FHA

FEDERAL HOUSING ADMINISTRATION

Annual Management Report

FISCAL YEAR 2022

This Annual Management Report (AMR) for the fiscal year ending September 30, 2022, provides the Federal Housing Administration's (FHA) financial and summary performance information in accordance with OMB Circular A-136, Financial Reporting Requirements.

THIS REPORT IS DIVIDED INTO THREE SECTIONS:

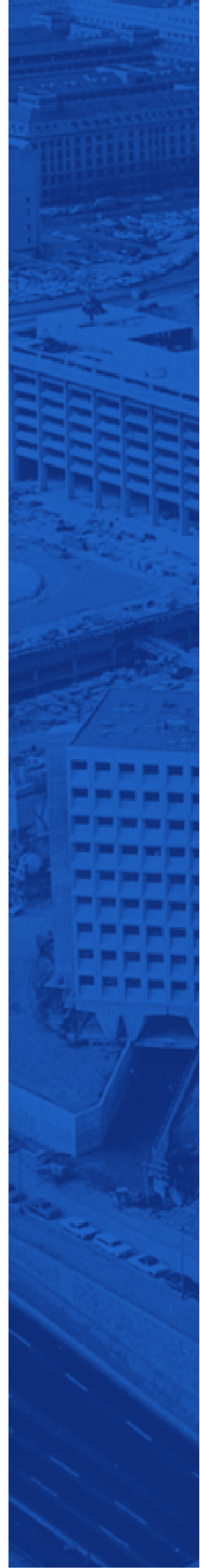
Management's Discussion and Analysis (MD&A) defines the organization's mission, program activities, performance goals and objectives, and includes management's assurances regarding compliance with relevant federal financial management and accounting standards, regulations, circulars, bulletins, financial management manuals, and other applicable laws, regulations and legislation. This section also includes, a Message from the Assistant Secretary for Housing and Federal Housing Commissioner, highlights and achievements for the current fiscal year, and challenges and opportunities in the coming year.

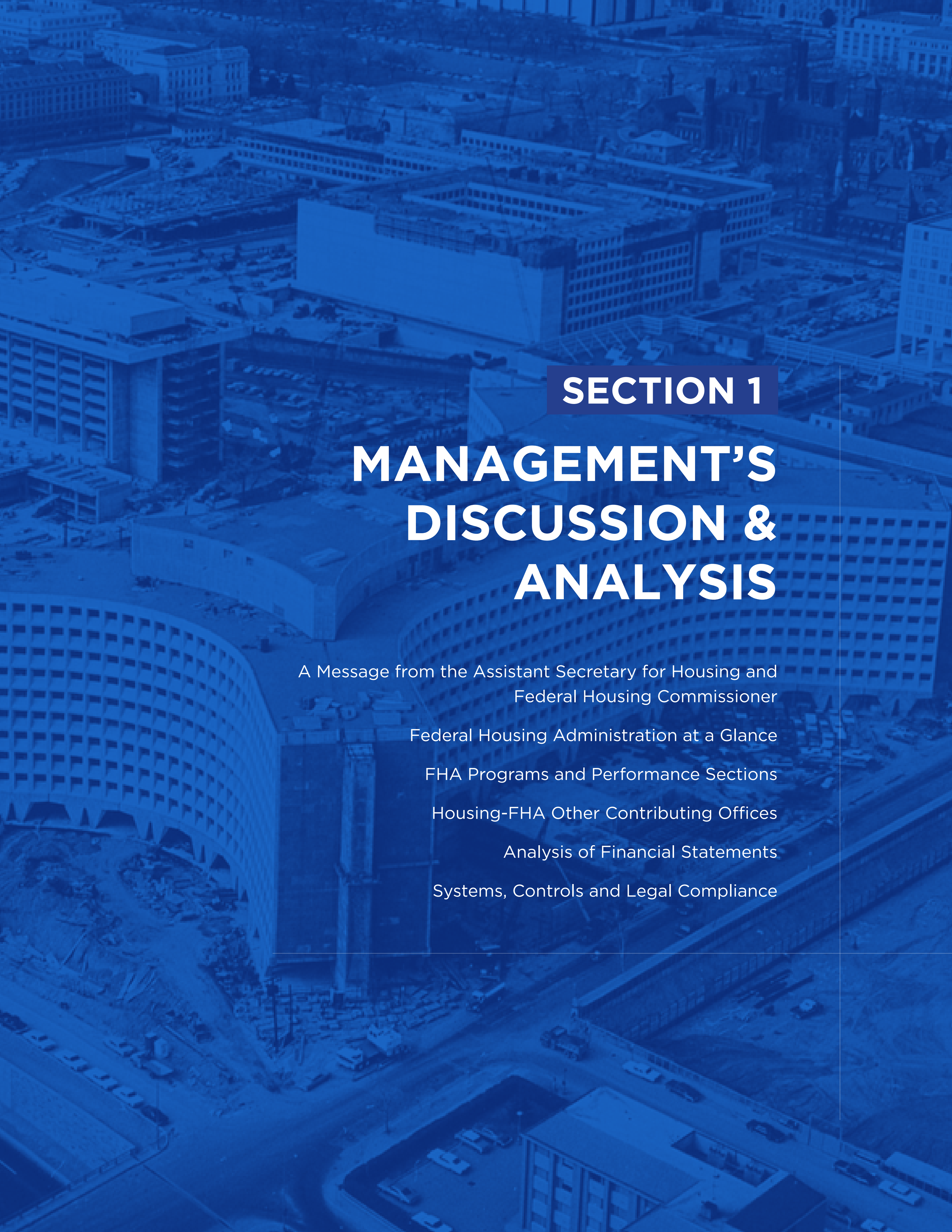
Principal Financial Statements include the following: Balance Sheet; Statement of Net Cost; Statement of Net Position; and Statement of Budgetary Resources; as well as the Notes to the principal financial statements.

Auditor's Report on FHA's fiscal year 2022 financial statements, internal controls, and compliance with laws and regulations.

FHA's AMR is available on the following website:
https://www.hud.gov/sites/dfiles/Housing/documents/FHAFY2022ANNUALMGMNTRPT.PDF
FHA welcomes feedback on the form and content of this report.

TABLE of CONTENTS





SECTION 1

MANAGEMENT'S DISCUSSION & ANALYSIS

A MESSAGE FROM THE ASSISTANT SECRETARY

FOR HOUSING AND FEDERAL HOUSING COMMISSIONER NOVEMBER 16, 2022

Julia R. Gordon

Assistant Secretary for Housing and Federal Housing Commissioner

Office of Housing and the Federal Housing Administration

The Federal Housing Administration (FHA) is uniquely positioned to help the nation address the great housing challenges of our time. FHA programs increase housing supply and affordability, remove long-standing barriers to homeownership, and support housing types that promote greater opportunities for financial success and wealth building.

Throughout the pages of this report, we detail the many ways in which FHA has stepped up to these challenges throughout the past fiscal year. As in past years, FHA continued to support more first-time homebuyers and borrowers of color by share of its total insurance endorsements than any other market participant, insuring just over one million single family forward and reverse mortgages in fiscal year 2022. FHA's Multifamily program had its second strongest year ever in creating and preserving affordable rental homes, adding more than 1,000 multifamily property mortgages to its insured portfolio for a total of 10,500 mortgages on properties that are home to 1.3 million households. Multifamily assisted housing programs helped millions of low-income renters, including seniors and persons with disabilities, to obtain and maintain housing stability. Additionally, FHA made mortgage insurance commitments this past fiscal year for more than 280 residential care and hospital facility mortgages, enabling continued access to healthcare in communities nationwide while also supporting job creation and the return of millions of dollars in economic impact to the surrounding regions.

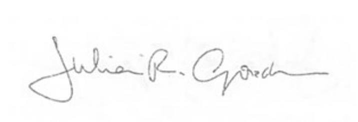
Equally important, during the first two years of the pandemic, FHA helped almost two million homeowners stay in their homes at a time when doing so was critical to their health and well-being. This past fiscal year alone, FHA loss mitigation options helped more than 776,000 homeowners keep their homes, the majority of which received loss mitigation home retention options that will allow them to return to sustainable monthly mortgage payments. To support multifamily assisted housing property owners in protecting residents and staff, FHA provided more than $24.4 million in COVID-19 Supplemental Payment (CSP) funding as of September 30, 2022.

Many other programs within the Office of Housing also support FHA’s work. For example, our Office of Housing Counseling provided more than $88 million in grant funding to HUD-approved housing counseling agencies this past fiscal year, enabling them to serve more than 900,000 clients. And, helped by the efforts of our Office of Manufactured Housing Programs, manufactured housing production through July 2022 increased by 11.7 percent over the previous year, increasing the available stock of this important affordable housing option.

Strong insurance funds remain the backstop for this work. As of September 30, 2022, the overall capital ratio of FHA’s Mutual Mortgage Insurance Fund stood at 11.11 percent. As detailed in the Principal Financial Statements contained in this report, the General Risk/Special Risk Insurance Funds returned $4.3 billion to the U.S. Treasury. While the stability of our insurance funds and our program results for fiscal year 2022 are impressive, we know that we have more work to do in both our existing programs and new initiatives to continue meeting the nation’s housing needs. These include the continued expansion of our Multifamily risk-sharing program with the Federal Finance Bank to increase the number of new affordable rental homes available throughout the country, and facilitating the availability of credit for buyers of lower-priced homes and homes that require rehabilitation. FHA also hopes to complete updates to the Manufactured Housing Construction and Safety Standards that will permit modern home designs and features desired by consumers while improving the FHA financing programs used to acquire them.

My goal for FHA and the other Office of Housing programs is to continue to offer leadership and stability to the housing system in the coming year and beyond as we face new challenges and seek new opportunities.

Sincerely,



Julia R. Gordon

Assistant Secretary for Housing
and Federal Housing Commissioner

FEDERAL HOUSING ADMINISTRATION AT A GLANCE

The Federal Housing Administration (FHA) was established under the National Housing Act of 1934. Headquartered in Washington, D.C., with field offices throughout the United States, FHA was integrated into the United States Department of Housing and Urban Development (HUD) in 1965.

FHA is one of the largest providers of mortgage insurance in the world. Since its inception, FHA has insured over 53.7 million Single Family and 71,449 Multifamily and Healthcare Facility mortgages.

FHA provides mortgage insurance for mortgages financed by its approved lenders throughout the United States and its territories. These mortgages are backed by the full faith and credit of the U.S. Government. This guarantee of payment in the event of default enables lenders to provide financing to eligible borrowers who may not otherwise have access to mortgage credit. FHA collects upfront mortgage insurance premiums at the time of loan origination as well as monthly insurance premiums during the life of the loan and uses these premiums to pay mortgage insurance claims when necessary. FHA maintains a strong and balanced financial management strategy to pursue its mission to serve homebuyers, renters, and communities while also considering risk to its insurance funds.

Over the course of its history, FHA has served a critical role in the U.S. housing market: serving millions of first-time, minority, and low-to-moderate income homebuyers; providing safe and affordable rental housing; supporting access to quality healthcare; and providing relief to individuals and families affected by disasters.

ORGANIZATIONAL STRUCTURE

FHA is part of HUD's Office of Housing and is led by the Assistant Secretary for Housing and Federal Housing Commissioner, who is responsible for ensuring effective execution of its programs and policies.

Within the Office, several core programs and support offices, depicted below, play a key role in administering these programs and providing financial management and accountability.

FHA administers mortgage insurance programs through its Single Family, Multifamily and Healthcare Program Offices. The Office of Housing Counseling supports FHA in achieving its mission by sustaining a network of HUD-approved Housing Counseling Agencies.

The Office of Risk Management and Regulatory Affairs also provides critical support to FHA. It measures, monitors, and manages operational and credit risk to ensure FHA is achieving its strategic objectives. Another important function is fulfilled by the Office of Manufactured Housing Programs which establishes federal standards for the design and construction of manufactured homes, regulates installation standards, and administers a dispute resolution program established to protect the health and safety of manufactured homeowners and occupants.

The Office of Finance and Budget (FAB) is responsible for the Office's financial activities, which include financial management; budget formulation and execution activities; and the overall integrity of FHA's financial systems and accounting records.

FAB also prepares consolidated annual financial statements and the Annual Management Report and oversees the competitive sale and disposition of mortgage notes.

Finally, the Office of Housing Operations supports all office divisions with a variety of services, including contracting and procurement.

OFFICE OF HOUSING ORGANIZATIONAL CHART

FHA'S INSURANCE FUNDS

FHA programs operate primarily through two insurance funds, the Mutual Mortgage Insurance Fund (MMIF) and the General and Special Risk Insurance (GI/SRI) Fund:

- The MMIF comprises FHA's Single Family forward mortgage business and its Home Equity Conversion Mortgage (reverse mortgage) portfolio for endorsements in fiscal year (FY) 2009 and later.
- The GI/SRI Fund comprises Multifamily insurance programs, Healthcare facility programs, pre-2009 Home Equity Conversion Mortgages, and Single Family Title I Manufactured Housing and Property Improvement programs.

THE MUTUAL MORTGAGE INSURANCE FUND CAPITAL RATIO

In the National Affordable Housing Act of 1990, Congress introduced a capital ratio requirement for gauging the financial status of FHA's MMIF (12 USC 1711(f)(4)). The MMIF's capital ratio compares the "MMI Capital"[1] of the MMIF to the dollar balance of active, insured loans, at a point in time. MMI Capital is defined as a net asset position, where the present value of expected future revenues and net claim expenses is added to current balance sheet positions. The capital ratio computation presented below combines the MMIF's actual capital resources as of September 30, 2022 with the net present value of future cash flows from outstanding books of business.

The capital resources of the MMIF are separated into two types of accounts: a financing account and a capital reserve account. Funds in the financing account cover expected losses over the life of each insurance cohort, while capital reserve balances are accumulated for unanticipated losses.

In FY 2022, the MMIF's MMI Capital increased from $100.48 billion for FY 2021 to $141.70 billion for FY 2022. Similarly, the capital ratio increased from 8.03 percent to 11.11 percent between the end of FY 2021 and the end of FY 2022. The MMIF's MMI Capital has increased by $106.9 billion since FY 2018. The MMIF's capital ratio similarly increased by 8.35 percent over that time, from 2.76 percent to 11.11[2] percent.

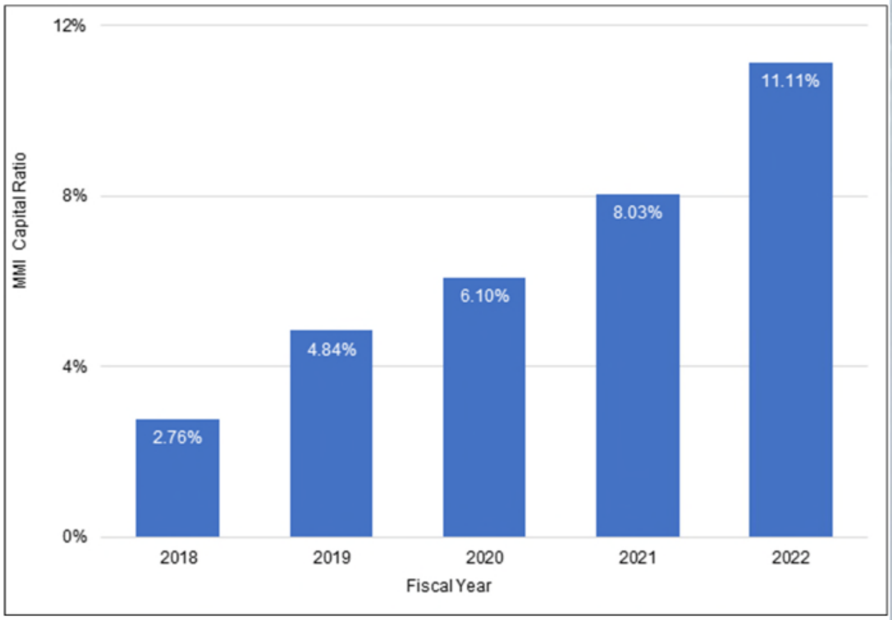
The portfolio valuation underlying the statutory capital ratio calculation is performed by independent consultants, using FHA data, and applying the economic assumptions from the FY 2022 President's Economic Assumptions. That valuation is subject to uncertainty both from future economic conditions and from borrower behavioral patterns that could vary from underlying assumptions built into forecasting equations. FHA performed its own internal risk evaluation with the assistance of independent contractors throughout FY 2022. As required by law, FHA also engaged an independent actuarial firm to produce an

[1] The term "MMI Capital" means Economic Net Worth of the Mutual Mortgage Insurance Fund, as determined by the Secretary under the annual audit required under section 1735f-16 of this title. The new terminology is more consistent with industry standards, as the MMI Fund Capital Ratio can now be expressed as MMI Capital/IIF.

[2] The MMI Fund Capital Ratio includes the standalone Capital Ratios for the forward and HECM reverse mortgage programs. In the past, the $1.7 billion mandatory appropriation that was taken in FY 2013 was not attributed to either the forward or HECM portfolios. This year, the $1.7 billion mandatory appropriation is permanently attributed to the HECM portfolio.

independent estimate of the net present value (NPV) of the future cash flows from the MMIF's current book of business. For FY 2022, the Independent Actuary concluded that FHA's Cash Flow NPV is reasonable and within a reasonable range of Actuarial Estimates. The Independent Actuary's Cash Flow Net Present Value (Cash Flow NPV) estimates for the Forward mortgage and Home Equity Conversion Mortgage (HECM) portfolio combined total $50.41 billion, versus the $43.26 billion FHA baseline estimate. The difference between the two estimates of $7.15 billion is 0.56 percent of Insurance in Force.

MMI Fund Capital Ratio FY 2018-2022



SOURCE: U.S. Department HUD/FHA, October 2022

As we emerge from the COVID-19 pandemic, the Federal Housing Administration (FHA) remained an active critical player in the American housing finance system, providing stability for homeowners in crisis, while also ensuring continued access to credit to expand first-time homeownership opportunities. Through a number of policy actions, including forbearance extensions and streamlined loss mitigation options, FHA continued to provide meaningful relief to homeowners with FHA-insured mortgages who faced financial challenges.

MMI Fund valuations for FY 2022 benefit from the continued increases in House Price Appreciation (HPA).

However, certain emerging economic trends could adversely affect performance in the coming years. Rising inflation could negatively impact HPA growth in the near term. The Consumer Price Index has been at least

8 percent since the second quarter of FY 2022, an elevation that has prompted the Federal Reserve to execute a series of 75 basis point increases to short term rates throughout the year.

The rate increases have generated market concerns that the Federal Reserve's efforts could trigger a recession. For example, some of the nation's largest depository institutions recently bolstered their reserves to guard against future loan losses, a sign of concern that elevated inflation, rising interest rates and the possibility of higher unemployment in the future could stress borrowers' ability to pay.

Federal Reserve rate increases resulted in sharply higher mortgage rates in 2022. Mortgage rates began FY 2022 around 3 percent, but then began a rapid rise starting January 2022, exceeding 6 percent for much of the month of September. Consequently, the rise in mortgage rates had the impact of quickly cooling what had otherwise been a very strong housing market.

HPA also was impacted by the rapid rise in mortgage rates. Average HPA nationwide peaked during the first six months of 2022. Black Knight [3] reported a combined negative 2.6 percent HPA for the last three months of FY 2022. Despite the abrupt reversal in HPA that occurred over the summer, most housing analysts project positive year-over-year HPA for calendar year 2022 followed by flat growth through 2023.

For more information about the Mutual Mortgage Insurance Fund, risk characteristics and drivers of financial results, access *FHA's Annual Report to Congress Regarding the Financial Status of the Mutual Mortgage Fund for Fiscal Year 2022* at:

https://www.hud.gov/fhammifrpt

[3] https://investor.blackknightinc.com/press-releases/news-details/2022/Black-Knight-Mortgage-Holders-Lose-1.3-Trillion-in-Equity-in-Q3-as-Price-Correction-Continues-Nationally-Homes-Shed-2.6-of-Value-Over-Past-Three-Months/default.aspx

PERFORMANCE GOALS AND OBJECTIVES

HUD STRATEGIC PLAN

The Government Performance and Results Modernization Act (GPRAMA) requires that Federal agencies develop multi-year strategic plans that include program goals and performance measures, the results of which are reported to the public. The FY 2022-2026 HUD Strategic Plan lays out the Administration's strategy to support people and their lived experiences, focusing on five strategic goals and corresponding objectives. Overarching priorities to increase equity and improve customer experience provide an overlay over each goal as core elements to which HUD has committed. In addition to the four-year strategic plan, GPRAMA requires agencies to complete annual performance plans, which detail how agencies will meet and measure their strategic goals, which are defined below.

Strategic Goal 1: Support Underserved Communities

Fortify support for underserved communities and support equitable community development for all people.

> **Strategic Objective 1A: Advance Housing Justice**
>
> Fortify support for vulnerable populations, underserved communities, and Fair Housing enforcement.
>
> **Strategic Objective 1B: Reduce Homelessness**[4]
>
> Strengthen Federal, State, Tribal, and community implementation of the Housing First approach to reducing the prevalence of homelessness, with the ultimate goal of ending homelessness.
>
> **Strategic Objective 1C: Invest in the Success of Communities**
>
> Promote equitable community development that generates wealth-building for underserved communities, particularly for communities of color.

Strategic Goal 2: Ensure Access to and Increase the Production of Affordable Housing

Ensure housing demand is matched by adequate production of new homes and equitable access to housing opportunities for all people.

> **Strategic Objective 2A: Increase the Supply of Housing**
>
> Enhance HUD's programs that increase the production and supply of housing across the country.
>
> **Strategic Objective 2B: Improve Rental Assistance**[5]
>
> Improve rental assistance to address the need for affordable housing.

[4] ✪ Indicates this objective has an Agency Priority Goal (APG) as follows: "By September 30, 2023, make homelessness rare, brief, and non-recurring by reducing the number of people experiencing homelessness by 15% from 2020 levels."

[5] ✪ Indicates this objective has an APG as follows: "By September 30, 2023, maximize the reach of HUD's rental assistance programs by increasing the occupancy rates to 96% in the Public and Multifamily Housing programs and the budget utilization rate to 100% in the Housing Choice Voucher program."

Strategic Goal 3: Promote Homeownership

Promote homeownership opportunities, equitable access to credit for purchase and improvements, and wealth-building in underserved communities.

Strategic Objective 3A: Advance Sustainable Homeownership[6]

Advance the deployment of tools and capital that put sustainable homeownership within reach.

***Major Initiative*: Expand Homeownership Opportunities**

Promote financing for innovative ownership models to increase the availability of affordable housing.

Strategic Objective 3B: Create a More Accessible and Inclusive Housing Finance System

Advance new policy, programs, and modernization initiatives that support a more equitable housing finance system. Promote the preservation and creation of affordable housing stock.

Strategic Goal 4: Advance Sustainable Communities

Advance sustainable communities by strengthening climate resilience and energy efficiency, promoting environmental justice, and recognizing housing's role as essential to health.

Strategic Objective 4A: Guide Investment in Climate Resilience

Invest in climate resilience, energy efficiency, and renewable energy across HUD programs.

Strategic Objective 4B: Strengthen Environmental Justice[7]

Reduce exposure to health risks, environmental hazards, and substandard housing, especially for low-income households and communities of color.

Strategic Objective 4C: Integrate Healthcare and Housing

Advance policies that recognize housing's role as essential to health.

Strategic Goal 5: Strengthen HUD's Internal Capacity.

Strengthen HUD's internal capacity and efficiency to ensure better delivery of HUD's mission.

Strategic Objective 5A: Enable the HUD Workforce

Enable the HUD workforce through hiring, training, opportunities for growth, and promoting a more engaged and inclusive work environment.

Strategic Objective 5B: Improve Acquisition Management

Identify, procure, and execute acquisition management

[6] ✪ Indicates this objective has an APG as follows: "HUD will maximize homeownership for creditworthy first-time homebuyers and preserve homeownership for existing homeowners. By September 30, 2023, HUD will maintain a first-time homebuyer rate of at least 80% for newly endorsed FHA-insured purchase mortgages and a re-default rate for seriously delinquent homeowners who received a loss mitigation action that is below 30%."

[7] ✪ Indicates this objective has an APG as follows: "By September 30, 2023, protect families from lead-based paint and other health hazards by making an additional 20,000 units of at-risk housing units healthy and lead-safe."

Strategic Objective 5C: Strengthen Information Technology

Strengthen information technology, cybersecurity, and data management.

Strategic Objective 5D: Enhance Financial and Grants Management

Provide sound financial and grants management.

Strategic Objective 5E: Improve Ease, Effectiveness, and Trust in HUD Services

Institutionalize customer experience (CX) management and elevate the customer perspective across HUD.

PERFORMANCE REPORTING

Performance reporting of targets and achievements as of September 30, 2022, will be reported in HUD's FY 2022 Annual Performance Report (APR)/FY 2024 APP. The FY 2022 APR/FY 2024 APP is expected to be published in February 2023, and will be available on the following website:

https://www.hud.gov/program_offices/spm/pmd

NOTE ON FORWARD-LOOKING INFORMATION

Information contained in this document is considered "forward-looking" as defined by the Federal Accounting Standards Advisory Board's (FASAB) Statement of Federal Financial Accounting Standards (SFFAS) No. 15, "Management's Discussion and Analysis," and Statement of Federal Financial Accounting Concepts (SFFAC) No. 3, "Management's Discussion and Analysis Concepts." While the agency does have reasonably reliable processes, procedures, and systems to collect performance data and their supporting attributes, there are inherent limitations to the completeness and reliability of performance information. Such forward-looking information includes estimates and is subject to risks and uncertainties that could cause actual results to differ materially from the estimates used in the document. Additionally, economic and legislative factors outside of FHA's control could affect its ability to influence key performance goals.

OFFICE *of* SINGLE FAMILY HOUSING PROGRAMS

OVERVIEW

The Office of Single Family Housing (SFH) supports affordable homeownership and refinancing opportunities for qualified borrowers through its Single Family mortgage insurance programs. The FHA's Single Family mortgage insurance programs protect mortgage lenders against losses from default, encouraging lenders to provide mortgage financing to eligible homebuyers who might not otherwise qualify for credit, including first-time and low-to-moderate income homebuyers and individuals and families of color. Historically, more than 80 percent of the purchase transaction mortgages FHA insures annually are for first-time homebuyers.

FHA's Single Family insurance endorsement program is managed through the Mutual Mortgage Insurance Fund (MMIF). The MMIF is funded through the collection of two types of mortgage insurance premiums: up-front mortgage insurance premiums charged to borrowers for each FHA-insured mortgage at endorsement; and ongoing monthly insurance premiums that lenders collect from borrowers and remit to FHA.

The National Housing Act (the Act) requires FHA to set Single Family forward mortgage limits at 115 percent of median house prices, subject to a floor and a ceiling on the limits. In accordance with the Act, FHA's forward mortgage limits are set by Metropolitan Statistical Area and county. In calendar year 2022, the loan limit floor for a forward mortgage on an FHA-insured, one-unit, property in a low-cost area was $420,680 and the loan limit ceiling in a high-cost area was $970,800. There is a higher loan limit ceiling in Alaska, Hawaii, Guam, and the U.S. Virgin Islands.

Julienne Y. Joseph

Deputy Assistant Secretary
Office of Single Family Housing Programs

FHA continues to lead the way in helping individuals and families achieve their dream of homeownership by providing access to mortgage credit to those with low-to-moderate income, particularly from communities of color, and other underserved communities. In addition to issuing policies for potential homebuyers, we continue to navigate the COVID-19 pandemic and provide solutions that support homeowners who may be in financial distress. In FY 2022, we provided loss mitigation options for mortgage servicers to help 776,644 homeowners avoid foreclosure. FHA also remains committed to program participants by developing policies and programs that make it easier for lenders, servicers, and other stakeholders to conduct business with us.

FY 2022 PORTFOLIO & PERFORMANCE HIGHLIGHTS

Insured 982,202 Single Family forward mortgages with a Mortgage Amount totaling $255.5 billion.

Insured 64,437 Home Equity Conversion Mortgages (HECM) with a Maximum Claim Amount totaling $32.1 billion.

As of September 30, 2022, FHA had active insurance on 7,263,194 single family forward mortgages for a total of $1.21 trillion, and 395,853 Home Equity Conversion (reverse) mortgages for a total of $129.9 billion.

578,675 first-time homebuyers served, representing 83.5% of total forward purchase mortgage endorsements.

255,923 minority borrowers, representing 28.5% of the forward purchase mortgage endorsements.

$260,000 was the average loan amount for all FHA forward mortgages in FY 2022.

SINGLE FAMILY HOUSING PROGRAMS DIVISION STRUCTURE

Headquartered in Washington, D.C., SFH comprises the Office of the Deputy Assistant Secretary and three headquarters-based Program Offices:

- Office of Single Family Program Development is responsible for the development and implementation of all SFH policies, program guidelines, standards, and operating procedures for FHA's Single Family Title II mortgage insurance programs from origination through endorsement, as well as all polices, standards and procedures for Title I mortgage insurance programs. It also is responsible for the development and oversight of SFH employee and external stakeholder communications, marketing, outreach, and training that supports these efforts.
- Office of Single Family Asset Management is responsible for the development and implementation of policies for mortgage servicing, claims, and property disposition to help FHA assist homeowners avoid foreclosure whenever possible while mitigating losses to the MMIF. The Office is also responsible for oversight and servicing of the Single Family Secretary-held portfolio. The Office includes the FHA National Servicing Center with locations in Oklahoma City and Tulsa, Oklahoma.
- Office of Lender Activities and Program Compliance is responsible for administering various risk management activities. The Office evaluates and approves lenders to participate in FHA's Single Family, Multifamily, and Title I programs; assesses lenders' performance, internal controls and compliance with underwriting and servicing requirements in SFH mortgage programs; and initiates enforcement actions when appropriate.

SFH also has four regional Homeownership Centers (HOCs) located in: Atlanta, GA; Denver, CO; Philadelphia, PA; and Santa Ana, CA. The HOCs are responsible for all Single Family mortgage insurance operations, disposition of HUD's Real Estate Owned inventory, oversight and compliance, and training and outreach in their designated geographic area.

INSURANCE PROGRAMS

FHA insures mortgages for one-to-four-unit single family residential properties through its Title II forward and reverse mortgage programs. Through the Title I mortgage insurance program, FHA insures loans for manufactured homes titled as personal property and for property improvement.

TITLE II FORWARD MORTGAGE PROGRAMS:

Single Family Title II forward mortgage insurance programs include:

- Section 203(b): Mortgage Insurance for One-to-Four-Unit Homes: This is FHA's core program, which insures mortgages made by lending institutions with loan terms up to 30 years for new or existing residences, including manufactured homes classified as real property and individual condominium units.
- Section 203(k) Rehabilitation Mortgage Insurance Program: Section 203(k) insurance enables homebuyers and homeowners to finance both the purchase or refinancing of an existing home and the cost of its rehabilitation through a single mortgage.

FHA offers additional Title II forward mortgage insurance programs as well. A complete list of programs can be found on the Single Family Housing pages on HUD.gov at:

https://www.hud.gov/program_offices/housing/sfh

TITLE II REVERSE MORTGAGE PROGRAM:

- Section 255: Home Equity Conversion Mortgage (HECM): FHA's HECM (or reverse mortgage) program enables senior homeowners aged 62 or older to withdraw a portion of the equity from their home without any corresponding periodic requirement to repay amounts borrowed, provided they meet various occupancy, property ownership, and financial requirements. The principal borrowed, along with interest, mortgage insurance premiums, and servicing fees, are added to the mortgage balance over time. HECM borrowers remain responsible for the payment of taxes, insurance, and other assessments.

TITLE I INSURANCE ENDORSEMENT PROGRAMS:

- Manufactured Home Loan Program: The Title I Manufactured Home Loan Program primarily provides insurance on loans to borrowers for the purchase of manufactured homes titled as personal property.
- Home Improvement Loan Program: The Title I Home Improvement Loan Program provides insurance on property improvement loans to finance alterations, repairs, and improvements to a home, including manufactured homes, or to finance a nonresidential structure located on the property.

FY 2022 PORTFOLIO AND PERFORMANCE ACCOMPLISHMENTS

In FY 2022, FHA insured 982,202 Single Family forward mortgages for a total mortgage amount of $255.5 billion. FHA insured 64,437 HECMs, with a Maximum Claim Amount of $32.1 billion. Table 1 below provides an overview of key components of FHA's Single Family insurance portfolio profile in FY 2020 through FY 2022.

TABLE 1 - FHA'S SINGLE FAMILY INSURANCE PORTFOLIO PROFILE

Single Family FHA Portfolio	FY 2020*	FY 2021*	FY 2022*
Total Forward Endorsements (purchase and refinance)	**1,333,151**	**1,432,866**	**982,202**
Total 203(b)	***1,325,493***	***1,427,171***	***977,412***
Purchase	810,904	841,190	688,564
Refinance	514,589	585,981	288,848
Total 203(k)	***7,658***	***5,695***	***4,790***
Purchase	6,930	5,053	4,282
Refinance	728	642	508
Total Reverse Endorsements (HECM)	**41,835**	**49,195**	**64,437**
HECM Adjustable Rate	41,037	45,639	61,583
HECM Fixed Rate	798	3,556	2,854
Total Single Family Title II Endorsements for FY 2022	**1,374,986**	**1,482,061**	**1,046,639**
Total Mortgages with Active Insurance as of September 30, 2022 (Forward and Reverse)	**7,988,354**	**7,498,614**	**7,263,194**
Total Title I Loans	**1,722**	**1,237**	**947**
Manufactured Homes	52	5	0
Property Improvement	1,670	1,232	947

Prior year's information is revised to reflect year-over-year performance data updates.

Single Family mortgage insurance programs continue to be critically important sources of home financing for individuals and families that might not otherwise have access to mortgage credit. In FY 2022, 83.5 percent of home purchasers under the forward mortgage insurance programs were first-time homebuyers, and 28.5 percent of all purchase and refinance borrowers self-identified at origination as borrowers of color. Table 2 below provides additional detail on the mortgages insured and borrowers served through the Single Family mortgage insurance programs.

TABLE 2 – FHA'S SINGLE FAMILY BORROWERS DEMOGRAPHIC

Single Family Mortgage and Borrower Characteristics	FY 2020*	FY 2021	FY 2022*
Forward Mortgage Insurance Endorsements			
Average Loan Amount	$ 232,773	$ 239,257	$ 260,137
Average Credit Score of Borrowers**	672	672	664
First-Time Homebuyers	679,620	716,024	578,675
Percent of SF FHA Forward Purchase Transaction Endorsements	83.1%	84.6%	83.5%
Minority Borrowers	374,550	339,423	255,923
Percent of all SF FHA Forward Mortgage Borrowers**	34.2%	32.8%	28.5%
Reverse Mortgage Insurance Endorsements			
Average Initial Principal Limit (amount available)	$ 224,118	$ 254,392	$ 278,128
Average Loan Amount	$ 389,375	$ 433,991	$ 498,221
Minority Borrowers	5,827	6,682	8,058
Percent of all SF FHA Reverse Mortgage Borrowers	13.9%	13.6%	12.5%
Average Age of Borrowers	74	74	74

Prior year's information is revised to reflect year-over-year performance data updates.

*****The calculation excludes streamline refinances.***

COVID-19 RECOVERY EFFORTS

As the nation navigates through the different phases of the COVID-19 pandemic, FHA has continued to help individuals and families with FHA-insured mortgages to stay in their homes whenever possible. In FY 2022, FHA continued its evaluation of programs, policies, and procedures to help as many borrowers as possible to recover from the pandemic and return to sustainable mortgage payments. The following polices were implemented or updated in FY 2022:

- Improving COVID-19 Loss Mitigation Options: FHA issued Mortgagee Letter (ML) 2022-07 on April 18, 2022, to enhance FHA's COVID-19 Recovery Loss Mitigation Options by allowed a loan modification to extend the mortgage term to 40 years. this update will enable servicers to provide struggling borrowers reach a targeted 25 percent reduction on the monthly principal and interest portion of their mortgage payment when the other components of the COVID-19 Recovery Loss Mitigation Options cannot otherwise do so.
- Assisting COVID-affected seniors with Home Equity Conversion Mortgages (HECMs): On June 23, 2022, FHA extended its partial waivers to assist senior homeowners with HECMs that are experiencing financial difficulties due to the COVID-19 pandemic. The temporary partial waiver of ML 2015-11 allowed mortgagees to offer repayment plans to HECM borrowers with unpaid property charges regardless of their total outstanding arrearage. The temporary partial waiver of ML 2016-07 permitted mortgagees to seek assignment of a HECM immediately after using their own funds to pay unpaid property taxes and insurance, temporarily eliminating the three-year waiting period for such assignments.
- Facilitating affordable homeownership for those previously impacted by COVID-19: FHA published ML 2022-09 on July 7, 2022, which revised the guidance for calculating effective income after a reduction or loss of income for borrowers affected by COVID-19 by increasing flexibility for borrowers who experienced a gap in employment and/or a reduction or loss of income due to a COVID-19 related economic event.

FHA'S COVID-19 LOSS MITIGATION WATERFALL PROVIDED CRITICAL RELIEF TO DELINQUENT BORROWERS

While still in the throes of the COVID-19 pandemic during FY 2022, there were approximately 813,000 FHA borrowers who were delinquent on their mortgages during a given month in FY2022 and struggling to make their monthly mortgage payments due to the ongoing impact of the pandemic.

Due to the success of FHA's COVID-19 Loss Mitigation Waterfall, borrowers who were impacted by COVID-19 and in default have utilized almost 615,000 loss mitigation tools to reinstate their mortgages.

OTHER POLICY AND PROCEDURAL UPDATES

PROPOSED RULE: 40-YEAR TERM FOR LOAN MODIFICATIONS

On April 1, 2022, SFH published a proposed rule — Increased Forty-Year Term for Loan Modifications (Docket No. FR-6263-P-01) — in the *Federal Register* for public comment. The rule proposes to increase the maximum term for standard loan modifications from 360 to 480 months. When implemented, this change aligns FHA standard modification options with modifications available to borrowers with mortgages backed by Fannie Mae, Freddie Mac, and the U.S. Department of Agriculture, all of which currently offer a 40-year mortgage modification option to borrowers.

LONGER EXCLUSIVE SALES PERIOD FOR HUD REAL ESTATE OWNED PROPERTIES

On January 13, 2022, FHA issued ML 2022-01 that extends the time period when HUD's real estate owned (REO) properties are available exclusively to owner-occupants, nonprofits, and government buyers from 15 days to 30 days. The ML aligned with the Biden Administration's efforts to increase the supply of affordable housing to first-time and low- and moderate-income homebuyers.

NEW EXCLUSIVE SALES PERIOD FOR PROPERTIES SOLD THROUGH CLAIMS WITHOUT CONVEYANCE OF TITLE PROCESS

On May 5, 2022, FHA published ML 2022-08 that added an initial 30-day exclusive sales period to benefit buyers that are owner occupants, HUD-approved nonprofits, and governmental entities. Through the exclusive sales period, these specified buyers can now bid on properties foreclosed through the Claims Without Conveyance of Title (CWCOT) post-foreclosure process before investors. This ML also extended the mortgagee's conveyance timeline to provide these buyers additional time to obtain financing and complete the sale.

REVISED APPRAISAL VALIDITY PERIOD

On July 12, 2022, FHA published ML 2022-11, which increased the appraisal validity periods for FHA mortgages to make it easier for lenders to manage the closing process. The ML updates the initial appraisal validity period from 120 days to 180 days from the effective date of the appraisal report; extends the appraisal update validity period from 240 days to one year; and removes the optional 30-day extension.

The policy may potentially reduce appraisal costs for FHA-approved lenders and borrowers.

USE OF POSITIVE RENTAL PAYMENT HISTORY TO QUALIFY FIRST-TIME HOMEBUYERS

On September 27, 2022, FHA published ML 2022-17 updating its Technology Open To Approved Lenders (TOTAL) Mortgage Scorecard to include a borrower's positive rental payment history as part of the credit risk analysis when applying for FHA-insured financing. FHA requires that all transactions be scored through the TOTAL Mortgage Scorecard, apart from streamline refinance transactions and mortgage assumptions, but TOTAL. was previously unable to evaluate data provided outside of the credit report. The new guidance expands homeownership opportunities to credit worthy first-time homebuyers by including their positive rental payment history when applying for FHA-insured mortgage financing.

SINGLE FAMILY HOUSING POLICY HANDBOOK 4000.1 UPDATES

FHA maintained and enhanced its *Single Family Housing Policy Handbook* 4000.1 (Handbook 4000.1) with regularly scheduled updates to ensure it remains the comprehensive source of policy guidance for single family mortgage originators, servicers, and other stakeholders. The ongoing updates make it easier for stakeholders to conduct business with FHA by compiling in one location the updates made through Mortgagee Letters, *Federal Register* Notices, Housing Notices, policy waivers, and other sources of single family housing policy.

Among others, the following changes were either made in FY 2022 or are planned for the coming year:

- Title I Property Improvement and Manufactured Home Loan Programs Sections – The Handbook 4000.1 updates consolidated Title I policies that were dispersed across 120 Lender Letters and other policy documents, providing FHA's Title I lenders and appraisers with a clear and comprehensive policy resource. The updates improved the overall effectiveness and efficiency of FHA's Title I Program polices and processes.
- Home Equity Conversion Mortgage (HECM) Origination through Servicing Section — The HECM section of Handbook 4000.1 was posted on the Single Family Housing Drafting Table in first quarter FY 2022, and . feedback received is being reviewed for inclusion in the new handbook section tentatively scheduled for publication in second quarter FY 2023.

RISK MANAGEMENT

MORTGAGEE REVIEW BOARD:

Administrative Actions Published in *Federal Register*: On April 19, 2022, FHA published its annual notice of all completed administrative actions taken by HUD's Mortgagee Review Board during FY 2021 in the *Federal Register* (FR 6317-N-01) Mortgagee Review Board Administrative Actions. The Notice provided a description of, and the cause for, the Mortgagee Review Board's administrative actions against HUD-approved mortgagees in 81 fact-based cases and 17 annual recertification violations. The Notice also describes one withdrawal that the Board acted upon in FY 2019.

TECHNOLOGY MODERNIZATION

FHA continued to enhance its technology platforms to increase customer service efficiency and productivity and to ensure continuity of operations for loan endorsements. In FY 2022, FHA launched or enhanced the following:

- FHA RESOURCE CENTER CUSTOMER SERVICE PLATFORM ENHANCEMENTS

  The FHA Resource Center transitioned to a new customer relationship management software platform to improve the management of inquiries received by phone, email, or online. The new platform introduced additional self-service options and enhanced search capabilities that enables users to access over 2,000 frequently asked questions and answers on the FHA Resource Center website, www.hud.gov/answers. During FY 2022 and through September 30, 2022, the FHA Resource Center responded to more than 790,000 customer service inquiries.

- SINGLE FAMILY ASSET RECOVERY TECHONOLOGY (SMART) PORTAL IMPLEMENTATION

  On February 24, 2022, FHA implemented a new portal for HUD's Single Family Mortgage Asset Recovery Technology (SMART) system. This self-service portal – the SMART Integrated Portal (SIP) – allows borrowers, servicers, and third parties to request payoff amounts in real-time for FHA partial claims or subordination checklists. The portal enables quicker access to partial claim payoff information and the ability to begin the subordination process within a reduced timeframe, shifting from days to minutes.

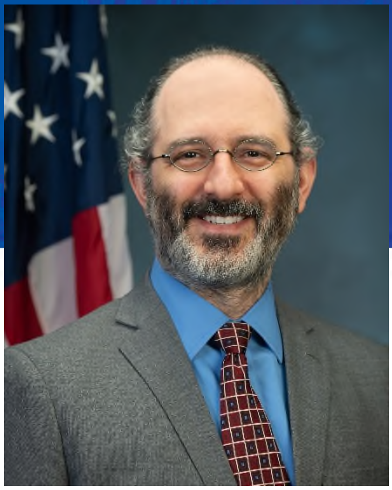
- FHA CATALYST: SINGLE FAMILY DEFAULT MONITORING SYSTEM (SFDMS) REPORTING MODULE

  FHA issued Mortgagee Letter 2021-31, which announced the launch of the Single Family Default Monitoring System (SFDMS) Reporting Module on the FHA Catalyst platform. The transition from the SFDMS legacy system to the new module introduced a modernized interface and default reporting capabilities for FHA-approved lenders. Mortgagees began reporting delinquent mortgage data through the FHA Catalyst platform on March 1, 2022. The FHA Catalyst: SFDMS Reporting Module offers expanded reporting capabilities, improved data integrity, and provided mortgagees with the ability to monitor default data in real-time.

OFFICE *of* MULTIFAMILY HOUSING PROGRAMS

OVERVIEW

The Office of Multifamily Housing (MFH) Programs provides mortgage insurance on mortgages originated by FHA-approved lenders to facilitate the construction, rehabilitation, repair, refinancing, and purchase of multifamily rental housing properties. As of September 30, 2022, the Office has active mortgage insurance for 10,573 properties in its portfolio. FHA's Multifamily mortgage insurance endorsement program is an obligation of FHA's General Risk/Special Risk (GI/SRI) insurance funds. Multifamily insurance programs are funded through mortgage insurance premiums (MIP) paid by borrowers at the time of endorsement and periodic payments thereafter. Through its broad set of programs, the work of MFH supports over 2.3 million rental homes and thousands of private-sector jobs in the construction, property management, supportive service provisions, financial services, and administrative fields.



Ethan Handelman

Deputy Assistant Secretary
Office of Multifamily Housing Programs

As the nation began its recovery from the COVID-19 national emergency, during FY 2022, the Office of Multifamily Housing Programs processed unprecedented production volume to increase and preserve existing rental homes. Our rental assistance continued to provide stability, affordability and increased access to safe and affordable housing for the nation's workforce and low-income families, seniors, and persons with disabilities. Our results for FY 2022 showcase that FHA's Multifamily programs and its assisted housing programs are essential to vibrant neighborhoods and communities.

FY 2022 PORTFOLIO & PERFORMANCE HIGHLIGHTS

Issued firm commitments for 1,125 Multifamily mortgages totaling $23.8 billion

Endorsed 1,077 mortgages totaling $21.0 billion

Managed insured portfolio of 10,573 mortgages totaling $104 billion

Oversaw portfolio of 5,647 properties supporting 828,529 rental homes in properties with FHA-insured mortgages only; 4,926 mortgages supporting 502,356 rental homes in properties participating in Multifamily assisted housing programs and with FHA-insured mortgages; and 18,530 properties supporting 981,125 rental homes participating in Multifamily assisted housing programs.

Maintained low default rate of .45% and only 57 properties (less than 0.01% of insured properties) entered default.

MULTIFAMILY HOUSING PROGRAM OFFICES

Headquartered in Washington, D.C., MFH is led by the Deputy Assistant Secretary for MFH Programs, and includes the following program offices:

- Office of Production provides direction, technical assistance and oversight for Multifamily property mortgages originated for an FHA-insurance endorsement.
- Office of Recapitalization is responsible for the preservation and recapitalization of federally assisted affordable housing; and oversees and processes financial transactions to ensure the long-term physical and financial viability of affordable rental housing. This office administers the Rental Assistance Demonstration (RAD) and the Green and Resilient Retrofit Program (GRRP), among other preservation programs.
- Office of Asset Management and Portfolio Oversight monitors the fiscal and physical soundness of the portfolio of Multifamily assets after the development phase, supporting preservation and contract renewal transactions, managing new and ongoing grant programs to expand availability of affordable rental homes and connect residents to opportunity, and providing program guidance and oversight for the insured and assisted portfolio.
- Office of Program Systems Management handles the information technology services that empower the strategic vision of MFH programs.
- Office of Field Support & Operations provides management direction, guidance and technical support to Multifamily leadership and staff on program management and operational matters.

FY 2022 PORTFOLIO AND PERFORMANCE HIGHLIGHTS

- Expanded and adapted efforts to protect residents and other stakeholders from the impacts of COVID-19. Disbursed additional CARES Act funds to assist owners in keeping properties and residents safe while renewing property inspections and other efforts to ensure housing quality and resident safety.
- Restarted the HUD - Federal Financing Bank (FFB) Risk-Sharing Initiative, which increases access to and reduces the cost of funding for multifamily mortgages insured by FHA through its Section 542(c) Risk-Sharing program with Housing Finance Agencies (HFAs) by making low-cost capital available through the Treasury Department's Federal Financing Bank.
- Repositioned 20,297 homes in FY 2022 from Public Housing to the Section 8 platform through the Rental Assistance Demonstration, which allows the affordable rental homes in these properties to be preserved and rehabilitated.
- Preserved rental subsidy on 943 rental homes in FY 2022 by approving the transfer of budget authority to alternate sites using Section 8(bb) authority. Under this program, HUD transfers remaining budget authority to a new or existing Project-based Rental Assistance (PBRA) Housing Assistance Payment (HAP) contract to provide assistance to eligible families when a HAP contract expires or terminates.

- Insured 380 loans under the Green MIP program representing 63,397 homes and $10.4 billion in UPB. Properties with Green MIP loans receive a premium pricing adjustment if they adhere to industry-accepted building standards that make properties healthier, safer, and more energy efficient. These loans are now acknowledged in Ginnie Mae securities disclosures.
- Issued Final Rule implementing a risk-based protocol for the scheduling of Management and Occupancy Reviews; issued for public comment proposed revisions to Chapter 9 of the *Section 8 Renewal Policy Guidebook*, which addresses Rent Comparability Studies; and joined the Office of Public and Indian Housing in publishing a Final Rule to implement changes to the Family Self-Sufficiency program.
- Initiated workstreams and procedures for continuous policy revision and updating of the Multifamily Accelerated Processing (MAP) Guide. The MAP Guide will be republished periodically consistent with the completion of each project.
- Continued work with HUD's Real Estate Assessment Center on the development of the new National Standard for Physical Inspection of Real Estate (NSPIRE) protocols, culminating in the publication of a final rule in September 2022. HUD reviewed public comments received on the draft rule and considered these comments when developing NSPIRE policies that will ensure Multifamily property owners provide safe, decent, and sanitary housing across the nearly 30,000 properties in the Multifamily portfolio.
- Provided disaster support by conducting preliminary assessments on 1,047 properties and onsite final assessments on 25 properties.
- Used the Ask a Question (AAQ) service, a feature of HUD Exchange website, to answer lender and stakeholder questions about the meaning, interpretation, or application of the MAP Guide. The AAQ service provides a standard procedure for perfecting and categorizing answers to questions by chapter and primary subsections of the MAP Guide, and is an aide to both consistency and for identifying topics or chapters that may need revision or clarification.

INSURANCE PROGRAMS

FHA insures mortgages for multi-unit rental properties under a variety of programs, including the following:

- Sections 213, 220, 221(d)(4), 231 and 241(a) provide mortgage insurance on loans financing market-rate and below-market-rate projects to facilitate new construction or substantial rehabilitation of Multifamily rental properties, housing for low-income elderly persons, cooperative housing, and Single Room Occupancy (SRO) projects; and insurance on loans to finance repairs, additions, and improvements on properties already insured by FHA.
- Sections 223(f) and 223(a)(7) provide mortgage insurance for the purchase or refinance of existing rental properties financed with conventional or FHA-insured loans and a streamlined refinancing option for mortgages that already have an FHA insurance endorsement.

- Sections 542(b) and 542(c) provide risk-sharing arrangements for loans on affordable Multifamily rental properties originated, underwritten, and serviced by state Housing Finance Agencies (HFA), Qualified Public Entities (QPE) or Public Housing Authorities (PHAs). FHA assumes an agreed upon loss percentage on these loans and pays the entities when they dispose of defaulted loans.

TABLE 3 – FHA'S MFH INSURANCE PORTFOLIO IN FY 2022

MFH Endorsements by Program			
Programs	Endorsements for Fiscal Year		
	FY 2020	FY 2021	FY 2022
New Construction and Substantial Rehabilitation Programs (Sections 213, 220, 221(d)(4), 231) and Section 241(a) Volume (In Millions)	***$ 5,369***	***$ 5,312***	***$ 5,590***
Percentage	28.22%	18.02%	26.61%
Number of Homes	37,467	36,380	35,088
Number of Mortgages	212	223	200
Refinancing of Existing MFH Projects (Sections 223(f), 223(a)(7)) Volume (In Millions)	***$ 12,646***	***$ 23,048***	***$ 14,304***
Percentage	66.49%	78.19%	68.08%
Number of Homes	113,577	205,059	115,255
Number of Mortgages	709	1,271	800
Section 542(b) and 542(c): Risk-Sharing with QPEs & HFAs Volume (In Millions)	***$ 1,004***	***$ 1,117***	***$ 1,116***
Percentage	5.29%	3.79%	5.31%
Number of Homes	9,360	10,037	9,364
Number of Mortgages	76	84	77
Total	**$ 19,019**	**$ 29,477**	**$ 21,010**

Percentages based on total mortgages endorsed. MFH endorsements shown in Table 3 based on available data for initially endorsed projects in the Development Application Processing (DAP) system. DAP is used to track and monitor MFH basic FHA and Risk Share loan applications.

RENTAL ASSISTANCE DEMONSTRATION HIGHLIGHTS

The Rental Assistance Demonstration (RAD) allows Public Housing Authorities (PHAs) and owners of other HUD-assisted properties to leverage the private market to make capital improvements and preserve properties for long-term affordability. The program converts homes from their original regulatory platform to project-based Section 8 contracts. In FY 2022, through RAD, the Office of Multifamily Housing Programs:

- Repositioned 20,297 homes from public housing to the Section 8 platform through RAD conversions for a total of over 186,000 homes since the inception of the program in 2013.

- Completed over $3 billion in construction investment for closed RAD transactions to recapitalize public housing stock in FY 2022, surpassing $15 billion since the inception of the program in 2013.
- Closed on the conversion of 980 apartments assisted under Section 202 Project Rental Assistance Contracts (PRAC) to Section 8 preserving and improving deeply affordable housing for the elderly.
- Converted 1,395 Moderate Rehabilitation and Moderate Rehabilitation Single Room Occupancy (SRO) homes to Section 8 in this fiscal year.
- Entered 46 projects in the first year of the coordinated Faircloth-to-RAD process for development of new rent assisted homes and subsequent conversion to Section 8. These projects will eventually create 2,835 deeply affordable rental homes. Five of these projects are currently under construction as of September 30, 2022. Two projects, in Miami, FL and Baltimore, MD, have completed construction and have begun to welcome new residents.

NEW CITY PLAZA – SALT LAKE CITY, UTAH

(Architect's rendering of the plaza and corridor that will be constructed to connect the two high-rise buildings at New City Plaza)

New City Plaza, located in Salt Lake City, Utah, is an age-restricted affordable property of 299 homes owned and operated by the Housing Authority of the County of Salt Lake and the Housing Authority of Salt Lake City. The property was originally built in 1973 and consists of two adjacent high-rise buildings which provide much needed affordable housing in downtown Salt Lake City, enabling residents to have access to affordable housing in an area close to jobs and opportunities. Utilizing FHA financing and other sources, the property is currently undergoing a substantial rehabilitation of the exterior, interior units, and building systems, as well as site improvements. Additionally, a corridor connecting the two high-rise buildings will be constructed. The rehabilitation will cost approximately $133,000 per dwelling unit.

The property was awarded Project-Based Vouchers for all 299 homes through HUD's Rental Assistance Demonstration (RAD), which will help maintain long term, stable, and affordable housing for low-income seniors and non-elderly disabled residents in Salt Lake County. The immediate and future needs of the property are addressed through the recapitalization, setting the property up for both financial and physical stability over the long-term. The rehabilitation is being financed through a $25 million Section 221(d)(4) FHA-insured first mortgage from AGM Financial Services. The property was awarded 4% Low Income Housing Tax Credits (LIHTC) from Utah Housing Corporation and is also receiving a grant from the Utah Department of Workforce Services. The property's rehabilitation is expected to be completed by January 2024.

HALEY SOFGE, MIAMI, FLORIDA

(A rendering of the Haley Sofge building at completion)

On June 30, 2022, the Office of Recapitalization closed a Rental Assistance Demonstration (RAD) transaction with Miami-Dade County Public Housing & Community Development to substantially renovate its Haley Sofge community in Miami, Florida. Haley Sofge, built in 1973, is a 13-story building in need of substantial rehabilitation. This transaction preserved 240 low-income senior housing homes, maintaining them as long-term, stable, and affordable housing for senior residents in Miami.

The renovations will include changes to allow for additional one-bedroom homes, and additional on-site amenities including a common area with a kitchen, elevators, laundry facilities, and parking. Homes will feature high-end tile, Energy Star appliances, as well as air conditioning. Through RAD, the immediate and future needs of the project are addressed through the recapitalization, setting the project up for both financial and physical stability over the long-term.

This project is part of a large-scale redevelopment effort of Miami's Little Havana neighborhood, as outlined in Miami-Dade County Public Housing & Community Development's River Parc Master Plan.

The RAD transaction included a $35.4 million construction budget ($145,000 per unit) fully financed through a commercial first mortgage loan and 4% Low-Income Housing Tax Credits.

TECHNOLOGY MODERNIZATION

- Launched new technology to allow MAP lenders to electronically submit mortgage insurance applications rather than mailing paper binders and flash drives. Its use is now required, with more than 2,500 document submissions to-date. This is just the first step for Multifamily technology modernization which, over time, will provide reliable and accurate data for the full loan lifecycle and will allow FHA program participants to conduct business more seamlessly to the benefit of the residents and other stakeholders FHA serves.
- Continued operation of the capital needs assessment (CNA e-Tool) in which 984 capital needs assessments were approved during FY 2022. Minor edits, corrections, and improvements to the user interface and/or the underlying system continue as part of system operations and maintenance.

MARK-TO-MARKET AND POST MARK-TO-MARKET (M2M)

This program preserves affordability and availability of low-income rental Multifamily properties with federally insured mortgages by reducing rents to market levels and restructuring existing debt to levels supportable by these rents. Although most of the eligible portfolio has been restructured, Mark to Market continues to be an important preservation tool in the Section 8 portfolio, and MFH continued to process transactions in FY 2022. During FY 2022, MFH:

- Completed two Mark-to-Market with rent restructuring with 267 units.
- Processed 22 Post Mark-to-Market transactions with 2,140 homes, and with privately funded rehabilitation costs that averaged $37,278 per unit. Further, through the Post Mark-to-Market program, MFH collected $6 million in paydowns of the HUD-held Mark-to Market debt.

PROPERTY DISPOSITION

MFH is responsible for the management and disposition of defaulted Multifamily assets from FHA-held mortgages, formerly FHA-insured properties, and defaulted subsidy contracts. In addition, MFH collaborates with the Office of Finance and Budget’s Office of Asset Sales on the disposition of defaulted assets. As part of its asset management and disposition work, MFH:

- Collected over $1.4 million on 3 properties in equity participation from a previous sale and returned it to the U.S. Treasury; and
- Administered over $36 million in active upfront grants for redevelopment or rehabilitation activities at formerly FHA-insured properties.

COVID-19 NATIONAL EMERGENCY AND OTHER DISASTER RELIEF AND RECOVERY EFFORTS

In response to the COVID-19 national emergency, MFH continued providing support to Multifamily property owners/managers and residents through a series of publications and ongoing outreach. Most of MFH's measures to assist property owners, lenders, and residents remain in place to assist stakeholders in ensuring continuity of business and to ensure the safety of residents. REAC inspections resumed in June 2021 with flexibilities to adapt to COVID-19. MFH works with REAC to prioritize inspections to protect resident health and safety.

- In FY 2022, HUD managed $181 million in remaining CARES Act funding for COVID-19 supplemental payments, of which 3,642 payments totaling $24.4 million have already been disbursed to Multifamily properties. Funding is available for owners of project-based Section 8 rental assistance, Section 202, and Section 811 properties to prevent, prepare for, and respond to COVID-19 and to establish the application process for these funds.
- In recognition of the increased frequency and impact of natural disasters affecting Multifamily properties, MFH created a permanent Multifamily Disaster Response Team (MDRT) within Asset Management in FY 2022 to ensure that Multifamily owners and managers with properties affected within Presidentially Declared Major Disaster Areas (PDMDAs) receive the required support in their recovery efforts, including ongoing work related to events occurring in previous fiscal years. In FY 2022 there have been 52 PDMDA, 18 of which included Individual Assistance (IA). For PDMDAs with IA, preliminary assessments were conducted on 1,047 of the 1,569 MFH properties in the PDMDA areas. The MDRT provided virtual and on-site technical assistance to owners and agents, which are the foundation for review and approval of a restoration plan. The plan outlines all aspects of the restoration processing, including repairs, resident displacement, tracking, sources and uses of funds, and estimated completion dates. FHA closely engaged with property owners and managers as they developed longer-term recovery plans and ensured the residents received their needed assistance. A coordinated effort with the Department's Disaster Management Group supports FEMA, other federal agencies, and states with property statuses, estimated completion dates and displaced survivor validation to assist with activities under the National Disaster Framework. This coordination assists impacted states and FEMA with short- and long-term housing/assistance needs, and affordable housing funding restoration shortfalls post disaster events.

RISK MANAGEMENT

During FY 2022, MFH collaborated with the Office of Risk Management and Regulatory Affairs (ORMRA) to better identify and manage risk within its programs, including the examination of Multifamily vacancy rates throughout the country. With the extended challenges of the COVID-19 national emergency and the support authorized by Congress and the Administration, MFH continued to implement forbearance and other mechanisms to assist impacted borrowers and collaborated with ORMRA to manage the increased risk. Both offices continued to measure and monitor current and emerging trends in the Multifamily portfolio for the protection of the GI/SRI Fund. As of September 30, 2022, there were no FHA insured multifamily mortgages sold in foreclosure. Further, there have been no insurance claims since the beginning of the COVID-19 national emergency.

- MFH has not only implemented a robust oversight structure for financial risk but has also collaborated with the Real Estate Assessment Center (REAC) to ensure that risk related to the physical condition of the Multifamily portfolio and tenant health and safety is monitored and mitigated. Physical inspections for Multifamily properties resumed on June 1, 2021, after a pause due to the COVID-19 national emergency. MFH and REAC were able to ramp up inspections quickly, allowing over 13,000 inspections to be conducted in the following twelve-month period. The efforts surrounding this work resulted in improved quality of life for tenants and ensured that the Multifamily properties and owners continue to be held to a high standard in providing quality housing to residents.
- MFH also added criteria to its risk rating evaluation to stay ahead of developing risks in its portfolio. This includes partnering with Office of Field Policy Management (FPM) to increase coordination with state and local government on incorporating code violations into the Office’s oversight strategy and providing additional support to new properties entering MFH’s assisted portfolio to ensure they have the tools needed to fulfill all programmatic requirements for participation and compliance.

OFFICE *of* HEALTHCARE PROGRAMS

OVERVIEW

The Office of Healthcare Programs (OHP) administers FHA's programs that provide mortgage insurance to residential care facilities and hospitals under Section 232 and Section 242, respectively, of the National Housing Act. Section 232 was established by Congress in 1959 to support the critical care needs of a vulnerable aging population in residential care facilities across the country. Section 242 was enacted in 1968 to support capital financing for urgently needed hospitals.

With access to FHA mortgage insurance, private lenders are encouraged to increase their capital investments in the healthcare market. Hospitals, skilled nursing homes, board and care facilities, and assisted living facilities can access capital at lower interest rates, resulting in significant cost savings and the ability to invest in construction, improvement, and/or refinancing projects. With FHA-insured financing, these facilities strengthen the quality of healthcare services available to residents and communities.

Roger Lukoff

Deputy Assistant Secretary
Office of Healthcare Programs

FHA's Office of Healthcare Programs, the nation's largest Healthcare mortgage insurance program, continues to serve our nation's Healthcare providers in hospitals, skilled nursing facilities and other residential care facilities with FHA-insured mortgages. Managing current assets of approximately $38.3 billion, the program has had the honor of serving a range of courageous partners delivering care during the pandemic to vulnerable populations. FHA leadership and staff are proud to work with stakeholders serving millions of patients and residents in all fifty states, the District of Columbia and Puerto Rico.

FY 2022 PORTFOLIO & PERFORMANCE HIGHLIGHTS

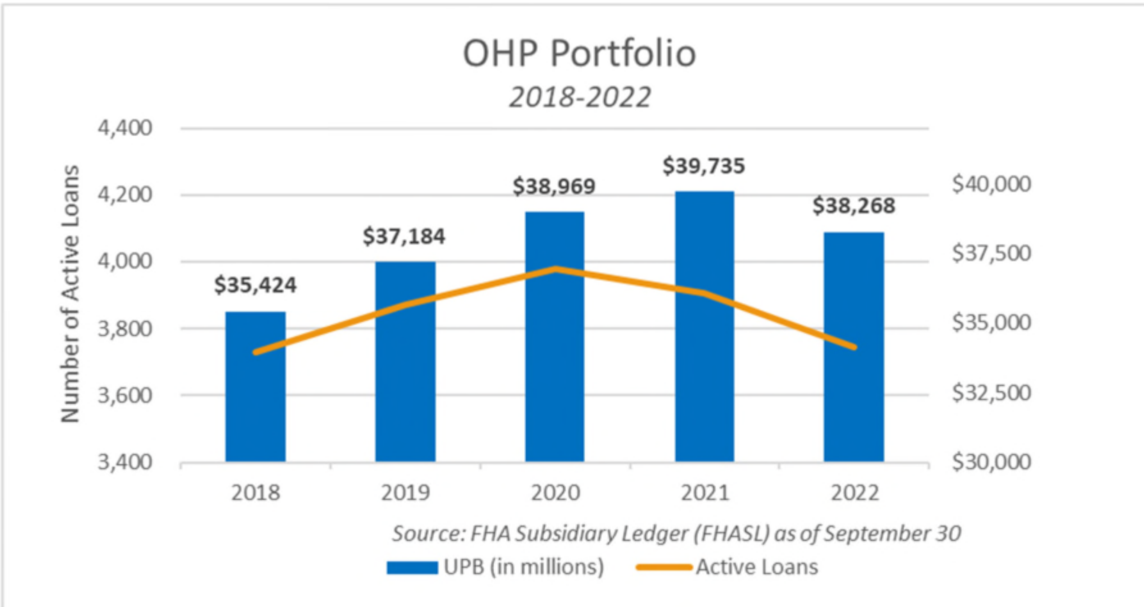
Section 232 Residential Care Facilities

- Issued 279 insurance commitments totaling $3.3 billion
- Managed insured portfolio of 3,656 residential care facility loans with an unpaid principal balance of $31.9 billion
- Maintained a low annual claim rate of 0.27 percent net of recoveries

Section 242 Mortgage Insurance for Hospitals

- Issued three insurance commitments and five loan interest rate modifications for $309.7 million
- Managed insured portfolio of 89 hospital facility loans with an unpaid principal balance of $6.4 billion
- Maintained a low cumulative claim rate of 1.62 percent net of recoveries. The cumulative claim rate takes all claims since the program's inception into consideration.

As of September 30, 2022, the total FHA-insured Healthcare insurance portfolio consisted of 3,745 loans with an unpaid principal balance of $38.3 billion. The programs maintain low claim rates and contribute credit subsidy receipts to the GI/SRI Fund. In FY 2022, the programs returned $123.4 million to the GI/SRI. The annual claim rate for the Section 232 program, net of recoveries is 0.27% (compared to 0.22% in FY 2021). The annual claim rate for the Section 242 program, net of recoveries, is 1.62% (compared to 1.68% in FY 2021.



HEALTHCARE PROGRAMS DIVISION STRUCTURE

OHP comprises the Office of the Deputy Assistant Secretary for Healthcare Programs and the following program and support offices:

- Office of Residential Care Facilities (ORCF) administers FHA's Section 232 Residential Care mortgage insurance program that insures mortgages for skilled nursing facilities, assisted living centers, and board and care homes.
- Office of Hospital Facilities (OHF) is responsible for FHA's Section 242 Hospital Facility mortgage insurance program that insures mortgages for acute care hospitals.
- Office of Architecture and Engineering (OAE) supports both the Section 232 and Section 242 programs with technical expertise related to architectural, engineering, and environmental issues.

MANAGEMENT INITIATIVES AND PROGRAM IMPROVEMENTS

In FY 2022, OHP focused on enhancing underwriting and asset management capabilities. Enhancements designed to improve workflow and mitigate risk included the following:

- Implemented Section 232 Green Mortgage Insurance Premium reductions through a *Federal Register* notice (FR 6302 N 01) which implemented significant reductions in the upfront and annual mortgage insurance premiums (MIP) FHA charges for residential care facilities where the facilities meet industry-recognized green building certifications and achieve meaningful, measurable energy and water efficiency improvements.
- Published Housing Notice 2022-03 and Mortgagee Letter 2022-10 "Additional Operator and FHA Lender Notice Requirement for Account Receivables Availability Reduction". This guidance implemented an additional notice requirement for FHA lenders and operators of Section 232 projects that receive accounts receivable financing from an Accounts Receivable (AR) Lender. The notice requirement allows lenders and FHA to better monitor the financial health of such projects.
- Implemented Independent Hospital Assessment Services. The Office of Hospital Facilities implemented a project using independent assessments to review portfolio hospitals that display unfavorable financial performance. The new independent assessments have been timely given the financial challenges facing some hospital facilities as a result of the COVID-19 pandemic. Using these independent assessments in conjunction with work performed by OHF staff, the Section 242 Program received in-depth financial and management information to assess mitigation opportunities.
- Implemented Moody's Analytics CreditLens. The Office of Hospital Facilities implemented CreditLens to expand its capacity to perform proactive risk management and monitoring. CreditLens is a risk analysis and asset management platform developed by Moody's Analytics. The product is a powerful credit analytics and financial analysis tool which allows users to perform in depth financial analysis of hospitals, create summary reports, credit memorandums, scorecards, and benchmarking to industry medians. It also permits the creation of workflows and offers an opportunity to create an end-to-end platform from initial prospect analysis through underwriting, final approval, closing, and asset management.
- Created and launched Asset Management Lender Performance tracking tool. The Office of Residential Care Facilities created, and is now using, a tool that provides feedback from Account Executives on the quality of lenders' requests for complex asset management transactions such as Change Ownership for Borrowers and Operators, changes to Master Leases and other similar transactions. The tool will enhance ORCF relationships with lenders in managing FHA's portfolio.

FY 2022 ACCOMPLISHMENTS

In FY 2022, the Office of Healthcare Programs (OHP) continued to refine its operational processes and provided lender and staff training. In particular, OHP executed the following:

- ORCF-American Health Care Association *Webinar*: In October 2021, the Section 232 Program, in conjunction with the American Health Care Association, hosted a webinar focused primarily on asset management matters. Topics covered included the roles and responsibilities of program participants, the working relationship between ORCF and HUD's Departmental Enforcement Center, the requirements for changing an existing Master Lease, resumption of Real Estate Assessment Center (REAC) inspections, and a description of the National Standards for the Physical Inspection of Real Estate (NSPIRE) program.
- OHF Educational Session: The 242 Program provides educational opportunities to all staff to ensure they are aware of the latest developments in the not-for-profit healthcare sector. In January 2022, OHF hosted an event with speakers from Moody's Investor Service to conduct a comprehensive review of Moody's annual *Not for Profit Healthcare Sector Report*. Additionally, all staff receive regular industry updates through Moody's quarterly *Not For Profit Healthcare Sector* reports and through engagement of webinars and industry experts who deliver expert information on the rapidly changing healthcare sector.
- Healthcare Mortgagee Advisory Council (HMAC) Conference: In June 2022, ORCF staff participated in a Lender Dialog at the Healthcare Mortgagee Advisory Council (HMAC) conference. The conference was attended by over 250 lenders, HUD staff, and third-party report preparers. This was the first in-person HMAC conference since the beginning of the COVID-19 pandemic in 2020. Discussion topics included key policy and process updates, issues related to COVID-19 and its impact on the Section 232 portfolio, and an open forum for lender questions in a face-to-face dialogue format.
- Section 242 Lender Training: In August 2022, the Office of Hospital Facilities hosted a Lender Training in Washington, DC. OHF and the Office of Architecture and Engineering staff led sessions on program eligibility requirements and the underwriting process, lender responsibilities in servicing Section 242 loans, the construction and project closeout processes, and other topics.

SECTION 232 MORTGAGE INSURANCE FOR RESIDENTIAL CARE FACILITIES

The Section 232 Mortgage Insurance Program for Residential Care Facilities insures loans to finance the construction, substantial rehabilitation, acquisition, or refinancing of skilled nursing homes, assisted living facilities, and board and care homes. As of September 30, 2022, FHA achieved the following through the Section 232 Program:

- Production Volume: received a total of 316 applications and issued 279 firm commitments totaling $3.3 billion.
- Asset Management Volume: managed a portfolio of 3,656 loans with an unpaid principal balance of $31.9 billion.

FHA construction and rehabilitation projects have a significant economic impact on local communities, including a substantial impact on employment. In FY 2022, Section 232 program insured projects created more than 177 full-time equivalent construction jobs with a total construction economic impact of $118.1 million. Once the projects are fully constructed, the residential healthcare facilities will create more than138 full-time equivalent jobs and provide a total annual economic impact of $34.7 million to the local communities.

WORTHINGTON MANOR

Worthington Manor, a memory care and assisted living facility located in Conroe, TX, completed construction on March 22, 2022. The facility was constructed using a $29.0 million FHA-insured Section 232 new construction loan. It is a two-story facility with a total of 130 beds consisting of 72 Assisted Living (AL) units and 46 Memory Care (MC) units. Common-area amenities include a main dining room, private dining room, theater/chapel, fitness center, activity room, beauty and barber shop, various lounge areas, outdoor courtyards and eating areas. The AL portion of the facility has a total of 84 beds consisting of studio units, one-bedroom units, and two-bedroom units. All of the 46 MC units are studio units.

SECTION 242 MORTGAGE INSURANCE FOR HOSPITALS

The Section 242 Mortgage Insurance Program for Hospitals supports access to affordable financing for acute care hospitals to fund capital projects, such as new construction or modernization projects. Additionally, the Section 242/223(f) program provides options for hospitals seeking to refinance existing loans without new construction or major rehabilitation. As of September 30, 2022, through the Section 242 program FHA achieved the following:

- Production Volume: issued three firm insurance commitments and five loan interest rate modifications totaling $309.7 million.
- Asset Management Volume: managed a portfolio consisted of 89 active hospital loans with a total unpaid principal balance of $6.4 billion.

BATON ROUGE GENERAL MEDICAL CENTER

Baton Rouge General Medical Center (BRGMC) is a 500+ bed not-for-profit hospital which operates three campuses in and around the Baton Rouge, Louisiana, area . In 2018, BRGMC was approved for FHA mortgage insurance on a $46.5 million mortgage to construct a new “micro-hospital,” including 10 licensed acute beds and an outpatient ambulatory care facility to be located in Prairieville in Ascension Parish. BRGMC also sought to acquire a medical office building adjacent to the Bluebonnet campus. BRGM’s micro-hospital opened at a critical moment when the COVID-19 pandemic was at its peak and completed final FHA insurance endorsement on March 31, 2022. The new hospital in Ascension Parish provided more convenient access to the patients in the rapidly growing population service area and allowed BRGMC to extend the quality care it provides. Services were quickly delivered to a community that urgently needed them.

COVID-19 NATIONAL EMERGENCY EFFORTS AND HIGHLIGHTS

The COVID-19 National Emergency significantly impacted the operations and finances of the residential care and hospital facilities in the Office of Healthcare Programs portfolio. In FY 2022, the Office of Healthcare Programs staff, in conjunction with program stakeholders, utilized maximum flexibilities to keep facilities with FHA-insured mortgages open to provide care for those affected by COVID-19.

RISK MANAGEMENT

With an outstanding portfolio balance of over $38.3 billion, managing risk is an important focus of the OHP programs. OHP mitigates risk upfront during the underwriting process and, after loan closing, through the identification and monitoring of troubled properties. OHP's risk management includes a robust set of actions to avoid default and foreclosure and reduce claim payments.

- OHP continues to work to improve underwriting standards and to ensure consistent applications while reducing processing time.
- Proactive asset management also plays an important role in risk management and loss prevention. In FY 2022, OHP actively engaged lenders and servicers to improve strategies to coordinate asset functions and responsibilities. Open communication with industry stakeholders improves the quality of risk management and helps OHP strengthen asset management and avoid or reduce insurance claims.
- Other approaches to loss prevention include working with state agencies on early notification of potential adverse actions; expediting refinancing; working with lenders who have identified potential owners, operators, or equity providers with increased risks; and using available options to supplement funds until a property is stabilized.
- Options for minimizing losses on HUD-held loans include partial payment of claims, positioning notes for re-assignment, modifying mortgages and identifying equity providers and purchasers. Working in concert with internal and external stakeholders, OHP maximizes asset management outcomes for the benefit of the GI/SRI Funds.

OFFICE *of* MANUFACTURED HOUSING PROGRAMS

OVERVIEW

The Office of Manufactured Housing Programs (OMHP) administers the National Manufactured Housing Construction and Safety Standards Act of 1974 (the Act), which authorized HUD to establish federal standards for the design and construction of manufactured homes to assure quality, durability, safety, and affordability. These standards, colloquially known as the HUD Code, may preempt state and local laws. OMHP enforces the standards directly or through state agencies that have partnered with HUD; inspects factories and retailer lots; regulates installation standards for the homes; administers a dispute resolution program for defects discovered within one year of installation; establishes and collects a fee for each home built; authorizes a certification label to be placed on each section of a home that meets the HUD standard;, and pursues civil or criminal actions for violations of the Act.

OMHP also oversees HUD's Manufactured Housing Consensus Committee, a federal advisory committee of manufactured housing producers, users, and general interest and public officials. This Committee advises HUD and works with other federal agencies such as the Department of Energy and the Environmental Protection Agency on issues that have impacts across agencies. OMHP also provides technical assistance to the Federal Housing Administration (FHA) for the Minimum Property Standards and the Technical Suitability of Products programs administered by the Office of Single Family Housing.

Teresa Payne

Administrator
Office of Manufactured Housing Programs

The Office of Manufactured Housing Programs is committed to executing responsible regulation to preserve the affordability, quality, durability, and safety of manufactured homes produced nationwide and to protect consumers who purchase these homes. The viability and safety of the manufactured housing stock in every state is crucial to our nation's efforts to leverage manufactured homes to meet the critical need for affordable housing in America.

FY 2022 PORTFOLIO & PERFORMANCE HIGHLIGHTS

Issued a major Proposed Rule amending the Federal Manufactured Home Construction and Safety Standards and Regulations. When complete, the amendments will achieve significant updates and improvements to the HUD Code and better align HUD standards with more current industry standards.

Continued to address COVID-19 supply-chain disruptions by issuing industry-wide Alternative Construction letter extensions to address industry needs and enable the continued production of homes, despite manufactured housing material shortages

Supported an 11.7% increase in FY 2022 year-to-date production of affordable manufactured homes nationwide, compared to production levels in the previous fiscal year.

OFFICE OF MANUFACTURED HOUSING PROGRAMS

Headquartered in Washington, D.C., OMHP is led by the Administrator for the Office of Manufactured Housing Programs, and carries out three core programs:

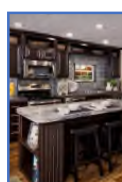
- Manufactured Home Construction and Safety Program (including the HUD Code). The Office of Manufactured Housing Programs oversees the Manufactured Home Construction and Safety Standards and other regulations, and provides consumers with resources related to the purchase, installation, and maintenance of a manufactured home.
- Manufactured Home Dispute Resolution Program. The HUD Manufactured Home Dispute Resolution Program provides a framework for the timely resolution of eligible disputes between manufacturers, retailers, and installers of manufactured homes regarding responsibility, and for the issuance of appropriate orders for the correction or repair of defects in manufactured homes, within one year of the installation of the home. In FY 2022, manufactured homes installed in 24 states and the District of Columbia are eligible for dispute resolution administered under the HUD Manufactured Home Dispute Resolution Program, and 26 states have an established dispute resolution program that HUD has accepted.
- Manufactured Home Installation Program. The Manufactured Home Installation Program ensures that states have in place a minimum installation standard and an operating installation program. For states where HUD administers the Manufactured Home Installation Program, HUD will ensure that installers in these states are licensed by HUD and trainers of installers planning to work in these states are registered with HUD.

OMHP MISSION AND OBJECTIVES

To execute responsible regulation and solutions-oriented oversight and monitoring of the manufactured housing industry nationwide;

To preserve and promote the quality, durability, safety, and affordability of manufactured homes;

To facilitate the availability of affordable manufactured homes and increase homeownership for all Americans, including the underserved;



To establish Federal construction standards for manufactured homes that are practical, uniform, and as possible, performance-based;

To encourage innovation and cost-effective construction techniques for manufactured homes; and

To protect residents of manufactured homes with respect to personal injuries, insurance costs and property damages in manufactured housing.

FY 2022 PORTFOLIO AND PERFORMANCE HIGHLIGHTS

In FY 2022, the Office of Manufactured Housing Programs (OMHP) completed several key regulatory, management, and program accomplishments:

- Issued a Proposed Rule on July 19, 2022, updating the Federal Manufactured Home Construction and Safety Standards based upon the fourth and fifth group of recommendations made by the Manufactured Housing Consensus Committee (MHCC). When finalized, the proposals in the rule will achieve significant improvements to the HUD Code, aligning it with more current industry standards and eliminating the need for burdensome Alternative Construction approvals for certain design features that enable more design flexibility for innovative concepts. OMHP continued to communicate and coordinate with the manufactured housing industry throughout FY 2022, holding multiple virtual discussions for further improvements to the HUD Code.
- Increased coordination with states and other stakeholders through program-specific discussions and training to better address challenges facing all program stakeholders. In June of this year, the Office held the 2022 State Administrative Agency (SAA) and Primary Inspection Agency (PIA) National Meeting in Tysons, Virginia, for all available national stakeholders, the first in-person meeting held since 2019. HUD also hosted the 2022 Southern Regional SAA and PIA meeting in Savannah, Georgia, from September. The regional meeting allowed SAAs and PIAs to discuss and resolve issues of mutual concern and to provide recommendations to HUD on how to address concerns unique to the southern region of the United States.

Commissioner Julia R. Gordon presents opening remarks at the 2022 SAA and PIA National Meeting in Tysons, VA (June 2022)

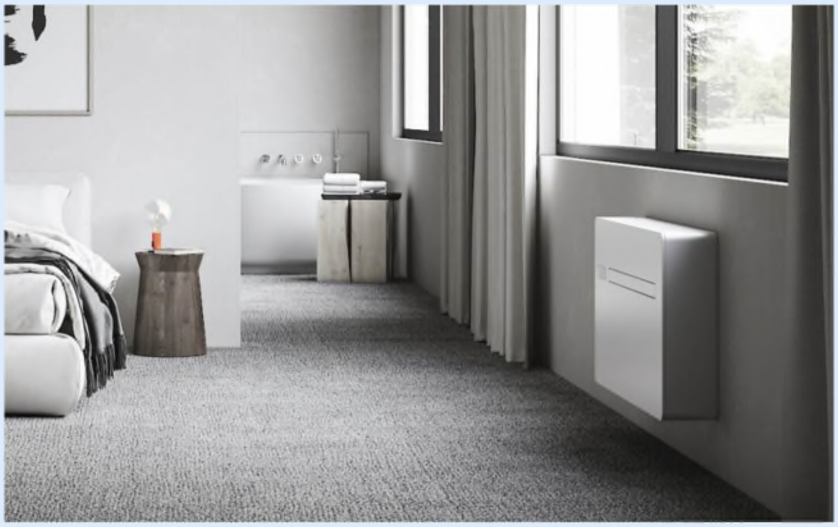
- Supported an 11.7% increase in the annual year-to-date production (October 2021 through July 2022) of affordable manufactured housing nationwide, when compared to production levels from the previous fiscal year, through continuous program efforts including the issuance of Alternative Construction (AC) letters and implementation of new procedures supporting the final rule updating the Federal Manufactured Home Construction and Safety Standards that went effective on July 12, 2021. Through improved HUD program responsiveness, monitoring, and updates to the HUD Code, OMHP continues to support increased production of affordable housing while improving the safety and compliance of manufactured homes produced in the United States.
- Improved public perception and understanding of the modernized manufactured housing product. In June 2022, OMHP supported the significant integration of manufactured homes within HUD's Innovative Housing Showcase on the National Mall and conducted a Webinar symposium with more than 400 registrants including Housing Counseling stakeholders. The symposium served to educate attendees on the benefits of manufactured housing and the financing products available in the marketplace; and communications tactics that publicize manufactured housing through social media campaigns and email blasts to more than 10,000 recipients.
- Mitigated supply-chain disruptions impacting production by issuing Departmental Regulatory Waivers and Industry-Wide AC Letters that enabled the use of alternative, available materials that are not in compliance with the current HUD Code yet meet or exceed HUD standards. These actions allowed for the continued production of quality affordable housing without compromising safety or durability.
- Improved collaboration between the Office of Manufactured Housing Programs, FHA Title I and Title II programs, GSEs, and Federal Housing Finance Agency (FHFA) to develop more opportunities to finance manufactured homes.

SUPPORTING INNOVATION AND ENERGY EFFICIENCY

To encourage innovation and the use of new technology in the manufactured housing industry, HUD permits manufacturers to build homes in accordance with its Regulations under 24 CFR Section 3282.14 titled "Alternative Construction of Manufactured Homes." A manufacturer must request from the Department an Alternative Construction (AC) letter for any homes that do not conform to the requirements of the Manufactured Home Construction and Safety Standards (the Standards) at the time of shipment. Through alternative construction, HUD will permit manufacturers to use new designs or techniques not in compliance with the Standards in cases:

- Where a manufacturer proposes to use construction that would be prohibited by the Standards;
- Where such construction would provide performance that is equivalent to or superior to that required by the Standards; and
- Where compliance with the Standards would be unreasonable because of the circumstances of the particular case, or the alternative construction would be for purposes of research testing or development of new techniques or designs.

USE OF HPAC UNITS INCREASES ENERGY EFFICIENCY



In FY 2022, OMHP issued an Alternative Construction (AC) approval letter to a manufacturer permitting the installation of a European ultra-compact, packaged terminal air conditioner heat pump unit (HPAC) in select manufactured homes. A discreet air conditioning system with no outdoor unit, the HPAC is an all-in-one system that combines a high-efficiency inverter heat pump, state-of-the-art energy recovery ventilation system, filtration, and bathroom exhaust all inside one compact, single-package unit. The system is simple to design and engineer, easy to install and maintain, and offers choice for manufactured home consumers that seek to simplify and modernize their home design by combining three systems into one. The systems offer versatile design options with energy efficiency, and include tools to reduce waste, such as low voltage connection for occupancy sensors and fully programmable timers to maintain temperature and keep units on only when needed.

SUPPORTING MODERNIZED BUILDING THROUGH HUD CODE UPDATES

In FY 2022, manufacturers began to utilize updates to the HUD Code that were published as a final rule in the prior fiscal year, effective July 2021. These HUD Code updates allow for the design and production of more innovative and modern manufactured homes.

One new category of manufactured homes, branded as CrossMod® homes, are built to the HUD Code yet feature many elements found in traditional site-built homes. These homes combine innovative and efficient methods used in factory-built construction yet are indistinguishable from site-built homes and include higher roof pitches, permanent and lower profile foundations, energy efficient features, garages or carports, and porches. The Standards implemented by HUD in recent Code updates were very helpful to increase the production of these types of modern homes.

HUD's regular updates to the HUD Code continue to facilitate more efficient manufacturing and provide homes with features consumers want, to help increase the housing stock of affordable housing units nationwide.

THE VILLAGE AT RIPLEY CREEK IN TENNESSEE

CrossMod® manufactured homes are an entry point for families to enjoy all the benefits and amenities of a new home at an affordable price. In part due to OMHP's efforts to update the HUD Code, communities with these types of homes have been emerging and continue to grow in FY 2022. One example is the Village at Ripley Creek in Tennessee, which currently has 12 CrossMod homes sited, with 20 expected in the near future.

COVID-19 NATIONAL EMERGENCY EFFORTS AND HIGHLIGHTS

Beginning in March 2020, the COVID-19 National Emergency significantly impacted the day-to-day operations of the manufactured housing industry, particularly from material supply chain disruptions and workforce health-related constraints. While at its peak, the pandemic resulted in the closure of up to 32 manufacturing plants. During this fiscal year, increasing productivity has been a measured, on-going process. In FY 2022, all impacted plants reopened, and another five new plants began operations. As of August 2022, there are 143 manufactured housing plants operating in the U.S.

To respond to ongoing National Emergency impacts in FY 2022, OMHP:

- Addressed supply chain disruptions by issuing industry-wide Alternative Construction letters for manufactured housing windows, 25-amp circuit breakers, and exterior doors, facilitating and supporting industry efforts to increase production levels of manufactured homes nationwide.
- Worked to ensure continued manufactured home installation activity in states to address limitations which arose from travel and group gathering restrictions due to the COVID-19 National Emergency.

OMHP also provided prioritized support for the manufactured housing industry by:

- Implementing expedited processing for letters addressing COVID-19 National Emergency issues
- Developing innovative procedures to enable contractors to conduct safe, remote audits in manufacturing plants; and
- Fully utilizing electronic processes for seamless continuation of all program operations.

With travel also constrained by the pandemic, OMHP staff, inspection contractor personnel, and manufacturers quickly responded by developing innovative, electronic procedures to maintain an effective and productive schedule of inspections, audits, and record reviews.

Photo from HUD's Innovative Housing Showcase on the National Mall (June 2022)

OFFICE *of* HOUSING COUNSELING

OVERVIEW

The Housing Counseling Program is authorized by Section 106 of the Housing and Urban Development Act of 1968, as amended (12 U.S.C. 1701x). Through the Office of Housing Counseling (OHC), HUD supports a national network of agencies that are nonprofits or part of local or state government. These agencies provide tools and educational resources to consumers, prospective borrowers, renters, and disaster victims, so that they can make responsible choices to address their housing needs.

The network consists of 1,548 HUD-approved housing counseling agencies. All agencies have at least one HUD-certified housing counselor who work with individuals and families seeking housing counseling assistance. While the Housing Counseling program is funded through an annual two-year appropriation separate from FHA appropriations, its activities contribute to FHA's mission by providing counseling to those considering FHA-insured mortgages, including Home Equity Conversion Mortgages and homeowners with FHA-insured mortgages who are struggling due to the COVID-19 pandemic, disasters, or other reasons. The agencies are a gateway to other community services and housing assistance programs providing critical support to those facing financial difficulties. Greater access to information and resources is provided during housing counseling sessions helping homeowners identify foreclosure prevention options and support renters in crisis to mitigate eviction and stabilizing housing.

David Berenbaum

Deputy Assistant Secretary
Office of Housing Counseling

The mission of the Office of Housing Counseling is to ensure individuals and families have the knowledge they need to obtain, sustain, and improve their housing situation and financial health via HUD's network of approved housing counseling agencies and certified counselors. The mission supports the Administration's goals of advancing racial equity in sustainable homeownership, recovering from the COVID-19 National Emergency, and supporting eviction prevention. The Office's programming supports the entire range of direct services provided by HUD certified housing counseling professionals - helping people to buy or rent a home, improve their financial health, combat discrimination, respond to disasters, age in place, or avoid foreclosure or eviction, or homelessness.

FY 2022 PORTFOLIO & PERFORMANCE HIGHLIGHTS

$88 million was made available through the housing counseling Notice of Funding Opportunity to HUD-approved Housing Counseling Agencies; $3 Million was designated for Historically Black Colleges or Universities or other Minority Serving Institutions

Supported HUD-approved housing counseling agencies providing homeownership, financial, rental, mortgage delinquency, reverse mortgage, and homeless counseling to 938,763 households

4,043 housing counselors achieved HUD Certification as of September 30, 2022

HOUSING COUNSELING OFFICE STRUCTURE

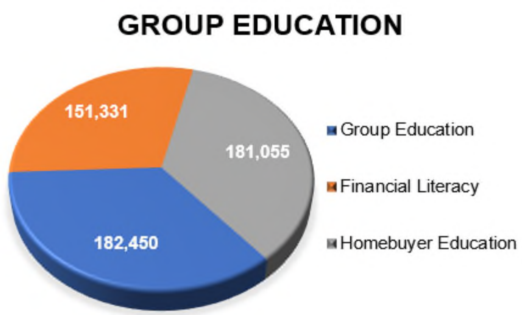
The Office of the Deputy Assistant Secretary for Housing Counseling oversees program performance for the following offices:

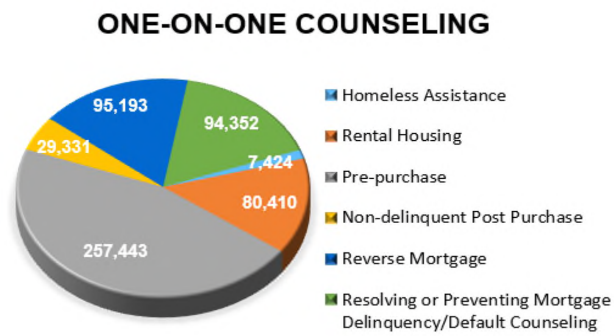
- Office of Outreach and Capacity Building (OCB) leads efforts to expand housing counseling capacity, provides training to agencies and housing partners, and promotes awareness of housing counseling.
- Office of Policy and Grant Administration (OPGA) is responsible for research, program policies, and grant administration.
- Office of Oversight and Accountability (OOA) monitors compliance and mitigates risk associated with the Housing Counseling program.

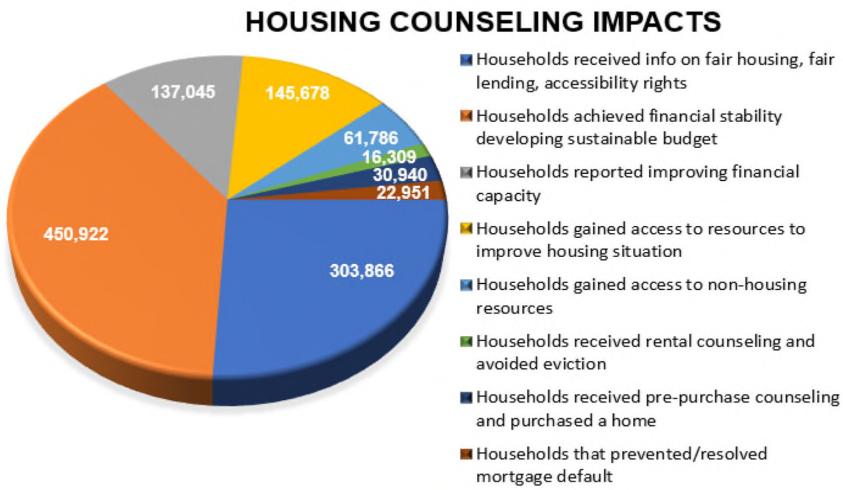
HOUSING COUNSELING PROGRAM

HUD-approved housing counseling agencies provided housing counseling services related to homeownership, rental, financial management, mortgage delinquency, foreclosure avoidance, reverse mortgage purchase, and homelessness to 938,763 households. The following data is from July 1, 2021, through June 30, 2022.

- Of counseled households, 37% self-identified as Black, 32% as white, 4% as Asian American Pacific Islander, .77% as Native American or Alaska Native, and 17% percent of all counseled households identified as Hispanic.
- Out of all counseled households, 66% reported earning less than the Area Median Income.







FY 2022 ACCOMPLISHMENTS

The Office of Housing Counseling continued efforts to maximize the effectiveness of its services and engage stakeholders to support and improve the program through:

- New online and telephonic technology. OHC launched new technology providing expanded information for those seeking assistance from a HUD-approved housing counseling agency. The technology includes an enhanced, easy-to-use online search capability and a new toll-free automated telephonic information delivery system for those seeking contact information for housing counseling agencies in their local community or nationally-based housing counseling intermediary organizations. The online locator is available in English and Spanish and includes improved navigation, more counseling type search choices, smart-phone capability, and integration with common map and directional technology. Users can also request assistance via the toll-free number from translators who are available to assist in 307 languages. On average, 2,639 persons are using the web search tool and 1,080 persons per day are using the telephonic search capability.
- FY 2022 Comprehensive Grants. HUD awarded $49.4 million in January 2022 to 177 HUD-approved housing counseling agencies and intermediary organizations through the FY 2021 Housing Counseling Notice of Funding Opportunity (NOFO). These agencies directly support housing counseling services provided by HUD-approved local housing counseling agencies, national and

regional organizations, multi-state organizations, and state housing finance agencies providing approximately one million families access to HUD-approved housing counseling.

- FY 2022 Second Year Comprehensive Grants: HUD awarded $38.6 million in August 2022 in second-year housing counseling grants to 173 HUD-approved local housing counseling agencies, national and regional organizations, multi-state organizations, and state housing finance agencies who were awarded grants under the FY 2021 NOFO.

- Training Grants. HUD awarded $2 million in January 2022 under its FY 2021 Housing Counseling Training Notice of Funding Opportunity (TNOFO) published on November 2, 2021. These grants support education and training of housing counselors, including training on delivering housing counseling services for seniors seeking Home Equity Conversion Mortgages (HECM), and training on HUD's housing counselor certification exam. HUD awarded $300,000 of the $2 million to recipient organizations that will issue training scholarships to students of Historically Black Colleges and Universities (HBCU), Tribal Colleges and Universities, and other Minority Serving Institutions enrolled in a housing counseling workforce development program.

- FY 2022 Second Year Training Grants. HUD awarded $2.75 million in second-year training grants in August 2022, under the OHC's Training FY 2021 NOFO to support education and training for housing counselors, including training on delivering housing counseling services to seniors seeking reverse mortgages under the FHA's Home Equity Conversion Mortgage (HECM) program and training to support successful completion of the HUD Housing Counselor Certification exam. About $302,500 of these funds were specifically awarded to two recipient organizations that will issue training scholarships to students of HBCUs, Tribal Colleges and Universities, and other Minority Serving Institutions enrolled in a housing counseling workforce development program.

- Work with HBCUs and other Minority Serving Institutions (MSI). HUD's Housing Counseling FY 2021 Comprehensive NOFO designated $3,000,000 for HUD-approved housing counseling agencies that are HBCU or other MSI and/or for HUD-approved housing counseling agencies that partner with an HBCU or other MSI to provide counseling and group education. Through the OHC MSI initiative, 16 Housing Counseling Agencies (HCA) were awarded funding.

- New partnerships Minority Serving Institutions. Launched new partnership initiatives with Minority Serving Institutions and Historically Black Colleges and Universities to expand the capacity of HUD-approved counseling agencies to provide culturally sensitive and linguistically appropriate services and educate the next generation of HUD Certified Housing Counselors. As of September 20, 2022, the 16 housing counseling agencies awarded funding for this initiative have negotiated 50 agreements between colleges and universities across the country. These initiatives include higher education workshops to inform students on the potential impact of student loans on future housing choices and opportunities; delivering counseling and education to students, including understanding the responsibilities of tenancy in off-campus rental housing; and providing internships and training to MSI students to become housing counselors.

- Counselor Certification. OHC continued to administer the requirement that all HUD-approved housing counseling agencies have at least one HUD certified housing counselor on staff. This support included ongoing work with counselors and agencies on technical proficiency, and expansion of the certification exam to include questions on manufactured housing.

- Virtual community conference. “Fair Housing 2022: What Counselors Need to Know” was a joint conference held November 16-17, 2021, by the Office of Housing Counseling (OHC) and the Office of Fair Housing and Equal Opportunity (FHEO). The conference featured sessions on fair housing, including rights for persons with disabilities, LGBTQ+ protections, and reaching limited English proficient (LEP) populations. Housing Counseling and Fair Housing leaders covered critical topics including Affirmatively Furthering Fair Housing (AFFH) and how to help clients with the fair housing process. There were 1,213 registrants for the six sessions with an average attendance of 747 per session.
- 2022 Community Conference. OHC hosted its 2022 Community Conference August 9-11, 2022. The Community Conference was a virtual conference for all of HUD’s approved HCAs and their counselors. Participants interacted with housing counseling leaders from federal and state agencies, local housing counseling agencies, national and regional intermediaries, state Housing Finance Agencies, and multi-state organizations. There were 1,022 registrants for the conference with an average attendance of 365 per session.
- Serving Communities Through Housing Conference. The Office of Housing Counseling partnered with HUD’s Offices of Community Planning and Development (CPD), and Field Policy and Management to deliver a virtual conference for housing counselors and CPD grantees, “Serving Communities Through Housing” on May 5-6, 2022. The conference presented details of the HUD programs administered by the offices and housing counseling agencies in supporting HUD homelessness, rental, and homebuyer programs, and building relationships among these programs on a local and state level. There were 1,442 registrants for the six sessions with an average attendance of 655 per session.
- Performance Reviews. OHC continued to conduct its oversight and monitoring of all approved counseling agencies and performed 288 vital desk performance reviews. The performance reviews consisted of an evaluation of the agency's compliance with all program requirements, including applicable civil rights requirements, and the agency's level of success in delivering counseling services.

FY 2022 INITIATIVES AND PROGRAM IMPROVEMENTS

The Office of Housing Counseling high priority initiatives in FY 2022 included provision of emergency assistance to households affected by the COVID-19 pandemic and advancing racial equity in housing. These initiatives and program improvements consist of the following:

- Contacted struggling borrowers with FHA mortgages. In partnership with FHA's Office of Single Family Housing, OHC executed a direct mail outreach campaign in April to 418,500 homeowners with FHA mortgages who were 60 or more days delinquent on their FHA-insured mortgage payment as of December 31, 2021. This outreach also included contacting borrowers with Home Equity Conversion Mortgages where the borrower was delinquent on tax/insurance or other required payments. The outreach campaign encouraged borrowers to contact their mortgage servicer or a HUD-approved housing counseling agency to obtain assistance with their mortgage challenges.
- Hosted multiple rental counseling and eviction webinars. OHC hosted four rental counseling and eviction prevention webinars in FY 2022 to assist housing counseling agencies in understanding rental assistance programs, strategies for using legal services in rental eviction prevention, developing eviction diversion strategies, learning about tenant rights, and supporting racial equity in rental housing. The Office also developed online Rent Relief Resources and Eviction Guidance set of tools.
- Partnered with the Financial Literacy Education Commission (FLEC). Partnered with the Financial Literacy Education Commission (FLEC). OHC and the FLEC Housing Counseling Working Group partnered with Federal Student Aid on a webinar series. Topics covered included the basics of the student loan system, the recently extended (until December 2022) student loan payment pause, the Public Service Loan Forgiveness program, and how student loan debt affects qualifying to purchase a home. The series was well received with an average of 375 persons attending. Also, leading efforts to help FLEC draft housing report on climate change. The FLEC report on climate change and American household resilience to it will take a close look at the capacity of individual households and communities to address the effects of climate change related natural disasters.
- The working group continues to make progress with two pilot projects:
  - The Tuscaloosa Pilot. Tuscaloosa, Alabama was selected as the location for a pilot project to bring additional housing counseling services to the area and its surrounding counties and to build the financial capability of those living in the small towns and rural areas of west Alabama.
  - St. Louis Metro Area Pilot. St. Louis, Missouri metro area was selected as a location for a pilot project to launch an initiative with the goal of increasing financial literacy and education through housing counseling. Making progress toward closing the minority homeownership gap in the area is a special area of focus for this pilot project.

COVID-19 NATIONAL EMERGENCY EFFORTS AND HIGHLIGHTS

- Extended the partial waiver of the In-Person Service Housing Counseling requirement originally issued on April 20, 2021. OHC issued a subsequent temporary waiver on February 7, 2022, allowing all agencies participating in HUD's Housing Counseling Program to provide housing counseling in the office of the housing counseling agency, at an alternate location, or by telephone, if mutually acceptable to the housing counselor and client. This temporary waiver allows agencies, housing counselors, and clients to safely meet in a virtual environment amid the COVID-19 pandemic. The partial waiver is in effect through December 31, 2022.
- Launched a law student internship program. OHC facilitated a new initiative to partner law schools with housing counseling agencies, placing student interns within housing counseling programs. Interns support rental counseling and eviction prevention efforts related to COVID-19 alongside HUD-certified housing counselors.
- Published Succession Planning Instructional Guide and Template. OHC issued HUD-approved housing counseling agencies a new succession planning guide, a critical tool to support agency long-term sustainability. The guide assists agencies in maintaining effective and efficient operations in the event of leadership or staffing changes, and in response to disaster, emergency, or other unexpected occurrences. The guide includes resources as well as samples and templates for both smaller and larger organizations to use as a starting point to identify succession planning needs.
- Increased access to information and counseling for emergency assistance to households impacted by natural disasters. OHC's Disaster Assistance Response Team (DART) supported the housing counseling responses to three national disasters: Louisiana/Hurricane Ida, Colorado/Marshall Fire, and Kentucky/Tornadoes. OHC/DART coordinated with local and national housing counseling agencies to provide on-site and virtual services for the victims on these disasters. Training and materials were provided to the housing counselors assisting the Disaster Recovery Centers.

FIRST TIME HOMEBUYER - FLORIDA

Alvin Holmes, II and his wife, Danielle Holmes, purchased a home after completing the First Time Homebuyers Workshop offered by HUD-approved housing counseling agency NID-HCA of Miami Gardens, FL. The Holmes family completed the workshop and purchased their home with a 30-year FHA-insured home loan. In the program, they learned about the roles of a real estate agent, a lender, and discovered the importance of the home inspection process. After the couple completed the Pre-Purchase Workshop, they attended a one-on-one counseling session. A combination of the couple's persistence and education supported them to complete their purchase seven months after the program. Alvin Homes II stated: "Buying a home feels amazing. It's an accomplished feeling, knowing that the roof over your head has your name signed on it."

RISK MANAGEMENT

Throughout the past fiscal year, the Office of Housing Counseling worked to ensure consumers have access to quality housing counseling services and the office effectively captures program outcomes and impact by:

- Supporting counselor certification. HUD supports housing counselors with training and technical assistance as they study for the certification exam. About 4,043 housing Counselors have become certified since 2017. All 1,548 HUD-participating housing counseling agencies (HCA) employ at least one HUD certified housing counselor. HUD seeks to increase the number of HCA's and HUD certified housing counselors to expand access to housing counseling services for all families.
- The OOA implemented the Accountability Group, aka TAG Team, to mitigate potential program risks to the HUD Housing Counseling Program. TAG implemented the Certification Violation Letter issued to agencies when a HUD point of contact (POC) is made aware counseling is being conducted by a non-certified housing counselor; the POC Portfolio Transfer Check List is executed to document the status of an agency prior to transferring to a new HUD POC. The checklist standardizes how OHC POCs document the contents of an agency's file before being assigned to a new HUD POC.
- The OOA researched 1,332 HUD-approved counseling and participating agency 501c3 non-profit tax-exempt status to confirm they are in compliance with 24 CFR 214.103.a. Eight (8) agencies had their IRS non-profit status revoked. These agencies were placed on inactive status up to 6 months giving them time to bring their status current.
- Strengthen reporting tool for documenting outcomes and impact of the program activities of Housing Counseling Agencies. OHC revised the reporting tool, HUD-9902, that HUD-approved housing counseling agencies use to report on program outcomes and impacts. The revisions became effective with FY 2022 reporting and improve HUD's efforts to accurately capture program data and measure the impact and effectiveness of the Housing Counseling Program.

OFFICE *of* RISK MANAGEMENT AND REGULATORY AFFAIRS

OVERVIEW

The Office of Risk Management and Regulatory Affairs (ORMRA) serves as the risk mitigator across the Office of Housing-FHA's Program Offices, by measuring, monitoring, and managing the credit, operational and model risks of each Program Office, specifically the offices responsible for FHA's Single Family, Multifamily, and Healthcare mortgage insurance programs. Through prudent risk and capital management standards, ORMRA strives to mitigate risk to the Single Family and commercial insured portfolios. ORMRA examines current and emerging risks facing the Office of Housing-FHA and articulates effective strategies and procedures to each Program Office in accordance with industry best practice risk management strategies and governance policies. In pursuit of its statutorily directed mission, ORMRA promotes a risk-conscious climate in alignment with FHA's mission.

Mia N. Pittman

Deputy Assistant Secretary
Office of Risk Management and Regulatory Affairs

In FY 2022, the Office of Risk Management and Regulatory Affairs (ORMRA) remained primarily focused on monitoring seriously delinquent (SDQ) loans and measuring the success of the COVID-19 loss mitigation policies in managing the risk to the approximately $1.2 trillion insured single family forward housing portfolio. Additionally, ORMRA highlighted FHA's improving recoveries to the portfolio as a result of better execution across a wide range of asset disposition strategies while simultaneously creating opportunities for participation by a much broader universe of bidders for troubled FHA assets.

FY 2022 PORTFOLIO & PERFORMANCE HIGHLIGHTS

In response to the significantly elevated delinquencies in residential mortgages brought on by the pandemic, the Single Family Credit Risk Management team enhanced monthly reporting on seriously delinquent loans, exits from forbearance, and the performance of borrowers with loss mitigation plans.

Working in collaboration with the Office of Healthcare Programs, the Commercial Credit Risk Management team provided modeling support and led engagement with the Office of Management and Budget in the formulation of the Green Mortgage Insurance Premium ("Green MIP") available to sustainably built residential healthcare facilities.

As a result of a historic appropriation in support of climate resiliency, the Operational Risk Management team supported the Office of Multifamily Housing in the completion of a Front-End Risk Assessment related to the Green and Resilient Retrofit Program ("GRRP"), which will provide in excess of $800 million in loans and grants for assisted buildings in the Multifamily Housing portfolio.

RISK MANAGEMENT AND REGULATORY AFFAIRS STRUCTURE

The Office of Risk Management and Regulatory Affairs organizational structure consists of the following units:

- Office of Evaluation, monitors the overall credit risk associated with FHA's Single Family loan portfolios. The Office of Evaluation performs continuous in-depth analyses and provides financial valuations related to the Single Family insured portfolios supported by the Mutual Mortgage Insurance (MMI) Fund, including forward mortgages and Home Equity Conversion (HECM) or "reverse" mortgages.
- Office of Risk Management, which is responsible for monitoring, reporting, and forecasting portfolio and loan level credit risk for FHA's commercial lines of business supported by the General Insurance/Special Risk Insurance (GI/SRI) Fund, which include the Office of Multifamily Housing and the Office of Healthcare Programs.
- Operational Risk Management Division, which oversees the Office of Housing-FHA's ability to identify, measure, monitor, and control risks related to internal processes and systems. The division is responsible for the Office of Housing-FHA's development of its Annual Risk Profile of Top Risks.

ORMRA quantifies and monitors the risk of underwriting standards and credit policies to support FHA's critical role as a countercyclical force to help stabilize the mortgage market. ORMRA accomplishes this via analysis of FHA portfolio performance and performs financial valuations of the FHA insured portfolios, which are economically modeled to ensure the MMI and the GI/SRI Funds are sound. ORMRA partners with the Office of Housing program areas to support enhanced risk management elements of each programs' policies and procedures. Through recurring formal credit and model risk committees, ORMRA presents its assessments and recommendations to the program offices and FHA leadership.

FY 2022 PORTFOLIO AND PERFORMANCE HIGHLIGHTS

Single Family Credit Risk Management: ORMRA's Single Family Credit Risk Management teams provided in-depth policy analyses to the Office of Single Family Housing and FHA leadership, which allowed the organization to develop and improve policies to manage risk to the MMI Fund in a targeted and responsible fashion. As mortgage, borrower, and market characteristics changed and evolved, ORMRA continued to support the policy decisions related to the Single Family insurance program and offer guidance to effectively manage potential risks. ORMRA continually analyzed, monitored, and reported on data and performance of mortgages to determine the impact to the MMI Fund. During FY 2022, the team refined asset disposition pricing methodologies to align a wide range of disposition strategies and allow FHA maximum flexibility in optimizing its loan loss recoveries.

Commercial Credit Risk Management: ORMRA's Commercial Credit Risk Management teams improved analytical tools and streamlined review processes to assess risk levels for large, FHA-insured multifamily loans over $75 million, residential care facility loans over $35 million, and hospital loans over $250 million. Over the course of the fiscal year, the team performed 9 Loan Committee Reviews totaling $739,205,100 in new loan originations and 10 Corporate Credit Reviews and Concentrated Risk Reviews representing $6,935,000,000 in exposure to existing borrowers across the multifamily and healthcare portfolios. The team performed in-depth risk analyses of multiple policy proposals and provided results to FHA leadership and the Multifamily and Healthcare Program offices, including potential impacts to the credit subsidy rate and overall strength of the GI/SRI Fund. In response to the COVID-19 National Emergency, enhanced monitoring of the Multifamily and Residential Care portfolios was conducted to monitor vacancy/occupancy rates, rent growth, and staffing shortages. The team continues to monitor current and emerging trends and provide relevant and timely analysis to the Multifamily and Healthcare Program Offices and FHA leadership.

Operational Risk Management: Throughout FY 2021, ORMRA's Operational Risk Management facilitated risk assessments with Program Offices to identify new and emerging operational risks arising from people, processes, systems, and external events. The team recently completed Housing-FHA's FY 2022 Annual Risk Profile of Top Risks, elevating common operational risks across Housing to FHA leadership. Subsequently, Housing leadership was able to leverage the FY 2022 Annual Risk Profile to develop compelling risk justifications for program funding requests at the start of the FY 2024 budget formulation process.

OFFICE *of* OPERATIONS

OVERVIEW

The Office of Housing Operations provides resources and services that are essential to meet the goals, objectives, and mission of the Office of Housing and FHA programs. Housing Operations also acts as the principal advisor to the Assistant Secretary for Housing-Federal Housing Commissioner for operational matters, including but not limited to procurement oversight and management; human resource management services; space planning; technology application; and travel oversight. Additionally, on behalf of the Office of Housing and FHA, Housing Operations coordinates oversight of training for Office of Housing personnel; Freedom of Information Act (FOIA) responses; controlled correspondence responses; web content; records management; and compliance with the Office of Management and Budget (OMB) Paperwork Reduction Act and the Privacy Act. Furthermore, Housing Operations coordinates the Housing Continuity of Operations (COOP) efforts for Housing's Mission Essential Functions (MEFs). Housing Operations also facilitates the Office of Housing and FHA's compliance with the National Environmental Policy Act requirements through the Housing Program Environmental Clearance Officer (PECO) efforts.

Anthony B. Reeves

Deputy Assistant Secretary
Office of Operations

"Mission First, People Always!" The Office of Housing Operations performs a wide variety of functions that facilitate and support the Federal Housing Administration (FHA) and Office of Housing efforts. The ongoing COVID-19 National Emergency has demonstrated the importance of our work, and the need to adapt as we help ensure that the Office of Housing has the resources and services needed in order to meet objectives. To that end, The Office of Operations provides guidance, processing assistance, as well as coordination efforts that allow the Office of Housing and FHA to effectively serve the nation.

FY 2022 PORTFOLIO & PERFORMANCE HIGHLIGHTS

Procurement

- Re-captured and closed out 80% of all outstanding open obligations as of September 30, 2022. For FY 2022, approximately 3,871 accounting lines were reviewed and are being processed that will total over $200 million
- Ensured that 85% of all actions were released to the Office of the Chief Procurement Officer (OCPO) by June 30, 2022

Personnel

- Processed 709 recruitment actions in FY 2022 to date
- Managed the performance management process, including the awards program for $4,020,128 in FY 2022 to date
- Addressed 69 Employee Labor Relations and 20 Equal Opportunity Actions in FY 2022 to date

Compliance and Oversight

- Processed 61 Office of Housing Directives (Mortgagee Letter and Housing Notices), as well as 36 Office of Housing Regulatory items
- Managed 1,376 Controlled Correspondence and Freedom of Information Act items during FY 2022
- Processed the updating of 22 OMB Paperwork Reduction Act submissions

OFFICE OF OPERATIONS PROGRAM OFFICES

Headquartered in Washington, D.C., the Office of Operations is led by the Deputy Assistant Secretary for Operations Programs, and includes the following areas:

- Housing Continuity of Operations (COOP): Conducts on-going planning, testing and training for the Office of Housing to enhance Housing's COOP implementation strategies and to ensure that Housing's continuity footprint is resilient, ready at all times to carry out our six (6) MEF and twenty-six (26) Essential Supporting Activities during a wide range of emergencies.
- Employee Engagement Team: Provides leadership, guidance, and training on employee engagement for the office of Housing. Analyzes the Federal Employee Viewpoint Survey (FEVS) and provides recommendations on engagement, morale, and culture improvement initiatives.
- Employee Support Services Division (ESSD) Provides leadership, and support to Housing staff with respect to talent acquisition, time and attendance processing, employee and labor relations, equal employment opportunity.
- Procurement Management Division (PMD): Facilitates and manages Office of Housing contract services, contract portfolio analysis, quality assurance and contract close out.
- Organizational Policy, Planning and Analysis Division (OPPAD): Oversees the Office of Housing's directives clearance, Paperwork Reduction Act, Privacy Act, and management of overall Office of Housing training related activities.
- Administrative Support Services Division (ASSD): Responsible for the facilitation of Office of Housing travel, Headquarters (HQ) Space Management, HQ Parking, and HQ Office Supplies.
- Communications and Marketing Division (CMD): Responsible for Office of Housing records management, compliance with and responses to Freedom of Information Act, Controlled Correspondence oversight and processing, and marketing efforts.
- Systems and Technology Division (S&T): Responsible for Office of Housing web content management, SharePoint development, Application development, and Information Technology resources.

FY 2022 PORTFOLIO AND PERFORMANCE HIGHLIGHTS

In addition to the above activities, other actions of note in direct support of FHA by Housing Operations included:

- Responded to 34 Multifamily FHA environmental questions via the Multifamily Accelerated Processing (MAP) Ask A Question (AAQ) portal from April 2022 to date.
- Represented FHA on HUD's Climate and Environmental Justice Working Group and coordinated FHA submissions to HUD's Climate Action Plan.
- Provided project specific environmental guidance for Multifamily and Healthcare FHA programs when issues are complex, precedent setting, or involve Housing-specific policies.
- Prepared and provided environmental regulation and review related training to new Multifamily Housing staff in January 2022 and July 2022. Prepared and provided environmental regulation and review training session for Multifamily FHA Lenders\Consultants in August 2022.
- Developed Office of Housing Records and Information Management (RIM) Program centralized electronic collection site to assist Office of Housing Program Offices with all of their records management needs. This site is so successful that it is now being used by HUD Agency Records Officers (ARO) as a model for all Program Offices within HUD to follow.
- Used the results of the Federal Employee Viewpoint Survey (FEVS) to improve the work environment, the culture and employee engagement. This is reflected in the "Best Place to work in Government" engagement and satisfaction scores, continuous improvement since 2019 https://bestplacestowork.org/rankings/detail/?c=HUMM. HUD overall has improved from number 23 in medium sized agencies to number 13 in the last three years. FHA/Housing has improved to one of the best Program Offices to work in HUD.
- Developed a Career Development Program (CDP) for Housing employees' grades GS-7 through GS-11. The CDP is an eight-month program that serves as an integral part of the Office of Housing's Human Capital Development and succession planning efforts by utilizing career focused training and career development planning to retain employees who have been in the Federal government five years or less. Based on the 2021 Federal Employee Viewpoint Survey feedback results, Housing increased the training budget to be able to reskill and train employees as a retention strategy.

PROCUREMENT MANAGEMENT DIVISION (PMD):

- Ensured that the FY 2023 Annual Strategic Acquisition Plan (ASAP) was approved by 9/30/2022. The ASAP is important because it assures that the planned acquisitions are in line with Housing's planned operating budget and meets HUD's strategic mission goals. The ASAP demonstrates that HUD's small business goals are met (Housing's activities contribute to the majority of HUD's overall Small Business goals); and the Procurement Acquisition Lead Times (PALT) are on target for timely release of requisitions to OCPO based on acquisition strategy, thereby helping to assure timely delivery of goods and services needed for Housing to meet its mission.

- Coordinated with the Office of Finance and Budget and Office of the Chief Procurement Office to ensure there are no lapses in expiring appropriations.
- Processed 271 planned and unplanned actions for just under $351 Million in FY 2022 to date.

PERSONNEL:

- Facilitated 851 Office of Housing Employee training sessions in FY 2022.

COMPLIANCE AND OVERSIGHT:

- Provided environmental training to new Multifamily staff in January.
- Coordinated Housing's responses and priorities on the Office of Environmental and Energy's updates of HUD's floodplain and wetlands regulations (24 CFR Part 55) and HUD's Noise Guidebook.

OFFICE *of* FINANCE AND BUDGET

OVERVIEW

The Office of Finance and Budget (FAB) manages the integrity of all Office of Housing-FHA accounting records and the preparation of timely and accurate financial and management reports on all FHA activities. Additionally, FAB manages the Office of Housing-FHA's budget formulation and execution activities.

We maintain a high level of customer service delivery with efficiency at the helm, strong financial management practices, and controls in support of the Federal Housing Administration's (FHA) mission and fiscal responsibilities.

The budgetary services we provide is a critical link across the Office of Housing-FHA, serving as the nexus between HUD's Office of the Chief Financial Officer (OCFO) and the Office of Management and Budget (OMB) on all programmatic budgetary funding matters in support of Housing-FHA strategic goals.

We collaborate with the Office of Housing program offices to sell defaulted Single Family, Multifamily and Healthcare mortgage notes. In this role, we seek to maximize returns and reduce costs to the FHA insurance fund by auctioning defaulted mortgage notes, whilst restoring more single family homes to viable uses as affordable homes and rental properties across the nation.

Susan A. Betts

Deputy Assistant Secretary
Office of Finance and Budget

In FY 2022 we set out to deliver on our shared vision of providing value and expertise in achieving Housing-FHA objectives through strong financial management, integrity, accountability, continuous improvement, exceptional customer service, and accountability. We accomplished this by strengthening our financial management controls, focused on technology and innovation, and implemented best practices across FAB.

FY 2022 PORTFOLIO & PERFORMANCE HIGHLIGHTS

Obtained an unmodified (clean) audit opinion.

Served as the lead for all Budgetary requirements for the new Green and Resilient Retrofit Program (GRRP) Reduction Act which increased HUD's budget by approximately $1 billion. Provided continuous reports and analysis to Stakeholders which maximized funding, increased hiring, and supported increased budget requests.

Sold $736 million of HECM loans on vacant properties in FY 2022.

OFFICE OF FINANCE AND BUDGET PROGRAM OFFICES

Headquartered in Washington, D.C., the Office of Finance and Budget is led by the Deputy Assistant Secretary for Finance and Budget, and includes the following areas:

- Office of Housing – FHA Comptroller:
    - Office of Financial Services: Manages the policy direction, review, and coordination required to collect mortgage insurance premiums, provides the financial services to support FHA's Single Family, Multifamily, and Title I insurance portfolios, and provides the financial support necessary to manage FHAs asset management and disposition programs.
    - Office of Financial Analysis and Reporting: Responsible for FHA financial management and reporting as well as providing policy direction, review, and coordination of the budgetary and accounting responsibilities for the Office of Housing-FHA Comptroller.
    - Office of Systems and Technology: Coordinates the management, development, modification, and maintenance of integrated financial and management information systems necessary for accounting and management of FHA programs, including the FHA Subsidiary Ledger.
- Office of Budget and Field Resources: Manages the formulation, presentation, and execution of the Office of Housing's program and administrative budgets. This includes fund assignments and funds control, financial resource management, coordination of financial resources in support of field operations, and budget analysis and reporting.
- Office of Asset Sales: Manages FHA's loan sales under which FHA sells defaulted Single Family, Multifamily and Healthcare mortgage notes that meet FHA loan sale eligibility criteria. Loan sales seek to maximize returns to the FHA insurance fund, compared to alternative disposition strategies.

FY 2022 PORTFOLIO AND PERFORMANCE HIGHLIGHTS

The Office of Finance and Budget’s notable achievements for FY 2022 includes the following highlights:

- Endorsed more than $255 billion of Single Family forward mortgages in FY 2022, a decrease from $342 billion in FY 2021. This resulted in $12.4 billion of mortgage insurance premiums collected, $1.5 billion less than in FY 2021.
- Endorsed over $21 billion in Multifamily loans, a 28 percent decrease from FY 2021.
- Issued firm commitments of approximately $3.6 billion in Hospital and Residential Care Facility loans, 42 percent less than the commitment volume of FY 2021.
- Conducted a nonprofit conference aimed at expanding sale opportunities for non-profits in loan sales.
- Focused on resolving open audit findings:

TABLE 4 – GAO AND OIG RECOMMENDATION STATUS

Recommendation Type	Initial October 1, 2021	Reopened FY 2022	New FY 2022	Closed FY 2022	Total September 30, 2022
GAO	17	0	1	3	15
OIG	145	3	30	42	136

FY 2022 LOAN SALES

HOME EQUITY CONVERSION MORTGAGE (HECM) SALES

In FY 2022, FHA held three HECM note sales of Secretary-held, due and payable, HECM loans on vacant properties. The notes were sold through competitive auctions to qualified bidders. HUD awarded a total of 3,010 loans with an updated loan balance of $736 million and a Broker Price Opinion (BPO) value of $615 million. The updated loan balance represents unpaid principal balance plus accrued interest, mortgage insurance premium and servicer advances. The average Bid to BPO was 71.2% percent. In these sales, 1,668 of the notes, or 55.4%, were awarded to non-profit bidders.

- December 1, 2021, HECM Vacant Property Loan Sale HVLS 2022-1: In this first HECM sale of FY 2022, non-profit entities were given priority bidding on 50% of the 1,617 loans offered, versus 10% offered in previous sales. Bid to BPO was 68.9%, the highest result since the 2018-1 sale of 70%. Eleven unique non-profit entities were awarded 814 notes, or 50.3% of offered notes.
- June 8, 2022, HECM Vacant Property Loan Sale HVLS 2022-2: 1,406 loans offered in the second HECM sale of the fiscal year were offered exclusively to non-Profit entities. Of those703 notes were awarded at a Bid/BPO of 80% to 7 unique non-profit bidders.
- July 27, 2022, HECM Vacant Property Loan Sale HVLS 2022-2 Part 2: The third sale that was open to all bidders offered the 690 notes that were not awarded in HVLS 2022-2. The Bid to BPO was 65.4% and 22% of the notes were awarded to nine unique non-profit bidders, with the remaining awarded to 4 for-profit bidders. A First Look requirement was added to the Loan Sale Agreement (CAA) requiring all Purchasers to exclusively market REO property for at least 30 days to Owner-Occupant Buyers, governmental entities, and Eligible Nonprofit Organizations, thereby bringing this note sale into alignment with FHA's other disposition paths.

The bids received in the FY 2022 sale reflect strong demand for HECM notes and resulted in improved returns to FHA.

During FY 2022, FHA had one Multifamily Healthcare Loan Sale (MHLS 2022-1). FHA awarded four healthcare first lien mortgage notes and four Multifamily notes, with a combined unpaid principal balance of $29.2 million.

ANALYSIS *of* FINANCIAL STATMENTS

OVERVIEW

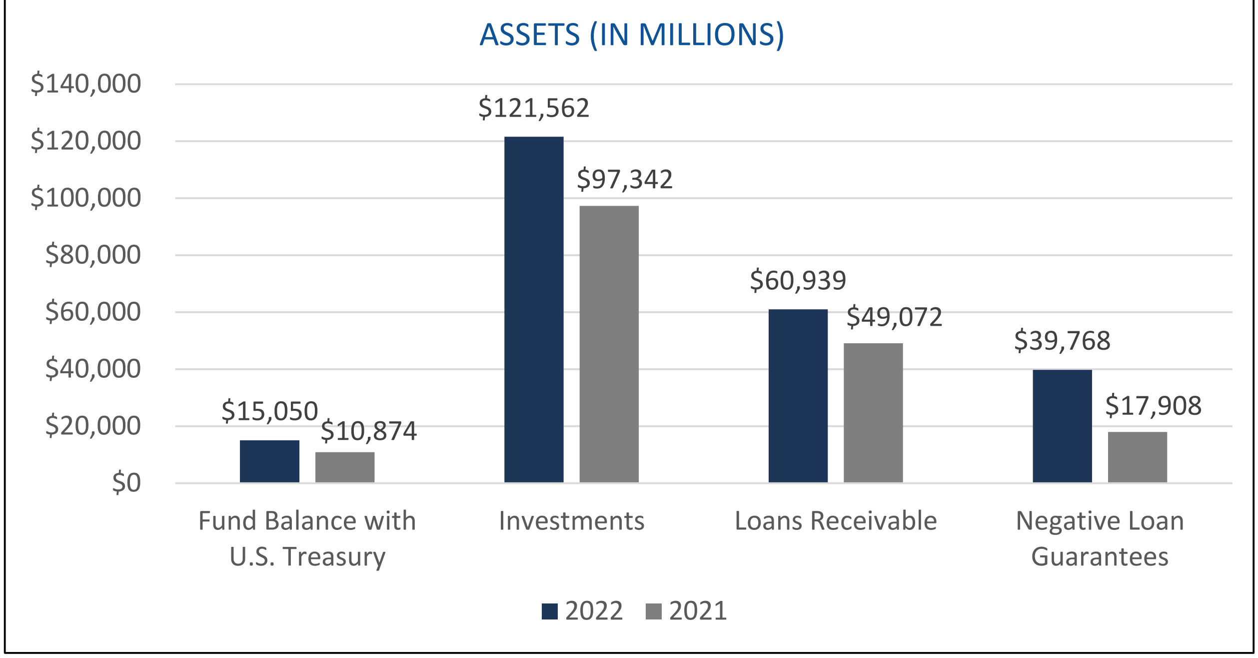
This section presents a summary of FHA's financial statements. These financial statements were prepared in accordance with Generally Accepted Accounting Principles (GAAP) for Federal entities, Federal Accounting and Standards Advisory Board (FASAB) standards and concepts statements as applicable to programs operating under the Federal Credit Reform Act (FCRA) of 1990, as amended, and in accordance with the requirements specified in the Office of Management and Budget's Circular A-136, Financial Reporting Requirements (Revised). FHA's management is responsible for the integrity and objectivity of the financial information presented in the financial statements.

OVERVIEW OF FINANCIAL POSITION

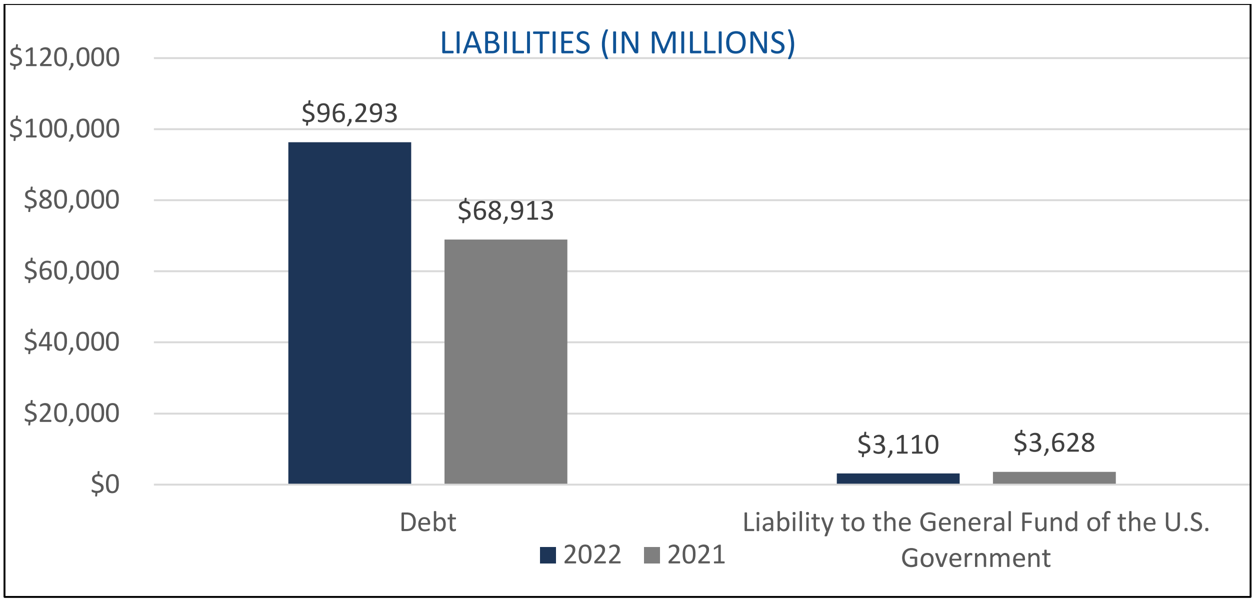
A summary of FHA's change in financial position from fiscal year 2021 to fiscal year 2022 is presented in the following sections on Assets and Liabilities, Net Cost, and Budgetary Resources.

ASSET AND LIABILITIES

FHA's balance sheet assets primarily consist of fund balances with the U.S. Treasury, investments, loan receivables, and negative loan guarantees[8], while the liabilities consist mostly of debt to the U.S. Treasury and liabilities to the General Fund of the U.S. Government. The nature of FHA's business requires it to carry, or acquire through borrowing, the funds needed to make claim payments on defaulted guaranteed loans. Additionally, FHA must transfer subsidy expense and credit subsidy re-estimates under the requirements of FCRA. These subsidy transfers to the MMI capital reserve fund are invested in U.S. Treasury Securities. The subsidy expense and re-estimate calculations are based on assumptions regarding future premium collections, prepayments, claims, and recoveries on credit program assets. On that basis, FHA's fund balances with the U.S. Treasury, investments, and debt can fluctuate significantly depending largely on economic and market conditions and customer demand.



[8] On FHA's Balance Sheet, the negative loan guarantees are reported as part of Loans Receivable, net.



Total assets increased by $61,945 million during fiscal year 2022. This increase was primarily due to a $24,220 million increase in investments, an $11,867 million increase in loans receivable, and a $4,176 million increase in Fund Balance with U.S. Treasury. An increase in Negative Loan Guarantees, discussed in greater detail on the next page, of $21,860 million also contributed to the increase in total assets. The $24,220 million increase in investments resulted from transfers in fiscal year 2022 of fund balance from a net downward LLG re-estimate and negative subsidy to the MMI capital reserve fund. These transferred funds were subsequently invested. The $11,867 million increase in loans receivable is mostly attributable to an increase in Single Family Forward loans receivable. An increase in HECM loans receivable also contributed to the overall increase. Total liabilities increased by $26,668 million, primarily due to an increase of $27,380 million in debt. Debt increased in fiscal year 2022 to make cash available to cover transfers of the previous year's net downward re-estimate and negative subsidy, as well as make claim payments.

NEGATIVE LOAN GUARANTEES

FHA reported net negative loan guarantee liability in fiscal years 2022 and 2021. Negative loan guarantees occur when the liability for loan guarantees reflects a positive net present value (projected cash inflows are greater than cash outflows). A negative loan guarantee is presented as an asset on the financial statements. As such, FHA's liability for loan guarantees or net negative loan guarantees were reported as an asset on the Balance Sheet under Loans Receivable, net. The net negative loan guarantee liability is an indication that FHA's mortgage insurance programs are generally profitable for the U.S. government.

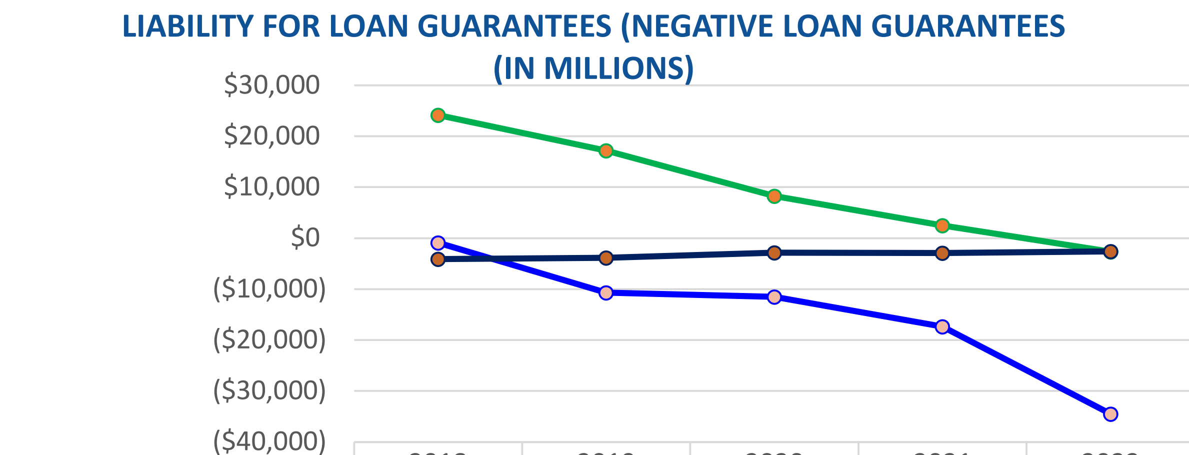
FHA's liability for loan guarantees or net negative loan guarantees represents the present value of anticipated cash outflows, such as claim payments, premium refunds, property expense for on-hand properties, and sales expense for sold properties; less the present value of anticipated cash inflows, such as premium receipts, proceeds from property and note sales, and principal and interest on Secretary-held notes.

TABLE 5 – SCHEDULE OF LIABILITY FOR LOAN GUARANTEES

Schedule of Liability for Loan Guarantees (Negative Loan Guarantees)				
(Dollars in Millions)	**FY 2022**	**FY 2021**	**Difference**	**% Change**
Single Family Forward	(34,499)	(17,405)	(17,094)	98%
HECM	(2,673)	2,457	(5,130)	-209%
Multifamily/Healthcare	(2,596)	(2,960)	364	-12%
Total	**(39,768)**	**(17,908)**	**(21,860)**	**-122%**

The $17,094 million Single Family Forward LLG decrease and the $5,130 million HECM LLG decrease were mostly due to changes in the actuarial model methodology, changes in economic forecasts, and changes in actual loan performance in the MMI fund. There were also decreases in the LLG estimates in the GI/SRI funds for Single Family Forward and HECM that contributed to the overall decrease in those program areas.

For Multifamily/Healthcare, the $364 million increase in the LLG occurred mostly in the GI/SRI funds. The LLG estimate for the Section 223(f) program increased by $127.3 million due to higher prepayment expectations. There was an increase of $112 million in the LLG estimate for the Section 232 Healthcare Purchasing or Refinancing program due to higher claim and prepayment expectations, as well as lower insurance-in-force. LLG estimates for the Section 221(d)(4) and Section 223(a)(7) programs increased by $38.1 million and $23.9 million, respectively, due to higher prepayment expectations and lower insurance-in-force. There was also increases in the LLG estimate for the Section 242 program of $21 million due to lower insurance-in-force and the Section 232 Healthcare New Construction program of $20.6 million due to higher claim projections and lower insurance-in-force.



	2018	2019	2020	2021	2022
Single Family Forward	($921)	($10,725)	($11,567)	($17,405)	($34,499)
HECM	$24,147	$17,182	$8,232	$2,457	($2,673)
Multifamily/Healthcare	($4,120)	($3,889)	($2,849)	($2,960)	($2,596)

NET COST/(SURPLUS)

In fiscal year 2022, FHA reported a net surplus of $37,719 million. The most significant contributor to FHA's net surplus was gross costs with the public, which consists primarily of subsidy expense and re-estimate expense associated with the LLG. Pursuant to the accounting principles established based on the FCRA, FHA records subsidy expense when a loan is guaranteed and when the LLG is re-estimated at the end of the fiscal year. The increase in FHA's net surplus from 2021 to 2022 was mainly due to a decrease in reestimate expense, offset by a decrease in negative subsidy in fiscal year 2022.

TABLE 6 – SCHEDULE OF NET COST/SURPLUS

Schedule of Net Cost/Surplus (Dollars in Millions)	FY 2022	FY 2021	Difference	% Change
Program Cost	(36,114)	(23,561)	12,553	53%
Less: Program Revenues	1,605	1,123	482	43%
Net Cost (Surplus)	**(37,719)**	**(24,684)**	**(13,035)**	**53%**

BUDGETARY RESOURCES

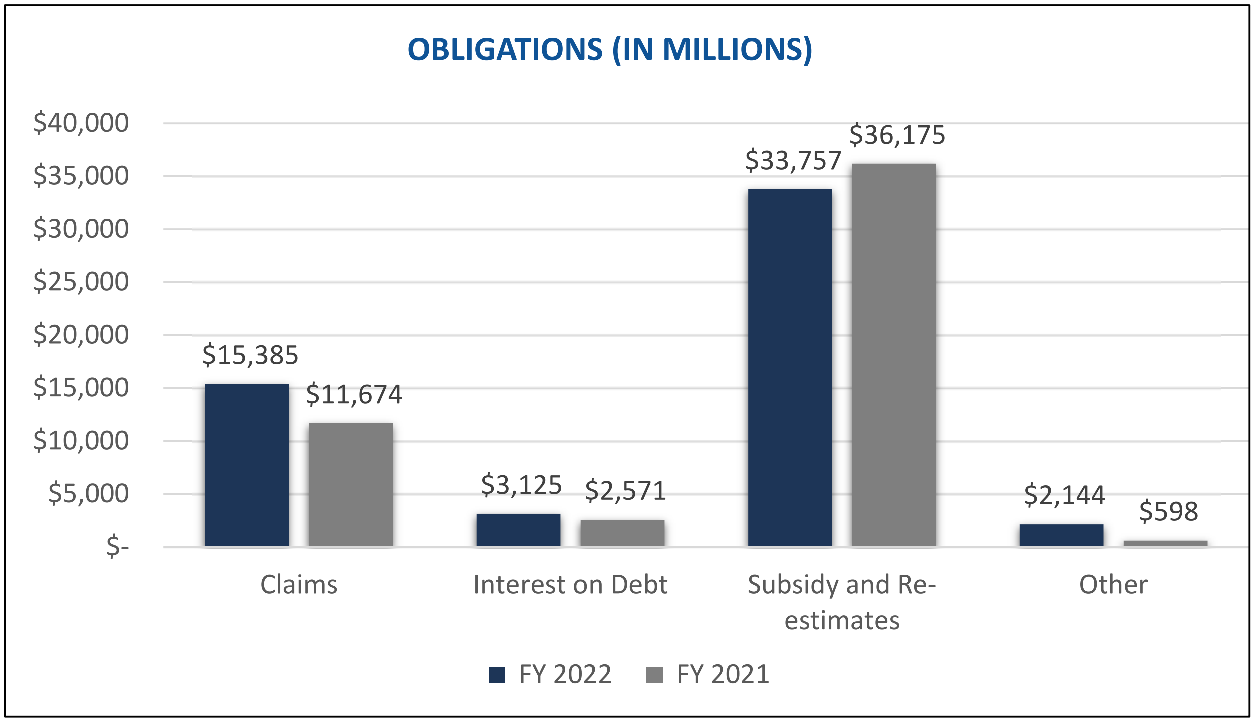
FHA finances its operations through a combination of appropriated funds, debt to the U.S. Treasury, spending authority from offsetting collections, and unexpired prior-year unobligated balances brought forward. Spending authority from offsetting collections includes collections of premiums and fees, sales proceeds from credit program assets, and credit subsidy transferred between different FHA accounts.

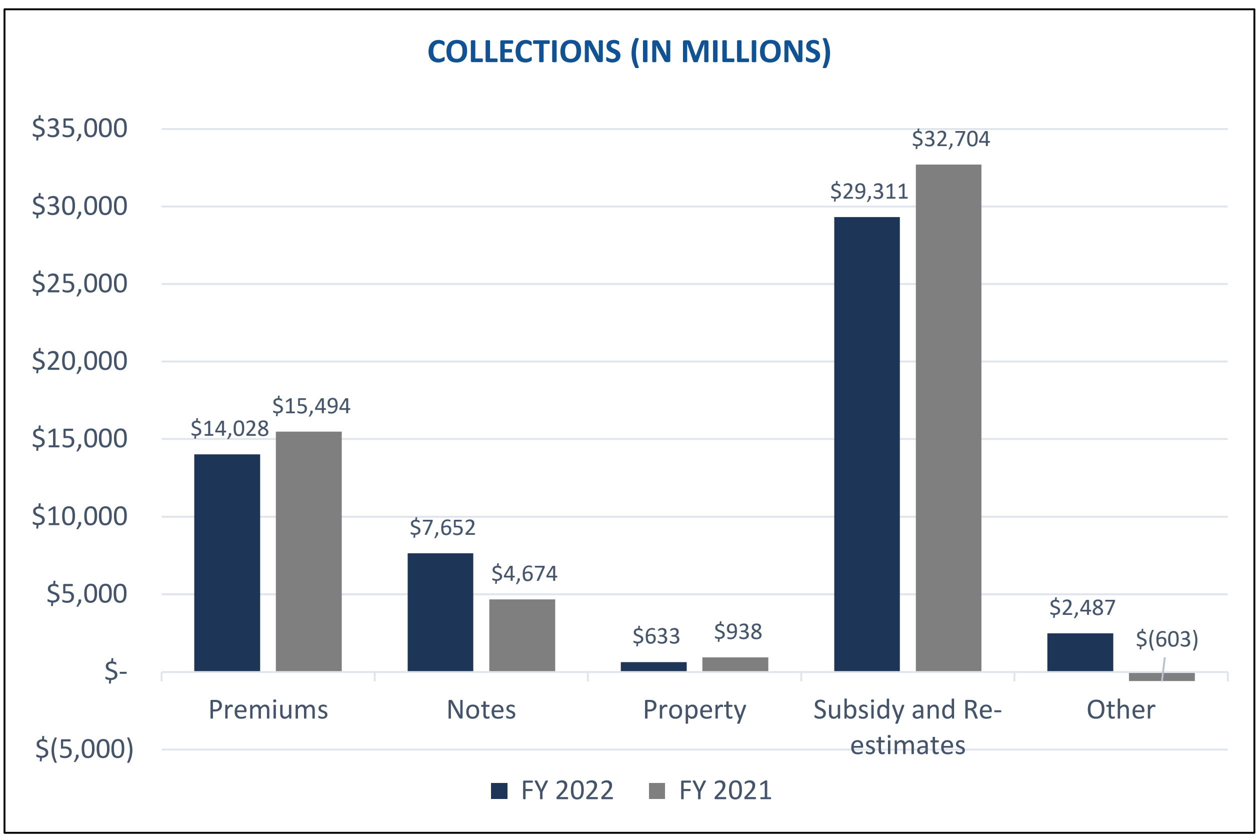
FHA's budgetary resources are increased by Appropriations, Borrowing authority, and Spending authority from offsetting collections. The $1,338 million decrease in appropriations in fiscal year 2022 was primarily due to the GI/SRI re-estimate that projected less cash would need to be appropriated to liquidate the prior-year re-estimate. Borrowing authority increased by $15,325 million in fiscal year 2022 because a larger amount of borrowing authority was required to maintain liquidity in FHA's financing funds. For Spending authority from offsetting collections, there was no significant change from fiscal year 2021 to fiscal year 2022.

TABLE 7 – BUDGETARY RESOURCES

Budgetary Resources (Dollars in Millions)	FY 2022	FY 2021	Difference	% Change
Unobligated Balance from prior year budget authority, net	103,384	84,387	18,997	23%
Appropriations (discretionary and mandatory)	814	2,152	(1,338)	-62%
Borrowing authority (discretionary and mandatory)	36,718	21,393	15,325	72%
Spending authority from offsetting collections (discretionary and mandatory)	46,438	46,405	33	0.1%
Total	**187,354**	**154,337**	**33,017**	**21%**

These resources were used to cover the fiscal year 2022 obligations totaling $54,411 million. FHA's obligations included subsidy/re-estimate costs, claim payments on defaulted guaranteed loans, interest on borrowings, and other obligations. Obligations for the FFB Direct Loan program, included among other obligations in the table below, increased by $1,585 million due to the relaunch of the program in fiscal year 2022. These obligations were offset by FHA collections received in fiscal year 2022 totaling $54,111 million, which included premiums, notes, property, subsidy/re-estimate, and interest earned from U.S. Treasury and other collections. Interest earned from U.S. Treasury, included among other collections in the table below, increased in fiscal year 2022 due to an increase in MMI investments.


OBLIGATIONS (IN MILLIONS)
$40,000
$35,000
$30,000
$25,000
$20,000
$15,000
$10,000
$5,000
$-
$15,385
$11,674
$3,125
$2,571
$33,757
$36,175
$2,144
$598
Claims
Interest on Debt
Subsidy and Re-estimates
Other
FY 2022
FY 2021


COLLECTIONS (IN MILLIONS)
$35,000
$30,000
$25,000
$20,000
$15,000
$10,000
$5,000
$-
$(5,000)
$14,028
$15,494
$7,652
$4,674
$633
$938
$29,311
$32,704
$2,487
$(603)
Premiums
Notes
Property
Subsidy and Re-estimates
Other
FY 2022
FY 2021

SYSTEMS, CONTROLS, AND LEGAL COMPLIANCE

OVERVIEW

FHA continues to maintain and improve its overall financial management and system control environment by addressing areas identified through regular self-assessments, management reviews and independent auditor's reviews.

FHA COMPLIANCE WITH OMB CIRCULAR A-123, MANAGEMENT'S RESPONSIBILITY FOR ENTERPRISE RISK MANAGEMENT AND INTERNAL CONTROL

Management is responsible for managing risks and maintaining effective internal controls to meet the objectives of Sections 2 and 4 of the FMFIA. Housing/FHA conducted its assessment of risk and internal control in accordance with OMB Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*. To comply with the requirements in OMB Circular A-123, an internal control certification statement is provided to the Chief Financial Officer by the Department's Assistant Secretaries to support the overall statement from the Secretary. Annually, Housing/FHA prepares an Internal Control Assurance Statement. This statement attests to whether Housing:

- Is in compliance with Sections 2 and 4 of the Federal Manager's Financial Integrity Act
- Systems generally comply with the requirements of the Federal Information Security Management Act (FISMA) requirements, Appendix III of OMB's Circular A-130, "Management of Federal Information Resources", and FFMIA Appendix D of OMB Circular A-123.

Based on the results of the assessment, FHA can provide reasonable assurance that its internal controls over operations, reporting, and compliance were operating effectively as of September 30, 2022, except for the following material weakness:

- Certain control weaknesses over financial reporting

In addition, FHA conducted its assessment of the effectiveness of internal control over financial reporting in accordance with the requirements of Appendix A of OMB Circular A-123. Based on the results of this evaluation, FHA can provide reasonable assurance with the exception of one material weakness identified above that its internal control over financial reporting as of September 30, 2022, was operating effectively.

FY 2022 Annual Assurance Statement

The Federal Housing Administration's (FHA) management is responsible for managing risks and maintaining effective internal control and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA). FHA conducted its assessments of the effectiveness of internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations in accordance with OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control.*

Based on the results of these assessments, FHA provides a qualified assurance that its internal controls over financial reporting were operating effectively as of September 30, 2022, with the exception of one material weakness surrounding certain controls over financial reporting. Other than the noted exception, no other material weaknesses were found in the design or operation of the internal controls over financial reporting.

Julia R. Gordon

Assistant Secretary for Housing and Federal Housing Commissioner
Office of Housing and the Federal Housing Administration

FHA COMPLIANCE WITH OMB CIRCULAR A-123, FINANCIAL MANAGEMENT SYSTEMS

FHA's management has reviewed FHA's core financial system and sixteen financial and mixed financial systems for compliance with the OMB Circular A-123 "Management's Responsibility for Enterprise Risk Management and Internal Control," and the Federal Financial Management Improvement Act (FFMIA) Compliance Determination Framework. Management has concluded that FHA's core financial system complies with the Federal Financial Management system requirements and applicable accounting standards and maintenance of the U.S. Standard General Ledger at the transaction level. FHA's sixteen financial and mixed financial and program systems are integrated with the core financial system through extensive electronic interfaces. Operating interdependently, these financial systems taken together are substantially in compliance with FFMIA and OMB Circular A-123 requirements.

The Office of the Housing FHA Comptroller continuously monitors all FHA accounting and financial operations through weekly management meetings and through exception reporting for operational problems identified by managers and staff. FHA has sustained program operations with its current systems through significant changes in its mortgage insurance operations to implement the goals of FHA. Included in the Annual Performance Plan is the priority to strengthen HUD's internal institutional capacity to deliver on its mission. This priority focuses on financial transformation and modernizing information technology. FHA will continue investment initiatives to modernize our outdated IT systems by focusing on the implementation of an enterprise-wide solution. The goal is to improve the quality and efficiency of FHA's data. The move to an enterprise-wide solution will allow program offices to better collaborate across silos, make better housing decisions, and use accurate data.

To track the progress towards this objective, one of the performance indicators that HUD will use is the number of enterprise-wide IT solutions that are implemented to streamline manual or cumbersome processes.

FHA management recognizes that its systems must continue to meet advancing standards and new expectations for efficiency and flexibility of operations. In the FY 2022 budget, FHA received an additional $12.3 million appropriation from Congress for IT modernization, in addition to the $60 million in appropriations from FY 2019 through FY 2021. With this funding, FHA has made significant progress in its multi-year development effort to modernize its technology systems, starting with the technology used for its Single Family insurance programs. Called FHA Catalyst, the initiative is progressing toward the goal of a secure, single cloud-based portal accessible by participants in the FHA program. When complete, FHA Catalyst will allow FHA program participants to conduct a full suite of transactions, from loan application to claims, including premium collections. During FY 2022, the FHA Catalyst platform expanded with the addition of the Case Binder Submission Module, Single Family Default Monitoring System Reporting Module and Multifamily Applications Module.

FY 2022 FINANCIAL STATEMENTS AUDIT FINDINGS

The Office of the Inspector General has identified one material weakness in the Internal Control Report for FHA's FY2022 financial statement audit. The OIG noted in its finding that FHA borrowed $6.878 billion in excess of its apportioned borrowing authority during the year due to a larger than initially anticipated downward reestimate. Specifically, FHA requested and received $31.878 billion of borrowings for its Mutual Mortgage Insurance (MMI) Financing Account however, the Office of Management and Budget (OMB) had only apportioned $25 billion of Borrowing Authority on FHA's Standard Form (SF) 132, Apportionment and Reapportionment Schedule. Relating to the borrowing, OIG noted that FHA recorded approximately $110 million less than required in interest expense in its financial statements as of June 30th. In addition, FHA erroneously recorded borrowing authority from an OMB apportionment. At year end, FHA also realized it had miscategorized borrowing relating to the Federal Finance Bank as definite authority instead of indefinite authority.

The OIG also noted FHA did not have effective controls over loans receivable or adequate oversight of the Single Family loan service providers. During FY 2022, the FHA National Service Center (NSC) advised regarding a backlog in Partial Claims processing due to contractor challenges that resulted in an overstatement of reclassification amounts from loans receivable to accounts receivable.

Management has already taken steps to resolve these findings and will continue working to address the remaining auditor recommendations in the coming fiscal year.

STATUS OF FISCAL YEAR 2021 FINANCIAL STATEMENT AUDIT FINDINGS

The status of the material weakness identified in the fiscal year 2021 financial statement audit is below:

During FY 2021, FHA discovered that it was incorrectly performing a reconciliation relating to HECM subsidy. This incorrect reconciliation caused excess HECM subsidy of $3.3 billion to be disbursed between two FHA funds. FHA improved its processes and internal controls surrounding subsidy to ensure proper reconciliation and recording of subsidy balances. To resolve this material weakness, FHA took steps to updated standard operating procedures for system and account reconciliations, provided training for current and new staff, prepared a new communication policy to be shared with all managers, updated the quarterly variance analysis and strengthened the financial review controls by developing an OMB Circular A-136 Compliance Matrix to document changes to presentations in the financial statements and provided training to field staff and management to address data inaccuracies between the Multifamily (MF) endorsement system and the MF Cash Flow Model.

As a result of the above, all recommendations for this finding were closed in FY 2022.

PAYMENT INTEGRITY INFORMATION ACT OF 2019 (PIIA)

In accordance with the Payment Integrity Information Act of 2019 (PIIA)) and the OMB Memorandum M-21-19 dated March 5, 2021, HUD OCFO and FHA performed risk assessments in FY 2022 for FHA programs in scope based upon the PIIA three-year risk assessment rotation cycle and payment thresholds. Based upon these criteria, the following FHA disbursements programs were reviewed:

- Home Equity Conversion Mortgage (HECM) Claims
- Home Equity Conversion Mortgage (HECM) Notes
- Multi-Family Insurance Claims (MFIC)

The risk assessment process was updated to include additional risk factors listed by PIIA and M-21-19. The results of the risk assessments conducted on the above programs determined that these programs were either medium or low risk. Additionally, the review of these programs showed no significant changes to processes by which the disbursements were processed, leading to the conclusion that these disbursement programs are not susceptible to improper payments. FHA also performed analysis of Do Not Pay initiatives and found no significant incidence of erroneous payments.

FHA's recovery auditing program is part of its overall program of effective internal control over disbursements. Internal control policies and procedures establish a system to monitor improper payments and their causes and include controls for preventing, detecting, and recovering improper payments. In addition, FHA has taken specific actions to develop and regularly generate a report that identifies potential duplicate disbursements, researching questionable disbursements and initiating recovery actions for payments deemed to be improper.

FHA has established a payment recapture processes for its claim disbursement systems and an extensive debt collection program to recover overpayments.

LIMITATIONS OF FINANCIAL STATEMENTS

The principal financial statements are prepared to report the financial position, financial condition, and results of operations, pursuant to the requirements of 31 U.S.C. § 3515(b). The statements are prepared from records of Federal entities in accordance with Federal generally accepted accounting principles (GAAP) and the formats prescribed by OMB. Reports used to monitor and control budgetary resources are prepared from the same records. Users of the statements are advised that the statements are for a component of the U.S. Government.

SECTION 2

PRINCIPAL FINANCIAL STATEMENTS

MESSAGE FROM THE DEPUTY ASSISTANT SECRETARY FOR FINANCE AND BUDGET ON PRINCIPAL FINANCIAL STATEMENTS

NOVEMBER 16, 2022

The financial statements presented herein are the results of the Federal Housing Administration's transactions for the year ending September 30, 2022 (FY 2022), in support of individual wealth building through homeownership opportunities and ensuring access to and increases in the production of affordable housing options across the nation. By focusing our efforts on the overall effectiveness of and strengthening internal controls around financial reporting and cash flow modeling, our collective efforts have resulted in FHA attaining an unmodified (clean) audit opinion for fiscal year 2022.

During the FY 2022 financial statement audit, the auditors identified one material weakness in internal control over financial reporting relating to borrowing authority and loans receivable. The audit also identified the resolution of the prior year material weakness surrounding HECM subsidy and the prior year significant deficiency relating to cash flow modeling.

In FY 2023 we plan to focus our attention on improving controls around financial reporting and resolving open recommendations identified by the financial statement auditors. We plan to work on growing and strengthening our leadership team and staff of credit reform experts, further enhance internal controls surrounding financial reporting, and implement automation projects to reduce errors in transaction processing while focusing staff efforts on more complex analytical work and information technology systems improvements.

Scaling a post-pandemic environment and leaning on our core values of integrity, teamwork, accountability, professionalism, continuous improvement, inclusion, and engagement; the Office of Finance and Budget delivered on its mission of providing exceptional customer service and reliable, accurate, and timely financial information through budgeting, asset sales, and financial operations and reporting. None of this would be possible without the hard work and dedication of our staff and the support of our partners within the program offices, the lender and servicer communities and supporting contractor partners. For this achievement, I say "thank you".

Susan A. Betts
Deputy Assistant Secretary
for Finance and Budget

FEDERAL HOUSING ADMINISTRATION
(AN AGENCY OF THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT)
CONSOLIDATED BALANCE SHEETS
AS OF SEPTEMBER 30, 2022 AND 2021
(DOLLARS IN MILLIONS)

	FY 2022	FY 2021
ASSETS		
Intragovernmental:		
Fund Balance with U.S. Treasury (Note 3)	$ 15,050	$ 10,874
Investments, net (Note 5)		
Federal Investments	121,051	96,842
Interest Receivable - Investments	511	500
Total Intragovernmental	**$ 136,612**	**$ 108,216**
Other than Intragovernmental:		
Cash and Other Monetary Assets (Note 4)	$ 50	$ 77
Accounts Receivable, net (Note 6)	1,160	1,311
Loans Receivable, net (Note 7)		
Loans Receivable, net	60,939	49,072
Negative Loan Guarantees	39,768	17,908
Total Other than Intragovernmental	**101,917**	**68,368**
TOTAL ASSETS	**$ 238,529**	**$ 176,584**
LIABILITIES		
Intragovernmental:		
Accounts Payable (Note 8)	$ 2	$ 1
Debt (Note 9)		
Loans Payable - Borrowings	96,286	68,907
Interest Payable - Borrowings	7	6
Other Liabilities (Note 10)	3,110	3,628
Total Intragovernmental	**$ 99,405**	**$ 72,542**
Other than Intragovernmental:		
Accounts Payable (Note 8)	$ 559	$ 753
Advances from Others and Deferred Revenue	208	290
Other Liabilities (Notes 10)	236	155
Total Other than Intragovernmental	**1,003**	**1,198**
TOTAL LIABILITIES	**$ 100,408**	**$ 73,740**
Commitments and Contengencies (Note 12)		
NET POSITION:		
Unexpended Appropriations	$ 541	$ 535
Cumulative Results of Operations	137,580	102,309
TOTAL NET POSITION	**$ 138,121**	**$ 102,844**
TOTAL LIABILITIES AND NET POSITION	**$ 238,529**	**$ 176,584**

The accompanying notes are an integral part of these statements.

FEDERAL HOUSING ADMINISTRATION

(AN AGENCY OF THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT)

CONSOLIDATED STATEMENTS OF NET COST (SURPLUS)

FOR THE PERIODS ENDED SEPTEMBER 30, 2022 AND 2021

(DOLLARS IN MILLIONS)

	FY 2022	FY 2021
Single Family Forward		
Intragovernmental Gross Costs	$ 1,355	$ 876
Less: Intragovernmental Earned Revenue	1,092	523
Intragovernmental Net Costs	$ 263	$ 353
Gross Costs (Surplus) with the Public	$ (28,376)	$ (17,278)
Less: Earned Revenues	7	4
Net Costs (Surplus) with the Public	$ (28,383)	$ (17,282)
Single Family Forward Net Cost (Surplus)	$ (28,120)	$ (16,929)
HECM		
Intragovernmental Gross Costs	$ 1,567	$ 1,429
Less: Intragovernmental Earned Revenue	210	311
Intragovernmental Net Costs	$ 1,357	$ 1,118
Gross Costs (Surplus) with the Public	$ (11,434)	$ (8,958)
HECM Net Cost (Surplus)	$ (10,077)	$ (7,840)
Multifamily		
Intragovernmental Gross Costs	$ 187	$ 231
Less: Intragovernmental Earned Revenue	79	106
Intragovernmental Net Costs	$ 108	$ 125
Gross Costs (Surplus) with the Public	$ (280)	$ (536)
Less: Earned Revenues	189	150
Net Costs (Surplus) with the Public	$ (469)	$ (686)
Multifamily Net Cost (Surplus)	$ (361)	$ (561)
Healthcare		
Intragovernmental Gross Costs	$ 33	$ 36
Less: Intragovernmental Earned Revenue	28	29
Intragovernmental Net Costs	$ 5	$ 7
Gross Costs (Surplus) with the Public	$ (23)	$ (215)
Healthcare Net Cost (Surplus)	$ (18)	$ (208)
Administrative and Contract Gross Costs		
Intragovernmental Gross Costs	$ 253	$ 255
Gross Costs with the Public	604	599
Administrative and Contract Net Cost	$ 857	$ 854
Net Cost (Surplus) of Operations	**$ (37,719)**	**$ (24,684)**

The accompanying notes are an integral part of these statements.

FEDERAL HOUSING ADMINISTRATION
(AN AGENCY OF THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT)
CONSOLIDATED STATEMENTS OF CHANGES IN NET POSITION
FOR THE PERIODS ENDED SEPTEMBER 30, 2022 AND 2021
(DOLLARS IN MILLIONS)

	2022	2021
Unexpended Appropriations:		
Beginning Balance	$ 535	$ 524
Appropriations Received	814	2,152
Other Adjustments	(29)	(18)
Appropriations Used	(779)	(2,123)
Net Change in Unexpended Appropriations	$ 6	$ 11
Total Unexpended Appropriations	**$ 541**	**$ 535**
Cumulative Results of Operations:		
Beginning Balance	$ 102,309	$ 80,410
Appropriations Used	779	2,123
Transfers In/Out Without Reimbursement	701	714
Imputed Financing	17	16
Other	(3,944)	(5,638)
Net Cost of Operations	$ 37,719	$ 24,684
Net Change in Cumulative Results of Operations	$ 35,271	$ 21,899
Total Cumulative Results of Operations	**$ 137,580**	**$ 102,309**
Net Position	**$ 138,121**	**$ 102,844**

The accompanying notes are an integral part of these statements.

FEDERAL HOUSING ADMINISTRATION
(AN AGENCY OF THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT)
COMBINED STATEMENTS OF BUDGETARY RESOURCES
FOR THE PERIOD ENDED SEPTEMBER 30, 2022
(DOLLARS IN MILLIONS)

	Budgetary	Non-Budgetary Credit Reform Financing Account	Total
Budgetary Resources:			
Unobligated Balance from Prior Year Budget Authority, net (Discretionary and Mandatory)	$ 92,440	$ 10,944	$ 103,384
Appropriations (Discretionary and Mandatory)	814	-	814
Borrowing Authority (Discretionary and Mandatory)	-	36,718	36,718
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	29,386	17,052	46,438
Total Budgetary Resources	**$ 122,640**	**$ 64,714**	**$ 187,354**
Status of Budgetary Resources:			
New Obligations and Upward Adjustments (Total)	$ 1,944	$ 52,467	$ 54,411
Unobligated Balance, End of Year			
Apportioned, Unexpired Accounts	43	9,937	9,980
Unapportioned, Unexpired Accounts	120,594	2,310	122,904
Unexpired Unobligated Balance, End of Year	120,637	12,247	132,884
Expired Unobligated Balance, End of Year	58	-	58
Total Unobligated Balance, End of Year	120,696	12,247	132,943
Total Budgetary Resources	**$ 122,640**	**$ 64,714**	**$ 187,354**
Outlays, Net, and Disbursements, Net:			
Outlays, net (Total) (Discretionary and Mandatory)	$ (27,450)	$ -	$ (27,450)
Distributed Offsetting Receipts	(4,293)	-	(4,293)
Agency Outlays, net (Discretionary and Mandatory)	**$ (31,743)**	**$ -**	**$ (31,743)**
Disbursements, Net (Total) (Mandatory)	**$ -**	**$ 26,140**	**$ 26,140**

The accompanying notes are an integral part of these statements

FEDERAL HOUSING ADMINISTRATION
(AN AGENCY OF THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT)
COMBINED STATEMENTS OF BUDGETARY RESOURCES
FOR THE PERIOD ENDED SEPTEMBER 30, 2021
(DOLLARS IN MILLIONS)

	Budgetary	Non-Budgetary Credit Reform Financing Account	Total
Budgetary Resources:			
Unobligated Balance from Prior Year Budget Authority, net (Discretionary and Mandatory)	$ 69,066	$ 15,321	$ 84,387
Appropriations (Discretionary and Mandatory)	2,152	-	2,152
Borrowing Authority (Discretionary and Mandatory)	-	21,393	21,393
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	26,534	19,871	46,405
Total Budgetary Resources	**$ 97,752**	**$ 56,585**	**$ 154,337**
Status of Budgetary Resources:			
New Obligations and Upward Adjustments (Total)	$ 5,142	$ 45,875	$ 51,017
Unobligated Balance, End of Year			
Apportioned, Unexpired Accounts	57	2,571	2,628
Unapportioned, Unexpired Accounts	92,487	8,139	100,626
Unexpired Unobligated Balance, End of Year	92,544	10,710	103,254
Expired Unobligated Balance, End of Year	65	-	65
Total Unobligated Balance, End of Year	92,610	10,710	103,320
Total Budgetary Resources	**$ 97,752**	**$ 56,585**	**$ 154,337**
Outlays, Net, and Disbursements, Net:			
Outlays, net (Total) (Discretionary and Mandatory)	$ (21,198)	$ -	$ (21,198)
Distributed Offsetting Receipts	(3,429)	-	(3,429)
Agency Outlays, net (Discretionary and Mandatory)	**$ (24,627)**	**$ -**	**$ (24,627)**
Disbursements, Net (Total) (Mandatory)	**$ -**	**$ 19,095**	**$ 19,095**

The accompanying notes are an integral part of these statements.

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

ENTITY AND MISSION

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 (31 U.S.C. § 9101 et seq.), as amended. While FHA was established as a separate federal entity, it was subsequently merged into the Department of Housing and Urban Development (HUD) when that department was created in 1965. FHA does not maintain a separate staff or facilities; its operations are conducted, along with other Housing activities, by HUD. FHA is headed by HUD's Assistant Secretary for Housing and Federal Housing Commissioner, who reports to the Secretary of HUD.

FHA administers a wide range of activities to make mortgage financing more accessible to the home-buying public and to increase the availability of affordable housing to families and individuals, particularly to the nation's first-time, low-income, and disadvantaged borrowers. FHA insures private lenders against loss on mortgages that finance single family homes, multifamily projects, healthcare facilities, property improvements, manufactured homes, and reverse mortgages, also referred to as Home Equity Conversion Mortgages (HECM). The objectives of activities carried out by FHA relate directly to the development of affordable housing.

FHA categorizes its insurance programs as Single Family (including Title 1), Multifamily, Healthcare, and HECM. Single Family activities support initial or continued home ownership; Title I activities support manufactured housing and property improvement. Multifamily and Healthcare activities support high-density housing and medical facilities. HECM activities support reverse mortgages, which allow homeowners 62 years of age or older to convert the equity in their homes into lump sum or monthly cash payments without having to repay the loan until the loan terminates.

FHA supports its insurance operations through five 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, nonprofit hospitals, and reverse mortgages. 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. To comply with the FHA Modernization Act of 2008, activities related to most Single Family programs, including HECM endorsed in Fiscal Year 2009 and going forward, are in the MMI fund. The Single Family activities in the GI fund from Fiscal Year 2008 and prior remain in the GI fund. The Hope for Homeowners (H4H) program began on October 1, 2008, for Fiscal Year 2009 as a result of *The Housing and Economic Recovery Act of 2008*. This legislation required FHA to modify existing programs and initiated the H4H program and fund, which guaranteed loans for three years. No new H4H loans have been guaranteed since fiscal year 2011.

For the Loan Guarantee Program at FHA, there are Single Family and Multifamily activities in both the MMI/CMHI and GI/SRI funds. The H4H fund only contains Single Family activity.

The following table illustrates how the primary Single Family program activities for FHA are now distributed between MMI/CMHI and GI/SRI funds based on the year of endorsement:

Fund	Loans Endorsed in Fiscal Years 2008 and Prior	Loans Endorsed in Fiscal Years 2009 and Onward
GI/SRI	234(c), HECM	N/A
MMI/CMHI	203(b)	203(b), 234(c), HECM

BASIS OF ACCOUNTING

The principal financial statements are presented in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to federal agencies, as promulgated by the Federal Accounting Standards Advisory Board (FASAB). **Accounting standards require all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information.** The recognition and measurement of budgetary resources and their status for purposes of preparing the Combined Statement of Budgetary Resources (SBR) is based on concepts and guidance provided by the Office of Management and Budget (OMB) Circular A-11, *Preparation, Submission, and Execution of the Budget* and the Federal Credit Reform Act of 1990. The format of the SBR is based on the SF 133, ***Report on Budget Execution and Budgetary Resources*****.** In addition, the accompanying principal financial statements have been prepared to report the financial position, net cost, changes in net position, and budgetary resources of FHA in accordance with OMB Circular A-136, *Financial Reporting Requirements,* as revised.

BASIS OF CONSOLIDATION

The accompanying principal financial statements include all Treasury Account Fund Symbols (TAFSs) designated to FHA, which consist of revolving funds, general funds, receipt account funds, and a deposit fund. All inter-fund accounts receivable, accounts payable, transfers in and transfers out within these TAFSs have been eliminated to prepare the consolidated balance sheets, statements of net cost, and statements of changes in net position. The Statements of Budgetary Resources (SBR) are prepared on a combined basis as required by OMB Circular A-136, *Financial Reporting Requirements, as* revised. These financial statements should be read with the realization that they are for a component of the U.S. Government.

FUND BALANCE WITH U.S. TREASURY

Fund balance with U.S. Treasury consists of amounts collected from premiums, interest earned from U.S. Treasury, recoveries, and appropriations. Recoveries include fees and penalties, settlement agreements with mortgagees, collections of loan and interest receivable, and collection of debts, in addition to amounts received from property or note sales. The balance is available to fund payments for claims, property and operating expenses and includes amounts collected but unavailable until authorizing legislation is enacted (see Notes 2 and 3).

INVESTMENTS

FHA investments include investments in U.S. Treasury securities and Multifamily Risk Sharing debentures. Under legal authority codified in *12 U.S.C. § 1712*, FHA invests available MMI/CMHI capital reserve fund resources in excess of its current needs in non-marketable, market-based U.S. Treasury securities. These U.S. Treasury securities may not be sold on public securities exchanges but do reflect prices and interest rates of similar marketable U.S. Treasury securities. Investments are presented at acquisition cost, net of the amortized premium or discount. Amortization of the premium or discount is recognized monthly on investments in U.S. Treasury securities using the interest method in accordance with the Statement of Federal Financial Accounting Standards (SFFAS) No. 1 *Accounting for Selected Assets and Liabilities*, paragraph 71.

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 the claim amount paid by FHA on defaulted insured loans.

CREDIT REFORM ACCOUNTING

The Federal Credit Reform Act (FCRA) established the use of program, financing, general fund receipt and capital reserve accounts to separately account for transactions that are not controlled by the Congressional budget process. It also established the liquidating account for activity relating to any loan guarantees committed and direct loans obligated before October 1, 1991 (pre-Credit Reform). Credit reform financing accounts are reported as non-budgetary on the Combined Statements of Budgetary Resources based on OMB Circular A-136 guidance. FHA's program, capital reserve, and liquidating accounts are reported as budgetary.

In accordance with the SFFAS No. 2, *Accounting for Direct Loans and Loan Guarantees,* the program account 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 is used to record all the cash flows resulting from Credit Reform direct loans, assigned loans, loan guarantees and related foreclosed property. It includes loan disbursements, loan repayments and fees, claim payments, recoveries on sold collateral, borrowing from the U.S. Treasury, interest, negative subsidy, and the subsidy cost received from the program account. SFFAS No. 2 also requires the subsidy cost of direct loans and the liability for loan guarantees to be reestimated and updated.

FHA has four General Fund receipt accounts: the GI/SRI Negative Subsidy, the GI/SRI Downward Reestimate, the Homeownership Preservation Entity Fund Downward Reestimate, and the Capital Transfer Receipt Accounts. Negative subsidy is disbursed from the GI/SRI financing accounts to the Negative Subsidy Receipt Account. Downward reestimates are disbursed from the GI/SRI and Homeownership Preservation Entity funds to the Downward Reestimate Receipt Accounts. The GI/SRI Liquidating Account transfers the prior-year's unobligated balance to the Capital Transfer Receipt

Account. FHA's receipt accounts are General Fund receipt accounts, and these amounts are not earmarked for FHA's credit programs. Any assets in these accounts are non-entity assets and are offset by intragovernmental liabilities. The fund balances in the receipt accounts are swept to U.S. Treasury's General Fund at the end of each fiscal year.

Negative subsidy and downward reestimates in the MMI/CMHI fund are transferred to the Capital Reserve account. Capital Reserve balances are accumulated for unanticipated losses.

The liquidating account is used to record 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/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 that the GI/SRI liquidating account can receive permanent indefinite authority to cover any resource shortages.

ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE

FHA records accruals related to FCRA direct loans and loan guarantees under accounts receivable and accounts payable. FHA's accounts receivable includes receivables related to Credit Program assets, premium receivables, partial claims receivables, generic debt receivables, criminal restitution receivables, settlement receivables, and other miscellaneous receivables. Only partial claims receivables that are unsupported by promissory notes are included as part of FHA's accounts receivable. These partial claims are reclassed from loans receivable to accounts receivable. They would otherwise be reported as part of Single Family Forward Defaulted Guaranteed Loans from Post-1991 Guarantees. FHA reports an allowance for loss on partial claims receivable, generic debt receivable, and criminal restitution receivable. Under accounts payable, FHA reports claims payable, premium refunds payable, payables associated with Single Family property disposition, and other miscellaneous payables. More details about FHA's accounts receivable and accounts payable may be found under Note 6. Accounts Receivable and Note 8. Accounts Payable, respectively.

LOANS RECEIVABLE, NET

FHA's loan receivables include mortgage notes assigned (MNA), also described as Secretary-held notes, purchase money mortgages (PMM), notes related to partial claims, and direct loans relating to the Federal Financing Bank Risk Share program. 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. The majority of MNAs are HECM notes. HECM loans, while not in default, are assigned to HUD when they reach 98% of their maximum claim amount. In addition, Multifamily and Single Family performing notes insured pursuant to Section 221(g)(4) of the National Housing Act may be assigned automatically to FHA at a pre-determined point. Partial claims notes arise when FHA pays a loss mitigation amount to keep a borrower current on their loan. FHA, in turn, records a loan receivable which takes a second position to the primary mortgage.

In accordance with the FCRA and SFFAS No. 2, Credit Reform direct loans, defaulted guaranteed loans and related foreclosed property are reported at the net present value of expected cash flows associated with these assets, primarily from estimated proceeds less selling and maintenance costs. The difference between the cost of these loans and property and the net present value is called the Allowance for Subsidy. Pre-Credit Reform loans receivable and related foreclosed property in inventory are recorded at net realizable value which is based on recovery rates net of any selling expenses (see Note 7).

NEGATIVE LOAN GUARANTEES

The net potential future losses or gains related to FHA's central business of providing mortgage insurance are reflected in the Loan Guarantee Liability or Negative Loan Guarantees, respectively, in the consolidated balance sheets. A Loan Guarantee Liability would indicate that FHA expects net potential future losses. As required by SFFAS No. 2, the Negative Loan Guarantees include the Credit Reform-related Liability for Loan Guarantees (LLG) and the pre-Credit Reform Loan Loss Reserve (LLR) (see Note 7).

The LLG is calculated as the net present value of anticipated cash outflows and cash inflows. Anticipated cash outflows include lender claims arising from borrower defaults (i.e., claim payments), premium refunds, property costs to maintain foreclosed properties arising from future defaults and selling costs for the properties. Anticipated cash inflows include premium receipts, proceeds from asset sales and principal and interest on Secretary-held notes.

FHA records loss estimates for its Single Family pre-Credit Reform LLR (includes MMI and GI/SRI) to provide for anticipated losses incurred (e.g., claims on insured mortgages where defaults have taken place, but claims have not yet been filed). Using the net cash flows (cash inflows less cash outflows), FHA computes an estimate based on conditional claim rates and loss experience data and adjusts the estimate to incorporate management assumptions about current economic factors.

FHA records loss estimates for its Multifamily pre-Credit Reform LLR (includes CMHI and GI/SRI) to provide for anticipated outflows less anticipated inflows. Using the net present value of claims less premiums, fees, and recoveries, FHA computes an estimate based on conditional claim rates, prepayment rates, and recovery assumptions based on historical experience.

FHA establishes cohorts for its direct loan and loan guarantee programs using the Federal fiscal year. FHA's original subsidy estimates for a cohort use the Budget discount rates estimated for the upcoming Federal fiscal year rather than the actual U.S. Treasury discount rates for the fiscal year. Starting in fiscal year 2019, FHA reported interest rate reestimates for Loans Receivable and the LLG in addition to technical/default reestimates. Interest rate reestimates account for the amount of interest that would have been earned or paid on the subsidy reestimate if the actual U.S. Treasury discount rates for the fiscal year had been used to calculate the original subsidy estimate.

OMB Circular A-136 requires a Loan Guarantee Liability to be reported as an asset when the net Loan Guarantee Liability for all credit programs of a reporting entity is negative. Because FHA reported a net Negative Loan Guarantee Liability in fiscal years 2021 and 2022, FHA is reporting its negative loan guarantees as an asset on the Balance Sheets. Based on guidance from U.S. Treasury, FHA is reporting Negative Loan Guarantees for fiscal years 2021 and 2022 as part of Loans Receivable, net, on the Balance Sheets.

In fiscal year 2021, FHA understated the Outstanding Principal of Guaranteed Loans, Face Value and the Amount of Outstanding Principal Guaranteed for the Multifamily/Healthcare programs in both the MMI/CMHI and GI/SRI funds for New Guaranteed Loans Disbursed due to an error. The understated amount in the MMI/CMHI fund was approximately $200 million in both the Outstanding Principal of Guaranteed Loans, Face Value and the Outstanding Principal Guaranteed. The understated amount in the GI/SRI fund was approximately $9,000 million in both the Outstanding Principal of Guaranteed Loans,

Face Value and the Outstanding Principal Guaranteed. FHA has included the updated amounts in the fiscal year 2021 note disclosure presentation.

DEBT

Pursuant to the FCRA, FHA has authority to borrow funds when necessary to support transfers of negative subsidy or downward re-estimates from its financing accounts to its general fund receipt accounts and the MMI/CMHI capital reserve account and to pay claims on defaulted loan guarantees. FHA's debt is mostly with the U.S. Treasury. When sufficient funds are available in the financing accounts, FHA repays its debt obligations. For additional information refer to Note 9. Debt which includes FHA's *Terms of Borrowing Authority Used* and *Available Borrowing Authority End of the Period.*

USE OF ESTIMATES

The preparation of the principal financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of 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 Negative Loan Guarantees represent FHA's best estimates based on pertinent information available.

FHA bases its estimates of the Allowance for Subsidy associated with loan receivables and related foreclosed property and the Liability for Loan Guarantees (LLG) on cash flow models. As described in Note 7, FHA uses cash flow model assumptions associated with loan guarantee cases subject to the FCRA to estimate the cash flows associated with future loan performance. To make reasonable projections of future loan performance, FHA develops assumptions based on historical data, current and forecasted programs, and economic forecasts. More details are provided in Note 7.

Certain programs have higher risks due to increased chances of fraudulent activities being perpetrated against FHA. FHA accounts for these risks through the assumptions used in the estimates of the LLG. FHA develops these assumptions based on historical performance and management's judgments about future loan performance.

GENERAL PROPERTY, PLANT AND EQUIPMENT

FHA does not maintain separate facilities and does not directly own any property, plant, or equipment. HUD purchases and maintains all property, plant and equipment used by FHA, along with other Office of Housing activities.

Current HUD policy concerning SFFAS No. 10, *Accounting for Internal Use Software,* states that HUD will either own the software or own the functionality provided by the software in the case of licensed or leased software. This includes “commercial off-the-shelf” (COTS) software, contractor-developed software, and internally developed software.

APPROPRIATIONS

FHA receives appropriations for certain operating expenses for its program activities. FHA does not directly receive an appropriation for salaries and expense; instead, the FHA amounts are appropriated to HUD. To recognize these costs in FHA’s Statement of Net Cost, actual salaries and administrative costs are recorded based on amounts computed by HUD, and the transfer in from HUD is reflected in the Statement of Changes in Net Position. Additionally, FHA receives appropriations for GI/SRI positive subsidy, upward reestimates, and permanent indefinite authority to cover any shortage of resources in the liquidating account.

FULL COST REPORTING

To account for costs assumed by other Federal organizations on their behalf, SFFAS No. 4, *Managerial Cost Accounting Concepts and Standards,* and SFFAS No. 55, *Amending Inter-Entity Cost Provisions,* require Federal agencies to report the full cost of program outputs in the financial statements. Full cost reporting includes all direct, indirect, and inter-entity costs. HUD allocates each responsibility segment’s share of the program costs or resources provided by other federal agencies. As a responsibility segment of HUD, FHA’s portion of these costs was $17 million for fiscal year 2022 and $16 million for fiscal year 2021, and it was included in FHA’s financial statements as an imputed cost in the Consolidated Statement of Net Cost and as imputed financing in the Consolidated Statement of Changes in Net Position.

DISTRIBUTIVE SHARES

Excess revenues in the MMI/CMHI Fund may be distributed to mortgagors at the discretion of the Secretary of HUD. Such distributions are determined based on the funds' financial positions and their projected revenues and costs. No distributive share distributions have been declared from the MMI fund since the enactment of the National Affordable Housing Act (NAHA) in 1990.

LIABILITIES COVERED BY BUDGETARY RESOURCES

Liabilities of Federal agencies are required to be classified as those covered and not covered by budgetary resources, as defined by OMB Circular A-136, and in accordance with SFFAS No. 1. If available resources are insufficient to cover liabilities due at a point in time, FHA has authority to borrow monies from the U.S. Treasury (for post-1991 loan guarantees) or to draw on permanent indefinite appropriations (for pre-1992 loan guarantees) to satisfy the liabilities. FHA has no liabilities not covered by budgetary resources.

LIABILITIES NOT REQUIRING BUDGETARY RESOURCES

Liabilities not requiring budgetary resources are liabilities that have not previously, nor will in the future, require the use of budgetary resources. As defined by OMB Circular A-136, this includes liabilities for clearing accounts, non-fiduciary deposit funds, custodial collections, and unearned revenue. FHA’s liabilities not requiring budgetary resources include amounts in non-fiduciary deposit funds and general fund receipt accounts.

DEFERRED REVENUE

Deferred revenue are amounts received for goods or services to be delivered or performed in the future and reflect amounts that have yet to be earned. The deferred revenue reported on FHA's Balance Sheet consists mostly of premiums collected on loans that have not been endorsed for FHA mortgage insurance. These premiums are excluded from FHA's LLG because they have not been earned. Per OMB Circular A-136, FHA is reporting deferred revenue of $208 million and $290 million for fiscal years 2022 and 2021, respectively, separately from Other Liabilities.

STATEMENT OF BUDGETARY RESOURCES

FHA's Statement of Budgetary Resources has been prepared as a combined statement and as such, intra-entity transactions have not been eliminated. FHA has budget authority provided by law to enter into obligations to carry out its loan guarantee and direct loan programs and their associated administrative costs. This budget authority may result in immediate or future outlays of federal funds. FHA's budgetary resources include current budgetary authority (appropriations and borrowing authority), unobligated balances brought forward from multi-year and no-year budget authority received in prior years, and recoveries of prior year obligations. Budgetary resources also include spending authority from offsetting collections credited to an appropriation or fund account.

Unobligated balances associated with appropriations that expire at the end of the fiscal year remain available for adjustments to obligations, but not new obligations, until that account is canceled. When accounts are canceled, five years after they expire, amounts are not available for obligation or expenditure for any purpose. Any remaining resources from appropriations, except no-year budget authority, are returned to U.S. Treasury upon cancellation.

NO SUBSEQUENT EVENT(S)

FHA determined that there were no significant events or transactions occurring after the date of the Balance Sheet but before issuance of the audited financial statements that had a material effect on the financial statements and, therefore, required adjustments to or disclosure in FHA's financial statements or notes.

NOTE 2. NON-ENTITY ASSETS

Non-entity assets consist of assets held by FHA that belong to other entities but are included in FHA's consolidated balance sheets. To reflect FHA's net position accurately, these non-entity assets are offset by various liabilities. FHA's non-entity assets as of September 30, 2022 and 2021, are as follows:

(Dollars in Millions)

	FY 2022	**FY 2021**
Intragovernmental:		
Fund Balance with Treasury	$ 42	$ 32
Total Intragovernmental	42	32
Cash and Other Monetary Assets	20	18
Total Non-Entity Assets	62	50
Total Entity Assets	238,467	176,534
Total Assets	**$238,529**	**$176,584**

FHA's non-entity assets consist of escrow monies collected by FHA from the borrowers of its loans. Cash and other monetary assets that are collected from FHA borrowers consist of escrow monies that are either deposited at the U.S. Treasury or minority-owned banks or invested in U.S. Treasury securities. Subsequently, FHA disburses these escrow monies to pay for maintenance expenses on behalf of the borrowers.

NOTE 3. FUND BALANCE WITH U.S. TREASURY

FHA's fund balance with U.S. Treasury was comprised of the following as of September 30, 2022 and 2021:

(DOLLARS IN MILLIONS)

	FY 2022	FY 2021
Status of Fund Balance with U.S. Treasury:		
Unobligated Balance --		
Available	$ 8,165	$ 2,310
Unavailable	3,202	6,071
Obligated Balance Not Yet Disbursed	3,683	2,493
Total	**$ 15,050**	**$ 10,874**

STATUS OF FUND BALANCE WITH U.S. TREASURY

Unobligated Fund Balance with U.S. Treasury represents Fund Balance with U.S. Treasury that has not been obligated to purchase goods or services either because FHA has not received apportionment authority from OMB to use the resources (unavailable unobligated balance) or because FHA has not obligated the apportioned resources (available unobligated balance). Fund Balance with U.S. Treasury that is obligated but not yet disbursed consists of resources that have been obligated for goods or services but not yet disbursed either because the ordered goods or services have not been delivered or because FHA has not yet paid for goods or services received by the end of the fiscal year.

NOTE 4. CASH AND OTHER MONETARY ASSETS

(Dollars in millions)	FY 2022	FY 2021
Other Monetary Assets:		
Escrow Monies Deposited at Minority-Owned Banks	$ 20	$ 18
Deposits in Transit	30	59
Total Cash and Other Monetary Assets	**$ 50**	**$ 77**

ESCROW MONIES DEPOSITED AT MINORITY-OWNED BANKS

FHA holds in trust escrow monies received from the borrowers of its Multifamily mortgage notes to cover property repairs and renovation expenses. These escrow monies are deposited at the U.S. Treasury (see Note 2) or deposited at minority-owned banks. Escrow monies are non-entity cash and are thus restricted.

DEPOSITS IN TRANSIT

Deposits in Transit is cash that has not been confirmed as being received by the U.S. Treasury. Once the U.S. Treasury has confirmed that this cash has been received, the cash will be moved from Deposits in Transit to Fund Balance with U.S. Treasury.

NOTE 5. INVESTMENTS

INVESTMENT IN U.S. TREASURY SECURITIES

As discussed in Note 1, all FHA investments in U.S. Treasury securities are in non-marketable market-based securities issued by the U.S. Treasury. These securities carry market-based interest rates. The market value of these securities is calculated using the bid amount of similar marketable U.S. Treasury securities as of September 30th.

FHA uses the straight-line amortization method for the interest accrual and amortization of discounts for its investments in short-term U.S. Treasury bills. In addition, FHA uses the effective interest rate method to account for bond discount accretion and bond premium amortization for its investments in long-term U.S. Treasury notes and bonds. In fiscal year 2022, FHA aligned the presentation of its Treasury Securities due to guidance updates of OMB Circular A-136.

The cost, net amortized premium/discount, net investment, and market values of FHA's investments in U.S. Treasury securities as of September 30, 2022 and 2021, are as follows:

(Dollars in millions)

FY 2022	Cost	Amortization Method	Amortized (Premium) /Discount, Net	Interest Receivable	Investments, Net	Unrealized Gain/(Loss)	Market Value
Intragovernmental Investments:							
Treasury Bills	$ 23,444	Straight-Line	$ 105	$ -	$ 23,549.00	$ (117)	$ 23,433
Treasury Notes	99,200	Effective Interest	(1,708)	511	98,003	(4,995)	93,008
Overnight Securities	10	No Amortization	-	-	10	-	10
Total Intragovernmental Investments	$ 122,654		$ (1,603)	$ 511	121,562	$ (5,112)	$ 116,451

FY 2021	Cost	Amortization Method	Amortized (Premium) / Discount, Net	Interest Receivable	Investments, Net	Unrealized Gain/(Loss)	Market Value
Intragovernmental Investments:							
Treasury Notes	$ 97,979	Effective Interest	$ (1,326)	$ 500	$ 97,153	$ (617)	$ 96,536
Overnight Securities	189	No Amortization	-	-	189	-	189
Total Intragovernmental Investments	$ 98,168		$ (1,326)	$ 500	$ 97,342	$ (617)	$ 96,725

INVESTMENTS IN PRIVATE-SECTOR ENTITIES

FHA's investments in private-sector entities included Risk-sharing Debentures. Multifamily Risk Sharing Debentures [Section 542I] is a program available to lenders under which the lender shares the risk in a property by issuing debentures for the claim amount paid by FHA on defaulted insured loans. FHA had no investments in private-sector entities in fiscal years 2022 and 2021.

NOTE 6. ACCOUNTS RECEIVABLE, NET

Accounts receivable, net, as of September 30, 2022 and 2021, are as follows:

(DOLLARS IN MILLIONS)

	Gross		Allowance		Net	
	FY 2022	FY 2021	FY 2022	FY 2021	FY 2022	FY 2021
With the Public:						
Receivables Related to Credit Program Assets	$ 8	$ 7	$ -	$ -	$ 8	$ 7
Premiums Receivables	599	567	-	-	599	567
Partial Claims Receivables	644	817	(176)	(264)	468	553
Generic Debt Receivables	38	48	(22)	-	16	48
Criminal Restitution Receivables	64	63	(54)	-	10	63
Settlements Receivables	28	41	-	-	28	41
Miscellaneous Receivables	31	32	-	-	31	32
Total	$ 1,412	$ 1,575	$ (252)	$ (264)	$ 1,160	$ 1,311

RECEIVABLES RELATED TO CREDIT PROGRAM ASSETS

These receivables include asset sale proceeds receivables and rent receivables from FHA's foreclosed properties.

PREMIUMS RECEIVABLES

These amounts consist of the premiums due to FHA from the mortgagors at the end of the reporting period. The details of FHA's premium structure are discussed under Note 14 – Earned Revenue/Premium Revenue.

PARTIAL CLAIMS RECEIVABLES

Partial Claims receivables represents partial claims paid by FHA to mortgagees as part of its loss mitigation efforts to bring delinquent loans current for which FHA does not yet have the promissory note recorded.

GENERIC DEBT RECEIVABLES

These amounts are mainly comprised of receivables from various sources, the largest of which are Single Family partial claims that have gone to collection, Single Family Indemnifications, and Single Family Restitutions.

CRIMINAL RESTITUTION RECEIVABLES

Criminal restitutions are payments by an offender to a victim for harm caused by the offender's wrongful acts. FHA's criminal restitutions consist of criminal remedies for false claims and statements that resulted in individuals receiving Federal funds or benefits to which they were not entitled.

SETTLEMENTS RECEIVABLES

Settlements receivables represent signed consent judgments that are approved by the courts but for which FHA has not received the funds.

MISCELLANEOUS RECEIVABLES

Miscellaneous receivables include late charges and penalties receivables on delinquent premium receivables, refund receivables from overpayments of claims, distributive shares, and other immaterial receivables.

ALLOWANCE FOR LOSS

The allowance for loss on these receivables is calculated based on FHA's historical loss experience and management's judgment concerning current economic factors. Based on updated historical information on collections, FHA reported an allowance for loss on generic debt receivable of approximately 57% and on criminal restitution receivable of approximately 85% in fiscal year 2022. No allowance for loss on generic debt receivable or criminal restitution receivable was reported in fiscal year 2021 due to immateriality. FHA's allowance for loss on partial claims receivable reported under Note 6 is equivalent to the allowance for subsidy associated with the unsupported partial claims. No allowance for loss is reported for premium receivables because premium receivables accrued at the end of the reporting period are generally collected during the following reporting period. Furthermore, amounts required to be paid in signed consent judgments approved by the courts may not be contested, so no allowance is required for those receivables.

NOTE 7. DIRECT LOANS AND LOAN GUARANTEES, NON-FEDERAL BORROWERS

Direct Loan and Loan Guarantee Programs Administered by FHA Include:
Single Family Forward Mortgages
Multifamily Mortgages
Healthcare Mortgages
Home Equity Conversion Mortgages (HECM)

FHA reports its insurance operations in four overall program areas: Single Family Forward mortgages, Multifamily mortgages, Healthcare mortgages, and Home Equity Conversion Mortgages (HECM). FHA operates these programs primarily through four insurance funds: Mutual Mortgage Insurance (MMI), General Insurance (GI), Special Risk Insurance (SRI), and Cooperative Management Housing Insurance (CMHI), with the MMI fund being the largest. There is a fifth fund, Hope for Homeowners (H4H), that became operational in fiscal year 2009 and only contains minimal activity. For financial reporting purposes, FHA combines the presentation of the GI/SRI and MMI/CMHI programs.

FHA encourages homeownership through its Single Family Forward programs (Section 203(b), which is the largest program, and Section 234). These programs insure mortgage lenders against losses from default, enabling those lenders to provide mortgage financing on favorable terms to homebuyers. Multifamily Housing Programs (Section 213, Section 221(d)(4), Section 207/223(f), and Section 223(a)(7)) provide FHA insurance to approved lenders to facilitate the construction, rehabilitation, repair, refinancing, and purchase of multifamily housing projects, such as apartment rentals and cooperatives. Healthcare programs (Section 232 and Section 242) enable low cost financing of healthcare facility projects and improve access to quality healthcare by reducing the cost of capital. The HECM program provides eligible homeowners who are 62 years of age and older access to the equity in their property with flexible terms.

Direct loan obligations and loan guarantee commitments made after fiscal year 1991, and the resulting direct loans or loan guarantees, are governed by the FCRA, as amended. SFFAS 2 requires that the present value of the subsidy costs, which arises from interest rate differentials, interest supplements, and defaults (net of recoveries, fee offsets, and other cash flows) associated with direct loans and loan guarantees, be recognized as a cost in the year the direct or guaranteed loan is disbursed. FHA Direct Loan and Loan Guarantee Programs and the related loan receivables, foreclosed property, and negative loan guarantees as of September 30, 2022, and 2021, are described below.

DIRECT LOAN PROGRAMS:

Starting in fiscal year 2015, FHA began a Federal Financing Bank (FFB) Risk Share program, an inter-agency partnership between HUD, FFB and various Housing Finance Authorities (HFAs). The FFB Risk Share program provides funding for multifamily mortgage loans insured by FHA. Under this program, FHA records a direct loan with the public as an asset on its balance sheet, and conversely, borrowing from FFB as a liability. The program does not change the basic structure of Risk Sharing; it only substitutes FFB as the funding source. The HFAs originate and service the loans and share in any losses. This program was discontinued in fiscal years 2020 and 2021 but was restarted for new loan obligations in fiscal year 2022.

The cash flow model for the FFB direct loan program is developed by collecting and consolidating data from FHA's program and accounting systems. The model is based upon trends and assumptions of historical data and analysis and, where necessary, management's judgment. The model uses actual data through June of the current fiscal year and projections are used to estimate the direct loan cash flows for the 4th quarter. The model estimates total loan commitments and the percentage of commitments that will be disbursed prior to the end of the fiscal year.

Pre-1992 Direct Loans are reported under the allowance-for-loss method. Under the allowance-for-loss method, the nominal amount of the direct loans is reduced by an allowance for uncollectible amounts. Post-1991 direct loans are reported net of an allowance for subsidy at present value. The net loans receivable or the value of assets related to direct loans is not the same as expected proceeds from selling the loans.

DIRECT LOANS OBLIGATED PRIOR TO FY 1992

(DOLLARS IN MILLIONS)

	GI/SRI - Multifamily	Total
September 30, 2022		
Loan Receivables	$ 7	$ 7
Interest Receivables	14	14
Allowance	(9)	(9)
Total Value of Assets	$ 12	$ 12

September 30, 2021	GI/SRI - Multifamily	Total
Loan Receivables	$ 7	$ 7
Interest Receivables	14	14
Allowance	(10)	(10)
Total Value of Assets	$ 11	$ 11

DIRECT LOANS OBLIGATED AFTER FY 1991

(DOLLARS IN MILLIONS)

	GI/SRI - Multifamily	Total
September 30, 2022		
Loan Receivables	$ 2,716	$ 2,716
Interest Receivables	6	6
Allowance	348	348
Total Value of Assets	$ 3,070	$ 3,070

September 30, 2021	GI/SRI - Multifamily	Total
Loan Receivables	$ 2,630	$ 2,630
Interest Receivables	6	6
Allowance	284	284
Total Value of Assets	$ 2,920	$ 2,920

TOTAL AMOUNT OF DIRECT LOANS DISBURSED (POST- 1991):

(DOLLARS IN MILLIONS)

Direct Loan Programs	FY 2022	FY 2021
GI/SRI		
Multifamily/Healthcare	$ 119	$ 296
GI/SRI Subtotal	$ 119	$ 296

SUBSIDY EXPENSE FOR DIRECT LOAN PROGRAMS
(DOLLARS IN MILLIONS)

September 30, 2022	GI/SRI	Total
Multifamily/Healthcare		
FFB		
Financing	$ (11)	$ (11)
Fees and Other Collect	(2)	(2)
Other	4	4
Subtotal	$ (9)	$ (9)

September 30, 2021	GI/SRI	Total
Multifamily/Healthcare		
FFB		
Financing	$ (52)	$ (52)
Fees and Other Collect	(4)	(4)
Other	14	14
Subtotal	(42)	(42)

SUBSIDY EXPENSE FOR REESTIMATES:
(DOLLARS IN MILLIONS)

FY 2022	Technical Reestimate	Total Reestimate
GI/SRI	$ (50)	$ (50)
Total	$ (50)	$ (50)

FY 2021		
GI/SRI	$ 70	$ 70
Total	$ 70	$ 70

TOTAL DIRECT LOAN SUBSIDY EXPENSE:
(DOLLARS IN MILLIONS)

Direct Loan Programs	FY 2022	FY 2021
GI/SRI	$ (59)	$ 28
Total	$ (59)	$ 28

SUBSIDY RATES FOR DIRECT LOANS BY PROGRAM AND COMPONENT

The subsidy rates disclosed pertain only to the current year's cohorts. These rates cannot be applied to the direct loans disbursed during the current reporting year to yield the subsidy expense. The subsidy expense for new loans reported in the current year could result from disbursements of loans from both current year cohorts and prior year(s) cohorts. The subsidy expense reported in the current year also includes reestimates.

There are no comparative rates for fiscal year 2021 because no new FFB loans were obligated in fiscal year 2021.

BUDGET SUBSIDY RATES FOR DIRECT LOANS FOR CURRENT YEAR'S COHORTS

September 30, 2022

	Finance	Default	Fees and Other Collections	Other	Total
GI/SRI					
Multifamily					
FFB	-9.2%	0.0%	-1.7%	1.7%	-9.2%

SCHEDULE FOR RECONCILING SUBSIDY COST ALLOWANCE BALANCES

(POST-1991 DIRECT LOANS)

(DOLLARS IN MILLIONS)

	FY 2022	FY 2021
Beginning balance of the subsidy cost allowance	$ (283)	$ (317)
Add subsidy expense for direct loans disbursed during the reporting years	$ (9)	$ (42)
Adjustments:		
- Fees received	-	1
- Subsidy allowance amortization	(2)	4
- Other	(3)	1
Ending balance of the subsidy cost allowance before reestimates	$ (297)	$ (353)
Add or subtract subsidy reestimates by component:		
Total Subsidy Reestimates	$ (50)	$ 70
Ending balance of the subsidy cost allowance	**$ (347)**	**$ (283)**

LOAN GUARANTEE PROGRAMS:

DEFAULTED GUARANTEED LOANS FROM PRE-1992 GUARANTEES (ALLOWANCE FOR LOSS METHOD): (DOLLARS IN MILLIONS)

FY 2022	MMI/CMHI	GI/SRI	Total
Single Family Forward			
Loan Receivables	$ 17	1	$ 18
Foreclosed Property	2	9	11
Allowance for Loan Losses	(2)	(5)	(7)
Subtotal	**$ 17**	**$ 5**	**$ 22**
Multifamily/Healthcare			
Loan Receivables	$ -	$ 1,082	$ 1,082
Interest Receivables	-	237	237
Foreclosed Property	-	(4)	(4)
Allowance for Loan Losses	-	(545)	(545)
Subtotal	**$ -**	**$ 770**	**$ 770**
HECM			
Loan Receivables	$ -	$ 3	$ 3
Interest Receivables	-	1	1
Foreclosed Property	-	(2)	(2)
Allowance for Loan Losses	-	(3)	(3)
Subtotal	**$ -**	**$ (1)**	**$ (1)**
Total Defaulted Guaranteed Loans	**$ 17**	**$ 774**	**$ 791**

FY 2021	MMI/CMHI	GI/SRI	Total
Single Family Forward			
Loan Receivables	$ 16	$ 1	$ 17
Foreclosed Property	2	9	11
Allowance for Loan Losses	(2)	(4)	(6)
Subtotal	**$ 16**	**$ 6**	**$ 22**
Multifamily/Healthcare			
Loan Receivables	$ -	$ 1,248	$ 1,248
Interest Receivables	-	250	250
Foreclosed Property	-	(5)	(5)
Allowance for Loan Losses	-	(626)	(626)
Subtotal	**$ -**	**$ 867**	**$ 867**
HECM			
Loan Receivables	$ -	$ 3	$ 3
Interest Receivables	-	1	1
Foreclosed Property	-	(2)	(2)
Allowance for Loan Losses	-	(1)	(1)
Subtotal	**$ -**	**$ 1**	**$ 1**
Total Defaulted Guaranteed Loans	**$ 16**	**$ 874**	**$ 890**

**HECM loans, while not defaulted, have reached 98% of the maximum claim amount and have been assigned to FHA.*

DEFAULTED GUARANTEED LOANS FROM POST-1991 GUARANTEES:

(DOLLARS IN MILLIONS)

FY 2022	MMI/CMHI	GI/SRI	H4H	Total
Single Family Forward				
Loan Receivables	$ 25,542	$ 395	$ 6	$ 25,943
Foreclosed Property	243	10	-	253
Allowance for Subsidy Cost	(6,310)	(101)	(3)	(6,414)
Subtotal	**$ 19,475**	**$ 304**	**$ 3**	**$ 19,782**
Multifamily/Healthcare				
Loan Receivables	$ -	$ 613	$ -	$ 613
Interest Receivables	-	57	-	57
Foreclosed Property	-	19	-	19
Allowance for Subsidy Cost	-	(332)	-	(332)
Subtotal	**$ -**	**$ 357**	**$ -**	**$ 357**
HECM				
Loan Receivables	$ 17,566	$ 5,900	$ -	$ 23,466
Interest Receivables	16,565	4,008	-	20,573
Foreclosed Property	137	124	-	261
Allowance for Subsidy Cost	(5,532)	(1,841)	-	(7,373)
Subtotal	**$ 28,736**	**$ 8,191**	**$ -**	**$ 36,927**
Total Defaulted Guaranteed Loans	**$ 48,211**	**$ 8,852**	**$ 3**	**$ 57,066**

FY 2021	MMI/CMHI	GI/SRI	H4H	Total
Single Family Forward				
Loan Receivables	$ 16,870	$ 393	$ 6	$ 17,269
Foreclosed Property	291	10	-	301
Allowance for Subsidy Cost	(5,751)	(139)	(3)	(5,893)
Subtotal	**$ 11,410**	**$ 264**	**$ 3**	**$ 11,677**
Multifamily/Healthcare				
Loan Receivables	$ -	$ 633	$ -	$ 633
Interest Receivables	-	55	-	55
Foreclosed Property	-	19	-	19
Allowance for Subsidy Cost	-	(325)	-	(325)
Subtotal	**$ -**	**$ 382**	**$ -**	**$ 382**
HECM				
Loan Receivables	$ 18,260	$ 6,124	$ -	$ 24,384
Interest Receivables	15,653	3,917	-	19,570
Foreclosed Property	158	147	-	305
Allowance for Subsidy Cost	(8,037)	(3,029)	-	(11,066)
Subtotal	**$ 26,034**	**$ 7,159**	**$ -**	**$ 33,193**
Total Defaulted Guaranteed Loans	**$ 37,444**	**$ 7,805**	**$ 3**	**$ 45,252**

HECM loans, while not defaulted, have reached 98% of the maximum claim amount and have been assigned to FHA.

GUARANTEED LOANS OUTSTANDING:
(DOLLARS IN MILLIONS)

Loan Guarantee Programs	Outstanding Principal of Guaranteed Loans, Face Value	Amount of Outstanding Principal Guaranteed
Guaranteed Loans Outstanding (FY 2022):		
MMI/CMHI		
Single Family Forward	$ 1,358,095	$ 1,208,886
Multifamily/Healthcare	1,013	959
MMI/CMHI Subtotal	**$ 1,359,108**	**$ 1,209,845**
GI/SRI		
Single Family Forward	$ 4,078	$ 2,140
Multifamily/Healthcare	170,500	155,984
GI/SRI Subtotal	**$ 174,578**	**$ 158,124**
H4H		
Single Family - 257	$ 50	$ 40
H4H Subtotal	**$ 50**	**$ 40**
Total	**$ 1,533,736**	**$ 1,368,009**
Guaranteed Loans Outstanding (FY 2021):		
MMI/CMHI		
Single Family Forward	$ 1,331,743	$ 1,188,595
Multifamily/Healthcare	905	857
MMI/CMHI Subtotal	**$ 1,332,648**	**$ 1,189,452**
GI/SRI		
Single Family Forward	$ 4,680	$ 2,627
Multifamily/Healthcare	166,203	152,283
GI/SRI Subtotal	**$ 170,883**	**$ 154,910**
H4H		
Single Family - 257	$ 56	$ 46
H4H Subtotal	**$ 56**	**$ 46**
Total	**$ 1,503,587**	**$ 1,344,408**

NEW GUARANTEED LOANS DISBURSED:

(DOLLARS IN MILLIONS)

Loan Guarantee Programs		Outstanding Principal of Guaranteed Loans, Face Value		Amount of Outstanding Principal Guaranteed
New Guaranteed Loans Disbursed (FY 2022):				
MMI/CMHI				
Single Family Forward	$	255,481	$	252,739
Multifamily/Healthcare		180		180
MMI/CMHI Subtotal	**$**	**255,661**	**$**	**252,919**
GI/SRI				
Single Family Forward	$	19	$	18
Multifamily/Healthcare		23,071		22,933
GI/SRI Subtotal	**$**	**23,090**	**$**	**22,951**
Total	**$**	**278,751**	**$**	**275,870**
New Guaranteed Loans Disbursed (FY 2021):				
MMI/CMHI				
Single Family Forward	$	342,772	$	338,882
Multifamily/Healthcare		290		288
MMI/CMHI Subtotal	**$**	**343,062**	**$**	**339,170**
GI/SRI				
Single Family Forward	$	24	$	24
Multifamily/Healthcare		32,715		32,508
GI/SRI Subtotal	**$**	**32,739**	**$**	**32,532**
Total	**$**	**375,801**	**$**	**371,702**

In fiscal year 2021, FHA understated the Outstanding Principal of Guaranteed Loans, Face Value and the Amount of Outstanding Principal Guaranteed for the Multifamily/Healthcare programs in both the MMI/CMHI and GI/SRI funds for New Guaranteed Loans Disbursed due to an error. The understated amount in the MMI/CMHI fund was approximately $200 million in both the Outstanding Principal of Guaranteed Loans, Face Value and the Outstanding Principal Guaranteed[9]. The understated amount in the GI/SRI fund was approximately $9,000 million in both the Outstanding Principal of Guaranteed Loans, Face Value and the Outstanding Principal Guaranteed[10]. FHA has included the updated amounts in the fiscal year 2021 presentation shown above.

[9] The fiscal year 2021 Multifamily/Healthcare amounts published for the MMI/CMHI fund were $89 million and $88 million for the Outstanding Principal of Guaranteed Loans, Face Value and the Amount of Principal Guaranteed.
[10] The fiscal year 2021 Multifamily/Healthcare amounts published for the GI/SRI fund were $23,846 million and $23,440 million for Outstanding Principal of Guaranteed Loans, Face Value and the Amount of Outstanding Principal Guaranteed.

HOME EQUITY CONVERSION MORTGAGE (HECM):

HECM (reverse mortgages) are not included in the previous tables due to the unique nature of the program. Since the inception of the program, FHA has insured 1,287,396 HECM loans with a maximum claim amount of $349 billion. Of these 1,287,396 HECM loans insured by FHA, 391,260 loans with a maximum claim amount of $129 billion are still insured. As of September 30, 2022, the insurance-in-force (the outstanding balance of active loans that have not been assigned) was $80 billion. The insurance-in-force includes balances drawn by the mortgagor, interest accrued on the balances drawn, service charges, and mortgage insurance premiums. The maximum claim amount is the dollar ceiling to which the outstanding loan balance can grow before being assigned to FHA.

HOME EQUITY CONVERSION MORTGAGE LOANS OUTSTANDING

(NOT INCLUDED IN THE BALANCES IN THE PREVIOUS TABLE)

(DOLLARS IN MILLIONS)

		Cumulative	
Loan Guarantee Programs	**Current Year Endorsements**	**Current Outstanding Balance**	**Maximum Potential Liability**
FY 2022			
MMI/CMHI	$ 32,104	$ 66,326	$ 113,768
GI/SRI	-	14,153	14,982
Total	**$ 32,104**	**$ 80,479**	**$ 128,750**
FY 2021			
MMI/CMHI	$ 21,330	$ 62,675	$ 102,803
GI/SRI	-	17,012	18,523
Total	**$ 21,330**	**$ 79,687**	**$ 121,326**

The support for the HECM insurance-in-force amounts is derived from FHA's Home Equity Reverse Mortgage Information Technology (HERMIT) system.

NEGATIVE LOAN GUARANTEES, NET:

(DOLLARS IN MILLIONS)

FY 2022	MMI/CMHI	GI/SRI	Total
LLG			
Single Family Forward	$ (34,531)	$ 32	$ (34,499)
Multifamily/Healthcare	(38)	(2,558)	(2,596)
HECM	(4,294)	1,621	(2,673)
Negative Loan Guarantee Liability Total	**$ (38,863)**	**$ (905)**	**$ (39,768)**

FY 2021	MMI/CMHI	GI/SRI	H4H	Total
LLG				
Single Family Forward	$ (17,466)	$ 60	$ 1	$ (17,405)
Multifamily/Healthcare	(39)	(2,921)	-	(2,960)
HECM	(753)	3,210	-	2,457
Negative Loan Guarantee Liability Total	**$ (18,258)**	**$ 349**	**$ 1**	**$ (17,908)**

The negative loan guarantee for the Hope for Homeowners (H4H) fund for fiscal year 2022 was immaterial.

SUBSIDY EXPENSE FOR LOAN GUARANTEES BY PROGRAM AND COMPONENT:

(DOLLARS IN MILLIONS)

FY 2022	MMI/CMHI	GI/SRI	Total
Single Family Forward			
Defaults	$ 9,889	$ 1	$ 9,890
Fees and Other Collections	(18,371)	(1)	(18,372)
Other	1,654	-	1,654
Subtotal	**$ (6,828)**	**$ -**	**$ (6,828)**
Multifamily/Healthcare			
Defaults	$ 7	$ 223	$ 230
Fees and Other Collections	(14)	(829)	(843)
Other	1	-	1
Subtotal	**$ (6)**	**$ (606)**	**$ (612)**
HECM			
Defaults	$ 774	$ -	$ 774
Fees and Other Collections	(1,590)	-	(1,590)
Subtotal	**$ (816)**	**$ -**	**$ (816)**
Total	**$ (7,650)**	**$ (606)**	**$ (8,256)**

FY 2021	MMI/CMHI	GI/SRI	Total
Single Family Forward			
Defaults	$ 10,551	$ 1	$ 10,552
Fees and Other Collections	(23,526)	(2)	(23,528)
Other	1,457	-	1,457
Subtotal	**$ (11,518)**	**$ (1)**	**$ (11,519)**
Multifamily/Healthcare			
Defaults	$ 10	$ 240	$ 250
Fees and Other Collections	(21)	(1,123)	(1,144)
Other	3	-	3
Subtotal	**$ (8)**	**$ (883)**	**$ (891)**
HECM			
Defaults	$ 3,542	$ -	$ 3,542
Fees and Other Collections	(7,355)	-	(7,355)
Other	3,303	-	3,303
Subtotal	**$ (510)**	**$ -**	**$ (510)**
Total	**$ (12,036)**	**$ (884)**	**$ (12,920)**

SUBSIDY EXPENSE FOR REESTIMATES:

(DOLLARS IN MILLIONS)

FY 2022	Interest Rate Reestimate	Technical Reestimate	Total Reestimate
MMI/CMHI	$ (437)	$ (26,647)	$ (27,084)
GI/SRI	-	(2,439)	(2,439)
H4H	-	(2)	(2)
Total	$ (437)	$ (29,088)	$ (29,525)

FY 2021	Interest Rate Reestimate	Technical Reestimate	Total Reestimate
MMI/CMHI	$ (764)	$ (8,619)	$ (9,382)
GI/SRI	(7)	(2,869)	(2,876)
H4H	-	(1)	(1)
Total	$ (771)	$ (11,489)	$ (12,259)

TOTAL LOAN GUARANTEE SUBSIDY EXPENSE:

(DOLLARS IN MILLIONS)

	FY 2022	FY 2021
MMI/CMHI	$ (34,734)	$ (21,419)
GI/SRI	(3,045)	(3,760)
H4H	(2)	(1)
Total	$ (37,781)	$ (25,180)

SUBSIDY RATES FOR LOAN GUARANTEE ENDORSEMENTS BY PROGRAM AND COMPONENT:

The subsidy rates disclosed pertain only to the current year's 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) cohorts. The subsidy expense reported in the current year also includes reestimates.

(Percentage)	Defaults	Fees and Other Collections	Total
Budget Subsidy Rates for FY 2022 Loans Guarantees:			
MMI/CMHI			
Single Family			
SF - Forward	3.87	(6.56)	(2.69)
SF - HECM	2.41	(4.95)	(2.54)
Multifamily			
MF - Default CMHI- (Cooperatives)	3.87	(6.56)	(2.69)
GI/SRI			
Single Family			
Title I - Manufactured Housing	4.99	(11.20)	(6.21)
Title I - Property Improvements	4.93	(6.62)	(1.69)
Multifamily			
Apartments - NC/SC	1.47	(2.79)	(1.32)
Tax Credit Projects	0.78	(3.30)	(2.52)
Apartments- Refinance	0.26	(3.14)	(2.88)
HFA Risk Share	0.01	(2.28)	(2.27)
Healthcare			
FHA Full Insurance - Health Care	0.93	(7.44)	(6.51)
MF - Health Care Refinance	3.94	(7.44)	(3.50)
MF - Hospitals (includes refi., and Suppl. Loan)	1.26	(6.63)	(5.37)
Other Rentals	2.01	(5.35)	(3.34)

(Percentage)	Defaults	Fees and Other Collections	Total
Budget Subsidy Rates for FY 2021 Loans Guarantees:			
MMI/CMHI			
Single Family			
SF - Forward	3.09	(6.45)	(3.36)
SF - HECM	2.22	(4.61)	(2.39)
Multifamily			
MF - Default CMHI- (Cooperatives)	3.09	(6.45)	(3.36)
GI/SRI			
Single Family			
Title I - Manufactured Housing	4.64	(10.84)	(6.20)
Title I - Property Improvements	4.86	(7.31)	(2.45)
Multifamily			
Apartments - NC/SC	1.27	(2.46)	(1.19)
Tax Credit Projects	0.54	(2.81)	(2.27)
Apartments- Refinance	0.19	(2.56)	(2.37)
HFA Risk Share	0.10	(1.42)	(1.32)
Other Rentals	1.22	(3.49)	(2.27)
Healthcare			
MF - Health Care Refinance	2.95	(5.65)	(2.70)
MF - Hospitals (includes refi., and Suppl. Loan)	1.13	(6.94)	(5.81)

In accordance with the requirements in OMB Circular A-11 Section 185, FHA's Budget Subsidy Rates for fiscal year 2022 and fiscal year 2021 were calculated using OMB's Credit Subsidy Calculator (CSC). The CSC is a discounting tool issued by OMB for agencies to calculate credit subsidy costs and financing account interest for post-1991 direct loans and loan guarantees. All agencies must use the CSC and associated discount rates to discount agency-generated estimates of cash flows to and from the Government for each risk category.

The Budget Subsidy Rates are calculated approximately eighteen months before the fiscal year starts and are based on projections of cash inflows and cash outflows for FHA's direct loan and loan guarantee programs available at the time FHA's budget submission is prepared. These cash flows are discounted to the point of loan disbursement using the CSC. The difference between the present value of the Government cash outflows and inflows is the total subsidy. Calculated automatically by the CSC, the subsidy rate is determined by dividing the subsidy cost by the direct loan obligations or loan guarantee commitments projected to be made in that year.

The Budget Subsidy Rates are submitted to OMB for inclusion in the President's Budget. FHA's Budget Subsidy Rates for fiscal year 2022 and fiscal year 2021 were included in the President's Budget for fiscal year 2022 and fiscal year 2021, respectively. For budget formulation and execution, subsidy estimates must be based on the economic and technical assumptions underlying the President's Budget that is submitted for the fiscal year in which the funds will be obligated. The CSC computes the subsidy rate using the economic assumptions for the Budget.

Because of the time lag between when the Budget Subsidy Rates are calculated and the relevant fiscal year, the Budget Subsidy Rates do not consider recent changes in economic conditions, legislation, credit policies, and subsidy estimation methodologies and assumptions.

SCHEDULE FOR RECONCILING NEGATIVE LOAN GUARANTEES:

(DOLLARS IN MILLIONS)

	FY 2022	FY 2021
Beginning Balance of the Negative Loan Guarantees	**$(17,908)**	**$(6,184)**
Less claim payments to lenders	(24,745)	(14,743)
Add fees received	14,102	15,607
Add foreclosed property and loans acquired	28,804	14,446
Less interest revenue on uninvested funds	685	643
Add interest expense on entity borrowings	(3,044)	(2,487)
Less negative subsidy payments	(8,254)	(12,921)
Add upward reestimates	(205)	3,113
Less downward reestimates	(29,320)	(15,372)
Other	117	(9)
Ending Balance of the Negative Loan Guarantees	**(39,768)**	**(17,908)**

ADMINISTRATIVE EXPENSE:

(DOLLARS IN MILLIONS)

	FY 2022	FY 2021
MMI/CMHI	$ 857	$ 854
Total	$ 857	$ 854

SCHEDULE FOR RECONCILING LOANS RECEIVABLE, NET:

(DOLLARS IN MILLIONS)

	Direct Loans	Defaulted Guaranteed Loans (Post-1991)	Defaulted Guaranteed Loans (Pre-1992)	Total
FY 2022				
Beginning Balance of Loans Receivable, Net	**$ 2,920**	**$ 45,252**	**$ 900**	**$ 49,072**
Add loan disbursements	194	16,780	100	17,074
Less principal and interest payment received	(112)	(6,494)	(197)	(6,803)
Less fees received	-	(373)	1	(372)
Add foreclosed property acquired	-	828	1	829
Less sale of foreclosed property	-	(677)	-	(677)
Less loans written off	-	(23)	-	(23)
Less interest revenue on uninvested funds	(79)	-	-	(79)
Add interest expense on entity borrowings	86	-	-	86
Add subsidy expense	10	-	-	10
Add upward reestimate	(89)	(39)	-	(128)
Less downward reestimates	139	1,950	-	2,089
Allowance for loan and interest loss adjustments	-	(139)		(139)
Ending Balance of Loans Receivable, Net	**$ 3,069**	**$ 57,065**	**$ 805**	**$ 60,939**

As this schedule is a new disclosure for fiscal year 2022, FHA is not presenting comparative information for fiscal year 2021. This note disclosure replaces the schedule for Loans Receivable, Gross, which was reported in FHA's fiscal year 2021 AMR.

OTHER INFORMATION ON FORECLOSED PROPERTY:

Additional information on FHA foreclosed property as of September 30, 2022 and 2021, is as follows:

	FY 2022	FY 2021
Average number of days in inventory for Sold Cases	204	157
End of Fiscal Year active inventory	2,105	2,618

This chart reports the average holding period for FHA foreclosed property and the total number of foreclosed properties on-hand as of September 30, 2022. Foreclosed properties are primarily Single Family properties, and the amounts reported above include both Single Family Forward and HECM foreclosed properties.

RESTRICTIONS ON THE USE/DISPOSAL OF FORECLOSED PROPERTY

The balance relating to foreclosures as of September 30, 2022, is comprised of only Single Family properties. There are no Multifamily properties currently in inventory.

The Secretary has the authority under the National Housing Act (12 U.S.C 1710 (g)) to manage or dispose of eligible HUD-owned property assets in a manner that will provide affordable, safe, and sanitary housing to low-wealth families, preserve and revitalize residential neighborhoods, expand homeownership opportunities, minimize displacement of tenants residing in rental or cooperative housing, and protect the financial interest of the Federal government.

Single Family properties may be sold to eligible entities (24 CFR 291.303) through public asset sales. Eligibility of bidders will be determined by the Secretary and included in the bid package with a notice filed in the Federal Register. In addition, HUD must ensure that its policies and practices in conducting the Single-Family property disposition program do not discriminate on the basis of disability (24 CFR 9.155(a)).

CREDIT REFORM VALUATION METHODOLOGY

FHA values its Credit Reform Loan Liability Guaranty (LLG) and related receivables from notes and property inventories at the net present value of their estimated future cash flows.

Risk Categories – To apply the present value computations, FHA divides loans into cohorts and "risk" categories. Multifamily and Health care cohorts are defined based on the fiscal year in which loan guarantee commitments are made. Single Family mortgages are grouped into cohorts based on loan endorsement dates for the GI/SRI and MMI funds. Within each cohort year, loans are subdivided into product groupings, which are referred to as risk categories in federal budget accounting. Each risk category has characteristics that distinguish it from others, including loan performance patterns, premium structure, and the type and quality of collateral underlying the loan. The MMI Fund has one risk category for activity related to fiscal years 1992-2008. For activity related to fiscal years 2009 and onward, the MMI Fund has two risk categories. That second category is for HECM loans, which joined the MMI Fund group of programs in 2009. The Single Family GI/SRI loans are grouped into four risk categories. There are nine different Multifamily risk categories and three Healthcare categories in the GI/SRI fund.

The significant assumptions detailed below determine the cash flow estimates that underlie the present value calculations.

Significant Assumptions – FHA developed economic and financial models in order to estimate the present value of future program cash flows. The models incorporate information on the expected magnitude and timing of each cash flow. The models rely heavily on the following loan performance assumptions:

- **Conditional Termination Rates**: The estimated probability of an insurance policy claim or non-claim termination in each year of the loan guarantee's term, given that a loan survives until the start of that year.
- **Claim Amount:** The estimated amount of the claim payment relative to the unpaid principal balance at the time the claim occurs.
- **Recovery Rates:** The estimated percentage of a claim payment or defaulted loan balance that is recovered through disposition of a mortgage note or underlying property.

ADDITIONAL INFORMATION ABOUT LOAN PERFORMANCE ASSUMPTIONS IS PROVIDED BELOW:

Sources of data: FHA developed assumptions for claim rates, prepayment rates, claim amounts, and recoveries based on historical data obtained from its internal business systems.

Economic assumptions: OMB provides other economic assumptions used, such as interest rates and the discount rates used against the cash flows.

Reliance on historical performance: FHA relies on the historical performance of its insured portfolio to generate behavioral response functions that are applied to economic forecasts to generate future performance patterns for the outstanding portfolio. Changes in legislation, program requirements, tax treatment, and economic factors all influence loan performance.

Current legislation and regulatory structure: FHA considered its future plans as allowed under current legislative authority in the formulation of assumptions when relevant. In contrast, future changes in legislative authority may affect the cash flows associated with FHA insurance programs. FHA does not reflect such potential changes in LLG calculations.

Discount rates: The disbursement-timing-weighted interest rates on U.S. Treasury securities of maturities comparable to the terms of the guaranteed loans create the discount factors used in the present value calculations for cohorts 1992 to 2000. For the 2001 and future cohorts, the rates on U.S. Treasury securities of maturities comparable to the cash flow timing for the loan guarantees are used in the present value calculations. This latter methodology is referred to as the basket-of-zeros discounting methodology. OMB provides these rates to all Federal agencies for use in preparing credit subsidy estimates and requires their use under OMB Circular A-11, Part 4, and "Instructions on Budget Execution." The basket-of-zeros discount factors are also disbursement weighted.

ANALYSIS OF CHANGE IN THE LIABILITY FOR LOAN GUARANTEES

FHA has estimated and reported on LLG calculations since fiscal year 1992. Over this time, FHA's reported LLG values have shown measurable year-to-year variance. That variance is caused by five factors: (1) adding a new year of insurance commitments each year, (2) an additional year of actual loan performance data used to calibrate forecasting models, (3) revisions to the methodologies employed to predict future loan performance, (4) changes in economic assumptions, and (5) programmatic/policy changes that affect the characteristics of insured loans or potential credit losses.

The majority of FHA's loan guarantee business comprises the programs described below. These descriptions highlight the factors that contributed to changing LLG estimates for fiscal year 2022. Overall, FHA's liability decreased from the fiscal year 2021 estimates.

Mutual Mortgage Insurance (MMI) – On net, the MMI Fund LLG decreased from ($18,258) million to ($38,831) million at the end of fiscal year 2022. The decrease in liability can be attributed to model methodology changes, changes in economic forecasts and actual loan performance.

MMI Single Family Forward (SFF) - The 2022 SFF LLG forecast calculation is like the methodology used in 2021. The models use historical data to generate claim and prepayment probabilities based on various borrower and loan-specific factors. These projections feed a Cash Flow Model (CFM). The CFM discounts all cohort years using the latest Single Effective Rate (SER) specific to each cohort; in accordance with

Federal Credit Reform Modeling guidelines. As with the 2021 LLG, the 2022 LLG estimate uses a single path (President's Economic Assumption) to compute the expected net present value of the future cash flows.

MMI Home Equity Conversion Mortgage (HECM) - Like the SF Forward program, in 2022, the HECM LLG was modeled first by using actuarial and econometric models to estimate the termination probability for each loan. A HECM termination event was grouped into three (3) categories: borrower death, borrower move out of subject property, or borrower refinance of subject property. These projections are used in calculating the LLG in the CFM. The CFM discounts all cohort years using the latest Single Effective Rate (SER) specific to each cohort, in accordance with Federal Credit Reform Modeling guidelines. As with the 2021 LLG, the 2022 LLG estimate uses a single path (President's Economic Assumption) to compute the expected net present value of the future cash flows.

GI/SRI (HECM) - HECM endorsements from fiscal years 1990-2008 remain in the GI/SRI Fund. Estimation of the GI/SRI HECM LLG is consistent with that of the MMI HECM LLG estimation. The liability for these loans decreased to $1,621 million at the end of 2022, reflecting the wind-down of the pre-2009 HECM cohorts. This liability is greatly influenced by long term house price appreciation forecasts. Most of the remaining GI/SRI HECM loans have adjustable interest rates which impacts the LLG through their influence on unpaid balances, claim and recovery rates.

GI/SRI Section 223(f) - Section 223(f) of the National Housing Act permits FHA mortgage insurance for the refinance or acquisition of existing Multifamily rental properties consisting of five or more units. Under this program, FHA may insure up to 85 percent of the lesser of the project's appraised value or its replacement cost. Projects insured under the program must be at least three years old. The Section 223(f) program is the largest Multifamily program in the GI/SRI fund with an insurance-in-force of $52.4 billion. The Section 223(f) liability is negative, meaning that the present value of expected future premium revenues is greater than the present value of expected future (net) claim expenses. The 223(f) liability increased this year by $127.3 million, from ($1,197) million to ($1,070) million, due to higher prepayment expectations.

GI/SRI Section 223(a)(7) - Section 223(a)(7) gives FHA authority to refinance FHA-insured loans. Under this program, the refinanced principal amount of the mortgage may be the lesser of the original amount of the existing mortgage or the remaining unpaid principal balance of the loan. Loans insured under any sections of the National Housing Act may be refinanced under 223(a)(7), including those already under 223(a)(7). The Section 223(a)(7) program has an insurance-in-force of $18.8 billion. The Section 223(a)(7) liability is negative, meaning that the present value of expected future premium revenues is greater than the present value of expected future (net) claim expenses. The 223(a)(7) liability increased this year by $23.9 million, from ($372) million to ($348) million due to higher prepayment expectations and lower insurance-in-force.

GI/SRI Section 221(d)(4) - Section 221(d)(4) of the National Housing Act authorizes FHA mortgage insurance for the construction or substantial rehabilitation of Multifamily rental properties with five or more units. Under this program, FHA may insure up to 90 percent of the total project cost. This is second largest Multifamily program in the GI/SRI fund with an insurance-in-force of $22.6 billion. The Section

221(d)(4) liability increased by $38.1 million this year, from ($62.0) million to ($23.9) million, due to higher prepayment projections and lower insurance-in-force.

GI/SRI Section 232 Healthcare New Construction (NC) - The Section 232 NC program provides mortgage insurance for construction or substantial rehabilitation of nursing homes and assisted-living facilities. FHA insures a maximum of 90 percent of the estimated value of the physical improvements and major movable equipment. The Section 232 NC program has an insurance-in-force of $2.2 billion. The Section 232 NC liability increased by $20.6 million this year, from ($92) million to ($71.5) million, due to higher claim projections and lower insurance-in-force.

GI/SRI Section 232 Healthcare Purchasing or Refinancing - The Section 232 Refinance program provides mortgage insurance for two purposes: purchasing or refinancing of projects that do not need substantial rehabilitation, and installation of fire safety equipment for either private, for-profit businesses or nonprofit associations. For existing projects, FHA insures a maximum of 85 percent of the estimated value of the physical improvements and major movable equipment. The Section 232 Refinance program has an insurance-in-force of $32.1 billion. The Section 232 Refinance liability increased by $112 million this year, from ($554) million to ($441) million, due to higher claim and prepayment projections, as well as lower insurance-in-force.

GI/SRI Section 242 Hospitals - The Section 242 Hospitals program provides mortgage insurance for the construction, substantial rehabilitation, or refinance of hospitals and/or the purchase of major hospital equipment to either private, for-profit businesses or non-profit associations. FHA insures a maximum of 90 percent of the estimated replacement cost of the hospital, including the installed equipment. The Section 242 program has an insurance-in-force of $6.1 billion. The Section 242 liability increased by $21 million this year from ($239) million to ($218) million due to lower insurance-in-force.

RISKS TO LLG CALCULATIONS

LLG calculations for some programs now use Monte Carlo simulations and stochastic economic forecasts. What is booked as an LLG value is the average or arithmetic “mean” value from a series of projections that view loan portfolio performance under a large variety of possible economic circumstances. The individual economic scenario forecasts are designed to mimic the types of movements in factors such as home prices, interest rates, and apartment vacancy rates that have occurred in the historical record. By creating many of these scenarios, each independent of the others, one creates a universe of potential outcomes that define the possible set of LLG values in an uncertain world. Using the mean value across all forecast scenarios is valuable for providing some consideration of “tail risk.” Tail risk occurs in most loan guarantee portfolios because potential losses under the worst scenarios are multiples of potential gains under the best scenarios. The inclusion of tail events in the mean-value calculation creates an addition to LLG, which is the difference between the mean value from the simulations and the median value. The median is the point at which half of the outcomes are worse and half are better. By booking a mean value rather than a median, FHA is essentially providing some additional protection in its loss reserves against adverse outcomes. At the same time, booking an LLG based on a mean value result in a better than even chance that future revisions will be in the downward direction.

The uncertainty built into Monte Carlo forecasts is only for economic risk, and not for model risk. All LLG values are fundamentally dependent upon forecasts of insured-loan performance. Those forecasts are developed through models that apply statistical, economic, financial, or mathematical theories, techniques, and assumptions to create behavioral-response functions from historical data. All such models involve risk that actual behavior of borrowers and lenders in the future will differ from the historical patterns embedded in the forecasting models. Model risk also arises from the possibility that the computer code used to create the forecasts has errors or omissions which compromise the integrity and reliability of projections.

Each year, HUD works with its contractors to evaluate on several dimensions the forecasting models for reasonable assurance that the primary contractor's performance results are within tolerable range. Model risk is also addressed through a continuous cycle of improvement, whereby lessons learned from the previous round of annual portfolio valuations—in the independent actuarial studies, LLG valuations, and President's Budget—are used as a basis for new research and model development in the current year.

For Multifamily programs, LLG risk comes from claims, recoveries, and premiums. Claims and recoveries are dependent on continued rental-income trends and rental-price growth. Premiums are driven by FHA policy and industry demand for FHA products. Generally, risk comes from market, economic, and demographic influences such as changes in local employment conditions, the supply of rental housing in each market where FHA has a presence, population growth, and household formation. FHA's policy of insuring loans pre-construction in its 221(d)(4) program subject LLG calculations to risk from their capability to operate post-construction.

For Healthcare programs (Sections 232 and 242), LLG risk comes principally from the Healthcare program's reimbursement rates from Medicare and Medicaid. In addition, the financial health of State and Municipal government entities also is a source of LLG risk, as many of the FHA-insured projects benefit, in part, from periodic cash infusions from those entities. Risk also varies based on the quality of business management at each facility, the supply of medical care in each community relative to demand, and the abilities of facility management to adapt to changing technologies and the competitive landscape. These are factors for which it is difficult to predict future trends.

For the SF Forward mortgage programs, LLG risk comes from claims, recoveries, and premiums. Claims and recoveries are largely dependent on house price appreciation and local market conditions such as the demand-to-supply ratio and the share of homes in foreclosure status. FHA recoveries are also dependent on the type of claim disposition. Disposition types such as pre-foreclosure sale, claim without conveyance of title, and note sales typically recover more funds for FHA than foreclosed properties. Premiums are driven by FHA policy, industry demand for FHA products, and interest rate outlook. The interest rate outlook, in particular, determines the incentive to refinance. Generally, risk comes from portfolio characteristics, the market, and prevailing economic conditions.

For both HECM funds (GI/SRI and MMI cohorts), LLG risk comes from claims, recoveries, and premiums. Claims and recoveries are largely dependent on house price appreciation and borrower behavior, such as home maintenance and ability to meet property tax and insurance obligations. Premiums are driven by FHA policy and interest rates which determine the growth of HECM unpaid principal balances (UPB). Generally, risk comes from portfolio characteristics, the market, and prevailing economic conditions.

PRE-CREDIT REFORM VALUATION METHODOLOGY

FHA values its Pre-Credit Reform related notes and properties in inventory at net realizable value, determined based on net cash flows. To value these items, FHA uses historical claim data, revenues from premiums and recoveries, and expenses of selling and maintaining property.

MMI Single Family LLR - For the Single Family portfolio, the aggregate liability for the remaining pre-credit reform loans in fiscal year 2022 is zero.

GI/SRI Multifamily & Healthcare LLR - For the Multifamily and Healthcare portfolio, the remaining insurance-in-force for pre-credit reform loans is $64.2 million. The aggregate liability for the remaining pre-credit reform loans in fiscal year 2022 is ($217) thousand, which is a $24 thousand decrease from the ($193) thousand estimate in fiscal year 2021. The year-over-year decrease in aggregate liability is due to lower claim and prepayment expectations in the liquidating fund.

NOTE 8. ACCOUNTS PAYABLE

Accounts Payable as of September 30, 2022 and 2021, are as follows:

(Dollars in millions)

	FY 2022	FY 2021
Intragovernmental:		
Miscellaneous Payables to Other Federal Agencies	$ 2	$ 1
Total	**$ 2**	**$ 1**

	FY 2022	FY 2021
Other than Intragovernmental:		
Claims Payable	$ 64	$ 220
Premium Refunds Payable	393	431
Single Family Property Disposition Payable	24	25
Miscellaneous Payables	78	77
Total	**$ 559**	**$ 753**

MISCELLANEOUS PAYABLES TO OTHER FEDERAL AGENCIES

Miscellaneous payables to other Federal agencies consist of the net of custodial collections made and expenses incurred by FHA for the sale of Public and Indian Housing (PIH) property. The net of the two components is returned to PIH.

CLAIMS PAYABLES

Claims payables represent the number of claims that have been processed by FHA, but for which the disbursement of payment to lenders has not taken place at the end of the reporting period.

PREMIUM REFUNDS PAYABLES

Premium refund payables are refunds of previously collected Single Family premiums that will be returned to borrowers based on their prepayment of insured mortgages.

SINGLE FAMILY PROPERTY DISPOSITION PAYABLES

Single family property disposition payables include management and marketing contracts and other property disposition expenses related to foreclosed property.

MISCELLANEOUS PAYABLES

Miscellaneous payables include interest enhancement payables, interest penalty payables for late payment of claims, generic debt payables and other payables related to various operating areas within FHA.

NOTE 9. DEBT

The following tables describe the composition of Debt held by FHA as of September 30, 2021 and 2022:

(DOLLARS IN MILLIONS)

	2021 Beginning Balance	2021 Net Borrowings	2021 Ending Balance	2022 Beginning Balance	2022 Net Borrowings	2022 Ending Balance
Debt:						
Debt to the U.S. Treasury	51,822	14,455	66,277	66,277	27,294	93,571
Debt to the FFB	2,370	267	2,636	2,636	86	2,722
Total	**$ 54,192**	**$ 14,722**	**$ 68,913**	**$ 68,913**	**$ 27,380**	**$ 96,293**

	FY 2021	FY 2022
Classification of Debt:		
Intragovernmental Debt	$ 68,913	$ 96,293
Total	**$ 68,913**	**$ 96,293**

DEBT TO THE U.S. TREASURY

FHA borrows from the Bureau of the Fiscal Service's (BFS) Federal Investments and Borrowings Branch, which facilitates loans to federal agencies on behalf of the U.S. Department of the Treasury. The FCRA permits agencies to borrow from U.S. Treasury to support credit programs. Collections and disbursements with the public are transacted in FHA's financing accounts and are considered a means-of-financing (non-budgetary). When cash balances are insufficient to support its operations, FHA borrows from U.S. Treasury. When there is sufficient cash in the financing accounts, FHA can opt to repay principal. Repayments of principal can be made throughout the fiscal year. Usually, the need for cash arises when FHA has to transfer the negative credit subsidy amounts related to new loan disbursements and existing loan modifications from the financing accounts to the general fund receipt account (for cases in GI/SRI funds) or to the capital reserve account (for cases in MMI/CMHI funds). In some instances, borrowings are also needed to transfer the credit subsidy related to downward reestimates from the GI/SRI financing account to the GI/SRI receipt account or when available cash is less than claim payments due. Interest paid on borrowings by FHA as of September 30, 2022, was $3,044 million.

Both interest revenue and expense are accrued at FHA's Single Effective Rate (SER). During fiscal year 2022, FHA's U.S. Treasury debt carried interest rates ranging from 1.68 percent to 7.59 percent, and the maturity dates for these debts range from September 2022 to September 2044. Loans may be repaid in whole or in part without penalty at any time prior to maturity. Interest revenue is based on the cash balances in the financing accounts, whereas interest expense is based on the principal balances for the entire fiscal year (effective date of October 1st of the current fiscal year), regardless of the actual transaction date.

FHA's available borrowing authority as of September 30, 2022 and 2021, was $7,785 million and $7,532 million, respectively from the U.S. Treasury.

DEBT TO THE FEDERAL FINANCING BANK

FHA began a Federal Financing Bank Risk Share program, in fiscal year 2015, an inter-agency partnership between HUD, FFB, and the HFAs. The FFB Risk Share Program provides funding for multifamily mortgage loans insured by FHA. Under this program, FHA records a direct loan from the public and borrowing from FFB. The program does not change the basic structure of Risk Sharing; it only substitutes FFB as the funding source. The HFAs would originate and service the loans and share in any losses.

During fiscal year 2022, FHA’s FFB debt carried interest rates ranging from 1.60 percent to 3.40 percent, and the maturity dates for the FFB debt range from May 2038 to October 2062. FHA’s available borrowing authority as of September 30, 2022 and 2021, was $1,382 million and $0 million, respectively from the FFB. Interest paid on borrowings by FHA as of September 30, 2022, was $81 million.

NOTE 10. OTHER LIABILITIES

The following table describes the composition of Other Liabilities as of September 30, 2022 and 2021:

(DOLLARS IN MILLIONS)

FY 2022	Current
Intragovernmental:	
Receipt Account Liability	$ 3,110
Total Intragovernmental	**$ 3,110**
Other than Intragovernmental:	
Trust and Deposit Liabilities	$ 62
Miscellaneous Liabilities	174
Total Other than Intragovernmental	**$ 236**
Total Other Liabilities	**$ 3,346**

FY 2021	Current
Intragovernmental:	
Receipt Account Liability	3,628
Total Intragovernmental	**$ 3,628**
Other than Intragovernmental:	
Trust and Deposit Liabilities	$ 50
Miscellaneous Liabilities	105
Total Other than Intragovernmental	**$ 155**
Total Other Liabilities	**$ 3,783**

RECEIPT ACCOUNT LIABILITY

The receipt account liability is created from downward credit subsidy reestimates and negative subsidy accrued at the end of the fiscal year in the GI/SRI receipt account.

TRUST AND DEPOSIT LIABILITIES

Trust and deposit liabilities include mainly escrow monies received by FHA for the borrowers of its mortgage notes and earnest money received from potential purchasers of the FHA foreclosed properties. The escrow monies are eventually disbursed to pay for maintenance expenses on behalf of the borrowers. The earnest money becomes part of the sale proceeds or is returned to any unsuccessful bidders.

MISCELLANEOUS LIABILITIES

Miscellaneous liabilities mainly include disbursements in transit (cash disbursements pending Treasury confirmation), unearned premium revenue, and any loss contingencies that are recognized by FHA for past events that warrant a probable, or likely, future outflow of measurable economic resources.

NOTE 11. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

(DOLLARS IN MILLIONS)

	FY 2022	FY 2021
Total Liabilities Covered by Budgetary Resources	$ 97,278	$ 70,094
Total Liabilities Not Requiring Budgetary Resources	3,130	3,646
Total Liabilities	**$ 100,408**	**$ 73,740**

Total Liabilities Not Covered by Budgetary Resources – FHA has no liabilities not covered by budgetary resources.

Total Liabilities Covered by Budgetary Resources includes liabilities incurred that are covered by realized budgetary resources as of the Balance Sheet date. Most of FHA's liabilities require budgetary resources.

Total Liabilities Not Requiring Budgetary Resources includes FHA liabilities that have not in the past required and will not in the future require the use of budgetary resources. FHA's liabilities in its non-fiduciary deposit funds, which are immaterial, and general fund receipt accounts, which are material, for fiscal years 2022 and 2021 are reported as liabilities not requiring budgetary resources. Liabilities in FHA's general fund receipt accounts are liquidated in the following fiscal year through transfers from the financing funds.

NOTE 12. COMMITMENTS AND CONTINGENCIES

LITIGATION

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, 2022. There are pending or threatened legal actions where judgment against FHA is reasonably possible with an estimated potential loss of $32.6 million or more.

ACTIVITY WITH GINNIE MAE

As of September 30, 2022, and 2021, the Government National Mortgage Association ("Ginnie Mae") held defaulted FHA-insured mortgage loans acquired from defaulted mortgage-backed securities issuers with the following balances:

	FY 2022	FY 2021
Mortgages Held for Investment & Foreclosed Property (Pre-claim)	$ 1,550	$ 1,782
Short Sale Claims Receivable	-	1
Total	**$ 1,550**	**$ 1,783**

"Ginnie Mae" may submit requests for claim payments to FHA for some or all of these loans. Subject to all existing claim verification controls, FHA would pay such claims to Ginnie Mae, another component of HUD, upon conveyance of the foreclosed property to FHA. Any liability for such claims, and offsetting recoveries, has been reflected in the Liability for Loan Guarantees on the accompanying financial statements based on the default status of the insured loans.

NOTE 13. GROSS COSTS

Gross costs incurred by FHA for the period ended September 30, 2022 and 2021, are as follows:

(DOLLARS IN MILLIONS)

FY 2022	Single Family Forward	HECM	Multifamily	Healthcare	Administrative Expenses	Total
Intragovernmental:						
Interest Expense	$ 1,338	$ 1,567	$ 187	$ 33	$ -	$ 3,125
Imputed Cost	-	-	-	-	17	17
Other Expenses	17	-	-	-	236	253
Total	**$ 1,355**	**$ 1,567**	**$ 187**	**$ 33**	**$ 253**	**$ 3,395**
Other than Intragovernmental:						
Salary and Administrative Expense	$ -	$ -	$ -	$ -	$ 604	$ 604
Subsidy Expense	(6,828)	(816)	(511)	(110)	-	(8,265)
Re-estimate Expense	(20,617)	(9,239)	189	92	-	(29,575)
Interest Accumulation Expense	(934)	(1,378)	(41)	(5)	-	(2,358)
Bad Debt Expense	1	-	76	-	-	77
Other Expenses	2	(1)	8	-	-	9
Total	**$ (28,376)**	**$ (11,434)**	**$ (280)**	**$ (23)**	**$ 604**	**$ (39,508)**
Total Gross Costs	**$ (27,021)**	**$ (9,867)**	**$ (93)**	**$ 10**	**$ 857**	**$ (36,113)**

FY 2021	Single Family Forward	HECM	Multifamily	Healthcare	Administrative Expenses	Total
Intragovernmental:						
Interest Expense	$ 876	$ 1,429	$ 231	$ 36	$ -	$ 2,571
Imputed Cost	-	-	-	-	16	16
Other Expenses	-	-	-	-	239	240
Total	**$ 876**	**$ 1,429**	**$ 231**	**$ 36**	**$ 255**	**$ 2,827**
Other than Intragovernmental:						
Salary and Administrative Expense	$ -	$ -	$ -	$ -	$ 599	$ 599
Subsidy Expense	(11,519)	(510)	(709)	(224)	-	(12,962)
Re-estimate Expense	(5,133)	(7,293)	220	17	-	(12,189)
Interest Accumulation Expense	(634)	(1,155)	(48)	(8)	-	(1,845)
Bad Debt Expense	1	-	(4)	-	-	(3)
Other Expenses	7	-	5	-	-	12
Total	**$ (17,278)**	**$ (8,958)**	**$ (536)**	**$ (215)**	**$ 599**	**$ (26,388)**
Total Gross Costs	**$ (16,402)**	**$ (7,529)**	**$ (305)**	**$ (179)**	**$ 854**	**$ (23,561)**

INTEREST EXPENSE

Intragovernmental interest expense includes interest expense on borrowings from the U.S. Treasury and the Federal Financing Bank (FFB) in the financing account.

IMPUTED COSTS/IMPUTED FINANCING

Imputed costs represent FHA's share of the departmental imputed cost calculated and allocated to FHA by the HUD CFO office. Federal agencies are required to report imputed costs under SFFAS No. 4, *Managerial Cost Accounting Concepts and Standards,* and SFFAS No. 55, *Amending Inter-Entity Cost Provisions* to account for costs assumed by other Federal organizations on their behalf. The HUD CFO receives its imputed cost data from the Office of Personnel Management (OPM) for pension costs, federal employee health benefits (FEHB) and life insurance costs. It also receives Federal Employees' Compensation Act (FECA) costs from the Department of Labor (DOL). Subsequently, using its internally developed allocation basis, HUD CFO allocates the imputed cost data to each of its reporting offices. The imputed costs reported by FHA in its Statements of Net Cost are equal to the amounts of imputed financing in its Statement of Changes in Net Position.

SALARY AND ADMINISTRATIVE EXPENSES

Salary and administrative expense include FHA's reimbursement to HUD for FHA personnel costs and FHA's payments to third party contractors for administrative contract expenses. Since fiscal year 2010, FHA has only been using the MMI program fund to record salaries and related expenses.

SUBSIDY EXPENSE

Subsidy expense, positive and negative, consists of credit subsidy expense from new endorsements and modifications. Credit subsidy expense is the estimated long-term cost or gain to the U.S. Government of a direct loan or loan guarantee, calculated on a net present value basis of the estimated future cash flows associated with the direct loan or loan guarantee. A negative amount reported for subsidy expense indicates negative subsidy, and a positive amount reported for subsidy expense indicates positive subsidy.

FHA's negative subsidy expense decreased in FY 2022 due to rising mortgage interest rates, which resulted in a decrease in FHA endorsements for Single Family Forward, Multifamily, and Healthcare program areas. This decrease was offset by an increase in negative subsidy expense in fiscal year 2022 for the HECM program area. HECM endorsements increased in fiscal year 2022 due to house price appreciation. Another factor that affected the decrease in negative subsidy was that the subsidy rate for Single Family Forward was less negative in fiscal year 2022 than it was in fiscal year 2021.

REESTIMATE EXPENSE

Reestimate expense captures the cost associated with the annual requirement to reestimate the liability for loan guarantee. Total negative reestimate expense indicates a net downward reestimate, and total positive reestimate expense indicates a net upward reestimate.

Reestimate expense decreased in fiscal year 2022 due to the large net downward reestimate in the value of the LLG in fiscal year 2022 compared to fiscal year 2021. Most of the decrease in reestimate expense was in the Single Family Forward program area, but reestimate expense for the HECM program also decreased. The downward reestimate in the LLG is based on many factors, which are explained in more detail in Note 7.

INTEREST ACCUMULATION EXPENSE

Interest accumulation expense is calculated as the difference between interest revenue and interest expense. For guaranteed loans, the liability for loan guarantees is adjusted with an offset to interest accumulation expense. SFFAS 2 requires that interest be accrued and compounded on the liability for loan guarantees and the accrued interest recognized as interest expense.

BAD DEBT EXPENSE

Bad debt expense represents the provision for loss recorded for uncollectible amounts related to FHA's pre-1992 accounts receivable and credit program assets. FHA calculates its bad debt expense based on the estimated change in these assets' historical loss experience and FHA management's judgment concerning current economic factors.

OTHER EXPENSES

Other expenses with the public include only those associated with the FHA pre-1992 loan guarantees. They consist of net losses or gains on sales of FHA credit program assets, insurance claim expenses, fee expenses, and other miscellaneous expenses incurred to carry out FHA operations. Other expenses also include the loan loss reserve expense recorded to account for the change in the balance of the loan loss reserve liabilities associated with FHA's pre-1992 loan guarantees. Other intragovernmental expenses include expenses from intra-agency agreements.

NOTE 14. EARNED REVENUE

Earned revenues generated by FHA for the period ended September 30, 2022 and 2021, are as follows:

FY 2022	Single Family Forward	HECM	Multifamily	Healthcare	Total
Intragovernmental:					
Interest Revenue from Deposits at U.S. Treasury	$ 404	$ 189	$ 63	$ 28	$ 684
Interest Revenue from MMI/CMHI Investments	688	21	16	-	725
Total Intragovernmental	**$ 1,092**	**$ 210**	**$ 79**	**$ 28**	**$ 1,409**
Other than Intragovernmental:					
Income from Notes and Properties	1	-	105	-	106
Other Revenue	6	-	84	-	90
Total Other than Intragovernmental	**$ 7**	**$ -**	**$ 189**	**$ -**	**$ 196**
Total Earned Revenue	**$ 1,099**	**$ 210**	**$ 268**	**$ 28**	**$ 1,605**

FY 2021	Single Family Forward	HECM	Multifamily	Healthcare	Total
Intragovernmental:					
Interest Revenue from Deposits at U.S. Treasury	$ 242	$ 274	$ 106	$ 29	$ 651
Interest Revenue from MMI/CMHI Investments	281	37	-	-	318
Total Intragovernmental	**$ 523**	**$ 311**	**$ 106**	**$ 29**	**$ 969**
Other than Intragovernmental:					
Insurance Premium Revenue	$ -	$ -	$ 1	$ -	$ 1
Income from Notes and Properties	2	-	73	-	75
Other Revenue	2	-	76	-	78
Total Other than Intragovernmental	**$ 4**	**$ -**	**$ 150**	**$ -**	**$ 154**
Total Earned Revenue	**$ 527**	**$ 311**	**$ 256**	**$ 29**	**$ 1,123**

INTEREST REVENUE

Intragovernmental interest revenue includes interest revenue from deposits at the U.S. Treasury and investments in U.S. Treasury securities. FHA's U.S. Treasury deposits are generated from post-1991 loan guarantees and direct loans in the financing accounts. FHA's investments in U.S. Treasury securities consist of investments of surplus resources in the MMI/CMHI Capital Reserve account.

INSURANCE PREMIUM REVENUE

Under FCRA accounting, FHA's premium revenue should include only premiums associated with the pre-1992 loan guarantee business. Premiums for post-1991 guaranteed loans are included in the balance of the LLG. The FHA premium structure includes both up-front premiums and annual periodic premiums. The up-front premium and annual periodic premium rates for fiscal year 2022 are reported below. However, the premiums received for post-1991 guaranteed loans are not reported under this note. Those premiums are included in the premiums reported under Note 18. Budgetary Resources – Collections.

UP-FRONT PREMIUMS

The up-front premium rates vary according to the mortgage type and the year of origination. Based on the Housing and Economic Recovery Act of 2008, Single Family up-front premium rates may be no more than 3 percent of the full mortgage amount. The FHA up-front premium rates for loans committed in fiscal year 2022 were:

Upfront Premium Rates	
10/01/2021 - 9/30/2022	
Single Family	1.75%
Multifamily	0.25%, 0.50%, 0.65%, 0.80% or 1.00%
HECM	2.00% (Based on Maximum Claim Amount)

ANNUAL PERIODIC PREMIUMS

The periodic premium rate is used to calculate monthly or annual premiums. These rates also vary by mortgage type and program. The FHA annual periodic premium rates for loans committed in fiscal year 2022 were:

Annual Periodic Premium Rates	
10/01/2021 - 9/30/2022	
Single Family - Term > 15 years	0.80%, 0.85%, 1.00% or 1.05%
Single Family - Term ≤ 15 years	0.45%, 0.70% or 0.95%
Multifamily	0.45%, 0.57%, 0.65% or 0.70%
HECM	0.50%

For Title I, the maximum insurance premium paid for guaranteed cases endorsed in years 1992 through 2001 is equal to 0.50 percent of the loan amount multiplied by the number of years of the loan term. The annual insurance premium for a Title I Property Improvement loan is 0.50 percent of the loan amount until the maximum insurance charge is paid. The annual insurance premium of a Title I Manufactured Housing loan is calculated in tiers by loan term until the maximum insurance charge is paid.

INCOME FROM NOTES AND PROPERTY

Income from Notes and Property includes revenue associated with FHA pre-1992 loan guarantees. This income includes revenue from Notes and Properties held and sold, and gains associated with the sale.

OTHER REVENUE

FHA's other revenue includes late charges, penalty revenue, and fee income associated with pre-1992 loan guarantees; miscellaneous income generated from FHA operations; and FFB interest revenue.

NOTE 15. GROSS COST AND EARNED REVENUE BY BUDGET FUNCTIONAL CLASSIFICATION

FHA cost and earned revenue reported on the Statements of Net Cost is categorized under the budget functional classification (BFC) for Mortgage Credit (371). All FHA U.S. Treasury account symbols found under the department code “86” for Department of Housing and Urban Development appear with the Mortgage Credit BFC.

NOTE 16. UNEXPENDED APPROPRIATIONS

Unexpended appropriation balances as of September 30, 2022 and 2021, are as follows:

(DOLLARS IN MILLIONS)

FY 2022	Beginning Balance	Appropriations Received	Other Adjustments	Appropriations Used	Ending Balance
Positive Subsidy	$ 2	$ -	$ -	$ -	$ 2
Authority for Contract Expenses	230	150	(29)	(140)	211
Reestimates	-	639	-	(639)	-
GI/SRI Liquidating	303	25	-	-	328
Total	**$ 535**	**$ 814**	**$ (29)**	**$ (779)**	**$ 541**

FY 2021	Beginning Balance	Appropriations Received	Other Adjustments	Appropriations Used	Ending Balance
Positive Subsidy	$ 2	$ -	$ -	$ -	2
Authority for Contract Expenses	244	130	(18)	(126)	230
Reestimates	-	1,997	-	(1,997)	-
GI/SRI Liquidating	278	25	-	-	303
Total	**$ 524**	**$ 2,152**	**$ (18)**	**$ (2,123)**	**$ 535**

As required under FCRA, FHA receives appropriations to cover expenses or fund shortages related to its loan guarantee and direct loan operations.

FHA receives appropriations in the MMI program account for administrative and contract expenses. The GI/SRI no-year program account also receives appropriations for positive credit subsidy and upward reestimates. Additionally, FHA may obtain permanent indefinite appropriations to cover any shortfalls for its GI/SRI pre-1992 loan guarantee operations.

When appropriations are first received, they are reported as unexpended appropriations. As these appropriations are expended, appropriations used are increased and unexpended appropriations are decreased. Additionally, unexpended appropriations are decreased when administrative expenses and working capital funds are transferred out to HUD, appropriations are rescinded, or other miscellaneous adjustments are required.

NOTE 17. UNDELIVERED ORDERS AND COMMITMENTS AT THE END OF THE PERIOD

Undelivered Orders by fund as of September 30, 2022 and 2021, are as follows:

UNDELIVERED ORDERS – UNPAID

(DOLLARS IN MILLIONS)

FY 2022	Federal	Non-Federal	Total
MMI/CMHI	$ 16	$ 899	$ 916
GI/SRI	-	2,177	2,177
H4H	-	3	3
Undelivered Orders Total	**$ 16**	**$ 3,079**	**$3,096**

(Dollars in Millions)

FY 2021	Federal	Non-Federal	Total
MMI/CMHI	$ 5	$ 1,121	$ 1,125
GI/SRI	2	518	520
H4H	-	2	2
Undelivered Orders Total	**$ 7**	**$ 1,641**	**$1,647**

NOTE 18. BUDGETARY RESOURCES - COLLECTIONS

The following table presents FHA's collections for the period ended September 30, 2022 and 2021:

(DOLLARS IN MILLIONS)

FY 2022	MMI/CMHI	GI/SRI	H4H	Total
Collections:				
Premiums	$ 13,244	$ 784	$ -	$14,028
Notes	6,004	1,647	1	7,652
Property	510	123	-	633
Interest Earned from U.S. Treasury	2,130	169	-	2,299
Subsidy	7,695	-	-	7,695
Reestimates	20,977	639	-	21,616
Collections from settlements	5	-	-	5
Other	69	114	-	183
Total	**$ 50,634**	**$3,476**	**$ 1**	**$54,111**

FY 2021	MMI/CMHI	GI/SRI	H4H	Total
Collections:				
Premiums	$ 14,630	$ 864	$ -	$15,494
Notes	3,655	1,018	1	4,674
Property	780	158	-	938
Interest Earned from U.S. Treasury	(1,185)	249	-	(936)
Subsidy	11,991	-	-	11,991
Reestimates	18,716	1,997	-	20,713
Collections from settlements	90	-	-	90
Other	142	101	-	243
Total	**$ 48,819**	**$4,387**	**$ 1**	**$53,207**

The abnormal balance for Interest Earned from U.S. Treasury in fiscal year 2021 was due to FHA's purchase of securities at a premium. It cleared when the securities matured.

NOTE 19. BUDGETARY RESOURCES – OBLIGATIONS INCURRED

The following table presents FHA's obligations incurred for the period ended September 30, 2022 and 2021:

(DOLLARS IN MILLIONS)

FY 2022	MMI/CMHI	GI/SRI	H4H	Total
Obligations				
Claims	$ 14,115	$ 1,269	$ 1	$ 15,385
Property Expenses	141	47	2	190
Interest on Borrowings - BFS	2,599	445	-	3,044
Interest on Borrowings - FFB	-	81	-	81
Subsidy	7,647	836	-	8,483
Downward Reestimates	19,846	3,658	1	23,505
Upward Reestimates	1,130	639	-	1,769
Administrative Contracts	151	-	-	151
FFB Direct Loans	-	1,585	-	1,585
Other	126	93	(1)	218
Total	**$ 45,755**	**$ 8,653**	**$ 3**	**$ 54,411**

FY 2021	MMI/CMHI	GI/SRI	H4H	Total
Obligations				
Claims	$ 9,594	$ 2,078	$ 1	$ 11,673
Property Expenses	196	52	1	249
Interest on Borrowings - BFS	2,088	403	-	2,491
Interest on Borrowings - FFB	-	80	-	80
Subsidy	12,084	900	-	12,984
Downward Reestimates	15,747	2,477	1	18,225
Upward Reestimates	2,969	1,997	-	4,966
Administrative Contracts	153	-	-	153
Other	106	90	-	196
Total	**$ 42,937**	**$ 8,077**	**$ 3**	**$ 51,017**

NOTE 20. NET ADJUSTMENTS TO UNOBLIGATED BALANCE, BROUGHT FORWARD, OCTOBER 1

During the years ended September 30, 2022 and 2021, certain adjustments were made to the balance of unobligated budgetary resources available as of October 1, 2021 and 2020. FHA's net adjustments to the unobligated balance, brought forward, on the Statement of Budgetary Resources consisted mostly of downward adjustments to prior year paid and unpaid obligations. Other adjustments included borrowing authority withdrawn, capital transfers to the General Fund of the U.S. Government of prior-year balances, and canceled authority.

(DOLLARS IN MILLIONS)

	FY 2022	FY 2021
Net Adjustments to Unobligated Balance, Brought Forward October 1		
Prior Year Ending Unobligated Balance	$ 103,319	$ 83,843
Adjustments to Budgetary Resources Made During Current Year		
Adjustments Reported on Line 1020 of the SF-133	(172)	(1)
Downward Adjustments of Prior Year Undelivered Orders	385	630
Downward Adjustments of Prior Year Delivered Orders	52	59
Other Adjustments	(200)	(144)
Net Adjustments to Unobligated Balance Brought Forward, October 1	65	544
Unobligated Balance from Prior Year (Discretionary and Mandatory)	**$ 103,384**	**$ 84,387**

NOTE 21. RECONCILIATION OF NET COST TO NET OUTLAYS

The Reconciliation of Net Cost to Net Outlays reconciles an agency's financial net cost to its budgetary net outlays, by adjusting for accruals and transfers in and out. Budgetary accounting is used for planning and control purposes and relates to both the receipt and use of cash, as well as for reporting the federal deficit. Financial accounting is intended to provide a picture of the government's financial operations and financial position, so it presents information on an accrual basis. The accrual basis includes information about costs arising from the consumption of assets and the incurrence of liabilities. The reconciliation of net outlays presented on a budgetary basis, and the net cost presented on an accrual basis, provides an explanation of the relationship between budgetary and financial accounting information. The reconciliation serves not only to identify costs paid for in the past and those that will be paid in the future, but also to assure integrity between budgetary and financial accounting.

(DOLLARS IN MILLIONS)

For the Period Ended September 30, 2022	Intragovernmental	Other than Intragovernmental	Total
NET COST	$ (456)	$ (37,263)	$ (37,719)
Components of Net Cost That Are Not Part of the Budgetary Outlays:			
Year-end credit reform subsidy accrual reestimates	$ 17,809	$ -	$ 17,809
Negative Subsidy	8,264	-	8,264
Adjustments to prior year credit reform reestimates accrual	11,766	-	11,766
Increase/(decrease) in assets:			
Accounts receivable, net	$ 5,890	$ 4	$ 5,894
Loans receivable, net (Non-FCRA)	-	(97)	(97)
Securities and investments	(908)	-	(908)
(Increase)/decrease in liabilities:			
Accounts payable	$ 1,912	$ (2)	$ 1,910
Other liabilities	-	(77)	(77)
Financing Sources:			
Imputed Cost	(17)	-	(17)
Total Components of Net Operating Cost Not Part of the Budgetary Outlays	$ 44,718	$ (173)	$ 44,545
Components of the Budget Outlays That Are Not Part of Net Operating Cost:			
Effect of prior year credit reform subsidy re-estimates	639	-	639
Financing Sources:			
Transfers out (in) without reimbursements	(39,207)	-	(39,207)
Total Components of the budget outlays that are not part of net operating cost	$ (38,569)	$ -	$ (38,569)
Misc. Items:			
Distributed offsetting receipts (SBR 4200)	$ (4,293)	$ -	$ (4,293)
Non-Entity Activity	4,463	-	4,463
Liability for Liquidating Fund Transfers	(170)	-	(170)
Total Other Reconciling Items	$ -	$ -	$ -
Total Net Outlays (Calculated Total)	$ 5,693	$ (37,436)	$ (31,743)
Budgetary Agency Outlays, net (SBR 4210)			$ (31,743)

(DOLLARS IN MILLIONS)

For the Period Ended September 30, 2021	Intragovernmental	Other than Intragovernmental	Total
NET COST	$ (62)	$ (24,622)	$ (24,684)
Components of Net Cost That Are Not Part of the Budgetary Outlays:			
Year-end credit reform subsidy accrual reestimates	$ 9,970	$ -	$ 9,970
Negative Subsidy	12,962	-	12,962
Adjustments to prior year credit reform reestimates accrual	2,219	-	2,219
Increase/(decrease) in assets:			
Accounts receivable, net	$ (2,629)	$ (4)	$ (2,634)
Loans receivable, net (Non-FCRA)	-	(65)	(65)
Securities and investments	1,905	-	1,905
(Increase)/decrease in liabilities:			
Accounts payable	$ 1,363	$ 1	$ 1,364
Other liabilities	-	1	1
Financing Sources:			
Imputed Cost	(16)	-	(16)
Total Components of Net Operating Cost Not Part of the Budgetary Outlays	$ 25,774	$ (67)	$ 25,706
Components of the Budget Outlays That Are Not Part of Net Operating Cost:			
Effect of prior year credit reform subsidy re-estimates	1,997	-	1,997
Financing Sources:			
Transfers out (in) without reimbursements	(27,646)	-	(27,646)
Total Components of the budget outlays that are not part of net operating cost	$ (25,649)	$ -	$ (25,649)
Misc. Items:			
Distributed offsetting receipts (SBR 4200)	$ (3,429)	$ -	$ (3,429)
Non-Entity Activity	3,554	-	3,554
Liability for Liquidating Fund Transfers	(125)	-	(125)
Total Other Reconciling Items	$ -	$ -	$ -
Total Net Outlays (Calculated Total)	$ 63	$ (24,690)	$ (24,627)
Budgetary Agency Outlays, net (SBR 4210)			$ (24,627)

FHA follows the Treasury crosswalk for most of the line items in the Reconciliation of Net Cost to Net Outlays, with the exception of “Accounts Payable.” Subsidy payable to the financing account is included as part of accounts payable on the Treasury crosswalk for the reconciliation. However, FHA uses this account to help calculate the Year-end credit reform subsidy accrual reestimates and the Adjustments to prior year credit reform reestimates accrual. Therefore, subsidy payable to the financing account is not reported as part of Accounts Payable in FHA’s reconciliation. Treasury did not provide a crosswalk for the Year-end credit reform subsidy accrual reestimates, Adjustments to prior year credit reform reestimates accrual, and Effect of prior year credit reform subsidy re-estimates line items. Thus, FHA developed its own crosswalks for these line items. FHA reports the budgetary outlays required to liquidate the prior year’s reestimate on the Effect of prior year agencies credit reform subsidy re-estimates line item. Budgetary outlays are only required to liquidate upward reestimates in FHA’s GI/SRI and H4H funds. Additionally, based on guidance from Treasury, FHA is reporting two additional line items not included in the Treasury crosswalk: “Negative Subsidy” and “Liability for Liquidating Fund Transfers.”

FHA's intragovernmental net cost and net cost with the public reported on its Statement of Net Cost include expenses and revenue from both financing and non-financing accounts. The intragovernmental net cost and net cost with the public in the reconciliation do not agree with the total intragovernmental net cost and total net cost with the public on FHA's Statement of Net Cost because interest revenue on uninvested funds, interest revenue for subsidy amortization, interest expense on borrowings, and interest expense accrued on the liability for loan guarantees, which are properly recorded in the financing accounts, are not included in the reconciliation. For the 4th quarter of fiscal year 2022, intragovernmental net cost on the reconciliation was $2,442 million less than the total intragovernmental net cost reported on FHA's Statement of Net Cost, and net cost with the public on the reconciliation was $2,442 million more than the total net cost with the public reported on FHA's Statement of Net Cost. For the 4th quarter of fiscal year 2021, intragovernmental net cost on the reconciliation was $1,920 million less than the total intragovernmental net cost reported on FHA's Statement of Net Cost, and net cost with the public on the reconciliation was $1,920 million more than the total net cost with the public reported on FHA's Statement of Net Cost.

NOTE 22. EXPLANATION OF DIFFERENCES BETWEEN THE STATEMENT OF BUDGETARY RESOURCES AND THE BUDGET OF THE U.S. GOVERNMENT

OMB Circular A-136 requires agencies to explain material differences that exist between the Statement of Budgetary Resources and the Budget of the U.S. government. These include differences between the budgetary resources, new obligations, upward adjustments, and net outlay amounts from the prior year (fiscal year 2021) and the actual amounts from the "Detailed Budget Estimates by Agency" found in the *Appendix* of the Budget (i.e., the fiscal year 2021 amounts in the fiscal year 2023 Budget). Additionally, material differences between the distributed offsetting receipts amount from the prior year's (fiscal year 2021) Statement of Budgetary Resources and the actual amount from the "Federal Budget by Agency and Account" in the Analytical Perspectives of the Budget (i.e., the fiscal year 2021 amounts in the fiscal year 2023 Budget). The Budget with the actual amounts for the current year (fiscal year 2022) will be available at a later date at https://www.whitehouse.gov/omb/budget/.

FHA Reconciliation between SBR and U.S. Budget
September 30, 2022
(Dollars in Millions)

	Budgetary Resources	Obligations Incurred	Distributed Offsetting Receipts	Net Outlays
Combined Statement of Budgetary Resources	**$ 154,336**	**$ 51,015**	**$ (3,429)**	**$ (2,102)**
Difference #1: Resources Related to expired accounts	(67)	0	0	0
Difference #2: Rounding Variances	0	(1)	0	1
U.S. Budget	**$ 154,269**	**$ 51,014**	**$ (3,429)**	**$ (2,101)**

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE A: INTRAGOVERNMENTAL ASSETS

FHA's Intra-governmental assets, by Federal entity, are as follows on September 30, 2022 and 2021:

(DOLLARS IN MILLIONS)

FY 2022	Fund Balance with U.S. Treasury	Investments in U.S. Treasury Securities	Total
U.S. Treasury	$ 15,050	$ 121,562	$ 136,612
Total	**$ 15,050**	**$ 121,562**	**$ 136,612**

FY 2021	Fund Balance with U.S. Treasury	Investments in U.S. Treasury Securities	Total
U.S. Treasury	$ 10,874	$ 97,342	$ 108,216
Total	**$ 10,874**	**$ 97,342**	**$ 108,216**

SCHEDULE B: INTRAGOVERNMENTAL LIABILITIES

FHA's Intra-governmental liabilities, by Federal entity, are as follows on September 30, 2022 and 2021:

(DOLLARS IN MILLIONS)

FY 2022	Accounts Payable	Borrowings	Other Liabilities	Total
Federal Financing Bank	$ -	$ 2,722	$ -	$ 2,722
U.S. Treasury	-	93,571	3,110	96,681
HUD	2	-	-	2
Total	**$ 2**	**$ 96,293**	**$ 3,110**	**$ 99,405**

FY 2021	Accounts Payable	Borrowings	Other Liabilities	Total
Federal Financing Bank	$ -	$ 2,636	$ -	$ 2,636
U.S. Treasury	-	66,277	3,628	69,905
HUD	1	-	-	1
Total	**$ 1**	**$ 68,913**	**$ 3,628**	**$ 72,542**

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE C: COMPARATIVE COMBINING STATEMENT OF BUDGETARY RESOURCES BY FHA PROGRAM FOR BUDGETARY SEPTEMBER 30, 2022:

(DOLLARS IN MILLIONS)

	MMI/CMHI Capital Reserve	MMI/CMHI Program	GI/SRI Program	Other	Budgetary Total
Budgetary Resources:					
Unobligated balance from prior year budget authority, net	$ 91,201	$ 1,209	$ 2	$ 28	$ 92,440
Appropriations (discretionary and mandatory)	-	150	639	25	814
Spending authority from offsetting collections (discretionary & mandatory)	29,168	-	-	218	29,386
Total budgetary resources	**$ 120,369**	**$ 1,359**	**$ 640**	**$ 272**	**$ 122,640**
Status of Budgetary Resources:					
Obligations incurred	$ -	$ 1,281	$ 639	$ 24	$ 1,944
Unobligated balance, end of year:					
Apportioned	-	20	2	21	43
Unapportioned	120,369	-	-	225	120,594
Unexpired unobligated balance, end of year	120,369	20	2	246	120,637
Expired unobligated balance, end of year	-	58	-	-	58
Total unobligated balance, end of year	120,369	78	2	247	120,696
Total budgetary resources	**$ 120,369**	**$ 1,359**	**$ 640**	**$ 272**	**$ 122,640**
Outlays, Net:					
Outlays, net (discretionary and mandatory)	$ (29,157)	$ 1,267	$ 639	$ (199)	$ (27,450)
Distributed offsetting receipts (-)	-	-	-	(4,293)	(4,293)
Agency outlays, net (discretionary and mandatory)	**$ (29,157)**	**$ 1,267**	**$ 639**	**$ (4,492)**	**$ (31,743)**

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE C: COMPARATIVE COMBINING STATEMENT OF BUDGETARY RESOURCES BY FHA PROGRAM FOR BUDGETARY SEPTEMBER 30, 2021:

(DOLLARS IN MILLIONS)

	MMI/CMHI Capital Reserve	MMI/CMHI Program	GI/SRI Program	Other	Budgetary Total
Budgetary Resources:					
Unobligated balance from prior year budget authority, net	$ 65,933	$ 3,080	$ 2	$ 51	$ 69,066
Appropriations (discretionary and mandatory)	-	130	1,997	25	2,152
Spending authority from offsetting collections (discretionary & mandatory)	26,375	-	-	159	26,534
Total budgetary resources	**$ 92,309**	**$ 3,210**	**$ 1,999**	**$ 234**	**$ 97,752**
Status of Budgetary Resources:					
Obligations incurred	$ -	$ 3,122	$ 1,997	$ 23	$ 5,142
Unobligated balance, end of year:					
Apportioned	-	23	2	32	57
Unapportioned	92,309	-	-	178	92,487
Unexpired unobligated balance, end of year	92,309	23	2	210	92,544
Expired unobligated balance, end of year	-	65	-	0	65
Total unobligated balance, end of year	92,309	88	2	211	92,610
Total budgetary resources	**$ 92,309**	**$ 3,210**	**$ 1,999**	**$ 234**	**$ 97,752**
Outlays, Net:					
Outlays, net (discretionary and mandatory)	$ (26,152)	$ 3,095	$ 1,997	$ (138)	$ (21,198)
Distributed offsetting receipts (-)	-	-	-	(3,429)	(3,429)
Agency outlays, net (discretionary and mandatory)	**$ (26,152)**	**$ 3,095**	**$ 1,997**	**$ (3,567)**	**$ (24,627)**

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE D: COMPARATIVE COMBINING BUDGETARY RESOURCES BY FHA PROGRAM FOR NON-BUDGETARY SEPTEMBER 30, 2022:

(DOLLARS IN MILLIONS)

	MMI/CMHI Financing	GI/SRI Financing	Other	Non-Budgetary Total
Budgetary Resources:				
Unobligated balance from prior year budget authority, net	$ 6,708	$ 4,233	$ 3	$ 10,944
Borrowing authority (discretionary and mandatory)	32,188	4,529	1	36,718
Spending authority from offsetting collections (discretionary and mandatory)	14,505	2,545	2	17,052
Total budgetary resources	**$ 53,401**	**$ 11,307**	**$ 6**	**$ 64,714**
Status of Budgetary Resources:				
Obligations incurred	$ 44,469	$ 7,995	$ 3	$ 52,467
Unobligated balance, end of year:				
Apportioned	8,932	1,004	1	9,937
Exempt from apportionment				
Unapportioned	-	2,309	1	2,310
Unexpired unobligated balance, end of year	8,932	3,313	2	12,247
Total unobligated balance, end of year	8,932	3,313	2	12,247
Total budgetary resources	**$ 53,401**	**$ 11,307**	**$ 6**	**$ 64,714**
Outlays, Net:				
Disbursements, Net (Total)(mandatory)	**$ 23,064**	**$ 3,075**	**$ 1**	**$ 26,140**

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE D: COMPARATIVE COMBINING BUDGETARY RESOURCES BY FHA PROGRAM FOR NON-BUDGETARY SEPTEMBER 30, 2021:

(DOLLARS IN MILLIONS)

	MMI/CMHI Financing	GI/SRI Financing	Other	Non-Budgetary Total
Budgetary Resources:				
Unobligated balance from prior year budget authority, net	$ 9,078	$ 6,240	$ 3	$ 15,321
Borrowing authority (discretionary and mandatory)	19,647	1,746	0	$ 21,393
Spending authority from offsetting collections (discretionary and manc	17,479	2,391	-	$ 19,870
Total budgetary resources	**$ 46,204**	**$ 10,377**	**$ 4**	**$ 56,585**
Status of Budgetary Resources:				
Obligations incurred	$ 39,810	$ 6,063	$ 2	$ 45,875
Unobligated balance, end of year:				
Apportioned	1,829	737	5	2,571
Exempt from apportionment				
Unapportioned	4,565	3,577	(3)	8,139
Unexpired unobligated balance, end of year	6,394	4,314	2	10,710
Total unobligated balance, end of year	6,394	4,314	2	10,710
Total budgetary resources	**$ 46,204**	**$ 10,377**	**$ 4**	**$ 56,585**
Outlays, Net:				
Disbursements, Net (Total)(mandatory)	**$ 16,944**	**$ 2,151**	**$ -**	**$ 19,095**

OTHER ACCOMPANYING INFORMATION

For fiscal year 2022, one material weakness was identified by the Office of Inspector General in its audit of FHA's Principal Financial Statements and accompanying Notes. Table 1 provides a summary of financial audit findings with regard to the audit opinion. Table 2 is a summary of FHA's Federal Manager's Financial Integrity Act management assurances.

Table 1
Summary of Financial Statement Audit

Audit Opinion	Unmodified
Restatement	No

Material Weakness	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Controls Over Financial Reporting Had Weaknesses	1	0	1	0	0
Weaknesses in Internal Control Over Financial Reporting	0	1	0	0	1
Total Material Weaknesses	1	1	1	0	1

Table 2
Summary of Management Assurances

Effectiveness of Internal Control over Financial Reporting (FMFIA section 2)	
Statement of Assurance	Qualified

Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Controls Over Financial Reporting Had Weaknesses	1	0	1	0	0
Weaknesses in Internal Control Over Financial Reporting	0	1	0	0	1
Total Material Weaknesses	1	1	1	0	1

SECTION 3

AUDITOR'S REPORT

This report was issued separately on November 16, 2022 by the HUD Office of Inspector General entitled, "Federal Housing Administration, Washington, DC, Fiscal Years 2022 and 2021 Financial Statements Audit" (2023-FO-003). The report is available at HUD, OIG's internet site at:

HTTPS://WWW.HUDOIG.GOV

Date: November 16, 2022

To: Julia R. Gordon
Assistant Secretary for Housing and the Federal Housing Commissioner, H

//signed//
From: Kilah S. White
Assistant Inspector General for Audit, GA

Subject: Transmittal of Independent Public Accountant's Audit Report on the Federal Housing Administration's Fiscal Years 2022 and 2021 Financial Statements

Attached are the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) results of the audit of the Federal Housing Administration's (FHA) fiscal years 2022 and 2021 financial statements and reports on internal control over financial reporting and compliance with laws, regulations, contracts, and grant agreements and other matters.

We contracted with the independent public accounting firm of CliftonLarsonAllen LLP (CLA) to audit the financial statements of FHA as of and for the fiscal years ended September 30, 2022 and 2021, and to provide reports on FHA's 1) internal control over financial reporting; and 2) compliance with laws, regulations, contracts, and grant agreements and other matters. Our contract with CLA required that the audit be performed in accordance with U.S. generally accepted government auditing standards, Office of Management and Budget audit requirements, and the Financial Audit Manual of the U.S. Government Accountability Office and the Council of the Inspectors General on Integrity and Efficiency.

In its audit of FHA, CLA reported:

- The financial statements as of and for the fiscal year ended September 30, 2022 and 2021, are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles.
- One material weakness[1] for fiscal year 2022 in internal control over financial reporting, based on the limited procedures performed. The material weakness was related to FHA's financial accounting and reporting controls over borrowing authority and loan receivables.
- No reportable noncompliance issues for fiscal year 2022 with provisions of applicable laws, regulations, contracts, and grant agreements or other matters.

In connection with the contract, we reviewed CLA's reports and related documentation and inquired of its representatives. Our review, as differentiated from an audit of the financial statements in accordance with

[1] A material weakness is a deficiency or a combination of deficiencies in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of FHA's financial statements will not be prevented or detected and corrected on a timely basis.

U.S. generally accepted government auditing standards, was not intended to enable us to express, and we do not express, opinions on FHA's financial statements or conclusions about 1) the effectiveness of FHA's internal control over financial reporting and 2) FHA's compliance with laws, regulations, contracts, grant agreements, or other matters. CLA is responsible for the attached Independent Auditors' Report, dated November 16, 2022, and the conclusions expressed therein. Our review disclosed no instances in which CLA did not comply, in all material respects, with U.S. generally accepted government auditing standards.

HUD Handbook 2000.06, REV-4, sets specific timeframes for management decisions on recommended corrective actions. For each recommendation without a management decision, please respond and provide status reports in accordance with the HUD Handbook. Please furnish us copies of any correspondence or directives issued because of the audit.

The Inspector General Act, Title 5 United States Code, appendix 8M, requires that OIG post its reports on the OIG website. Accordingly, this report will be posted at https://www.hudoig.gov.

If you have any questions or comments about this report, please call Brittany Wing, Audit Director, at (202) 320-7296.

CliftonLarsonAllen LLP CLAconnect.com

Independent Auditors' Report

Inspector General
U.S. Department of Housing and Urban Development

Assistant Secretary for Housing – Federal Housing Commissioner
Federal Housing Administration

In our audits of the fiscal years 2022 and 2021 financial statements of the Federal Housing Administration (FHA), we found:

- FHA's financial statements as of and for the fiscal years ended September 30, 2022, and 2021, are presented fairly, in all material respects, in accordance with United States of America (U.S.) generally accepted accounting principles;
- one material weakness for fiscal year 2022 in internal control over financial reporting based on the limited procedures we performed; and
- no reportable noncompliance for fiscal year 2022 with provisions of applicable laws, regulations, contracts, and grant agreements we tested and no other matters.

The following sections discuss in more detail (1) our report on the financial statements, which includes required supplementary information (RSI)[1] and other information[2] included in the Annual Management Report; (2) our report on internal control over financial reporting; (3) our report on compliance with laws, regulations, contracts, and grant agreements and other matters; and (4) FHA's response to our findings and recommendations.

Report on the Audit of the Financial Statements

<u>Opinion</u>
We have audited the accompanying financial statements of FHA, which comprise the balance sheets as of September 30, 2022, and 2021; the related statements of net cost, changes in net position, and budgetary resources for the fiscal years then ended; and the related notes to the financial statements.

In our opinion, FHA's financial statements referred to above present fairly, in all material respects, FHA's financial position as of September 30, 2022, and 2021, and its net cost, changes in net position, and budgetary resources for the fiscal years then ended in accordance with U.S. generally accepted accounting principles.

<u>Basis for Opinion</u>
We conducted our audits in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by

---

[1] The RSI consists of "Management's Discussion and Analysis" which are included with the financial statements.
[2] Other information consists of information included with the financial statements, other than the RSI and the auditors' report.

CLA (CliftonLarsonAllen LLP) is an independent network member of CLA Global. See CLAglobal.com/disclaimer

the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 22-01, *Audit Requirements for Federal Financial Statements* (OMB Bulletin 22-01). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of FHA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

<u>Responsibilities of Management for the Financial Statements</u>
FHA management is responsible for (1) the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles; (2) preparing, measuring, and presenting the RSI in accordance with U.S. generally accepted accounting principles; (3) preparing and presenting other information included in the Annual Management Report, and ensuring the consistency of that information with the audited financial statements and the RSI; and (4) designing, implementing, and maintaining effective internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

<u>Auditors' Responsibilities for the Audit of the Financial Statements</u>
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit of financial statements conducted in accordance with *Government Auditing Standards* will always detect a material misstatement or a material weakness when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered to be material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements in order to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain an understanding of internal control relevant to our audit of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of FHA's internal control over financial reporting. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Perform other procedures we consider necessary in the circumstances.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

U.S. generally accepted accounting principles issued by the Federal Accounting Standards Advisory Board (FASAB) require that the RSI be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by FASAB, which considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with *Government Auditing Standards*, which consisted of inquiries of management about the methods of preparing the RSI and comparing the information for consistency with management's responses to the auditors' inquiries, the financial statements, and other knowledge we obtained during the audits of the financial statements, in order to report omissions or material departures from FASAB guidelines, if any, identified by these limited procedures. We did not audit, and we do not express an opinion or provide any assurance on the RSI because the limited procedures we applied do not provide sufficient evidence to express an opinion or provide any assurance.

Other Information

FHA other information contains a wide range of information, some of which is not directly related to the financial statements. This information is presented for purposes of additional analysis and is not a required part of the financial statements or the RSI. FHA management is responsible for the other information included in the Annual Management Report. The other information does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Report on Internal Control over Financial Reporting

In connection with our audits of FHA's financial statements, we considered FHA's internal control over financial reporting, consistent with our auditors' responsibilities discussed below.

Results of Our Consideration of Internal Control over Financial Reporting

Our consideration of internal control was for the limited purpose described below and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies or to express an opinion on the effectiveness of FHA's internal control over financial reporting and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified deficiencies in internal control over financial reporting that we consider to be a material weakness, described below and in Exhibit A.

INDEPENDENT AUDITORS' REPORT (Continued)

Weakness in Internal Control Over Financial Accounting and Reporting

Weaknesses in Internal Controls over FHA's Borrowing Authority

Weaknesses in FHA's preventive controls resulted in the erroneous classification of Federal Financing Bank (FFB) borrowings for direct loans as definite borrowing authority instead of indefinite borrowing authority, requiring FHA to make $22.2 billion in absolute value accounting adjustments after its year-end financial statements were prepared.

Weaknesses in FHA's preventive controls resulted in the erroneous receipt of $6.9 billion in excess borrowings from the U.S. Department of the Treasury's Bureau of Fiscal Service (BFS) without adequate approvals from OMB leading to the omission of approximately $110 million in interest expense within the financial statements as of June 30, 2022.

Weaknesses in FHA's detective controls, including key reconciliations, resulted in approximately $843 million of misstatements in the reported borrowing authority within the Statement of Budgetary Resources as of June 30, 2022.

Weaknesses in Internal Controls over FHA's Loans Receivable

Weaknesses in FHA's detective and monitoring controls over Single Family partial claims resulted in FHA making over $500 million of reclassifying adjustments within the loans receivable balance after its year-end financial statements were prepared.

Weaknesses in FHA's detective and monitoring controls over loans receivable within the Home Equity Conversion Mortgage (HECM) program resulted in several deficiencies noted with FHA's rights assertion, including whether FHA holds or controls the rights to the collateral property underlying certain HECM loans.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that even if the control operates as designed the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

During our 2022 audit, we identified deficiencies in FHA's internal control over financial reporting that we do not consider to be material weaknesses or significant deficiencies. Nonetheless, these deficiencies warrant FHA management's attention. We have communicated these matters to FHA management and, where appropriate, will report on them separately.

INDEPENDENT AUDITORS' REPORT (Continued)

Basis for Results of Our Consideration of Internal Control over Financial Reporting

We performed our procedures related to FHA's internal control over financial reporting in accordance with *Government Auditing Standards*.

Responsibilities of Management for Internal Control over Financial Reporting

FHA management is responsible for (1) designing, implementing, and maintaining effective internal control over financial reporting relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; (2) evaluating the effectiveness of internal control over financial reporting based on the criteria established under 31 U.S.C. § 3512 (c), (d) (commonly known as the Federal Managers' Financial Integrity Act (FMFIA)); and (3) providing an assurance statement on the overall effectiveness of internal control over financial reporting included in management's discussion and analysis (MD&A).

Auditors' Responsibilities for the Consideration of Internal Control over Financial Reporting

In planning and performing our audit of FHA's financial statements as of and for the fiscal year ended September 30, 2022, in accordance with *Government Auditing Standards*, we considered FHA's internal control relevant to the financial statement audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of FHA's internal control over financial reporting or on management's assurance statement on the overall effectiveness on internal control over financial reporting. Accordingly, we do not express an opinion on FHA's internal control over financial reporting or on management's assurance statement on the overall effectiveness of internal control over financial reporting. We are required to report all deficiencies that are considered to be material weaknesses or significant deficiencies. We did not consider or evaluate all internal controls relevant to operating objectives as broadly established by the FMFIA, such as those controls relevant to preparing performance information and ensuring efficient operations.

Definition and Inherent Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, the objectives of which are to provide reasonable assurance that (1) transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition, and (2) transactions are executed in accordance with provisions of applicable laws, including those governing the use of budget authority, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements due to fraud or error.

Purpose of Report on Internal Control over Financial Reporting

The purpose of this report is solely to describe the scope of our consideration of FHA's internal control over financial reporting and the results of our procedures, and not to provide an opinion on the effectiveness of FHA's internal control over financial reporting. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting. Accordingly, this report on internal control over financial reporting is not suitable for any other purpose.

Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements and Other Matters

In connection with our audits of FHA's financial statements, we tested compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements consistent with our auditors' responsibilities discussed below.

Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements and Other Matters

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance or other matters for fiscal year 2022 that would be reportable under *Government Auditing Standards*. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements applicable to FHA. Accordingly, we do not express such an opinion.

Basis for Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements and Other Matters

We performed our tests of compliance in accordance with *Government Auditing Standards*. Our responsibilities under those standards are further described in the Auditors' Responsibilities for Tests of Compliance section below.

Responsibilities of Management for Compliance with Laws, Regulations, Contracts, and Grant Agreements

FHA management is responsible for complying with laws, regulations, contracts, and grant agreements applicable to FHA, including ensuring FHA's financial management systems are in substantial compliance with the Federal Financial Management Improvement Act (FFMIA) requirements.

Auditors' Responsibilities for Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements

Our responsibility is to test compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements applicable to FHA that have a direct effect on the determination of material amounts and disclosures in FHA's financial statements and to perform certain other limited procedures. Accordingly, we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to FHA. We caution that noncompliance may occur and not be detected by these tests.

Purpose of Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements and Other Matters

The purpose of this report is solely to describe the scope of our testing of compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements, and the results of that testing, and not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering compliance. Accordingly, this report on compliance with laws, regulations, contracts, and grant agreements is not suitable for any other purpose.

Status of Prior Year's Control Deficiencies and Noncompliance Issues

INDEPENDENT AUDITORS' REPORT (Continued)

We have reviewed the status of FHA's corrective actions with respect to the findings and recommendations included in the prior year's Independent Auditors' Report, dated December 6, 2021. The status of prior year findings is presented in Exhibit B.

FHA's Response to Audit Findings and Recommendations

Government Auditing Standards requires the auditor to perform limited procedures on FHA's response to the findings and recommendation identified in our report and described in Exhibit C. FHA's response was not subjected to the auditing procedures applied in the audits of the financial statements and, accordingly, we express no opinion on the response.

CliftonLarsonAllen LLP

Greenbelt, MD
November 16, 2022

EXHIBIT A
Material Weakness

1. Weakness in Internal Control over Financial Accounting and Reporting

A. Weaknesses in Internal Controls over FHA's Borrowing Authority

Condition:
FHA management did not sufficiently analyze and respond to significant changes in regulatory guidance impacting accounting and reporting of its borrowing authority from the Federal Financing Bank (FFB) for its direct loans program. In addition, FHA borrowed in excess of its apportioned borrowing authority and failed to record interest expense in the June 30 financial statements. Lastly, FHA did not ensure its borrowing authority was complete and accurately recorded.

Criteria:
GAO-14-704G, *Standards for Internal Control in the Federal Government:*

Principle 9—Identify, Analyze, and Respond to Change 9.01 states, "Management should identify, analyze, and respond to significant changes that could impact the internal control system."

Principle 12—Periodic Review of Control Activities states, "Management periodically reviews policies, procedures, and related control activities for continued relevance and effectiveness in achieving the entity's objectives or addressing related risks. If there is a significant change in an entity's process, management reviews this process in a timely manner after the change to determine that the control activities are designed and implemented appropriately. Changes may occur in personnel, operational processes, or information technology. Regulators; legislators; and in the federal environment, the Office of Management and Budget and the Department of the Treasury may also change either an entity's objectives or how an entity is to achieve an objective. Management considers these changes in its periodic review."

Principle 14—Communicate Internally 14.03 Communication throughout the Entity states, "Management communicates quality information down and across reporting lines to enable personnel to perform key roles in achieving objectives, addressing risks, and supporting the internal control system. In these communications, management assigns the internal control responsibilities for key roles."

Principle 10—Design Control Activities 10.03 Design of Appropriate Types of Control Activities states, "Management designs appropriate types of control activities for the entity's internal control system. Control activities help management fulfill responsibilities and address identified risk responses in the internal control system."

"Proper execution of transactions
Transactions are authorized and executed only by persons acting within the scope of their authority. This is the principal means of assuring that only valid transactions to exchange, transfer, use, or commit resources are initiated or entered into. Management clearly communicates authorizations to personnel.

Accurate and timely recording of transactions
Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from its initiation and authorization through its final classification in summary records. In addition, management designs control activities so that all transactions are completely and accurately recorded."

Principle 16—Perform Monitoring Activities 16.05 Internal Control System Monitoring states, “Management performs ongoing monitoring of the design and operating effectiveness of the internal control system as part of the normal course of operations. Ongoing monitoring includes regular management and supervisory activities, comparisons, reconciliations, and other routine actions. Ongoing monitoring may include automated tools, which can increase objectivity and efficiency by electronically compiling evaluations of controls and transactions.”

OMB Circular No A.11, *Preparation, Submission and Execution of the Budget* (8/15/22), Part 4 – Instructions on Budget Execution, I. Apportionment, Section 120.64 – Apportionment process states:

“Submit a reapportionment request to OMB when programmatic changes result in a need for an adjustment in the apportionment. In order to allow time for action by OMB, submit such requests well in advance of the time that the revised amounts, to be apportioned, are needed for obligation (an apportionment for a specific time period, such as for a specific quarter of the current fiscal year, may not be changed after the end of that period).”

Cause:
FHA lacked effective preventive and detective controls over the existence, completeness, accuracy, and presentation assertions over its borrowing authority.

Specifically, FHA did not ensure its control activities were adequately designed and implemented after the Department of Treasury, Bureau of the Fiscal Service (Fiscal Service) updated the guidance for the U.S. Standard General Ledger (USSGL) regarding the accounting for definite and indefinite borrowing authority. In addition, lack of communication between the Office of Financial Accounting and Reporting (OFAR) and the Budget Office regarding fiscal year 2022 legislation changes that granted indefinite borrowing authority from FFB, contributed to the inappropriate accounting treatment.

In addition, FHA lacked certain preventive controls to ensure it had adequate authorization prior to executing transactions. Specifically, FHA’s standard operating procedures (SOP) did not require verification that sufficient borrowing authority was obtained from OMB on the standard form (SF) 132, *Apportionment and Reapportionment Schedule*, during any stage of the preparation or approval of the borrowing request nor did its SOPs require authorization for the preparation and request for the funds received from Treasury. Moreover, a lack of communication between the OFAR and the Budget Offices resulted in an updated SF 132 not being requested from OMB to reflect the additional borrowing authority needed to cover the actual borrowing needs and related interest expense prior to the execution of the borrowing transaction with the Fiscal Service.

Furthermore, FHA’s monitoring controls over its budgetary resources, execution, and status of resources were not appropriately designed to help management fulfill their responsibilities in ensuring accurate and timely recording of transactions. Specifically, FHA’s control over key reconciliations between its general ledger, the SF 132, and the SF 133, *Report on Budget Execution*, lacked critical design elements needed to ensure its borrowing authority was complete and accurately recorded.

Effect:
FHA’s weaknesses in its preventive controls over borrowing authority, and specifically, the failure to revise internal control processes in response to significant changes in legislation and regulatory

guidance as well as weaknesses in communication between the OFAR and the Budget Office, resulted in over $11 billion ($22.2 billion in absolute value) of accounting adjustments having to be made to FHA's general ledger after it prepared its year-end financial statements. These adjustments included over $6 billion effecting various line items within the Statement of Budgetary Resources (SBR) and footnote disclosures, and the amounts reported within the SF 133 to OMB. In addition, these adjustments included approximately $5 billion of reclassification entries that will impact unobligated balances from prior year budget authority in subsequent years.

FHA's weaknesses in its preventive controls cited over management's authorization and execution of borrowing transactions, resulted in the erroneous receipt of $6.9 billion in excess borrowings in June 2022. Had the additional borrowing authority been appropriately authorized, FHA would have reported an additional $10 billion in borrowing authority on its June 30 SBR, and an additional $110 million interest payable and expense on the balance sheet and statement of net cost, respectively. This results in a concern of potential noncompliance with the Antideficiency Act and U.S. Department of Housing and Urban Development (HUD)'s Appropriations Law Division is currently investigating this issue.

FHA's weaknesses in its detective controls cited over management's reconciliation controls for its budget authority, resulted in approximately $843 million of misstatements in the reported borrowing authority within the June 30 SBR.

Recommendation:
We recommend that the Deputy Assistant Secretary for Finance and Budget:

1A. Establish change management and periodic reviews of control activities to ensure regulatory changes, such as Fiscal Service updates to the USSGL, are identified, analyzed, and assessed for potential needed changes to FHA's established processes.

1B. Establish and ensure appropriate and effective communication protocols between OFAR, FHA, and HUD's Office of Budget to ensure (1) funding type is clearly indicated within the SF 132 and clear communications are made in differentiating between definite and indefinite borrowing authority, (2) legislative changes in FHA's borrowing authority are vetted with OMB to ensure appropriate treatment, and (3) – draft SF-133s are reviewed and vetted with HUD and FHA's budget officers prior to OFAR's finalization with Treasury and OMB.

1C. Establish internal control procedures around the borrowings process to include verifying sufficient borrowing authority exists within the SF 132, prior to executing the borrowing request. Such verification should also be included as part of the borrowing review and approval controls.

1D. Receive a final opinion from HUD's Office of the Chief Financial Officer's Appropriation Law Division on whether FHA was in violation of the Antideficiency Act.

We recommend that the Deputy Assistant Secretary for Finance and Budget work with the Office of Financial Accounting and Reporting Director to:

1E. Implement procedures to enhance the review of all journal entries recorded in the general ledger by requiring a two-level review that includes the review of source documents for the journal entry (for example, the OMB approved SF 132).

1F. Strengthen controls over the preparation of the SF 132 to the SF 133 reconciliation by preparing such reconciliations (1) first, with the unadjusted trial balance and later, with the adjusted trial balance and (2) at the fund level, with detailed documentation of differences, and with sufficient detailed explanations that describe the general ledger impact of the differences.

1G. Perform a thorough review of the SF 132 to SF 133 reconciliations and work with Financial Analysis and Controls Division and other divisions and groups to resolve material reconciling items timely.

B. Weaknesses in Internal Controls over FHA's Receivables

Condition:
FHA's internal reporting on the status of promissory notes for its recorded partial claims receivable balance was inaccurate and was not properly reviewed or monitored. Additionally, key loan functions were not performed, possible default events were not timely identified and captured, and FHA's interest in property collateral securing certain Home Equity Conversion Mortgage (HECM) notes is in question, increasing the likelihood of loss and financial statement misstatement.

Criteria:
GAO-14-704G, *Standards for Internal Control in the Federal Government:*

Principle 15—Communicate Externally 15.02 Communication with External Parties states, "Management communicates with, and obtains quality information from, external parties using established reporting lines. Open two-way external reporting lines allow for this communication. External parties include suppliers, contractors, service organizations, regulators, external auditors, government entities, and the general public."

Principle 17—Evaluate Issues and Remediate Deficiencies:

17.01 states, "Management should remediate identified internal control deficiencies on a timely basis."

17.03 Reporting of Issues states, "Personnel may identify internal control issues while performing their assigned internal control responsibilities. Personnel communicate these issues internally to the person in the key role responsible for the internal control or associated process and, when appropriate, to at least one level of management above that individual. Depending on the nature of the issues, personnel may consider reporting certain issues to the oversight body. Such issues may include issues that cut across the organizational structure or extend outside the entity to service organizations, contractors, or suppliers."

Principle 16—Perform Monitoring Activities 16.05 Internal Control System Monitoring states, "Management performs ongoing monitoring of the design and operating effectiveness of the internal control system as part of the normal course of operations. Ongoing monitoring includes regular management and supervisory activities, comparisons, reconciliations, and other routine actions. Ongoing monitoring may include automated tools, which can increase objectivity and efficiency by electronically compiling evaluations of controls and transactions."

EXHIBIT A
Material Weakness

Principle 10—Design Control Activities 10.03 Design of Appropriate Types of Control Activities states, "Management designs appropriate types of control activities for the entity's internal control system. Control activities help management fulfill responsibilities and address identified risk responses in the internal control system."

"Accurate and timely recording of transactions
Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from its initiation and authorization through its final classification in summary records. In addition, management designs control activities so that all transactions are completely and accurately recorded."

HUD Handbook 4000.1 III.A.2(H)(8) Failure to Timely Provide Partial Claim Note and Subordinate Mortgage:

- When the Mortgagee fails to provide HUD with the Partial Claim promissory Note and subordinate Mortgage within the required time frames, HUD may require reimbursement of the full amount of the Partial Claim.

Cause:
FHA lacked effective detective and monitoring controls over the existence, completeness, accuracy, rights, and presentation assertions over its loan receivables balances. Specifically, we found 1) ineffective communication between FHA's National Servicing Center (NSC) and OFAR, 2) a backlog of unprocessed documentation that was not reflected in FHA's internal report used for financial reporting, and 3) information technology system limitations that contributed to FHA's inability to appropriately monitor key information relating to its interest on collateral property within the HECM program.

Effect:
Weaknesses in FHA's detective and monitoring controls over single family partial claims resulted in FHA making over $500 million of reclassifying adjustments to their loan receivables balance after it prepared its year-end financial statements.

Weaknesses in FHA's detective and monitoring controls over the HECM loans resulted in several deficiencies noted with FHA's rights assertion, including whether FHA holds or controls the rights to the collateral property underlying certain loans within the $44 billion HECM receivable balance.

Recommendation:
We recommend that the Deputy Assistant Secretary for Finance and Budget:

1H. Coordinate with the Deputy Assistant Secretary for Single Family Housing and HUD's Office of the Chief Procurement Office (OCPO) in developing effective communication channels between FHA's NSC and OFAR, and in developing effective monitoring controls to ensure the timely identification and remediation of issues, such as unprocessed documentation and inaccurate records, which may impact the balances reported within FHA's financial statements.

1I. Develop effective detective controls to ensure HECM loan receivables are accurate and complete, exist, and FHA appropriately holds or controls the rights to any collateral property in connection with the receivable.

1J. Develop and implement procedures to review the reasonableness of the amounts included in the Missing Documents Report before recording the reclassification entry. Include steps to be followed if the amounts in the report do not appear reasonable.

1K. Coordinate with the NSC to take all the actions necessary required by HUD Handbook 4000.1 to ensure that FHA's interests are protected with respect to the partial claims for which FHA has not received the original promissory note and recorded mortgage.

1L. Coordinate with the NSC to conduct a detailed review of the HECM assigned notes portfolio to identify and record all default events that have occurred to date and initiate collection proceedings in accordance with the applicable HUD Handbooks.

1M. Coordinate with the NSC and the OCPO to determine whether the information technology system could be enhanced to track the annual payment of state property taxes for the HECM portfolio.

EXHIBIT B
Status of Prior Year Findings

Our assessment of the current status of the findings related to the prior year audit is presented below:

FY 2021 Findings	***Type***	***Fiscal Year 2022 Status***
Weaknesses in Controls over Financial Accounting and Reporting a. Erroneous Recording of HECM Subsidy Expense and Underlying Obligations b. Improper Presentation of the Loan Guaranty Liability	Material Weakness	Closed a. Closed b. Closed
Weaknesses in Controls over Econometric Modeling Activities	Significant Deficiency	Closed

EXHIBIT C
FHA's Response to Audit Findings and Recommendations

OFFICE OF HOUSING

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-8000

November 14, 2022

MEMORANDUM FOR: CliftonLarsonAllen, LLP

SUSAN BETTS Digitally signed by SUSAN BETTS Date: 2022.11.14 09:08:13 -05'00'

FROM: Susan A. Betts, Housing, Deputy Assistant Secretary for Finance and Budget, HW

SUBJECT: Response to Draft Audit Report on FHA's Fiscal Years 2022 and 2021 Financial Statements

On behalf of the Federal Housing Administration (FHA), thank you for the opportunity to respond to FHA's Independent Auditors' Report. We are pleased to have obtained an unmodified opinion on our financial statements and appreciate the efforts of the independent auditors in conjunction with the Office of the Inspector General (OIG) to provide us with actionable recommendations. FHA is committed to making the changes necessary to strengthen controls over financial reporting relating to borrowing authority and loans receivable. As you are aware, we have already begun addressing the recommendations. Working collaboratively, we will continue to identify improvements and implement changes needed to address the FY 2022 financial statement findings, as well as to strengthen our overarching system of internal control.

Report on Internal Control – Material Weakness

Weaknesses in Controls over Financial Accounting and Reporting –

Part 1: FHA lacked sufficient controls over borrowing authority to determine completeness and accuracy of general ledger account balances, budget authority, proper usages of USSGL accounts, and timeliness of reconciliations and validations

The Office of Finance and Budget (FAB) agrees with this finding and recommendations. Management has already begun implementing several of the recommendations identified in the finding and will continue to implement the changes necessary to address the remaining recommendations in FY 2023. To address control weaknesses surrounding borrowing authority, FAB's management will:

- Establish a formalized process to review regulatory changes to ensure they are identified, analyzed, and assessed to determine changes to FHA's accounting and reporting processes.

www.hud.gov espanol.hud.gov

- Improve communication and coordination between FHA's accounting and budget office, OCFO budget office, and OMB regarding the apportionment and reapportionment of funds on the SF-132s, and budget execution activities reported on SF-133s.
- Improve and document processes and procedures surrounding the accounting, analysis, and budgeting for borrowing authority under federal credit reform accounting principles.
- Receive a final opinion from HUD's Appropriation Law Division on whether FHA was in violation of the Antideficiency Act.
- Improve controls and processes surrounding management's review and approval of general ledger journal entries.
- Improve controls and processes surrounding the SF-132 and SF-133 reconciliations and resolution of noted issues.

Part 2: FHA did not have effective controls over loans receivable or adequate oversight of the single-family loan service provider

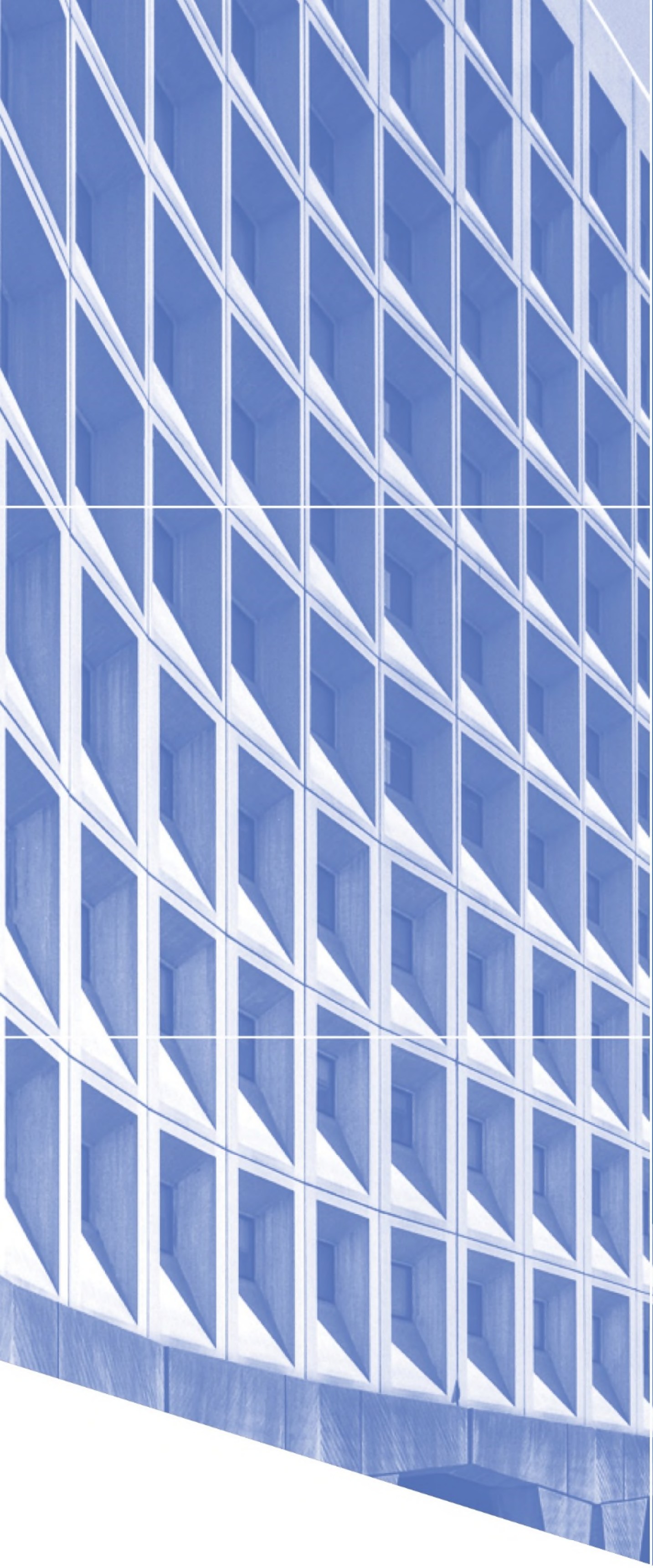
Management agrees with the findings and associated recommendations. To address control weaknesses surrounding loans receivable and oversight of the single-family loan service provider, FHA's management will:

- Improve communication between the offices of Finance and Budget, Single Family Housing, and the Office of Chief Procurement Officer (OCPO).
- Improve controls to ensure HECM loans receivable are complete, accurate, and exist.
- Improve controls and procedures to review the reasonableness of amounts included in the Missing Documents Report.
- Take actions necessary, as required by the HUD Handbook 4000.1, with respect to partial claims for which FHA has not received the original promissory note and recorded mortgage.
- Review the HECM assigned notes portfolio to identify and record all default events that have occurred and initiate collection proceedings.
- Determine whether the HERMIT system could be enhanced to track the annual payment of state property taxes.

This page is left blank intentionally.

FHA
ORGANIZATIONAL CHART

https://www.hud.gov/sites/dfiles/Housing/documents/FHAFY2022ANNUALMGMNTRPT.PDF



FHA

ANNUAL MANAGEMENT REPORT
FISCAL YEAR 2022

U.S. DEPARTMENT OF HOUSING
AND URBAN DEVELOPMENT

451 7TH STREET S.W.
WASHINGTON, DC 20410