fund is self-sustaining. In addition, FHA will be challenged to hire sufficient and trained staff, modernize its fiscal and risk management information systems, and strengthen its underwriting practices.

We are also concerned that increases in demand on the FHA program are having collateral implications for the integrity of the Government National Mortgage Association (Ginnie Mae) mortgage-backed securities (MBS) program, including the potential for increases in fraud in that program. HUD needs to consider the downstream risks to investors and financial institutions of Ginnie Mae's eventual securitization of a large proportion of FHA's insured mortgages. Ginnie Mae securities are the only MBS to carry the full faith and credit guaranty of the United States. If an issuer fails to make the required pass-through payment of principal and interest to MBS investors, Ginnie Mae is required to assume responsibility for it. Typically, Ginnie Mae defaults the issuers and assumes control of the issuers' MBS pools. Like FHA, Ginnie Mae has seen an augmentation in its market share (it has in some recent months even surpassed both Fannie Mae and Freddie Mac) and guaranteed $418 billion in outstanding MBS during fiscal year 2009, nearly double any previous period. It also has stretched and limited resources for adequately addressing this increase.

Single Family Programs

Management acknowledges the challenges related to FHA that the OIG has identified in this memorandum. This confirms the self assessment that HUD completed of the challenges faced by FHA. The Office of Housing has already 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 of activity that FHA is experiencing and which it expects to not only continue, but to expand.

(Editorial clarification: FHA's strategic plan was completed in August 2009, rather than September 2009 as stated in the OIG memorandum.)

Ginnie Mae Risk Management

Ginnie Mae is sensitive to the increased risk that accompanies its increase in market share. It is thus working diligently and proactively to increase its ability to manage its risk. During FY 2009, Ginnie Mae put into place additional provisions to strengthen issuer requirements and procedures to strengthen the review and monitoring process. Beginning October 1, 2008, all new single-family and Home Equity Conversion Mortgage (HECM) Mortgage Backed Securities (HMBS) issuers had to have a minimum net worth of $1 million, up from the previous $250,000 requirement. By October 1, 2010, all existing issuers in these programs will be required to meet the new standard. In addition, new issuers are now subject to a one-year probationary period, which commences upon the first issuance of a Ginnie Mae MBS or upon the acquisition of a Ginnie Mae servicing portfolio. During this time, Ginnie Mae closely evaluates performance metrics, including loan-level insurance statistics and delinquency levels. Early payment defaults, staffing levels, and other operational and financial issues also are monitored. An onsite review is conducted within six months of approval and all findings must be cleared within a given timeframe.

Additionally, Ginnie Mae has expanded its capacity to review all its issuers from both an operational and financial perspective, and taken steps to further mitigate exposure to fraud and abuse. Much of this effort is supported by Ginnie Mae's use of flexible staffing through contractors. In addition to the onsite reviews conducted for new issuers, existing issuers are reviewed onsite as necessary through regular monitoring of their financial statements, loan origination characteristics, and other performance measures. The Ginnie Mae Portfolio Analysis Database System (GPADS) helps track counterparty risk using portfolio statistics and comparing issuers with broader peer group activity. Ginnie Mae also is working more closely than ever with FHA, VA, and Rural Development on sharing loan data to detect and address fraud and other issues. One example of these efforts is an enhancement to the insurance matching program, which verifies the government insurance status of underlying mortgages that allows for the more timely identification and follow-up of loans lacking appropriate insurance documentation.

Human capital management. For many years, one of the Department's major challenges has been to effectively manage its limited staff to accomplish its primary mission. HUD lacks a valid basis for assessing its human resource needs and allocating staff within program offices, as evidenced in OIG's September 2008 audit pertaining to HUD's management of human resources. Three of the five offices we reviewed could not provide adequate documentation to support their assessment of human resource needs and allocation of staff among their headquarters and field office locations. As a result, HUD lacked assurance that its allocation of staff was based on supportable need and it accurately determined the human resources required to meet its performance goals. Some of HUD's program offices lacked adequate documentation to support their hiring practices. In addition, HUD lacked assurance that its program offices' hiring was appropriate.

The Office of Administration supports the Department in areas such as strategic human capital management, skill gap training, management analysis, and human resource management. The Office of Administration's Director of Human Resources and its supporting Deputy position have had a history of frequent leadership changes, and were vacant for much of 2008. This situation contributed to OIG's determination that HUD's Office of Administration's internal controls over the processing of personnel actions were inadequate as evidenced in an April 2009 audit report. Consequently, HUD needs to ensure that the Office of Administration continues to be mission-focused" and provides the leadership stability necessary for human resources accountability and success.

The new administration announced a Human Capital Transformation," noting that the 2008 Federal Human Capital Survey ranked HUD 24th out of the 30 large agencies in the 'Best Places to Work in the Federal Government" report. The HUD Secretary set a goal to hire talented staff through a streamlined process and to develop personnel to contribute to a workplace that advances HUD's mission of providing safe, affordable housing to every American while fostering a healthier work/life balance for all HUD employees.

Human Capital Management

In response to the audit report of September 2008 which stated "HUD needs to develop a comprehensive strategy to manage its resources and better estimate staffing needs and support its staffing request," the Department accomplished the following to address this deficiency:

- 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.
- Continued to focus on reducing competency gaps in leadership and mission critical occupations.

- As part of HUD's succession planning strategy, graduated 38 interns from the 2007 class of the HUD Fellows Program. All were converted to career appointments to fill mission critical positions throughout the Department.
- Graduated 32 employees who participated in the 2008/2009 class of the Emerging Leaders Program.
- Prepared and submitted to OPM, HUD's FY 2008 Human Capital Accountability Report.
- In the 4th quarter FY 2009, HUD conducted human capital accountability reviews of the human resources program in the Philadelphia and New York Regional offices.
- Established agency SWAT Team, led by HUD's Deputy Secretary, to implement human capital improvements in HUD's hiring processes, with the goal that all HUD hiring actions will be completed within 80 days.

In FY 2010, the Department will continue efforts to close skill gaps; continue implementing succession plan strategies; conduct a workforce analysis; complete SWAT Team efforts to improve HUD's hiring process and meet OPM's 80 day hiring model; and submit HUD's annual Human Capital Management Report to OPM.

In response to the audit report of April 2009, "Review of HUD's internal controls over Processing of Personnel Actions," the Department accomplished the following to address this deficiency:

- Established policies and procedures for a supervisory review of pending new hire paperwork;
- Developed procedures for supervisors to follow in reviewing the checklist and case file upon case file closeout to ensure that it is closed out and filed properly and in a timely manner;
- Developed a tracking system for monitoring the transmission of notification letters to applicants and selectees/non-selectees to ensure timely notification during and throughout the application and selection processes; and
- Informed employees that it is not allowable to participate in the processing of their own actions.

In response to the Human Capital survey, the Secretary set a goal to hire talented staff through a streamlined process. To accomplish this initiative the Department has implemented the following:

- Established an agency SWAT Team, led by HUD's Deputy Secretary, to implement the goal that all HUD hiring actions initiated after February 2010 is completed within the OPM 80 days hiring model.

- Established a Human Resources Transformation Steering Committee with responsibility for:
    - Prioritizing human capital challenges and making key decisions;
    - Assisting the working team in identifying and overcoming major roadblocks to transforming HUD's human capital program;
    - Communicating initiatives to staff and serve as role models for leadership and innovation;
    - Forging strong partnerships among committee members to represent the interests of each program and creating a change management force within HUD; and
    - Serving as a conduit to resolve any problems between the Office of Human Resources and its client organizations regarding policy, roles, and authorities.
- Established a working team as a component of the Steering Committee with responsibility for:
    - Analyzing human capital challenges and developing recommendations to present to the steering committee;
    - Identifying human capital areas of improvement;
    - Serving as the primary communications link between the Office of Human Resources and its customers;
    - Providing guidance regarding implementation planning for human resources processes; and
    - Serving as a preliminary review board for proposed new or revised Human Resources policy and processes.

Financial management systems. Since fiscal year 1991, OIG has annually reported on the lack of an integrated financial management system, including the need to enhance FHA's management controls over its portfolio of integrated insurance and financial systems. During the past several years, HUD has made progress by partially implementing new core financial systems at FHA and Ginnie Mae and addressing most of the previous weaknesses that OIG identified. These improvements enabled OIG to reclassify the weakness in financial management system requirements from a material weakness to a significant deficiency.

The contract to modernize HUD's financial management systems has not been awarded. The HUD Integrated Financial Management Improvement Project (HIFMIP), launched in fiscal year 2003, has been plagued by delays, and implementation of the core financial system has not yet begun. HIFMIP was intended to modernize HUD's financial management systems in accordance with a vision consistent with administration priorities, legislation, Office of Management and Budget directives, modern business practices, customer service, and technology. HIFMIP is to encompass all of HUD's financial systems, including those supporting FHA and Ginnie Mae. HUD had intended to begin the implementation in fiscal year 2006. Due to delays with the procurement process, however, HUD anticipates that it will not be able to begin the implementation of its core financial system until fiscal year 2010. We continue to note the following weaknesses with HUD's financial management systems:

- HUD's ability to prepare financial statements and other financial information requires extensive compensating procedures.
- HUD has limited availability of information to assist management in effectively managing operations on an ongoing basis.

FHA's business increased dramatically during fiscal year 2009, while the shortcomings of the current information technology (IT) systems and the lack of systems capabilities and automation in critical areas of the business are challenging FHA's ability to respond to changes in the market and implement needed changes to its business processes. The recent changes in the economy and the housing market and the explosive growth in FHA's single-family insurance program have exacerbated these issues and increased the need to move FHA IT modernization initiatives to the forefront. FHA's IT funding has not kept pace with business requirements, and no funding has been available for modernization. Critical maintenance has been deferred for the past four to five years, and old technology and fragmented architecture are inefficient and expensive to maintain. Congress appropriated $4 million for FHA IT modernization planning in fiscal year 2009. In August, FHA completed the *IT Strategy and Improvement Plan*, which identifies FHA's priorities for IT transformation. The plan identifies 25 solution initiatives to address specific FHA lines of business needs. Initiatives are prioritized, with the top five being single-family related. The plan also calls for FHA to create a program management office to facilitate coordination and communication and track and report progress, provide support to managers, and support organizational change management activities. Its ultimate goal is to focus leadership effort and resources needed for a successful transformation initiative.

Financial management systems continued.

We continue to report weaknesses in internal controls and security regarding HUD's general data processing operations and specific applications. The effect of these weaknesses is that HUD cannot be reasonably assured that system information will remain confidential, safeguarded, and available to those who need it without interruption.

As part of our annual IT security review mandated by the Federal Information Security Management Act, we found that HUD had not completed all requirements for the security certification and accreditation of its information systems or implemented an effective continuous monitoring program for security controls over its information systems.

Another IT concern is the ability to replace the antiquated infrastructure on which HUD and FHA applications reside in a timely manner. During 2009, HUD unsuccessfully attempted to move certain applications onto a modern platform. Workloads have dramatically increased and are processing on systems that are 15 to 30 years old, resulting in performance, flexibility, and interface issues. The use of aging hardware and software can result in poor performance and high maintenance costs. If the Office of the Chief Financial Officer and FHA IT infrastructure is not modernized, it will become increasingly difficult to maintain operations, make legislative system modifications, and develop or maintain required interfaces to other IT systems, leaving the system environment at risk.

Financial Management Systems

The Department agrees with the OIG comments concerning our financial management systems. However, for clarification, the contract to modernize HUD' financial management systems was awarded on November 26, 2008. While it is true that the delays that HIFMIP has been plagued with are delays with the procurement process, they are a result of the checks and balances of the vendor protest component of this process. The realities of this process are required by law. Any legitimate differences between the executive branch and the private sector are then settled by the Court. When the HIFMIP contract was terminated for convenience, it was because the Court accepted HUD's plan to resolve the differences. HIFMIP continues moving forward toward the same intentions identified by the OIG, while the Department also maintains the legacy systems to provide program and administrative managers with the best financial management information possible under the circumstances.

As mentioned by the OIG, FHA's IT Strategy and Improvement Plan was developed to address the challenges in this area.

In regards to compliance with the Federal Information Security Management Act, HUD's Office of the Chief Information Officer has confirmed that all systems have been certified and accredited.

Finally, the FHA and CFO applications that are currently residing on the antiquated infrastructure noted in the narrative will be gradually retired through FHA and CFO modernization. The new applications will be implemented on an state-of-the-art UNIX and Oracle environment over the next 3 to 4 years.

Federal Information Security Management Act

HUD relies extensively on Information Technology to carry out its operations. The agency continues to improve its Information System Security Program. The implemented improvements during FY 2008 increase HUD's ability to protect the availability, integrity, and confidentiality of information stored on its systems. HUD's noted accomplishments include certification and accreditation of 100 percent of HUD's general support systems and major applications, conducting privacy impact assessments, issuing a NIST compliant IT Security Policy, and providing a more comprehensive Security Awareness training.

<u>Public and assisted housing program administration.</u> HUD provides housing assistance funds under various grant and subsidy programs to multifamily project owners (both nonprofit and for profit) and public housing agencies. These intermediaries, in turn, provide housing assistance to benefit primarily low-income households.

The Office of Public and Indian Housing provides funding for rent subsidies through its public housing operating subsidies and tenant-based Section 8 rental assistance programs. These programs are administered by about 3,100 public housing agencies, which are to provide housing to low-income families or make assistance payments to private owners who lease their rental units to assisted families. In fiscal year 2009, the public housing authorities assisted 1.1 million low-income households.

Some public housing authorities reported shortfalls in voucher funding in 2009. Several factors contributed to shortfalls. First, the funding Congress provided to renew vouchers for calendar year 2009 was several hundred million dollars less than the amount for which agencies were eligible, based on their voucher use and costs during 2008. Second, tenant incomes declined—most likely due to recent job losses caused by the recession—driving up voucher costs in many regions of the country and worsening the financial crunch. The average cost of a voucher was more than 5 percent higher in the first quarter of 2009 than 12 months earlier, despite weakening in most rental housing markets.

The Office of Housing administers a variety of assisted housing programs including parts of the Section 8 program and the Sections 202 and 811 programs. The subsidies provided through these programs are called project-based" subsidies because they are tied to particular properties: therefore, tenants who move from such properties may lose their rental assistance. For this fiscal year, HUD requested $8 billion for Section 8 project-based rental assistance.

HUD has made significant improvements in the area of erroneous payments. To reduce improper rental assistance payments, HUD's Office of Public and Indian Housing and Office of Housing worked with their housing industry partners and tenant advocacy groups to improve program guidance, training, and automated systems support. HUD developed and implemented the Enterprise Income Verification System—a Web-based, state-of-the-art system—to share income data in other federal databases with public housing authorities to improve their income verification process.

Public and Assisted Housing Program Administration

Adapting to Changing Market Conditions and Program Cost Control

The Office of Public and Indian Housing is developing several initiatives to improve the Department's ability to adapt to changing market conditions in affordable housing and control program costs. These initiatives include 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. These efforts can also address other Housing Choice Voucher Program issues such as administrative fee costs, energy costs and energy savings proposals, and usage patterns for vouchers.

For the Project-Based Rental Assistance program, the Department will focus on developing and modifying information technology systems to combat problems of late payments, improper payments, and inaccurate contract data. More specifically, HUD will start development of a system that will keep real-time contract data, maintain and improve its system for contract disbursements, improve the ability to forecast short-term and long-term program funding needs, and reduce improper payments through improved verification of tenant income statements. These development efforts will help HUD increase the efficiency and effectiveness of future program appropriations and facilitate improved Departmental compliance with the Improper Payments Information Act of 2002.

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. The proposed FY 2010 Energy Innovation Fund also includes multifamily energy enhancement financing that will increase the energy efficiency and reduce operating costs in the assisted multifamily stock.

Improper Payments

The Department continues to show overall improvement in the area of reduction of the improper payment rate for the Rental Assistance Programs. As noted elsewhere in Section 4, under the *Improper Payments Information Act Reporting Details*, HUD's improper payment rate for payments made during FY 2008 remained steady at 3.5 percent, missing the FY 2008 goal by one-tenth of one percent. Since FY 2000, however, HUD reduced the total dollar value of errors by 70 percent, and reduced the rate of erroneous payments from 17.1 percent to the current level of 3.5 percent.

Administering programs directed toward victims of natural disasters. HUD is a designated primary agency for the long-term recovery of communities following a major disaster. As such, the Department continues to work with communities devastated by disasters, not only with the influx of federal dollars, but also with the technical expertise to put communities back together. As a result, approximately $27 billion has been appropriated for recent disasters including hurricanes, floods, and wildfires—$20 billion for Hurricanes Katrina, Rita, and Wilma and $7 billion for disasters occurring during 2008, principally Hurricane Ike. Of the funds provided to the five Gulf Coast states for the Hurricane Katrina disaster, $12.8 billion has been disbursed for the period ending September 30. 2009. Other states are working on their action plans.

As communities work to recover from recent disasters, others are still struggling from the effects of Hurricane Katrina. To illustrate this slow process, Congress recently passed the Supplemental Appropriations Act for Fiscal Year 2009 (Public Law 111-32, enacted June 24. 2009). The Act provides an additional $80 million for the Housing Choice Voucher program to provide additional temporary housing for areas impacted by Hurricanes Katrina and Rita. As the disaster funds are awarded, our audit and investigative work continues to serve as a deterrent to fraud, waste, and abuse in these most vulnerable programs.

As a result of our audit efforts, the management challenges that HUD faces in administering the distribution of disaster funds is a delicate balance of speed of fund distribution versus the need for accountability and controls. Our work in fiscal year 2009 further demonstrated the following ongoing management challenges:

- Balancing of internal controls versus the timely distribution of funds
- Up-front program design performed to ensure that major program risks are identified (i.e., homeowner insurance requirement)
- Prevention of the duplication of benefits from the many federal disaster programs

In a recent audit of the State of Texas, we reported that more than $60 million in recovery funds was at risk because program design did not allow for the inclusion of an ongoing homeowner insurance requirement. The State's action plan did not allow for a provision for a period equitable to the amount of funds invested or prohibit the homeowner from being able to receive future disaster recovery funds.

Administering programs directed toward victims of natural disasters

In regards to this challenge, the Department's response is as follows for the OIG's three points.

Balancing of internal controls versus the timely distribution of funds.

The original $11.5 billion allocated to the five Gulf Coast States for the natural disasters of 2005 placed a significant burden on those States to submit action plans, devise programs, and provide funding for individuals and communities for the necessary expenses related to disaster relief. Grantees were simultaneously working on programs and internal controls. HUD has made review of these controls a priority in the monitoring of CDBG Disaster Recovery grantees and has provided substantial guidance and technical assistance in the area of internal controls.

To ensure full compliance, HUD conducts annual risk analysis of each grantee and monitors regularly. HUD continues to review monitoring practices and encourages all grantees to develop strong monitoring procedures to ensure that all of their programs are in full compliance. Monitoring is a tool used by HUD and further developed by grantees to identify weaknesses within programs and adequately move to implement necessary corrective actions. HUD will continue to use technical assistance and monitoring as critical instruments in assessing the effectiveness of established internal controls and the progress in responsibly distributing funds.

With additional funding being allocated under several different supplemental grants, including the hurricanes, floods and other natural disasters that occurred in 2008, HUD has made it a priority to provide new CDBG Disaster Recovery grantees with technical assistance on balancing internal controls, and HUD Program Managers have the historical knowledge from the 2005 disasters to provide new grantees with Best Practices. HUD will continue to work with all grantees in this area.

Up-front program design performed to ensure that major program risks are identified (i.e., homeowner insurance requirement).

The February 13, 2006 *Federal Register*, which allocated the funds for P.L. 109-148, specifies the requirements of the action plan submission. HUD reviews the action plan in accordance with the *Federal Register* and 24 CFR 91.500, which states that HUD may disapprove a plan only if it is inconsistent with the purposes of the Act, it is substantially incomplete, the certifications are not acceptable, or if HUD determines that the applicant has not complied with the CDBG requirements. The regulations do not permit HUD to disapprove an application based on the grantee's choice of eligible activities. Addressing issues of this nature is beyond the level of detail for the action plan and are most appropriately addressed in policy and implementation guidance.

Program design is reviewed during on-site monitoring of the grantee. HUD strongly suggests to disaster grantees that they discuss and provide the Department with their program designs prior to implementation. HUD also recommends that investments in rebuilding housing stock be insured to help prevent the need for federal assistance in future disasters. However, HUD has no regulatory authority to mandate grantees to provide this information. We will continue to encourage grantees to obtain insurance for HUD-funded housing activities.

Prevention of duplication of benefits from the many federal disaster programs

Preventing duplication of benefits has been and continues to be a priority of HUD. HUD utilizes the Community Planning and Development Monitoring Handbook 6509.2, and completes Exhibit 6-1 when monitoring disaster grants. Item Number 4 of Exhibit 6-1 which asks "If the program participant has an activity that provides federal financial assistance to persons, business concerns, or other entities suffering losses as a result of a major disaster or other entities suffering losses as a result of a major disaster or emergency, has the program participant assured that no such person, business concern, or other entity will receive such assistance with respect to any part of such loss as to which he or she has received financial assistance under any other program or from insurance or any other source?" is completed during every monitoring review.

HUD is providing on-going technical assistance to grantees regarding duplication of benefits. HUD has provided specific written determinations to both Mississippi and Louisiana in regard to specific program activities to assist them in preventing duplication of benefits.

Summary of Financial Statement Audit and Management Assurances

For FY 2009, no material internal control weaknesses were identified for the Department. The following tables provide a summary of financial audit findings in regards to audit opinion and management assurances. The first table is a summary of the results of the independent audit of HUD's consolidated financial statements, as well as information reported by HUD's auditors in connection with the FY 2009 Financial Statement Audit.

Summary of Financial Statement Audit

Audit Opinion	Unqualified				
Restatement	No				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
None	0	0	0	0	0
Total Material Weaknesses	0	0	0	0	0

The following table is a summary of management assurances related to the effectiveness of internal control over HUD's financial reporting and operations, and its conformance with financial management system requirements under Sections 2 and 4, respectively, of the Federal Managers' Financial Integrity Act (FMFIA). The last portion of this table is a summary of HUD's compliance with the Federal Financial Management Improvement Act (FFMIA).

Summary of Management Assurances

Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)						
Statement of Assurance	Unqualified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
None	0	0	0	0	0	0
Total Material Weaknesses	0	0	0	0	0	0
Effectiveness of Internal Control over Operations (FMFIA § 2)						
Statement of Assurance	Unqualified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
None	0	0	0	0	0	0
Total Material Weaknesses	0	0	0	0	0	0

Conformance with Financial Management System Requirements (FMFIA § 4)						
Statement of Assurance	Systems conform to financial management system requirements					
Non-Conformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
None	0	0	0	0	0	0
Total non-conformances	0	0	0	0	0	0

Compliance with Federal Financial Management Improvement Act (FFMIA)		
	Agency	Auditor
Overall Substantial Compliance	Yes	No
1. System Requirements	Yes	
2. Accounting Standards	Yes	
3. USSGL at Transaction Level	Yes	

IMPROPER PAYMENTS INFORMATION ACT REPORTING DETAILS

The Requirements

Under the Improper Payments Information Act (IPIA) of 2002 (Public Law 107-300) and OMB implementing guidance in Appendix C of Circular No. A-123, agencies are to assess all programs and activities they administer and identify those that may be susceptible to significant improper payments. Where the risk of improper payments is assessed as potentially significant, agencies are required to estimate the annual amount of improper payments and report the estimates in their annual PARs to OMB, along with plans to reduce improper payments. The statute defines a "significant" level of improper payments as annual improper payments exceeding a $10 million dollar threshold.

An "improper payment" is any payment that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements. Incorrect amounts are overpayments and underpayments (including inappropriate denials of payment or service). An improper payment includes any payment that was made to an ineligible recipient or for an ineligible service. Improper payments are also duplicate payments, payments for services not received, and payments that do not account for credit for applicable discounts. Also, when an agency's review is unable to discern whether a payment was proper as a result of insufficient or lack of documentation, this payment must also be considered an error. In addition to identifying substantive errors that might warrant repayment, HUD's statistical sampling of support for payments also identified "process" errors that increase the risk of substantive payment errors, and process errors are included in HUD's improper payment estimates.

HUD's Commitment

The Secretary designated the Chief Financial Officer as the lead official for directing and overseeing HUD actions to address improper payment issues and bring HUD into compliance with requirements of the IPIA and OMB implementing guidance. The Office of the Chief Financial Officer developed a plan for implementing the IPIA and after necessary contract support services were procured by the Chief Financial Officer and FHA, HUD began to execute the plan in FY 2004. HUD's plans, goals, and results for identifying and reducing improper payments are tracked and reported in the annual Performance and Accountability Report. Additionally, managers are held accountable for achieving improper payment reduction targets via goals established and tracked in HUD's Management Plan.

HUD's Process

The HUD process for complying with IPIA consisted of four steps:

1) Step one was an initial survey of all program and administrative activities, for potential indicators of significant improper payments. This first annual assessment was conducted in FY 2004, based on the $52.9 billion in payments made during FY 2003 in support of over 200 programs and administrative activities.
2) Step two was a detailed risk assessment of programs identified in the first step with annual expenditures in excess of $40 million[1]. HUD identified 10 activities, representing 57 percent of all payments, as potentially "at risk" of a significant improper payment level during this initial assessment.
3) Step three consists of testing a statistical sample of payments by independent reviewers in any program activity determined to be susceptible to a significant improper payment level. Statistical sampling and analysis found that only 5 of the 10 areas actually had a significant improper payment problem.
4) The final step is to establish, execute, and monitor corrective action plans for reducing improper payments in the programs identified as at-risk.

Summary of HUD Results to Date

Prior to enactment of the IPIA, OMB requested agency input on improper payments in select programs, including the CDBG Entitlement and State/Small Cities Programs. These CDBG programs were identified through statistical sampling in HUD's initial annual risk assessments to be at low risk of improper payments and not warranting reporting. OMB subsequently revised its guidance to clarify that agencies should report on programs until they could document a minimum of two consecutive years of improper payments that are less than $10 million annually, as the basis for a request for OMB relief from annual reporting.

HUD's two-year analysis determined that the CDBG Programs were below the annual $10 million threshold for required reporting, and on March 14, 2007, OMB approved HUD's request for relief from annual improper payment reporting for those programs. HUD will continue to conduct an annual assessment of the CDBG programs and provide results annually to OMB by March 31.

Corrective actions were identified and completed for two of the five remaining areas identified as having a significant level of improper payments, the Single Family Acquired Asset Management System and the Public Housing Capital Fund. These two areas were subsequently removed from the improper payments reporting requirement, leaving three high-risk program areas:

[1] OMB Circular A-123, Appendix C, Part 1, defines "significant erroneous payments" as annual erroneous payments in the program exceeding both 2.5 percent of program payments and $10 million. Based on the Office of the Chief Financial Officer's (OCFO's) understanding of the programs and their funds control activities, OCFO did not believe that any program was susceptible to having an error rate in excess of 25 percent. Therefore, the OCFO determined that programs with expenditures of less than $40 million would be removed from the scope of the risk assessment (i.e., 25 percent of $40 million = $10 million).

- Public Housing,
- Section 8 Housing Choice Vouchers and Moderate Rehabilitation, and
- Owner-administered Project-based Assistance Programs (Section 8, Section 202, Section 811).

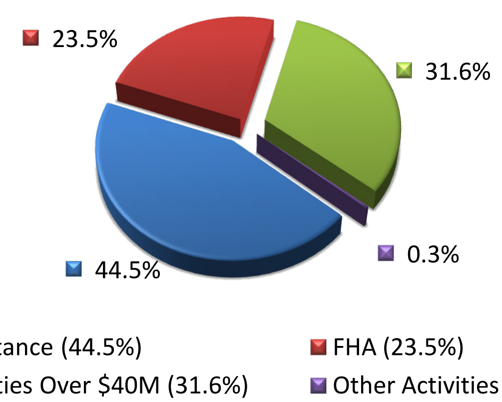
These three programs are collectively referred to as HUD's rental housing assistance programs. HUD has reduced the combined baseline gross improper rental housing assistance payment estimates of $3.430 billion in Fiscal Year 2000 to $1.022 billion in Fiscal Year 2008, a reduction of 70 percent.

Results of Annual Risk Assessment Update and Continued Payment Testing

The FY 2009 risk assessment update was based on payment and other relevant activity that occurred during FY 2008. An inventory of over 200 distinct program and administrative payment activities was identified from all of HUD's financial management systems in FY 2008, with total payments of $65.2 billion.

The payment universe consisted of the following general distribution:

HUD's $65.2 Billion Payment Universe



HUD's risk assessment update in FY 2009 did not identify any new activities as being at-risk of a significant improper payment level. Programs that previously tested below the improper payment threshold established by the IPIA were removed from HUD's at-risk inventory and are not subject to re-testing unless there is significant change in the nature of the activity, HUD's internal control structure, or operating environment.

Rental Housing Assistance Programs

HUD's Rental Housing Assistance Programs had previously been assessed as being at high risk of significant improper payment levels – and continue to be reported as such – with corresponding error measurement methodologies, corrective action plans, and error reduction goals described below. These programs constituted over $29 billion, or 45 percent, of HUD's total payments in FY 2008.

Prior to enactment of the IPIA, HUD had already established the Rental Housing Integrity Improvement Project in FY 2001 to reduce an acknowledged improper payment problem in its rental assistance programs. This project is directed by the responsible HUD program offices, with oversight by the Office of the Chief Financial Officer and statistical sampling[2] support from the Office of Policy Development and Research. HUD's Rental Housing Assistance Programs are administered by over 26,000 Public Housing Agencies and multifamily housing owners or management agents on HUD's behalf. In general, beneficiaries pay 30 percent of their adjusted income as rent, and HUD payments cover the remainder of the rental cost (or the operating cost, in the case of public housing).

There are three major components of potential errors and improper payments in these complex programs:

1) Program administrator error – the program administrator's failure to properly apply income exclusions and deductions and correctly determine income, rent, and subsidy levels;
2) Tenant income reporting error – the tenant beneficiary's failure to properly disclose all income sources and amounts upon which subsidies are determined; and
3) Billing error – errors in the billing and payment of subsidies due between HUD and third party program administrators and/or housing providers.

From FY 2000 through FY 2008, HUD reduced the gross improper payments for the first 2 of these 3 categories of error from $3.22 billion to $963 million, a reduction of 70 percent. A baseline measurement for the third component, billing error, was completed in FY 2005, based on FY 2003 expenditures, and was estimated to be $214 million. In FY 2008 the billing error

[2] HUD's methodology for statistical sampling in FY 2008 was to select 600 projects that were considered to be nationally representative of the 26,000 Public Housing Agencies and multifamily housing owners or management agents that administer rental housing assistance on HUD's behalf. Projects were selected with probabilities proportional to size. Projects having a size exceeding the sampling interval were selected for eight, twelve, or more households in the project and were counted as more than one project for purposes of determining the sampling size. Projects were allocated approximately equally among the three assisted program types, and four households were randomly selected from each project, for a total of 2,400 households with representation from among the three program areas. Some large projects were selected multiple times, so that the study sample included 546 distinct projects in 57 geographic areas across the United States and Puerto Rico. The sample is designed to obtain a 95 percent likelihood that estimated aggregate national rent errors for all programs are within two percentage points of the true population rent calculation error, assuming an error of ten percent of the total rents (based on OMB criteria). Previous studies determined that a tenant sample size of 2,400 will yield an acceptable precision for estimates of the total average error.

was estimated to be $59 million. The following chart provides a summary for all three error components for FY 2008 as compared to FY 2007 and the baseline year (FY 2000).

IMPROPER RENTAL ASSISTANCE PAYMENTS

Administration/ Error Type	2008 Subsidy Over-Payments*	2008 Subsidy Under-Payments*	2008 Net Erroneous Payments*	2008 Gross Erroneous Payments*	2007 Gross Erroneous Payments*	2000 Gross Erroneous Payments*
Public Housing						
Administrator Error	-	-	-	-	$37,341	$602,557
Income Reporting Error	-	-	-	-	13,864	294,000
Billing Error**	-	-	-	-	12,250	Not available
Subtotal:	-	-	-	-	**$63,455**	**$896,557**
Section 8 Voucher						
Administrator Error	$224,916	$175,332	$49,584	$400,248	$435,012	$1,096,535
Income Reporting Error	232,557	-	232,557	232,557	97,543	418,000
Billing Error**	-	-	-	-	-	Not available
Subtotal:	**$457,473**	**$175,332**	**$282,141**	**$632,805**	**$532,555**	**$1,514,535**
Total PHA Administered						
Administrator Error	$224,916	$175,332	$49,584	$400,248	$472,353	$1,699,092
Income Reporting Error	232,557	-	232,557	232,557	111,407	712,000
Billing Error**	-	-	-	-	12,250	Not available
PHA Subtotal:	**$457,473**	**$175,332**	**$282,141**	**$632,805**	**$596,010**	**$2,411,092**
Total Project Based/Owner Administered						
Administrator Error	$117,780	$73,944	$43,836	$191,724	$199,104	$539,160
Income Reporting Error	138,143	-	138,143	138,143	138,412	266,000
Billing Error**	24,000	35,000	(11,000)	59,000	59,000	Not available
Project Based Subtotal:	**$279,923**	**$108,944**	**$170,979**	**$388,867**	**$396,516**	**$805,160**
Total Improper Payments						
Administrator Error	$342,696	$249,276	$93,420	$591,972	$671,457	$2,238,252
Income Reporting Error	370,700	-	370,700	370,700	249,819	978,000
Billing Error**	24,000	35,000	(11,000)	59,000	71,250	Not available
GRAND Total:	**$737,396**	**$284,276**	**$453,120**	**$1,021,672**	**$992,526**	**$3,216,252**
TOTAL PROGRAM PAYMENTS				**$29,035,284**	**$28,151,954**	**$18,800,000**
IMPROPER PAYMENT RATE				**3.5%**	**3.5%**	**17.1%**

* *Dollars in Thousands.*

***Billing error estimates are baselines established in FY 2004 for PHA Administrators and FY 2005 for Owner Administrators.*

Percent Reductions in Improper Payments

Error Type	Baseline Estimates*	FY 2008 Estimates*	Percent Reduction
Administrator Error	$2.238	$0.592	74%
Income Reporting Error	$0.978	$0.371	62%
Billing Error	$0.214	$0.059	72%
Total	**$3.430**	**$1.022**	**70%**

* *Dollars in billions*

Corrective Actions Taken to Reduce Improper Payments

The overall reduction in improper payments for HUD's three major types of Rental Housing Assistance Programs over the past eight years has been primarily attributed to HUD's efforts to work with its housing industry partners through enhanced program guidance, training, oversight, and enforcement. Collectively, these efforts have had a positive impact on the program administrators' ability to reduce their errors in the calculation of income, rent and subsidies. The Department also has found a direct correlation in the reduction of improper payments to the number of monitoring reviews of public housing agencies (PHAs) and the number of management and occupancy reviews at multifamily housing properties. HUD also uses information systems to reduce the level of improper payment, specifically the Enterprise Income Verification (EIV) system. Increased availability and use of the EIV system by PHAs, owners, management agents, and contract administrators for HUD's Project-based Assistance programs also has a direct correlation to the reduction of improper payments. The Department intends to make the use of EIV mandatory, as noted in the published final rule "Refinement of Income and Rent Determination Requirements in Public and Assisted Housing Programs," which was issued in January 2009. The effective date for implementation of the mandatory use of EIV is January 2010.

More recently, program structure changes have reduced the opportunities for improper payments in two of HUD's Rental Housing Assistance Programs. In HUD's Public Housing program, significant program structure changes were implemented to improve the efficient use of funding in the Public Housing Operating Fund. These structure changes effectively eliminated all three previously reported types of improper payments due to Administrator, Income Reporting, and Billing errors for that program. It should be noted that PHAs could still make Administrator errors, and tenants could still not report or under-report their income. However, in the new structure, the effect of these errors would be borne by the PHA and HUD's subsidy payment would remain unchanged. Nonetheless, HUD retains program oversight responsibility to ensure the proper performance and benefits of the program, and will continue to focus on effective measures to reduce performance errors by PHAs. These changes were implemented in the second quarter of FY 2007 (i.e., error reductions affecting HUD were realized for three-quarters of the year); accordingly, the Improper Rental Assistance Payment Estimate chart on the preceding page reflects the estimated improper payment amount for the first quarter of FY 2007.

In addition, the establishment of a budget based funding methodology was implemented for the Housing Choice Voucher Program in FY 2005 to eliminate the opportunity for billing errors in that program.

HUD's Improper Payment Reduction Forecast

HUD will continue to take aggressive steps to address the causes of improper rental housing assistance payments to ensure that the right benefits go to the right people. Based on the above results for the three types of rental housing assistance errors, as well as plans to address known causes and levels of improper payments, HUD provides the statistical results for FY 2008 and the outlook for improper payment percentages on a combined program basis from FY 2009 – FY 2011, as follows:

Rental Assistance Improper Payment Reduction Outlook
FY 2009 – FY 2011
(Dollars shown in billions)

Activity	FY 2007 Payments	FY 2007 IP	FY 2007 IP% Goal/Actual	FY 2008 Payments	FY 2008 IP	FY 2008 IP% Goal/Actual	FY 2009 IP% Goal	FY 2010 IP% Goal	FY 2011 IP% Goal
Rental Assistance	$28.151	$0.992	4.6/3.5	$29.035	$1.022	3.4/3.5	3.3	3.2	3.1
Estimated Payments							$30.0	$30.0	$30.0

The annual Improper Payment calculation is based on prior year data. Accordingly, the FY 2009, FY 2010, and FY 2011 results will be reported in the FY 2010, FY 2011, and FY 2012 PARs respectively.

The FY 2007 goal was originally set at 5.5 percent. During FY 2008, however, the FY 2007 goal was revised based on program changes made to the Rental Housing Assistance Programs during FY 2007 and HUD exceeded the updated goal of 4.6 percent, achieving an improper payment rate of 3.5 percent. Actions taken to reduce improper payments included full implementation of the Enterprise Income Verification system, the efficient use of funding in the Public Housing Operating Fund, the establishment of a budget based funding methodology in the Housing Choice Voucher Program, and providing technical assistance and training to minimize Administrator errors. However, during FY 2008 the improper payment rate remained steady at 3.5 percent, thus missing HUD's FY 2008 goal by one-tenth of one percent. HUD believes that the goals for FY 2009 and beyond are realistic and achievable. Program simplification, via revised legislation, could lend to further significant improper payment reductions for HUD's Rental Housing Assistance Programs.

An increase in income reporting errors caused HUD to miss its goal. To meet future goals, Public Housing Agencies and Multifamily Housing owners must put more discipline in the use of the EIV system to further reduce income reporting errors. HUD's corrective action plans will include addressing this issue during the Management and Occupancy Reviews and Rental Integrity Monitoring reviews. In addition, HUD has mandated the use of the EIV system effective January 2010 which should help further reduce income reporting errors.

Further information on HUD’s efforts to reduce improper rental housing assistance payments is provided in Indicator E.3 in Section 2 of this report.

Recovery Auditing Activity

In addition to the requirements of the IPIA and Section 831 of the Defense Authorization Act of 2002, OMB guidance requires agencies that enter into contracts with a total value in excess of $500 million in a fiscal year to carry out a cost-effective program for identifying errors made in paying contractors and for recovering amounts improperly paid to contractors. HUD, with contractor assistance, previously performed a detailed recovery auditing review. The review disclosed two contracts with potential recoveries. However, HUD’s Contracting Officer and Government Technical Representative validated these payments as proper.

The current internal controls present in HUD’s contract payment and contract close-out process are adequate to reduce the risks of overpayments. HUD continues to focus on strengthening its funds control processes, increasing training classes for Government Technical Representatives and Government Technical Monitors, and further improving the contract close-out process. Therefore, HUD concluded that a recovery auditing program would not be beneficial and is not warranted.

HUD Assisted Housing Units by Program

HUD Assisted Housing Units by Program

	2006	2007	2008	2009
Section 8 Low Income Rental Assistance Program:				
Tenant-based assistance	2,084,917	2,110,000	2,071,195	2,091,700
Project-based assistance	1,287,529	1,286,662	1,285,331	1,279,383
Total Section 8	3,372,446	3,396,662	3,356,526	3,371,083
Public Housing Program a/	1,172,204	1,155,377	1,140,294	1,128,891
Sub-total	4,544,650	4,552,039	4,496,820	4,499,974
Housing for the Elderly Sec. 202	86,056	93,925	99,221	106,663
Housing for the Disabled Sec. 811	25,227	26,656	28,014	30,221
Tenant-based 811	14,634	14,836	14,811	14,811
Sub-total	125,917	135,417	142,046	151,695
Other Assistance Programs				
Homeownership Assistance Program (Section 235)	5,573	4,758	4,302	3,557
Rental Housing Assistance Program (Section 236)	318,561	298,046	280,636	265,190
Rent Supplement	16,619	15,041	13,904	13,368
Sub-total	340,753	317,845	298,842	282,115
Less estimated number of households receiving more than one form of assistance (double count)	(217,250)	(217,250)	(189,069)	(184,253)
Total, Public and Assisted Housing	4,794,070	4,788,051	4,748,639	4,749,531
HOME Tenant-Based Assistance	23,325	18,172	25,381	18,763
HOME Rental Units Completed	47,598	28,039	23,170	19,098
HOME Homebuyer Units Completed	55,652	34,985	26,790	23,711
HOME Existing Homeowners Completed	16,821	11,221	10,847	9,737
HOME Total Households	143,396	92,417	86,188	71,309
CDBG Households (homeownership assistance)	7,628	6,919	4,521	2,441
CDBG Households (owner-occupied rehabilitation)	131,508	117,830	121,158	103,926
Self-Help Homeownership Opportunity Program New Homebuyers	1,868	1,887	1,927	1,809
Housing Opportunities for Person With AIDS Households	67,000	67,850	62,210	58,367
Indian Housing Block Grant Households	8,027	6,168	4,192	5,936
Rural Housing & Economic Development	NA	NA	NA	NA
Native Hawaiian Homeland Block Grant Households	23	65	95	49
ADDI (American Dream Downpayment Initiative)	9,096	6,094	4,209	2,162
Total of CDBG, HOME, Self-Help Homeownership Opportunity Program, Housing Opportunities for Persons With AIDS, Indian Housing Block Grant, Rural, Title VI Native Hawaiian Homeland Block Grant, Households Served	368,546	299,230	284,500	245,999

a/ The calculation used for the PAR is Eligible Unit Months (EUMSs), which is the basic unit for the Operating Fund formula. In addition, most formula elements are paid "per unit month" (PUM) in accordance with the formula regulation.

NA - Not Available

Compliance Status of Financial Management Systems

As of September 30, 2009

Total Systems: 40 Total Non-compliant: 2

COMPLIANT SYSTEMS– 38

Office of Administration (2)

D67A	Facilities Integrated Resources Management System (FIRMS)
P162	HUD Integrated Human Resources Training System (HIHRTS)

Office of Chief Financial Officer (12)

A21	Loan Accounting System (LAS)
A39	HUD Consolidated Financial Statement System (HCFSS)
A67	Line of Credit Control System (LOCCS)
A75	HUD Central Accounting and Program System (HUDCAPS)
A91	Consolidated Cost and FTR Files (CCFF)
A96	Program Accounting System (PAS)
D08	Bond Payment System (BONDMAPPER)
D61	EZBudget Budget Formulation System (EZB)
D65A	Section 8 Budget Outlay Support System (BOSS)
D91A	Total Estimation and Allocation Mechanism–Resource Estimation and Allocation Process (TEAM-REAP)
H18	Integrated Automated Travel System (IATS)
P221	Electronic Travel System Interface (eTravel)
HIFMIP	HUD Integrated Financial Management Improvement Project *

Office of Chief Procurement Officer

HIAMS	HUD Integrated Acquisition Management System *

Community Planning and Development (3)

C04	Integrated Disbursement & Information System (IDIS)
C38	Electronic Special Needs Assistance Program (eSNAPS)
C08A	Disaster Recovery Grant Reporting System (DRGR)

Ginnie Mae (1)

P237	Ginnie Mae Financial & Accounting System (GFAS)

* In development; these systems are not included in the total inventory count of 40.

Public and Indian Housing (2)

P113	Inventory Management System (IMS)
P232	Subsidy and Grants Info System (SAGIS)

Office of Housing (18)

A43	Single Family Insurance System (SFIS)
A43C	Single Family Insurance Claims Subsystem (CLAIMS)
A80B	Single Family Premium Collection System-Periodic (SEPCS-P)
A80D	Distributive Shares and Refund Subsystem (DSRS)
A80H	Single Family Mortgage Asset Recovery Technology System (SMART)
A80N	Single Family Mortgage Notes (SFMN)
A80R	Single Family Premium Collection System-Upfront (SFPCS-U)
A80S	Single Family Acquired Asset Management System (SAMS)
D64A	SF Housing Enterprise Data Warehouse (SFHEDW)
F12	Home Equity Conversion Mortgages (HECM)
F17	Computerized Home Underwriting Management System (CHUMS)
F42D	Single Family Default Monitoring Subsystem (SFDMS)**
F51	Institution Master File (IMF)
F71	Debt Collection & Assets Management System – Title 1 Notes (DCAMS)
F72	Title I Insurance and Claims (TIIS)
F87	Tenant Rental Assistance Certification System (TRACS)
P013	FHA Subsidiary Ledger (FHA-SL)
P057	Multifamily Delinquency and Default Reporting System (MDDR) **

** During FY 2009, the Office of Housing reported these systems as non financial. However, they need to be validated by independent reviews.

NON COMPLIANT SYSTEMS– 2

Office of Chief Procurement Officer (2)

A35	HUD Procurement System (HPS)
P035	Small Purchase System (SPS)

Appendices

Appendix A: Glossary of Acronyms

CDBG	Community Development Block Grant
CFO	Chief Financial Officer
CPD	Office of Community Planning and Development
Fannie Mae	Federal National Mortgage Association
FFMIA	Federal Financial Management Improvement Act of 1982
Freddie Mac	Federal Home Loan Mortgage Corporation
FY	Fiscal Year
GAO	Government Accountability Office
Ginnie Mae	Government National Mortgage Association
HUD	Department of Housing and Urban Development
MD&A	Management's Discussion and Analysis
IPIA	Improper Payments Information Act of 2002
OIG	Office of Inspector General
OMB	Office of Management and Budget
PHA	Public Housing Agency
PIH	Office of Public and Indian Housing
Recovery Act	American Recovery and Reinvestment Act of 2009
Treasury	U.S. Department of the Treasury

APPENDIX B: Table of Websites

The following is a list of direct web links to HUD program offices:

Center for Faith-Based and Community Initiatives	www.hud.gov/offices/fbci/index.cfm
Community Planning and Development	www.hud.gov/offices/cpd/
Fair Housing and Equal Opportunity	www.hud.gov/offices/fheo/
Federal Housing Administration	http://www.hud.gov/offices/hsg/hsgabout.cfm
Field Policy and Management	www.hud.gov/offices/fpm/
Government National Mortgage Association	www.ginniemae.gov/
Healthy Homes and Lead Hazard Control	www.hud.gov/offices/lead/
HUD Performance Reports	http://www.hud.gov/offices/cfo/reports/ombreqreports.cfm
HUD Website	www.hud.gov
Multifamily Housing	www.hud.gov/offices/hsg/hsgmulti.cfm
Public and Indian Housing	www.hud.gov/offices/pih/
Policy Development and Research	www.huduser.org/
Single Family Housing	www.hud.gov/offices/hsg/sfh/hsgsingle.cfm

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

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