DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Office of Housing

SALARIES AND EXPENSES

(Dollars in Thousands)

	2022*	2023			2024		
	Actuals	Carryover	Enacted	Total	Carry Over	President's Budget	Total
Personnel Services	**$400,415**	**$8,203**	**$431,201**	**$439,404**	**$8,480**	**$470,588**	**$479,068**
Non-Personnel Services							
Travel	1,134	-	2,800	2,800	-	2,800	2,800
Transportation of Things	-	-	-	-	-	-	-
Rent and Utilities	-	-	-	-	-	-	-
Printing	11	-	15	15	-	15	15
Other services/Contracts	1,949	100	2,390	2,490	100	2,390	2,490
Training	1,287	100	2,515	2,615	100	2,515	2,615
Supplies	70	-	80	80	-	80	80
Furniture and Equipment	-	-	-	-	-	-	-
Claims and Indemnities	28	-	-	-	-	-	-
Total, Non-Personnel Services	**$4,479**	**$200**	**$7,800**	**$8,000**	**$200**	**$7,800**	**$8,000**
Working Capital Fund	20,103	1,819	16,553	18,372	766	21,612	22,378
Carryover	10,222	-	9,446	9,446	-	-	-
Grand Total	**$435,219**	**$10,222**	**$465,000**	**$475,222**	**$9,446**	**$500,000**	**$509,446**
FTEs	**2,445**	**48**	**2,523**	**2,571**	**47**	**2,622**	**2,669**

*Includes 2021 Carryover

PROGRAM PURPOSE

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. FHA also played a vital role in assisting homeowners facing financial hardship as result of the COVID-19 pandemic.

HUD's mission is critical to achieving the President's vision to support underserved communities by improving economic opportunities and addressing longstanding systemic challenges. This includes racial injustice, rising inequality, and the climate crisis. HUD's work is essential to improving the quality of life of the American people. 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.

BUDGET OVERVIEW

The 2024 President's Budget requests $500 million for the Office of Housing, which is $35 million more than the 2023 enacted level. The Budget reflects total funding (carryover and new authority) of $509.4 million, $34.2 million above 2023 total funding. The goal of this funding is to provide essential resources for staff to effectively manage subsidized and insured properties and protect the housing safety net for millions of families nationwide, to increase the supply of affordable housing, and to support equitable homeownership and the national mortgage insurance market.

Personnel Services (PS)

The Budget assumes total funding of $479.1 million to support 2,669 full-time equivalents (FTEs). This Budget represents an increase of $39.7 million and 98 FTEs over the 2023 total funding level. The 2024 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 5.2 percent Federal pay raise.

Office of Multifamily Housing: This Budget invests additional FTEs in the Office of Multifamily Housing (MFH) 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 provides high quality affordable housing, the number of potentially troubled properties has increased. HUD's staffing shortage relative to this portfolio reduces the ability to identify property problems and remedy them proactively. Catching property and financial issues early is key to maintaining an affordable housing stock in an acceptable condition while minimizing repair costs.

Increased FTEs within MFH will support a portfolio-wide strategy of external engagement, systems improvement, program changes, and implementation of property rehabilitation funding. Staffing in our regional teams, with support from headquarters, is essential to this approach. If these actions are properly staffed and coordinated, HUD is better able to be a catalyst for change across this portfolio. These actions can reduce service delays in asset management activities as well.

Office of Single-Family Housing: To increase and preserve homeownership and achieve equity, especially in underserved communities, Single Family requires more staff resources. One important area of need is additional Program Policy Specialists to develop and analyze origination, servicing, disposition, and asset management policies. In addition, Housing Specialists, Underwriters, and Appraisers are needed to support condominium examinations, policy interpretations, post-endorsement loan reviews, and required appraisal reviews that will help promote equitable and sustainable homeownership.

Further, additional Business and Management Analysts are needed to support ongoing FHA Information Technology (IT) Modernization project to advance FHA's transition to digital processing using a single platform which aligns with mortgage industry best practices. These additional FTEs would be leveraged to complement the ongoing project management work occurring with OCIO on the FHA Information Technology Modernization project. This modernization effort will open the doors to advanced data and risk analytics, cost-savings, and operational efficiencies, and the ability to provide financing that is sustainable and optimized for long-term homeownership. Analysts also support the FHA Resource Center, which serves as FHA's main communication vehicle to external partners.

Office of Finance and Budget: The Office of Finance and Budget (FAB) requests to maintain its existing staffing level to continue providing essential financial management oversight, accounting, note sales service, claims payment and premium processing, audit oversight, and budgetary formulation and execution services for all of Housing-FHA. This level of staffing will support the management and oversight work within the immediate Office of the Deputy Assistant Secretary for Finance and Budget and FAB's three core offices; The Office of the FHA Comptroller, The Office of Asset Sales, and the Office of Budget and Field Resources.

Office of Operations: The Office of Housing Operations is requesting additional personnel to provide human capital and acquisition support services in support of Housing-FHA's new and expanded programs, both in headquarters and the field. The additional FTEs will support resources and services that are essential for Housing's program offices relating to: human resources (includes personnel, employee labor relations, workforce plans, and training), procurement, strategic management, business process re-engineering and web administration, correspondence, continuity of operations plan (COOP), and environmental support.

Office of Housing Counseling: The Office of Housing Counseling (OHC) is requesting additional FTEs to increase housing counseling services and capacity through oversight, accountability, grant applications, and grant execution. While continuing to meet critical needs, OHC will improve consumer outreach, increase housing counselor training, address previous program audits related to grantee payments, and fulfil other programmatic functions. To support the expansion of Agency performance reviews to HUD-Approved Intermediaries, OHC will also address procurement issues and eliminate the practice of staff performing additional duties that are outside of their assigned offices and program areas of expertise. The office has accommodated an increasing workload through the creation of teams comprised of staff from across the Office of Housing Counseling. The new staffing levels as proposed here and in OHC's restructuring plan will facilitate greater efficiency and specialization in each program office areas of expertise.

Office of Healthcare Programs: The Office of Healthcare Programs requires additional FTE 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, AEs are servicing between 80 and 123 loans per AE. Further, AEs should be servicing a maximum of 30 troubled assets; however, they are presently servicing up to 50 troubled assets each. Similarly, underwriting and closing requirements have substantially increased. In 2022, The Office of Healthcare Programs completed underwriting of eight hospital loans (including interest rate reductions) valued at $310 million and the staff serviced 87 hospital loans currently in the portfolio valued at approximately $6.3 billion.

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 risks associated with 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 mitigator across program offices. ORMRA will be critical in assisting the Administration by analyzing, modeling, and assessing potential policies and risks that relate to FHA's role in helping the Nation recover from the pandemic.

Office of Manufactured Housing: The Office of Manufactured Housing Programs is requesting additional FTE to support the office's increasing role in providing full-scope support for the regulation of manufactured housing standards that cut across several functional areas within HUD and other Federal Agencies, such as the Department of Energy. In addition to expediting standards updates to better accord with rapidly changing industry trends and standards, the new office will take a more expansive role in areas such as zoning, alternative housing products (Accessory Dwelling Unit, Tiny Homes, etc.), energy efficiency compliance and enforcement, and housing finance policy.

Non-Personnel Services (NPS)

The Budget assumes total funding of $8 million for Non-Personnel Services (NPS), which is equal to the 2023 total funding level. The NPS funding will primarily be allocated for training, travel, and contracts. Travel is essential to the accomplishment of Housing's nationwide mission and promise to communities. Training is essential to improve the efficiency and skills of the workforce. Housing strategically allocates funding for training to invest in our current and future workforce by providing mandatory certifications, skill development, and personal empowerment. This results in a more efficient workforce able to adapt to change, maintain all required certifications, communicate effectively, lead by example, and most importantly, meet and exceed the high standard of service required to support our customers and the President's priorities. For Contracts, Housing will maintain its current services. This funding will continue to support the Office of Multifamily Housing's Recapitalization contract.

Working Capital Fund (WCF)

The WCF total funding level is $22.4 million, which is $4 million more than the 2023 total funding level. This level reflects payments for baseline WCF services (including inflationary adjustments and changes in service utilization) and the addition of the End-User Devices, Scanning and Archiving Services business lines.

Information Technology (IT)

Within the IT Fund, the Budget requests $6.8 million to support the FHA Modernization (Single Family Housing), the Tenant Complaint CRM, and the Housing Counseling Network Management System (HCNMS).

<u>FHA Modernization (Single Family Housing) - $3.3 million</u>: HUD is carrying out a multi-year investment called FHA Catalyst that began in 2019 to modernize FHA's infrastructure and bring FHA in line with current industry practices. Loan components are already in production, providing lenders with streamlined electronic processes for the submission of FHA case binders, claims, and data on defaulted mortgages. Through this investment, FHA will continue to strengthen internal controls and mitigate outstanding IT audit findings through technological integrations with other Federal systems. The Office of Housing will further develop its underwriting and valuation analytics tools to improve the process for evaluating loan level data. It will also add functionality to its IT systems to enable more flexible and effective loss mitigation policies and lender oversight.

<u>Tenant Complaint CRM - $1.5 million</u>: HUD does not have a system to enable MFH Asset Management staff, Performance-Based Contract Administrators (PBCAs), the Multifamily Clearinghouse call center, and Field Program Management staff, to conduct unified intake, tracking and resolution of tenant contacts related to unsafe and unsanitary property conditions or exigent health and safety conditions in Multifamily-assisted properties. The various parties maintain multiple systems with uncoordinated logging and tracking of information, which significantly limits MFH's ability to understand, track, and address complaints in a coordinated manner.

<u>Housing Counseling Network Management System (HCNMS) - $2 million</u>: The Housing Counseling Network Management System (HCNMS) investment is critical to reducing program risk and automating manual processes to conduct more than 400 agency performance reviews and over 300 grant awards annually, with funds accountability and new agency application processes. The cloud-based FedRamp certified platform will manage risk, monitor agency performance, and track impact and outcomes across all Housing Counseling initiatives in real or near real-time processing. The system will reduce the risk of non-certified counselors providing counseling services, ensure

client data is secure and protected from unauthorized release, and increase program effectiveness and analysis through peer-to-peer communications with related partners such as FHFA and GSEs.

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

KEY OPERATIONAL INITIATIVES

The Office of Housing has several new initiatives and re-organization requests for 2024. The Office of Housing will support initiatives like the Build America, Buy America (BABA) Act, Climate-Related Financial Risk, Budget Based Rent Increases (BBRI)/Distressed Properties, Resilience and Energy Assistance Loan (REAL), New Green Mortgage Insurance Premium (MIP), as well as several re-organizations that will make Housing more efficient.

The Office of Housing is requesting additional personnel resources for the development and implementation of BABA, which was included in the Infrastructure Investment and Jobs Act (IIJA).

Under the Climate-Related Financial Risk initiative, Housing will develop a plan to continue to support work under the Federal Credit Policy Council's "5c Taskforce," including dedicating one FTE and approximately $200 thousand in NPS for cleaning and sharing data amongst Agencies in a manner which protects Personally Identifiable Information (PII) and allows for more granular analysis, evaluating options to manage climate-related risks suggested by non-Federal actors, and improving coordination with other Agencies to engage with the public.

Office of Multifamily Housing

The BBRIs for at-risk post-Mark-to-Market properties and other Project-Based Rental Assistance (PBRA) properties with health and safety deficiencies will adjust rents at or below market rate based on a current rent comparability assessment. The Distressed Properties Capital Loan Program will provide loans to support the rehabilitation or replacement of an estimated 12 properties, targeting the most distressed PBRA inventory. Programs such as these are some of the ways MFH is addressing the Nation's affordable housing preservation needs and reducing housing inequality and insecurity, and this HUD-assisted housing serves historically marginalized and underserved communities.

MFH also seeks to update its headquarters organization structure to better reflect the current functions of each office, improve reporting, rebalance staff across divisions, simplify support office leadership, and better align field work with headquarters. The Associate Deputy Assistant Secretary (ADAS) for MFH supervises five Regional Directors in the field and six Directors for headquarters support offices. This request also includes a plan to reorganize MFH's Asset Management and Portfolio Oversight branches to deliver improved oversight of strategic initiatives and to rename branches to identify their purposes more clearly. The proposed improvements define the programs in their mission and highlight the intended goals. No additional resources are needed to support the reorganization plans.

Office of Recapitalization

The Office of Housing, Multifamily Housing Programs, Office of Recapitalization is proposing a reorganization primarily to accommodate new business needs resulting from the Green and Resilient Retrofit Program (GRRP). This proposed reorganization would establish a staffing and management infrastructure to oversee this work through a new Multifamily Investments Division. In addition, the reorganization would make minor adjustments to the existing office structure to organize existing functions and divisional responsibilities more effectively.

GRRP was funded through the Inflation Reduction Act of 2022 at $1 billion in appropriations, with up to $4 billion in loan authority. The GRRP will fund retrofit transactions in certain multifamily apartment communities in HUD's portfolio. The GRRP implementation will require HUD staff to review and rank applicants for participation, evaluate proposed investments and proposed transactions, administer fund obligations and disbursements, and conduct post-award monitoring and program close-out. Many of the award recipients will likely propose complex financial transactions to leverage the GRRP funding, which HUD staff will need to review and underwrite. The Office of Recapitalization will rely on both contract services and staffing to effectively carry out the anticipated work volume.

Office of Healthcare Programs

The New Green Mortgage Insurance Premium (MIP) Initiative for residential care facilities offers lower premiums for properties whose owners make environmental upgrades to the facilities and maintain those standards throughout the mortgage. This program seeks to incentivize improvements that reduce energy and water usage and greenhouse gas emissions in support of the Administration's climate objectives. This initiative will not only require the underwriting of loans for soundness, but environmental criteria submissions will need to be reviewed as well.

Office of Housing Counseling

The Office of Housing Counseling's (OHC) proposed staff realignment will transition the program from its initial startup operational model that relied on workload sharing and teams comprised of staff across all OHC offices to a new, data-driven model, with a state-of-the-art program management system that meets program needs moving forward.

This realignment will ensure that staff are reporting against strategic plan goals and outcomes, mitigating risk and setting the foundation for the next decade of growth. It will also support high impact housing counseling that embraces emerging technologies, leverages public and private partnerships, and enhances the role of HUD Certified Housing Counselors in real estate and housing finance. In addition, OHC proposes to update its current structure to add branches within the current divisions to better align staff and demonstrate a more clearly defined reporting structure. Finally, OHC proposes to add the Office of Policy and Grant Administration Division, which will be focused on grant administration and timely grantee utilization. Adding this division will better align the Office of Policy and Grants Administration with OHC's operating structure and provide the additional support needed to implement new policy initiatives.

Office of Finance and Budget

The Office of Finance and Budget (FAB) is proposing to conduct an office reorganization in 2024 to eliminate one vacant division and one branch: The Analysis and Reporting Division under the Office of Budget and Field Resources and the Audit Tracking Branch that currently reports to the Financial Reporting Division under the Office of the FHA Comptroller. The functions previously performed by both areas are embedded in the daily functions of other accounting and budget areas within FAB, making these two organizations redundant.

Office of Risk Management and Regulatory Affairs

With the separation of the Office of Manufactured Housing Programs (OMHP) from the Office of Risk Management and Regulatory Affairs (ORMRA) in 2022, there is an opportunity to make several important changes to the ORMRA organizational structure.

<u>Name Change:</u> The Office of Risk Management and Regulatory Affairs (ORMRA) should be renamed simply as the Office of Risk Management (ORM), as there is no longer a regulatory function following the departure of the OMHP. Separately, and related to the Office Consolidation step noted below, the name of the Office of Evaluation (OE) should be changed to the Office of Credit Risk Management (OCRM).

<u>Divisional Formation:</u> While ORMRA was statutorily defined when it was established in 2010, the functional unit currently operating as the "Office of Risk Management" was never officially established. Additionally, the scope of work of the unit is considerably more akin to that of a division rather than an office. As a result, this functional unit should be formally established and named the "Commercial Loan Analysis Division." This new division will become a part of the newly renamed Office of Credit Risk Management discussed above.

<u>Office Consolidation:</u> ORMRA's primary risk management function is related to identifying and mitigating risks to the Mutual Mortgage Insurance Fund (MMIF) for the single-family loan portfolio and the General Insurance/Special Risk Insurance (GI/SRI) Fund for the commercial loan (Multifamily and Healthcare) portfolios. As a result of the analogous credit risk functions, the Budget proposes to move the existing Portfolio Analysis Division and the newly formed Commercial Loan Analysis Division under the Office of Evaluation (renamed "Office of Credit Risk Management" as stated above).

Office of Manufactured Housing Programs

The Office of Manufactured Housing Programs (OMHP) requests a structure change to the organization to support functions of the office that would be reorganized into three workstream divisions. Each division would have a Division Director and would report to the Deputy Administrator.

- The Standards and Regulations Division would oversee certain aspects of current state work as well as expanded activity that includes expediting rulemaking, innovative housing work, and zoning related initiatives.
- The Compliance and Enforcement Division would have responsibilities related to compliance monitoring and enforcement, as well as expanded duties that include energy efficiency oversight and collaboration.
- The Manufactured Housing Finance Policy Division would have responsibilities that include advising and contributing to analysis and decision-making regarding financing programs and policies for Manufactured Housing, including helping to develop new financing strategies to facilitate the construction and acquisition of more energy-efficient manufactured homes, pursuing modernization and automation of chattel loans, exploring Ginnie Mae loan securitization for FHA Title I loans, and working with the Single-Family Credit Risk Committee on issues related to manufactured housing to minimize risk to HUD and taxpayers.