The Office of Housing plays a vital role for the Nation's homebuyers, homeowners, renters, and communities through its nationally administered programs. It includes the Federal Housing Administration (FHA), the largest mortgage insurer in the world, and regulates housing activities within the industry. The Office of Housing, through its FHA insurance programs, plays a countercyclical role in the market, including playing a key role in supporting the Nation's recovery from the COVID-19 pandemic.

HUD’s mission is critical to achieving the President's vision to support underserved communities in improving public health and economic opportunity and addressing longstanding systemic challenges, including racial injustice, rising inequality, and the climate crisis. HUD’s work is essential to improving the quality of life of the American people, and this investment in the Office of Housing’s salaries and expenses is central to ensuring that HUD is able to execute on its responsibility to meet America’s housing needs.

The 2023 President’s Budget requests $488.5 million for the Office of Housing, which is $84.3 million more than the 2022 annualized CR level. The Budget reflects total funding (carryover and new
authority) of $488.5 million, $78.3 million above 2022 total funding. This funding will provide essential resources for staff to effectively manage subsidized and insured properties and protect the housing safety net for millions of families nationwide. The funding will also ensure the Office of Housing will have the capacity to accomplish its mission of providing affordable housing and strengthening the national mortgage insurance market.

**Personnel Services (PS)**

The Office of Housing is requesting $456.1 million to support 2,673 full-time equivalents (FTEs). This Budget represents an increase of $65.1 million and 287 FTEs over the 2022 total funding level. The 2023 Budget provides the funding required to hire and retain critical staff who will be engaged in strengthening and broadening the Federal housing safety net for people in need, advancing housing equity to improve housing choices and greater economic opportunity, and increasing the production of, and access to, affordable housing. The Budget also supports a 4.6 percent Federal pay raise, as well as the hiring of staff for increased demands post COVID-19 pandemic.

The additional FTEs will help to reduce current backlogs due to understaffing which were exacerbated further by the pandemic and conversely generate a reduction of the processing time for FHA multifamily applications, single family claims, asset sales, and contract assignments/transfers. The Office of Housing’s Budget represents increases across the seven internal program and support offices, all of which have specific missions supporting the overall HUD mission of providing affordable housing to underserved communities.

**Multifamily Housing**

The Office of Multifamily Housing (MFH) requires additional FTEs to provide essential staff to effectively manage subsidized and insured properties and to support the overall goal of housing safety and quality. While the vast majority of MFH’s portfolio of over 30,000 properties is in excellent condition, the number of distressed properties has increased as properties have aged, resources available have not fully met capital needs, and pandemic disruptions have affected operations. A support team of field and headquarters staff, alongside regional leadership, will be assembled to support troubled property resolution.

MFH does not currently have the optimal staffing level to address and remedy distressed properties; The Office requires additional resources to enable MFH to implement a surge strategy that will rely on increased external engagement, the deployment of staff, improvement of systems, program changes, and funding for property rehabilitation.

Additional staff will also be utilized in the field to proactively manage MFH’s portfolio through more frequent management and occupancy reviews for HUD-administered properties, and more frequent site visits for troubled and potentially troubled properties. The increased staffing will also assist in improving resident outreach and bettering responses to resident complaints and implementing new affordable housing initiatives.

Additional FTEs will support the Green and Resilient Retrofit Program through management and oversight of the Participating Administrative Entities that will be responsible for program administrative activities such as processing applications and awards for $207.5 million in loans and grants to support green and climate resilient improvements to thousands of affordable housing units.

**Single Family Housing**

To increase homeownership and achieve equity, especially in underserved communities, Single Family requires additional Program Policy Specialists to compose and administer origination and servicing policy. In addition, Housing Specialists, Underwriters and Appraisers are needed to
support condominium examinations, reviews and policy interpretations, conduct post endorsement loan reviews, and to maintain the required appraisal reviews that will help promote equitable and sustainable homeownership across the country. Additional Business and Management Analysts are needed to support FHA’s Information Technology (IT) Modernization project to advance FHA’s transition to digital process using a single platform, aligning with mortgage industry best practices. This modernization effort will open the doors to advanced data and risk analytics, cost-savings and operational efficiencies, and ensuring borrowers receive financing that is sustainable and optimized for long-term homeownership. Analysts will be required to support the FHA Resource Center project which serves as FHA’s main communication vehicle to external partners, providing critical operational, analytical and reporting needs to identify trends and forecast patterns in the insured portfolio. This request for additional staff ensures FHA origination and servicing trends are identified in a timely manner, help to inform risk management activities, and can be utilized to formulate future FHA policy and operational changes when required to mitigate unnecessary risks within the insured portfolio.

Finance and Budget

Finance and Budget (FAB) requests an increase in staffing to support workload requirements in budget, asset sales, accounting, claim payments, and premiums collection processing. The additional personnel will absorb the increase in financial management demands as Housing’s program offices implement new programs and expand existing programs. The increase in staffing will also support the processing of the anticipated increased number of FHA Single Family claims for insurance benefits by FHA-approved lenders, especially in the aftermath of the COVID-19 global pandemic. Finally, additional personnel will be needed to support note sales as a disposition option, to help curtail further losses to the FHA Mortgage Mutual Insurance fund, while increasing non-profit and units of local government participation in notes sales.

Housing Counseling

The Office of Housing Counseling (OHC) is requesting additional FTEs to increase housing counseling services and capacity for prospective homebuyers, families impacted by national disasters, disadvantaged communities, and homeowners and renters trying to avoid foreclosure and eviction. While continuing to meet critical needs, OHC will improve consumer outreach, increase housing counselor training, address previous program audits related to grantee payments, and fulfill other programmatic functions. To support the expansion of agency performance reviews to HUD-Approved Intermediaries, OHC will also address procurement issues and eliminate the need for staff to perform work outside of their respective disciplines.

Healthcare Programs

The Office of Healthcare Programs requires additional FTEs for the Office of Residential Care Facilities (ORCF) to successfully meet current and expected human capital needs in underwriting, closing and servicing loans to mitigate risks. To effectively service the Section 232 portfolio, the number of loans assigned to an Account Executive (AE) for servicing should not exceed 75 loans. Currently, each AE is servicing between 80 and 123 loans. AEs should be servicing a maximum of 30 troubled assets; however, they are servicing up to 50 troubled assets each. The additional FTEs will reduce the average number of loans serviced by each AE by 35 percent, permitting AEs to manage risk more effectively. Similarly, ORCF’s underwriting and closing requirements have substantially increased. COVID-19 is expected to have long-term impacts to healthcare facilities, therefore increasing the complexity of underwriting and closing Section 232 loans. The requested FTEs will reduce the current backlog of applications and prevent creating additional backlog. The Office of Hospital Facilities, in 2021, completed the underwriting of nine hospital loans valued at $1.4 billion. In addition, the staff serviced 88 hospital loans currently in the portfolio valued at approximately $7 billion. Additional FTE support is required for both asset management and
production activity, as increased effort is required to maintain the hospital portfolio in the current health care environment.

Office of Risk Management and Regulatory Affairs

The Office of Risk Management and Regulatory Affairs (ORMRA) requires additional FTEs to support financial, data, credit, and enterprise risk. The current staffing levels create numerous critical personnel dependencies, exposing ORMRA to staff turnover and an inability to respond timely and thoroughly to competing demands. Having an adequate and experienced staff is critical to maintaining and strengthening HUD’s internal institutional capacity to deliver on mission, and the requested FTEs will place the program office in a position to complete this mission successfully. Additionally, the increased staffing will help advance program equity for ORMRA through its service as risk mitigators across program offices. ORMRA will be critical in assisting the Administration by analyzing, modeling, and assessing potential policies that can adequately address FHA’s role in helping the Nation recover from the pandemic.

Non-Personnel Services (NPS)

The Office of Housing is requesting $8 million for Non-Personnel Services (NPS), $3.4 million more than the 2022 total funding level. NPS funding will primarily be allocated for training, travel, and contracts. Increased travel is anticipated in 2023 as travel restrictions are lifted. Training will also increase due to the expanded number of FTEs. The additional funding for travel and training will allow for mandatory certification training, developmental training to improve the efficiency and skills of the workforce, critical travel for inspections, onsite reviews, program compliance and oversight, and portfolio reviews.

Working Capital Fund (WCF)

The Office of Housing is requesting $24.4 million to support the Working Capital Fund (WCF) fees for its use of shared services. The WCF funding level reflects payments for baseline WCF services and the additions of the end-user devices business line, the Printing Services business line, HR platform licensing, and the full cost recovery of FSADD Financial Management expenses. This is a $4.9 million increase from the 2022 annualized CR funding level. This includes $1.6 million in cost of living increases within the current WCF business lines and increased staffing levels planned for HUD offices. It also includes $4.1 million increase for the addition of the ServiceNow and Printing Services business lines.

Information Technology

FHA Catalyst is a critical IT modernization initiative to make FHA systems operationally more efficient and effective for both internal users and external customers. This modernization effort is necessary for FHA to support HUD’s mission and objectives including to promote homeownership, equitable access to credit, and promote wealth building in underrepresented communities. HUD is assuming full funding of FHA Catalyst as part of the 2022 Budget.

Within the IT Fund, the Budget requests $5 million for integrated Real Estate Management System (iREMS) and $1.5 million for Tenant Complaint Customer Relationship Management (CRM).

These two projects will directly support HUD’s Project-Based Rental Assistance (PBRA) program in providing over 1.2 million low-income and very low-income families with decent, safe, and affordable housing:
• **iREMS Modernization:**

**Program Pain Point**
The integrated Real Estate Management System (iREMS) is the primary system for the oversight and asset management of insured and assisted properties in the portfolio of HUD’s Office of Multifamily Housing Programs. General Service Administration, Government Accountability Office, and Multifamily leadership have found that iREMS is vulnerable to unacceptably high risk of data errors from manual input processes, having to use ad hoc tools such as MS Access for reporting, and not interfacing with other systems in real time.

Congressional mandates and Executive Orders that require Multifamily Housing action, such as security, privacy, and records management regulation, energy efficiency programs, FHA pilot programs, and the Rental Assistance Demonstration, are all hampered by an inability to integrate them fully into the Multifamily Housing asset management process in iREMS. Reporting from Asset Management field staff is often inaccurate because of inconsistencies between HEREMS, the underlying source database, and iREMS. Poor quality Housing data continues to increase the risk of HUD failing to meet its monitoring requirements of troubled properties within its portfolio.

**Mission Benefits**
The success of MFH and HUD’s mission is deeply tied to the decision-making done from HEREMS to iREMS data processing. Therefore, ensuring the accuracy, completeness, reliability, and timeliness of this data has broad cross-program implications. An improved HEREMS to iREMS database model will serve as the central data repository for all Multifamily Housing, collecting data from more than 20 systems and integrating data across systems. Improved data and reporting in iREMS will provide essential support to HUD’s efforts to provide decent, safe, and sanitary housing for tenants and to ensure program compliance.

**Target Functionality**
- Increase regulatory compliance on currently non-compliant mandates from privacy, cybersecurity, and records management.
- Increase flexibility in responding to the fast-evolving business requirements of MFH by providing more tools to adapt to the forecasted increase in MFH loan applications.
- Enhance decision-making, ensuring the accuracy, completeness, reliability, and timeliness of iREMS/HEREMS data has broad cross-program benefits.

**Projected Cost Savings**
The existing HEREMS/iREMS data model is outdated, expensive, difficult to maintain, and it is currently failing to meet system requirements. IREMS has an estimated $2 million backlog in development priorities that continues to grow. Improvements in the system would result in a cost benefit as it would support efficiencies in HUD’s asset management and oversight functions.

• **Tenant Complaint CRM System:**

**Program Pain Point**
Multifamily (MFH) Asset Management staff, Performance-Based Contract Administrators (PBCAs), the Multifamily Clearinghouse call center, and Field Program Management (FPM) staff are unable to conduct unified intake, tracking and resolution of tenant feedback related to unsafe and unsanitary property conditions or concerns about exigent health and safety conditions in Multifamily-assisted properties. The various parties maintain multiple systems with disparate rudimentary and uncoordinated logging and tracking of information, which is not conducive to ensuring the issues identified by tenants are addressed swiftly and satisfactorily.

As a result, MFH is substantially limited in its ability to understand, track, and address such complaints without a centralized tracking/response system. The current practice of various entities
within HUD and contractors logging and acting on feedback independently restricts HUD’s ability to manage its property portfolio in a coordinated manner.

Mission Benefits
An integrated tenant complaint logging and tracking system would allow HUD to effectively assess and act upon a wide variety of complaints regarding properties in its portfolio and take a coordinated approach regardless of the point of intake and allow all entities to track and update progress toward resolution in real time. This would allow HUD to both be more responsive to tenants by ensuring the appropriate party follows up and more efficient by avoiding duplicative work on the same issue.

This integrated tenant feedback tracking system will also enable HUD to better understand the overall volume and nature of complaints both at individual properties and across different portions of our portfolio, such as by city, program, or management agent, resulting in increased awareness of conditions and potential issues within the MFH property portfolio.

Target Functionality
- Full integration as a single system for intake and tracking of tenant complaints by MFH Asset Management staff, PBCAs, the Multifamily Clearinghouse call center, and FPM.
- Ability of staff to have real time feedback and reporting on status of tenant complaints and ongoing action tracking and reporting.
- Ability to aggregate instances of tenant feedback within a particular property and across portfolio on an ongoing basis.

Projected Cost Savings
PBCAs and other contractors would not need to invest in standalone system(s). An integrated platform would also reduce duplication of effort across all responsible parties.

Remaining Implementation Costs in Outyears
N/A

For additional information regarding HUD’s IT investments, please see the Information Technology Fund justification.

KEY OPERATIONAL INITIATIVES

The 2023 Budget resubmits the proposal from the 2022 President’s Budget to restructure the Office of Risk Management and Regulatory Affairs (ORMRA) by removing the Office of Manufactured Housing and establishing this Office as a standalone organization reporting directly to the Office of the Assistant Secretary for Housing-FHA Commissioner.

The Office of Manufactured Housing Programs (OMHP) is currently situated in ORMRA, with the OMHP Administrator reporting directly to the Deputy Assistant Secretary for ORMRA. OMHP’s mission is to protect the quality, durability, safety, and affordability of manufactured homes. However, the predominant focus of ORMRA is the unrelated mission to manage FHA credit and operational risk. As a result, OMHP’s secondary and misaligned position often deters prioritization of Secretarial objectives for manufactured housing. As a particularly important and increasingly viable housing option for Americans today, support for and awareness of manufactured housing as a high-quality, affordable homeownership option is absolutely critical to furthering HUD’s mission. Since the inception of the Federal construction regulations mandating minimum construction and safety standards put in place and overseen by HUD since 1976, the design, quality, construction, energy efficiency, and stability of manufactured homes have completely evolved and been transformed into a stable housing product of comparable quality and lifespan to site-built housing, while maintaining affordability. However, government prioritization and support, as well as policy
advances, are still required to further optimize this sector of housing to promote this as a key solution to addressing our Nation’s affordable housing crisis. While manufactured housing serves all sectors of the population, its continued availability and affordability is especially critical for young families, individuals with moderate or low incomes, and elderly households with fixed incomes.

OMHP needs to be more appropriately realigned as a direct reporting office of the Office of the Assistant Secretary for Housing-FHA Commissioner. Restructuring the office to report directly to the FHA Commissioner will open access to much-needed resources (FTEs, hiring priority, travel budget, etc.) that currently are insufficient and unavailable to OMHP due to organizational hierarchy and Departmental procedure. Elevating the office will provide the necessary authority levels required to reform existing processes, reduce obstacles, and streamline improvements necessary to achieve objectives for manufactured housing prioritization. This will also help ensure OMHP is actively engaged in cross-HUD initiatives to support and promote manufactured housing as an affordable housing solution. This proposed office structure allows for more direct collaboration between the Office’s director and the Assistant Secretary as the organization and the Administration works to expand affordable housing options while formulating and guiding policies to protect consumers who reside in manufactured homes. Accordingly, within the Office of Housing-FHA Commissioner, plans are underway for changes in execution and program administration within this office via this requested restructure. The plan will reflect staffing and organizational changes to the program, moving from a component office to reporting directly to the Office of the Assistant Secretary for Housing – FHA Commissioner.