

Message from the Secretary

November 15, 2010

I am honored to present the U.S. Department of Housing and Urban Development's Agency Financial Report for Fiscal Year (FY) 2010, an alternative to the Performance and Accountability Report, in accordance with OMB Circular A-136. This report describes our financial results during a year of struggle for our Nation. Helping our families and our communities recover from this economic crisis has been, and continues to be, the focus of the Department's efforts.

In HUD's Strategic Plan for FY 2010 – 2015, our mission to create strong, sustainable, inclusive communities and quality, affordable homes for all is reflected in our five strategic goals, as explained early in this report. From there, we identified and designated four Priority Goals that are essential to achieving our mission for this and the coming fiscal years. Those goals and our results through June 30, 2010 (year-to-date through the third quarter) were as follows:



- HUD assisted 1.55 million homeowners at risk of losing their homes due to foreclosure and is on target to reach the goal to assist 3.1 million homeowners by the end of FY 2011;
- HUD served 5.30 million families, in meeting the growing need for affordable rental homes. HUD is on target to reach its Priority Goal that, by the end of FY 2011, HUD will serve a total of 5.46 million families, 207,000 more than in FY 2009;
- HUD and the Department of Veterans Affairs have worked to reduce the number of homeless veterans by 19,028. The two Departments are on target to reach our shared goal to reduce the number of homeless veterans to 59,000 by June 2012; and
- HUD completed cost-effective energy and green retrofits of 19,199 public, assisted, and other HUD-supported affordable homes. We expect to meet our goal to complete 159,000 retrofits by the end of FY 2011.

This report takes a high-level look at activities and results related to each of these goals. Details for these goals will be included in the Annual Performance Report published in February 2011.

As part of HUD's efforts to assure a stable and sustainable housing market and a healthy national economy, we have also taken steps to begin developing a comprehensive, balanced national housing policy that supports sustainable homeownership and affordable rental housing. By partnering with private and "Third Sector" actors from the philanthropic and nonprofit communities, by helping cities and suburbs share solutions at the regional level to tackle challenges like economic development, access to jobs, and traffic congestion – and by using data

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to enhance performance and craft policy – we have begun to create a culture at HUD that rewards results and nurtures local innovation.

This year, HUD endorsed 1,661,917 single family and 1,011 multifamily mortgages and provided rental assistance to 5.3 million residential units. As a result of HUD's initiatives, and those of the Department of the Treasury and the private sector, since April 2009 families have received more than 3.5 million mortgage modifications – nearly triple the number of foreclosures that occurred during that time.

At the center of many of these efforts has been the Federal Housing Administration (FHA). When the housing market began its slow collapse 3 years ago, FHA comprised only about 2 to 3 percent of the housing market. But when private capital vanished at the end of 2008, it was the FHA that stepped in – insuring approximately 30 percent of purchases and 20 percent of refinances in the housing market. Since January 2009, the agency has helped nearly 3 million Americans either purchase a home, or refinance into more stable, affordable mortgages. In the same period, FHA helped more than a half million families at risk of foreclosure through 760,000 loss mitigation actions.

In November 2009, HUD reported to Congress that FHA's secondary reserves had fallen below the required 2 percent level. The Administration has taken very seriously its responsibility to ensure that FHA is operating on sound financial footing while minimizing risk to taxpayers – announcing and implementing the most sweeping combination of reforms to FHA credit policy, risk management, lender enforcement, and consumer protections in its history. These reforms have strengthened FHA's financial condition and minimized risk to taxpayers as it continues to fulfill the Department's mission to serve communities nationwide.

Through the Recovery Act, HUD has helped renovate more than 315,000 homes, with nearly 3,000 developed – many to green standards with energy efficiency improvements, saving money for residents and owners alike. The Homeless Prevention and Rapid Re-Housing Program (HPRP) has prevented homelessness for well over a half million people. Just as importantly, as the U.S. Conference of Mayors reports, HPRP is fundamentally changing the way communities respond to homelessness at the local level, keeping people in their homes rather than waiting for them to become homeless, and quickly returning those who do fall into homelessness to the stable, permanent housing they need. As a result of all of these efforts, in the second quarter of this year, HUD Recovery Act recipients reported that more than 26,000 jobs have been created or saved – at such an important time for our economic recovery.

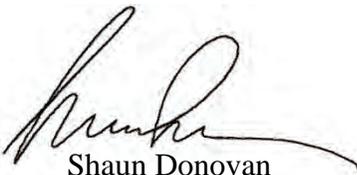
As we help our communities recover, we have also made a firm commitment to providing affordable rental housing. This year we proposed our Transforming Rental Assistance (TRA) initiative, to simplify the way the Federal Government provides rental assistance to millions of our most vulnerable families – giving families more choice and responsibility. Through our Choice Neighborhoods initiative, we are building on proven public housing redevelopment strategies to transform neighborhoods of concentrated poverty into sustainable, mixed-income communities of opportunity and choice. In addition, through the \$7 billion Neighborhood Stabilization Program, we are helping communities purchase and put 100,000 properties in the Nation's hardest-hit markets back into productive use. To date, grantees report that more than 36,000 of these properties are already either under construction or rehab.

HUD has played a significant role in disaster relief efforts – in states like California, Iowa, and Tennessee, and especially those along the Gulf Coast. Of the nearly 40,000 Gulf Coast families that remained on temporary government housing assistance when President Obama took office, 98 percent have moved into permanent housing. We have helped 99 percent of families who qualified for federal assistance receive it, have torn down barriers to put nearly \$400 million in rebuilding dollars in the hands of low-income homeowners, and have reduced the number of blighted homes in the New Orleans metropolitan area by 14 percent since December 2008. At the same time, we are reforming the Housing Authority of New Orleans. All of the “Big Four” public housing complexes are under construction, with hundreds of families having returned to their homes, and we have provided more federally assisted housing in New Orleans than there was before the 2005 hurricanes – some 8,400 affordable homes since taking office.

Indeed, as these efforts suggest, we have begun to change the way HUD does business, as described in detail in the section on Goal 5. We have become much more place-based in the way we collect data and make decisions – delegating decisionmaking to the field wherever possible, and thinking more holistically about how to best connect our work in communities nationwide to the availability of health services, transportation, employment, and educational facilities. Through our Transformation Initiative (TI), we are taking long-overdue steps to upgrade and modernize our Department – helping us replace computer programs written in the 1980s, build the capacity of communities, and demonstrate what works and what doesn’t. TI has also begun to provide us with the flexibility we need to create crosscutting initiatives. We are reforming our hiring process to ensure that we are employing, training, and retaining high quality talent for performing our work and have already reduced the average length of our hiring process by more than 8 weeks, to 79 days. We are creating upward mobility programs to provide opportunities for our dedicated HUD staff and are reviewing HUD rules and reports in order to simplify or eliminate them. HUD’s transformation is a long-term effort, and the activities started in FY 2010 are just the beginning, with much work to be done.

Through all this, we continue to demonstrate our commitment to sound financial management, having obtained a “clean” opinion on our financial statements from independent auditors for the 11th consecutive year with no material weaknesses for the 3rd consecutive year. I can provide reasonable assurance that the performance data in this report is reliable and complete. Any data limitations are documented in the report. The Department’s financial management systems and controls provide reasonable assurance that the objectives of the Federal Managers’ Financial Integrity Act (FMFIA) are being met.

Together with other executive agencies, our Nation’s legislators, and many stakeholders in the housing community, we are reorienting HUD to meet the challenges of the 21st century – and seizing this unique moment in our history to build the strong, sustainable, inclusive communities America needs to succeed in the decades to come.



Shaun Donovan
Secretary