Fiscal Year 2024

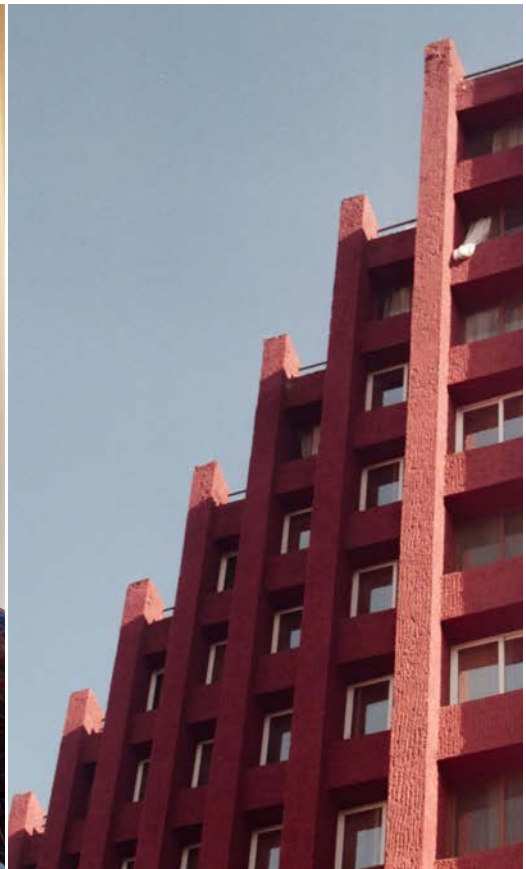
Annual Management Report

FEDERAL HOUSING ADMINISTRATION
90 Years
1934 2024

FHA FEDERAL HOUSING ADMINISTRATION

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

FHA



FEDERAL HOUSING ADMINISTRATION

ANNUAL MANAGEMENT REPORT 2024

This Annual Management Report (AMR) for the Fiscal Year (FY) ending September 30, 2024, 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) describes the organization's mission, program activities, performance goals and objectives. It includes a Message from the Assistant Secretary for Housing and Federal Housing Commissioner, highlights achievements during fiscal year 2024, and identifies challenges and opportunities for the coming fiscal year. Additionally, it 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.

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.

Auditors' Report on FHA's FY 2024 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/FHAFY2024ANNUALMGMNTRPT.PDF
FHA welcomes feedback on the form and content of this report.

TABLE OF CONTENTS

November 13, 2024

FHA Annual Management Report 2024

A MESSAGE FROM JULIA R. GORDON

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

I am pleased to share the Federal Housing Administration's (FHA) Annual Management Report for Fiscal Year (FY) 2024. This report shows that FHA continues to support the nation's housing markets – safely, sustainably, and effectively – and that our financial position remains strong.

This year also commemorates FHA's 90th anniversary. For the past nine decades, FHA has been a cornerstone of our housing landscape, facilitating access to safe and affordable housing and healthcare for millions of Americans. From its inception during the Great Depression, FHA has continually evolved and today our commitment to supporting first-time homebuyers and underserved communities is unwavering.

In FY 2024, FHA made significant strides in enhancing our programs to better serve Americans and foster a resilient housing market. FHA's single family mortgage insurance programs helped 766,942 people become homeowners and prevented another 368,646 homeowners from facing foreclosure. To help increase the supply of homes in neighborhoods needing revitalization, FHA implemented the 203(k) Rehabilitation Mortgage Insurance program. FHA also rolled out a critical new home retention solution to reduce monthly payments for borrowers in financial distress.

Similarly, FHA's multifamily mortgage insurance programs enabled the construction and rehabilitation of 10,872 affordable rental homes for low-income renters, seniors, and persons with disabilities. Through the Green Mortgage Insurance Premium (MIP) program, 19,629 homes are receiving a premium price break that reflects their use of industry-accepted building standards that make properties healthier, safer, and more energy efficient.

Our healthcare insurance programs made 3,730 loans available to support the financing of construction, substantial rehabilitation, acquisition, or refinancing of skilled nursing homes, assisted living facilities, and board and care homes. These healthcare facilities, once constructed, not only often serve as major employers in their communities but help make these communities healthier and more appealing.

As you read this report, please think about how it reflects the countless hours of work and dedication of the talented individuals across the Office of Housing that I'm so proud to lead. We hope our work today sets the stage for another 90 years, marked by even greater strides toward equity and opportunity in housing and access to quality healthcare.

Sincerely,

Julia R. Gordon
Assistant Secretary for Housing
and Federal Housing Commissioner

Key Events in FHA's 90 Year History

1934

On June 27, the 1934 National Housing Act was signed into law by President Franklin Delano Roosevelt.

1940

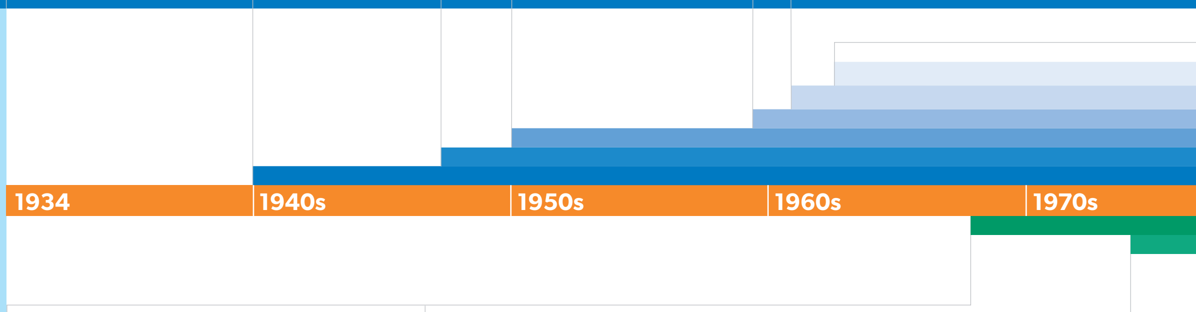
FHA began paying its expenses from generated income.

1947

FHA began its insurance program for manufactured housing.

ON JUNE 27, 1934...

FHA was established under the National Housing Act of 1934, which was signed by President Franklin Delano Roosevelt, during the Great Depression.



1968

The Housing and Urban Development Act of 1968 established Section 236 for low-cost housing and Section 242 for hospitals.

1968

The creation of a HUD Housing Counseling Program was authorized.

1974

The Multifamily Section 223(f) refinancing program began, which insured mortgage loans for purchasing or refinancing of multifamily properties.

1950

The Housing Act established Section 213 for mortgage insurance.

1959

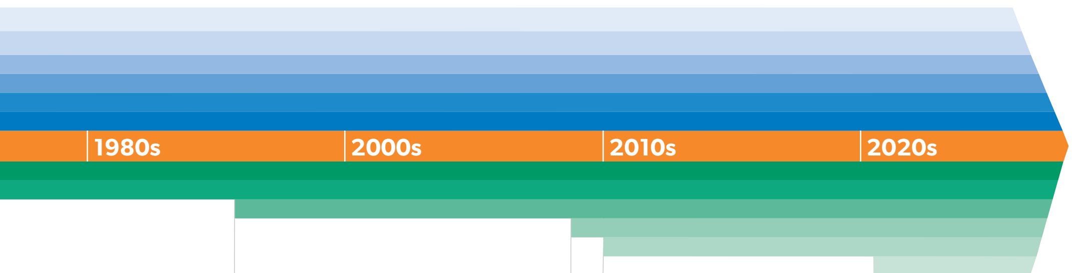
FHA began its Section 232 program to insure mortgages for residential care facilities, including nursing homes.

1961

The Housing Act authorized FHA's Multifamily Section 221(d)(3) below market interest rate for low-income rental housing.

1962

President John F. Kennedy issued Executive Order 11063, which discontinued FHA's reliance on racially discriminatory redlining.



TODAY...

As the world's largest mortgage insurer, FHA serves a higher percentage of first-time homebuyers, low-and moderate-income households, and people of color than any other mortgage channel. FHA's programs also support the availability of affordable rental housing and quality health care facilities.

1987

The Housing and Community Development Act established the Home Equity Conversion Mortgage (HECM) reverse mortgage program.

2008

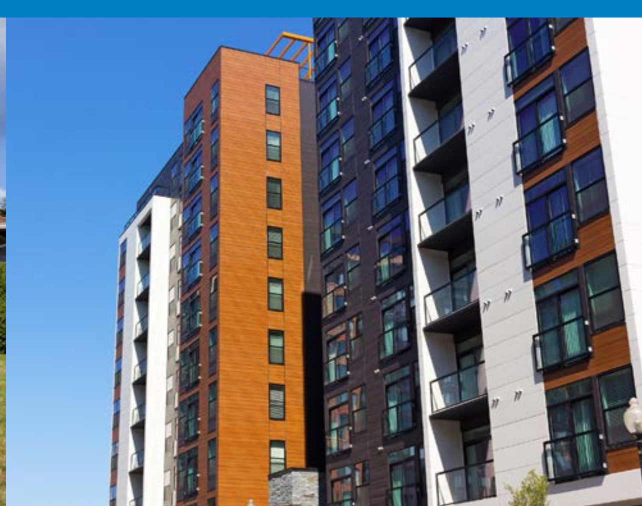
The Housing and Economic Recovery Act (HERA) included the FHA Modernization Act, to streamline and expand FHA's loan programs.

2010

The Dodd-Frank Act established the HUD Office of Housing Counseling as a separate office.

2021

In 2021, FHA developed a suite of COVID-19-related loss mitigation options that, to date, have helped more than 1.5 million homeowners avoid foreclosure.



Federal Housing Administration at a Glance

FHA is one of the largest providers of mortgage insurance in the world. Since its inception, FHA has insured more than 54.7 million Single Family and 72,830 Multifamily and Healthcare Facility mortgages.

FHA provides mortgage insurance for mortgages financed by 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 might not otherwise have access to mortgage credit. FHA collects upfront mortgage insurance premiums at the time of loan closing as well as monthly insurance premiums for 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 maintaining strong and well capitalized 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.

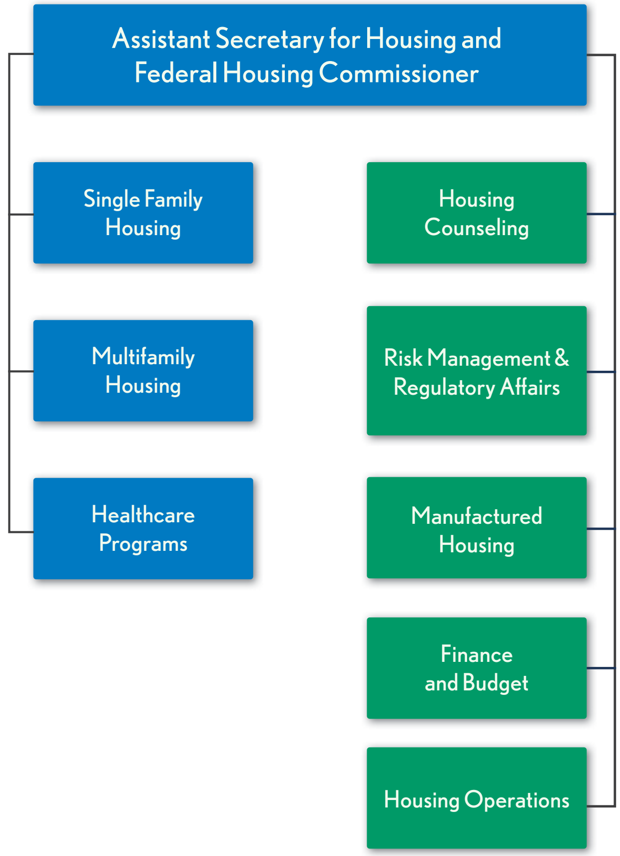
Within FHA, there are a range of core programs and support offices that play a key role in administering these programs and providing financial management and accountability.

FHA administers mortgage insurance programs through its Single Family, Multifamily and Healthcare Program Offices. There are also several other offices within the Office of Housing providing additional products and services and supporting FHA's program offices.

The Office of Risk Management and Regulatory Affairs measures, monitors, and manages operational and credit risk. The Office of Finance and Budget (FAB) manages FHA's financial health, which includes financial management, budget formulation and execution, 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.

The Office of Housing Counseling sustains a network of HUD-approved Housing Counseling Agencies. The Office of Manufactured Housing Programs 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. Finally, the Office of Housing Operations supports all office divisions, including contracting and procurement services.

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 includes FHA's Single Family forward mortgage business and its Home Equity Conversion Mortgage (reverse mortgage) portfolio for endorsements in FY 2009 and later.

The GI/SRI Fund includes 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, 2024 with the net present value of future cash flows from outstanding books of business.

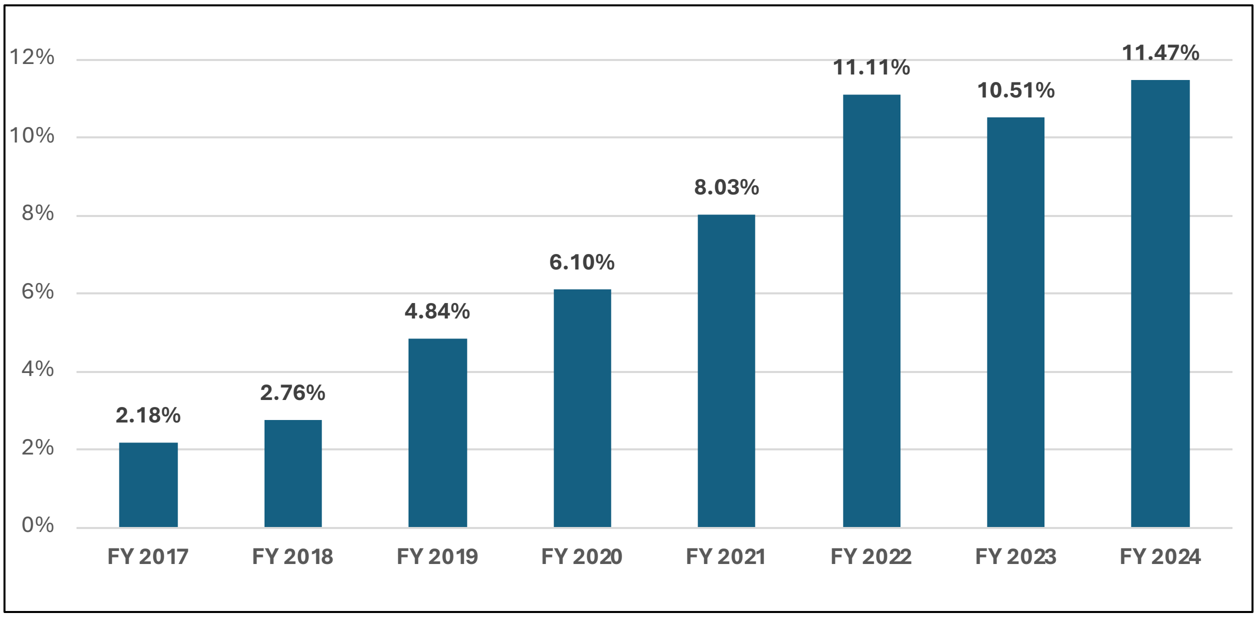
The capital resources of the MMIF are separated into two types of accounts: a financing account and a capital reserve account. Funds in the financing account cover expected losses over the life of each insurance cohort, while capital reserve balances are accumulated for unanticipated losses.

The MMI Capital increased from $145.29 billion in Fiscal Year (FY) 2023 to $172.76 billion in FY 2024. The capital ratio increased from 10.51 percent to 11.47 percent between FY 2023 and FY 2024. The MMI Capital has increased by $146.02 billion since FY 2017. The MMIF's capital ratio similarly increased by 9.29 percentage points over that time, from 2.18 percent to 11.47 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 2024 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 2024. As required by law, FHA also engaged an independent actuarial firm to produce an independent estimate of the net present value (NPV) of the future cash flows from the MMIF's current book of business. For FY 2024, 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 $46.42 billion, versus the $47.85 billion FHA baseline estimate. The difference between the two estimates of $1.44 billion is 0.10 percent of Insurance in Force.

[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 terminology is more consistent with industry standards, as the MMI Fund Capital Ratio is expressed as MMI Capital/IIF.

MMI FUND CAPITAL RATIO FY 2017 – FY 2024



The Federal Housing Administration (FHA) remains an active, critical player in the American housing finance system, providing stability for homeowners in crisis, while ensuring continued access to credit to expand first-time homeownership opportunities. Through several policy actions, including enhanced home retention options for delinquent borrowers, FHA continues to provide meaningful relief to homeowners with FHA-insured mortgages who face financial challenges. 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 2024 at: *https://www.hud.gov/fhammifrpt*

PERFORMANCE GOALS AND OBJECTIVES

HUD STRATEGIC PLAN

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 Strategic Plan, Government Performance Results Modernization Act (GPRAMA) requires agencies to complete Annual Performance Plans, that detail how agencies will meet and measure their strategic goals. Below is an outline of HUD'S Strategic Goals and Objectives.

STRATEGIC GOAL 1: SUPPORT UNDERSERVED COMMUNITIES

OBJECTIVES

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

1.A: Advance Housing Justice - Fortify support for vulnerable populations, underserved communities, and Fair Housing Enforcement.

1.B: Reduce Homelessness [1] - 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.

1.C: Invest in the Success of Communities - Promote equitable community development that generates wealth-building for under served communities, particularly for communities of color.

STRATEGIC GOAL 2: ENSURE ACCESS TO & INCREASE THE PRODUCTION OF AFFORDABLE HOUSING

OBJECTIVES

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

2.A: Increase the Supply of Housing - Enhance HUD's programs that increase the production and supply of housing across the country.

2.B: Improve Rental Assistance [2] - Improve rental assistance to address the need for affordable housing.

STRATEGIC GOAL 3: PROMOTE HOMEOWNERSHIP

OBJECTIVES

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

3.A: Advance Sustainable Homeownership [3] - Advance the deployment of tools and capital that puts sustainable homeownership within reach.

Major Initiative: Expand Homeownership Opportunities - Promote financing for innovative ownership models to increase the availability of affordable housing.

3.B: 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.

---

1. Indicates this objective has an APG as follows: "By September 30, 2025, make homelessness rare, brief, and non-recurring by reducing the number of people experiencing unsheltered homelessness by 7% from 2023 levels.
2. Indicates this objective has an APG as follows: "By September 30, 2025, 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.
3. Indicates this objective has an APG as follows: "HUD will maximize homeownership for creditworthy first-time homebuyers and preserve homeown ership for existing homeowners. By September 30, 2025, 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%."

STRATEGIC GOAL 4: ADVANCE SUSTAINABLE COMMUNITIES

OBJECTIVES

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

4.A: Invest in Climate Resilience and Carbon Reduction - Invest in climate resilience, energy efficiency, and renewable energy across HUD programs.

4.B: Strengthen Environmental Justice [4] - Reduce exposure to health risks, environmental hazards, and substandard housing, especially for low-income households and communities of color.

4.C: Intergrate Healthcare and Housing -Advance policies that recognize housing's role as essential to health.

STRATEGIC GOAL 5: STRENGTHEN HUD'S INTERNAL CAPACITY

OBJECTIVES

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

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

5.B: Improve Acquisition Management - Identify, procure, and execute acquisition management.

5.C: Strengthen Information Technology - Strengthen information technology, cybersecurity, and data management.

5.D: Enhance Financial and Grants Management - Provide sound financial and grants management.

5.E: 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, 2024, will be included in HUD's FY 2026 Annual Performance Plan (APP) / FY 2024 Annual Performance Report (APR). The APP/APR is published annually with the HUD Budget, typically each February, and will be available on the following website: *https://www.hud.gov/program_offices/spm/appr*

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.

4. Indicates this objective has an APG as follows: "By September 30, 2025, protect families from lead-based paint and other health hazards by making an additional 25,000 units of at-risk housing units healthy and lead-safe."

Office of Single Family Housing

Sarah J. Edelman
Deputy Assistant Secretary,
Office of Single Family Housing

The Office of Single Family Housing provides homeownership opportunities for millions of low-to moderate-income, first-time homebuyers, and underserved communities. As a housing industry leader, we work to address the demand for affordable homes while withstanding fluctuating economic conditions. In Fiscal Year 2024, we helped 766,942 borrowers, which surpassed the number of individuals and families that were supported in 2023. We also introduced critical programs to reduce barriers to homeownership, refurbish and revitalize homes, address appraisal bias, reduce payments for distressed borrowers, and expand what kind of income can be counted for those seeking to buy a home. We also enabled 26,501 seniors to age in place and helped 368,646 struggling borrowers avoid foreclosure and keep their homes. All of these efforts reinforce our unwavering commitment to increasing access to affordable and sustainable homeownership for communities across the country.

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. This includes first-time and low- to moderate-income individuals and families, including those in communities of color and other underinvested communities. Historically, more than 80 percent of the purchase transaction mortgages FHA insures annually are made to 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 recurring 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 (MSA) and county. In calendar year 2024, the loan limit floor for a forward mortgage on an FHA-insured, one-unit, property in a low-cost area was $498,257, and the loan limit ceiling in a high-cost area was $1,149,825. There is a higher loan limit ceiling in Alaska, Hawaii, Guam, and the U.S. Virgin Islands. The maximum claim amount for Home Equity Conversion Mortgages (HECM) for calendar year 2024 was $1,149,825 for all areas, including Alaska, Hawaii, Guam, and the U.S. Virgin Islands.

SINGLE FAMILY HOUSING DIVISION STRUCTURE

Headquartered in Washington, DC, SFH includes the Office of the Deputy Assistant Secretary and three Program Offices:

- The Office of Single Family Program Development develops and implements all policies, program guidelines, standards, and operating procedures for FHA's Single Family Title II mortgage insurance programs. It also oversees SFH employee training and external stakeholder marketing and outreach.
- The Office of Single Family Asset Management develops and implements policies governing mortgage servicing, loss mitigation, claims, and property disposition. The Office also oversees the Single Family Secretary-held portfolio. The Office includes the FHA National Servicing Center with locations in Oklahoma City and Tulsa, Oklahoma.
- The 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.

There are also 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 Home Equity Conversion Mortgage (HECM) or reverse mortgage programs. Through its Title I insured programs, FHA insures loans for manufactured homes titled as personal property and for property improvement.

TITLE II FORWARD MORTGAGE PROGRAM:

Single Family Title II forward mortgage insurance programs include:

- The Section 203(b) Mortgage Insurance, available for one-to-four-unit homes, is FHA's core program, insuring 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.
- The Section 203(k) Rehabilitation Mortgage Insurance Program enables homebuyers and homeowners to finance the purchase or refinancing of an existing home and the cost of its rehabilitation through a single mortgage.
- Details about other Title II forward programs can be found on the HUD website at: *https://www.hud.gov/program_offices/housing/sfh*.

TITLE II HOME EQUITY CONVERSION MORTGAGE (OR REVERSE MORTGAGE) PROGRAM:

The Section 255 HECM program enables homeowners aged 62 or older to withdraw a portion of their home equity with no corresponding monthly repayment. The principal borrowed, along with interest, mortgage insurance premiums, and servicing fees, are added to the mortgage balance over time. HECMs become due and payable when the borrower moves, sells, or dies. HECM borrowers remain responsible for the payment of property taxes, homeowners' insurance, and other property-related assessments.

TITLE I PROGRAMS:

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

FY 2024 PORTFOLIO AND PERFORMANCE ACCOMPLISHMENTS

In FY 2024, FHA insured 766,942 Single Family forward mortgages for a total origination mortgage amount of $231.53 billion. FHA insured 26,501 HECMs, with a total Maximum Claim Amount of $13.36 billion. Table 1 below provides an overview of key components of FHA's Single Family insurance portfolio profile in FY 2022 through FY 2024.

TABLE 1 - FHA'S SINGLE FAMILY INSURANCE PORTFOLIO

Single Family FHA Portfolio	FY 2022[1]	FY 2023[1]	FY 2024
Total Forward Endorsements (purchase and refinance)	**982,194**	**732,319**	**766,942**
Total 203(b)	**977,405**	**728,287**	**763,276**
Purchase	688,560	577,952	599,606
Refinance	288,845	150,335	163,670
Total 203(K)	**4,789**	**4,032**	**3,666**
Purchase	4,281	3,774	3,434
Refinance	508	258	232
Total Reverse Endorsements (HECM)	**64,470**	**32,974**	**26,501**
HECM Adjustable Rate	61,620	32,670	26,450
HECM Fixed Rate	2,850	304	51
Total Single Family Endorsements	**1,046,664**	**765,293**	**793,443**
Total Forward Active Loans as of September 30	**7,263,194**	**7,509,540**	**7,808,911**
Total HECM Active Loans as of September 30	**551,682**	**526,416**	**503,612**
Total Title I Endorsements	**965**	**810**	**829**

[1] *Prior years' data have been updated to reflect small changes.*

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 2024, 82.6 percent of home purchasers under the forward mortgage insurance programs were first-time homebuyers, and 45.4 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 STATISTICS

Single Family Mortgage and Borrower Statistics	FY 2022[1]	FY 2023[1]	FY 2024
Forward Mortgage Insurance Endorsements			
Average Loan Amount	$ 260,136	$ 285,024	$ 301,885
Average Credit Score of Borrowers[2,3]	664	670	677
First-Time Homebuyers	578,661	478,230	498,363
Percent of SF FHA Forward Purchase Transaction Endorsements	83.5%	82.2%	82.6%
Minority Borrowers[2]	255,895	223,874	238,352
Percent of all SF FHA Forward Mortgage Borrowers[2,4]	43.9%	44.8%	45.4%
Reverse Mortgage Insurance Endorsements			
Average Initial Principal Limit	$ 278,072	$ 230,198	$ 223,601
Average Maximum Claim Amount	$ 498,196	$ 490,417	$ 504,027
Minority Borrowers	8,069	4,159	3,304
Percent of all SF FHA Reverse Mortgage Borrowers[4]	15.0%	16.2%	15.9%
Average Age of Borrowers	74	75	75

[1] *Prior years' data have been updated to reflect small changes.*

[2] *The calculation excludes streamline refinances.*

[3] *Borrowers without a credit score at loan originations are excluded when calculating the average.*

[4] *Borrowers who did not report race at loan orginations or whose related median incomes were unavailable are excluded from respective percentage calculations.*

POLICY AND PROCEDURAL UPDATES

ADDITIONAL LANGUAGE ACCESS RESOURCES

On July 3, 2024, FHA posted translations of 19 single family mortgage servicing documents to FHA's *language access web* page on *www.hud.gov*. The additional languages include Chinese, Korean, Spanish, Tagalog, and Vietnamese. This set of translations augments FHA's efforts that began in FY 2023, to better serve borrowers with limited English proficiency.

DISASTER RESPONSE EFFORTS

FHA extended the timeframe for victims of the 2023 Maui County wildfires to use FHA financing to purchase a new home or rebuild their existing home. On July 25, 2024, FHA published a third foreclosure moratorium extension via *Mortgagee Letter (ML) 2024-15* that will remain in effect through January 1, 2025.

On August 8, 2024, FHA issued a *temporary, partial waiver* extending the availability of FHA's 203(h) program for victims of the Hawaii Wildfires beyond the program's one-year deadline.

203(K) REHABILITATION MORTGAGE PROGRAM

On July 9, 2024, FHA published *ML 2024-13*, Revisions to the 203(k) Rehabilitation Mortgage Insurance Program including updates to the 203(k) Consultant Requirements and Fees. Effective November 4, 2024, this ML improves the 203(k) Program to help expand available housing supply through the restoration and modernization of existing homes. Specifically, FHA has updated the 203(k) program guidelines to increase the Limited 203(k) total rehabilitation costs limits, and rehabilitation period for both Standard 203(k) and Limited 203(k), revise the 203(k) Consultant fee schedule, and update the 203(k) Consultant requirements.

RECONSIDERATION OF VALUE POLICY REVISIONS

On May 1, 2024, FHA published *ML 2024-07*, Appraisal Review and Reconsideration of Value (ROV) Updates. This ML strengthened FHA's safeguards against unlawful discrimination in the valuation of residential properties by expanding and clarifying the process for borrowers to request ROV if they identify a problem with the appraisal.

On August 6, 2024, FHA published *ML 2024-16* extending the implementation deadline of *ML 2024-07* to case numbers assigned on or after October 31, 2024.

ADOPTION OF ENERGY EFFICIENCY STANDARDS

On April 26, 2024, HUD's Office of Environment and Energy (OEE) published in the Federal Register (FR) a Notice of Final Determination, Adoption of Energy Efficiency Standards for New Construction of HUD- and USDA-Financed Housing, *[Docket No. FR-6271-N-03]*. This Final Determination fulfilled a statutory requirement under the Energy Independence and Security Act of 2007 (EISA) requiring HUD and USDA to jointly adopt the most recently published energy efficiency standards for single family and multifamily homes, subject to an energy efficiency determination by the U.S. Department of Energy (DOE) and a cost-benefit housing "affordability and availability" test by HUD.

UPDATES TO THE HOME EQUITY CONVERSION MORTGAGE PROGRAM FOR PURCHASE — ACCEPTABLE MONETARY INVESTMENT FUNDING SOURCES AND INTERESTED PARTY CONTRIBUTIONS

On April 26, 2024, FHA published a FR Notice, Home Equity Conversion Mortgage (HECM) for Purchase-Acceptable Monetary Investment Funding Sources and Interested Party Contributions (IPCs) *[Docket No. 6382-N-02]* and *ML 2024-06*, Home Equity Conversion Mortgage (HECM) Program – Updates to Acceptable Monetary Investment Funding Sources. This FR Notice and ML revised some of the policy updates proposed for the HECM for Purchase program in a prior FR Notice and published in the *Single Family Housing Policy Handbook 4000.1* (Handbook 4000.1) update, which were originally scheduled to become effective on April 29, 2024.

TITLE I MANUFACTURED HOME LOAN LIMITS

On March 18, 2024, FHA published *Title I Letter (TIL) 488*, Updated Title I Manufactured Home Loan Limits, announcing new Title I manufactured home loan limits based on HUD's revised indexing methodologies, as established through HUD's Final Rule Indexing Methodology for Title I Manufactured Home Loan Limits *(Docket No. FR-6207-F-02)*.

EXPANDED FINANCING OPTIONS FOR PROPERTIES WITH ACCESSORY DWELLING UNITS

On October 16, 2023, FHA published *ML 2023-17*, Revisions to Rental Income Policies, Property Eligibility, and Appraisal Protocols for Accessory Dwelling Units. This ML established guidelines for consideration of rental income in underwriting forward mortgages and performing the financial assessment for HECM, and protocols for the appraiser's analysis and reporting of Accessory Dwelling Unit (ADU) market rent on appraisals. The ML also updated the property eligibility guidelines for the type of improvements eligible under the Standard 203(k) Rehabilitation Mortgage Insurance Program and for new construction related to ADUs.

MODERNIZATION OF ENGAGEMENT WITH MORTGAGORS IN DEFAULT

On August 2, 2024, FHA published a final rule, Modernization of Engagement with Mortgagors in Default *(Docket No. FR-6353-F-02)*, which updated HUD's legacy requirement that mortgagees meet in person with borrowers who are in default on their mortgage payments. The rule expands the allowable methods of meeting with borrowers in default to include electronic and other remote methods of communication initially permitted in response to the COVID-19 pandemic.

PAYMENT SUPPLEMENT

On February 21, 2024, FHA published *ML 2024-02*, Payment Supplement, which established the payment supplement loss mitigation option. This option combines a standalone partial claim to bring a borrower's mortgage payment current with a new monthly principal reduction (MoPR) payment to temporarily reduce the borrower's monthly mortgage payment for a period of three years, without requiring the mortgage to be modified. After the payment supplement period ends, the borrower is responsible for resuming payment of the full monthly principal and interest (P&I) amount. The provisions of this ML became optional on May 1, 2024, with implementation required by January 1, 2025.

HOME EQUITY CONVERSION MORTGAGE (HECM) PROGRAM UPDATES

On November 30, 2023, FHA published *ML 2023-23*, Updates to the Home Equity Conversion Mortgage (HECM) Program. This ML updates and streamlines HECM servicing policy to enhance the program's financial stability and overall performance. The changes included allowing mortgage servicers to contact borrowers by phone to verify occupancy for the required annual certification, increasing flexibilities for servicers to support borrowers who are behind on their financial obligations, and allowing servicers to assign a HECM to HUD in circumstances where a servicer has funded a cure for a borrower's delinquent financial obligations and the borrower has made all property charge payments for one year.

UPDATE TO TITLE II PROPERTY INSPECTION FEES

On November 14, 2023, FHA published *ML 2023-20*, Updates to Property Inspection Fees, which increased the allowable property inspection fees for property preservation and protection to align with industry standards.

CHANGES IN BRANCH OFFICE REGISTRATION REQUIREMENTS

On March 13, 2024, FHA published ML 2024-04, Changes in Branch Office Registration Requirements. This ML provides mortgagees with guidance to implement the provisions of the final rule, Changes in Branch Office Registration Requirements *[Docket No. FR-6321-F-02]* published on February 2, 2024. This final rule eliminated the requirement for FHA lenders and mortgagees to register branch offices to conduct FHA Title I or Title II loan originations.

SINGLE FAMILY POLICY HANDBOOK 4000.1 UPDATES

On May 20, 2024, FHA published *FHA INFO 2024-30*, Updates to Handbook 4000.1. This update clarified instructions, added new guidance, and incorporated previously published Mortgagee Letters. Notable changes included increasing the processing fee that mortgagees can charge borrowers assuming an existing FHA-insured mortgage to a maximum of $1,800 and adding a requirement that servicers transfer data on a borrower's language preferences during servicing transfers.

HECM SECTION OF HANDBOOK 4000.1 PUBLISHED

On October 31, 2023, FHA announced the publication of HECM sections of *Handbook 4000.1*. This publication consolidated program guidance from over 100 disparate policy documents into a single, comprehensive source of guidance for HECM program participants.

LOAN SALES

HOME EQUITY CONVERSION MORTGAGE (HECM) SALES

In FY 2024, FHA conducted two HECM note sales for Secretary-held, due and payable loans on vacant properties. These notes were auctioned competitively to qualified bidders.

HUD awarded a total of 2,710 loans, with an updated loan balance (ULB) of $709 million and a broker price opinion (BPO) value of $606 million. The ULB includes the unpaid principal balance, accrued interest, mortgage insurance premiums, service fees, and servicing advances. The average Bid to BPO was 72 percent.

A total of 973 notes, or 36 percent, were awarded to priority bidders, which are non-profits aligned with HUD's mission to foster strong, sustainable, inclusive communities and affordable housing.

Details regarding completed HUD-Held vacant note sales can be found at: *Completed Sales*.

NOTICE OF PROPOSED RULEMAKING FOR SINGLE FAMILY SALE PROGRAM

On July 16, 2024, HUD published a Notice of Proposed Rulemaking *[Docket No. FR-6051-P-02]* that would transition the note sales program from a demonstration to a permanent program.

TECHNOLOGY MODERNIZATION

This fiscal year, the Office of Single Family Housing made substantial progress with IT modernization through the FHA Catalyst.

FHA CATALYST: CASE BINDER MODULE UPDATES

In June 2024, FHA announced significant enhancements to the FHA Catalyst: Case Binder Module, including a streamlined submission process, a new layout for case binders, messaging enhancements, and Notice of Return (NOR) notification functionality for pre-endorsement reviews. FHA also completed initial synchronization of data between the FHA Catalyst and FHA Connection systems, enabling streamlined processes and improving data integrity for FHA.

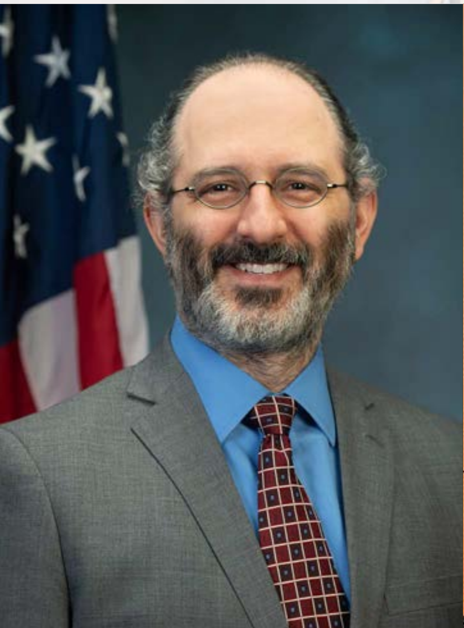
FHA CATALYST: ELECTRONIC APPRAISAL DELIVERY MODULE UPDATES

In September 2024, FHA implemented new functionality in the FHA Catalyst Electronic Appraisal Delivery Module that has eliminated HUD's reliance on its legacy LAMS appraisal data management system. This update lays the foundation for the modernization of FHA's appraisal data storage, dissemination, and analytical capabilities, consistent *ML 2022-19* (now superseded by *Handbook 4000.1*).

MULTI-FACTOR AUTHENTICATION

On November 27, 2023, FHA began requiring the use of multi-factor authentication (MFA) when accessing FHA Connection (FHAC) and its applications for internal and external users. The MFA was designed to provide an added layer of security to verify an end user's identity when they sign into FHAC and supporting systems. Implementing MFA reduces the risks of compromised passwords and enables greater security without compromising the user experience.

Office of Multifamily Housing Programs



Ethan Handelman
Deputy Assistant Secretary, Office of Multifamily Housing Programs

The mission of the Office of Multifamily Housing Programs is to create strong, sustainable, inclusive communities, and quality affordable homes for all. In service of that mission, we support the production of multifamily loans to add housing supply through new development and preservation of rental homes. Our rental assistance and preservation programs continue to provide stability, climate resilience, energy efficiency, affordability, and increased access to safe and affordable housing for the nation's workforce and low-income families, seniors, and persons with disabilities. Through the Green and Resilient Retrofit Program (GRRP), we deployed over $777 million in funding to improve energy and water efficiency, enhance the ability of our assisted housing properties to withstand the effects of climate hazards and disasters, reduce emissions, and generate renewable energy, while our Benchmarking Initiative will give us better access to data on utility consumption and savings opportunities across the portfolio. Our FY 2024 results demonstrate that FHA mortgage insurance and assisted housing programs are essential to vibrant neighborhoods and communities and to advancing environmental justice efforts.

OVERVIEW

The Office of Multifamily Housing Programs (MFH) 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, 2024, MFH has active mortgage insurance for 10,872 properties that encompass 1,398,931 homes. FHA's Multifamily mortgage insurance endorsement program operates under the FHA's General Risk/Special Risk Insurance (GI/SRI) Funds. Multifamily insurance programs are funded through mortgage insurance premiums (MIP) paid by borrowers at the time of endorsement and periodic payments thereafter.

Beyond its FHA portfolio, the MFH team also provides rental assistance to 1,459,310 rental homes and thousands of private-sector jobs in the construction, supportive service professions, property management, administrative fields, and financial services. MFH's work supporting and preserving the rent assisted portfolio was enhanced this year as MFH collected and analyzed utility consumption costs through our Benchmarking Initiative and invested in energy efficiency and disaster resilience through the Green and Resilient Retrofit Program grants and loans. In FY 2024, MFH awarded over $777 million to 183 properties in GRRP grants and loans for energy efficiency and disaster resilience retrofits and has enrolled over 965 properties in the Benchmarking Initiative.

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:

- The Office of Production provides direction, technical assistance and oversight for Multifamily property mortgages originated for an FHA-insurance endorsement.
- The 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.
- The Office of Asset Management monitors the fiscal and physical soundness of the portfolio of Multifamily assets after the development phase by supporting preservation and contract renewal transactions, managing new and ongoing grant programs to expand availability of affordable rental homes and connect residents to housing opportunities. It also provides program guidance and oversight for the insured and assisted portfolio.
- The Office of Program Systems Management handles the information technology services that empower the strategic vision of MFH programs. This office provides IT investment management, customer outreach, information management, and cybersecurity assurance support for MFH.
- The Office of Field Support and Operations provides management direction, guidance, and technical support to Multifamily leadership and staff on program management and operational matters.

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 and local Housing Finance Agencies (HFA), or Qualified Participating Entities (QPE). FHA assumes an agreed-upon loss percentage on these loans and pays the entities when they dispose of defaulted loans.
- The mortgage insurance breakdown by Section of the Act is provided in the table.

TABLE 3 - FHA'S MFH INSURANCE PORTFOLIO IN FY 2024

MFH Endorsements by Program			
Programs	Endorsements for Fiscal Year		
	FY 2022	FY 2023	FY 2024
New Construction and Substantial Rehabilitation Programs (Sections 213, 220, 221(d)(4), 231) and Section 241(a) Volume (In Millions)	**$ 5,656**	**$ 2,617**	**$ 2,700**
*Percentage	26.79%	27.42%	37.40%
Number of Homes	35,383	18,495	19,267
Number of Mortgages	201	116	114
Refinancing of Existing MFH Projects (Sections 223(f), 223(a)(7)) Volume (In Millions)	**$ 14,343**	**$ 5,846**	**$ 2,779**
*Percentage	67.92%	61.21%	38.49%
Number of Homes	115,555	45,698	21,343
Number of Mortgages	801	329	161
Section 542(b) and 542(c): Risk-Sharing with QPEs & HFAs Volume (In Millions)	**$ 1,116**	**$ 1,079**	**$ 1,741**
*Percentage	5.29%	11.31%	24.11%
Number of Homes	9,364	7,832	10,648
Number of Mortgages	77	70	82
Total	**$ 21,115**	**$ 9,542**	**$ 7,220**

**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.*

FY 2024 PORTFOLIO AND PERFORMANCE ACCOMPLISHMENTS

The following are key FY 2024 accomplishments of the Office of Multifamily Housing Programs:

- Insured 112 loans under the Green MIP program representing 19,629 homes and $3.1 billion in Unpaid Principal Balance. 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.

- Extended and improved the 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 FFB. FHA and the FFB will implement a floor and a cap, called *an interest rate "collar,"* on the benchmark Treasury rate used to calculate the all-in rate provided to Housing Finance Agencies. This update to the Section 542(c) Housing Finance Agency Risk-Sharing Initiative makes it easier to use the program, thereby increasing the number of new, affordable multifamily properties that can be developed using risk-sharing program. Issued an Advanced Notice of Proposed Rulemaking to develop a standard program regulation and contract; published for public comment proposed revisions to *Chapter 9 of the Section 8 Renewal Policy*

Guidebook (final version published March 27, 2023); published a Housing Notice to govern the bifurcation of HAP contracts; published a new, OMB-approved HAP Assignment form; and jointly with the Office of Public and Indian Housing published a final rule to implement sections 102 through 104 of the Housing Opportunity Through Modernization Act (HOTMA) with the Office of Public and Indian Housing.

- Published *Mortgagee Letter 2023-16*, which revised and greatly simplified the method for calculating Criterion 4 of HUD form 92264A, the appraisal supplement, and *Mortgagee Letter 2023-24*, which implemented a change in the processing of Section 223(f) insured project loans that are combined with new Low Income Housing Tax Credits (LIHTC).
- Published *Mortgagee Letter 2024-05* updating FHA's insurance requirements for wind and named storm coverage to accommodate current challenges in the property insurance market.
- Published *Mortgagee Letter 2024-11* launching the Manufactured Homes Communities Program by providing permanent financing on transactions that might otherwise be ineligible for financing, primarily cooperatives.
- Revised the Multifamily Accelerated Processing (MAP) Guide, which is updated periodically, based on policy changes and stakeholder input.
- Implemented the new *National Standards for Physical Inspection of Real Estate (NSPIRE)* standards, scoring, and administrative procedures to launch NSPIRE inspections in FY 2024. NSPIRE offers one standard for Public Housing and Multifamily Housing property inspections. NSPIRE is the first major update of Multifamily Housing's inspection protocol in over 20 years, and the more than 7,700 NSPIRE inspections performed to date have included revamped scoring practices to emphasize conditions in tenant units. The NSPIRE protocol will help 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 3,456 properties and onsite final assessments on 263 properties.
- Conducted Ask a Question (AAQ) services as a feature of HUD Exchange website to answer lender and stakeholder questions about the meaning, interpretation, or application of the MAP Guide.

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

This program preserves the 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 a preservation tool in the Section 8 portfolio. Increasingly, the focus is also on the administration of the restructured debt and the ongoing stability of the properties that have been restructured. During FY 2024, MFH:

- Processed Post Mark-to-Market transactions with 1,441 homes, with privately funded rehabilitation costs that averaged $46,000 per unit. Further, through the Post Mark-to-Market program, MFH collected $1.26 million in paydowns of the HUD-held Mark-to-Market debt.
- Implemented new legislative authority to further adjust restructured rents in response

to property distress. Under this new authority and consistent with a prioritization structure published February 29, 2024, MFH has invited 10 of the most distressed properties, representing 801 homes, to submit documentation for this rent adjustment.

PROPERTY DISPOSITION

MFH manages and disposes of defaulted Multifamily assets with HUD-held mortgages (formerly FHA-insured mortgaged properties) and defaulted subsidy contracts. MFH collaborates with the Office of Finance and Budget's Office of Asset Sales to sell defaulted assets. As part of its asset management and disposition work, MFH:

- Collected over $2,475,807 on three properties in equity participation from a previous sale and returned it to the U.S. Treasury.
- Administered approximately $20 million in active upfront grants for redevelopment or rehabilitation activities at formerly FHA-insured properties.
- Sold two formerly FHA-insured Multifamily properties through foreclosure and three formerly FHA-insured Multifamily property through a Note Sale.
- Transferred one formerly FHA-insured Multifamily property acquired by HUD through a negotiated sale to a unit of local government.

LOAN SALES

The Office of Multifamily Housing Programs (MFH) held one loan sale of two HUD-held, non-FHA-insured notes, including a "Demonstration Program" note (a precursor to the Mark-to-Market program) and a Green Retrofit Program note. These were secured by subordinate lien position mortgages on the O'Fallon Apartments, a 200-unit property in St. Louis, Missouri. These notes were sold to the Missouri Housing Development Corporation, the state housing finance agency on May 16, 2024. The property's value barely covered the unpaid principal balance on the senior note, which meant the HUD-held notes had minimal value and posed an obstacle to preservation or recapitalization efforts. The notes were sold to the state for $50 each, totaling $100, and the state subsequently forgave the notes. This cleared the encumbrance, allowing the owner and the state to proceed with the $30 Million Choice Neighborhoods Initiative Transformation Plan known as Preservation Square.

VETERANS TERRACE APARTMENTS, PHASE II – EAST HARTFORD, CONNECTICUT

Veterans Terrace Apartments Phase II is a 54-unit affordable housing redevelopment project across nine buildings in East Hartford, Connecticut. Veterans Terrace Phase II is a Low-Income Housing Tax Credit (LIHTC) project, utilizing nine percent tax credits, in addition to a long-term Section 8 HAP contract for 100 percent of the project. Additional funding includes National Housing Trust Funds, grants from the State of Connecticut Department of Housing, and State of Connecticut Bond Proceeds awarded through the State Sponsored Housing Program.

Veterans Terrace Phase II is in a mixed-use area with a wide variety of community services, including shopping, schools, religious facilities, libraries, and other public facilities. The site also provides easy access to transit bus service to downtown Hartford. The project is in an older apartment market where the average year built is 1964. The redevelopment with more modern, townhome-style buildings will make the project more competitive in the local rental market. Construction was completed in fall 2023, ahead of schedule, and the property was fully occupied by the end of summer 2024.

The Office of Recapitalization closed a Rental Assistance Demonstration (RAD) transaction with the Burlington Housing Authority (BHA) in September 2023. This transaction will preserve and rehabilitate 368 affordable homes, across six sites, using a RAD/Section 18 Blend, a component of RAD that allows for higher levels of funding to directly support improvements to resident homes. In early fall of 2024, BHA completed the construction of the first phase of this property. This transaction resulted in the repositioning of all BHA's public housing stock. Because of RAD, the buildings are positioned for financial and physical stability over the long term as the units are on Section 8 contracts.

BHA's renovation plans include interior updates to the homes of residents including new kitchen and bathroom appliances, countertops, closets, subflooring, and lights. Exterior updates include the parking lot stripping, new landscaping, painting, and pest treatment. The redevelopment schedule was designed to be completed in six phases to ensure that no resident is moved from the project during construction.

The RAD transaction included a $31.8 million construction budget financed through a $23.5 million first mortgage from an FHA 221(d)(4) loan product and grants.

BURLINGTON DEVELOPMENT CORPORATION COMMUNITIES, BURLINGTON, NORTH CAROLINA

DISASTER RESPONSE EFFORTS

Given the increased frequency and impact of natural disasters affecting Multifamily properties, last year MFH created a permanent Multifamily Disaster Response Team (MDRT) within Asset Management 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 2024, to date, there have been 82 PDMDAs, 40 of which included Individual Assistance (IA). For PDMDAs with IA, preliminary assessments were conducted on 3,456 of the 6,588 MFH properties in the PDMDA areas and the MDRT provided virtual and on-site technical assistance to owners and agents, preparing for review and approval of a restoration plan.

RISK MANAGEMENT OVERVIEW

During FY 2024, 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. In particular, the extended challenges of staffing and supply chain issues post-pandemic are adversely impacting property rehabilitation and maintenance. Through the support authorized by Congress and the Administration, MFH continued to hold property owners accountable for maintaining HUD's decent, safe, and sanitary housing standards and collaborated with ORMRA to manage increased financial and operational risk. Both offices continued to measure and monitor current and emerging trends in the Multifamily portfolio for the protection of the GI/SRI Fund. Further, the default rate for FHA-insured loans remains at historic lows of 0.19 percent.

Additionally, HUD's Office of Multifamily Housing, Office of Field Support and Operations (OFSO) developed and implemented guidance for Records Management to identify roles and responsibilities. The guidance outlines duties of the Records Management Coordinator (RMC) and Custodians to fulfill records management responsibilities directed by the Office of Housing's RIM Program and the following authorities: The Federal Records Act (44 U.S.C. chapter 29, 31, and 33), Federal Records Act Amendments of 2014-Section 10, Office of Management and Budget (OMB) Circular A-130 and Office of Management and Budget (OMB) Managing Government Records Directive (M-19-21). The guidance assists with further development and compliance with analog records, paper documents, digital signatures, dispositions, and naming conventions.

TECHNOLOGY MODERNIZATION

MFH completed several system enhancement initiatives — implementing upgrades or changes or adding new features designed to improve the systems' productivity — to benefit MFH's low-income families. Enhanced systems include the following:

- Tenant Rental Assistance Certification System (TRACS) Application Programming Interface (API) between HUD and the *Federal Communications Commission's (FCC) $14 billion Affordable Connectivity Program (ACP). This interface with a program* providing broadband grants for low-income families enabled 1,459,310 low-income households in TRACS to be deemed eligible for ACP broadband grants using this new tenant data match between TRACS and the FCC.

- Integrated Real Estate Management System (iREMS) implemented a new system interface with NSPIRE to ensure that MFH's nearly 30,000 property portfolio meets the physical condition standards for HUD housing.

- Greenlight is a new underwriting and case management system created for the *Green and Resilient Retrofit Program (GRRP)*. GRRP implemented Section 30002 of the Inflation Reduction Act of 2022 (Public Law 117-169) (the IRA), titled "Improving Energy Efficiency or Water Efficiency or Climate Resilience of Affordable Housing," -provided funds for HUD to implement a new program to improve the housing quality and resilience of HUD-assisted multifamily properties through loans, grants, and a variety of other actions to facilitate utility-saving and climate hazard-mitigating investments. Greenlight provide an interactive platform for GRRP participants and HUD to submit, review, and store documentation for grant and loan transactions.

- Capital Needs Assessment (CNA) completed the migration of the Capital Needs Assessment e-Tool from the legacy Oracle/on-premises stack to the HUD's cloud-based solution, Azure. This enabled the successful move of legacy reports and flag validation to the new Azure solution. The CNA e-Tool approved 138 Asset Management capital needs assessments in FY 2024.

- Completed development of Phase 1 of the Portal and Loan Underwriting System (PLUS), a new platform for the origination of FHA-insured multifamily mortgages.

Office of Healthcare Programs

Roger Lukoff
Deputy Assistant Secretary,
Office of Healthcare Programs

FHA's Office of Healthcare Programs (OHP) provides support to America's healthcare facilities through its highly successful mortgage insurance program, currently managing healthcare assets of $39.5 billion. These active initiatives enable the affordable financing of needed residential care facilities and hospitals throughout the nation while increasing access to quality care, reducing the cost of that care, and strengthening communities in support of HUD's mission.

OVERVIEW

The Office of Healthcare Programs 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. These facilities strengthen the quality of healthcare services available to residents and communities.

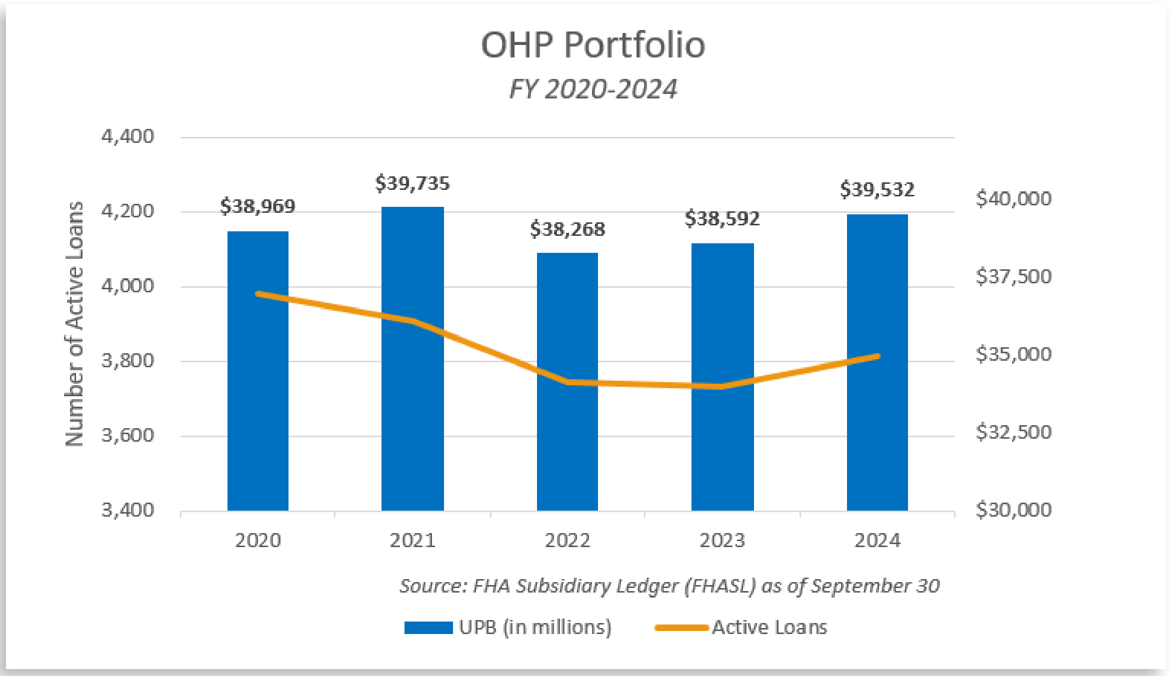
HEALTHCARE PROGRAMS DIVISION STRUCTURE

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

- The 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.
- The Office of Hospital Facilities (OHF) is responsible for FHA's Section 242 Hospital Facility mortgage insurance program that insures mortgages for acute care hospitals.
- The 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.

INSURANCE PROGRAMS

As of September 30, 2024, the total FHA-insured Healthcare insurance portfolio consisted of 3,812 loans with an unpaid principal balance of $39.5 billion. The programs maintain low claim rates and contribute credit subsidy receipts to the General Insurance and Special Risk Insurance (GI/SRI) Fund. In FY 2024, the programs returned $53.8 million to the GI/SRI. The annual claim rate for the Section 232 program, net of recoveries in FY 2024 is 0.52 percent (the same as in FY 2023). The annual claim rate for the Section 242 program, net of recoveries, is 1.62 percent (the same as in FY 2023).



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, 2024, FHA achieved the following through the Section 232 Program:

- Production Volume: received a total of 354 applications and issued 263 firm commitments totaling $4.1 billion.
- Asset Management Volume: managed a portfolio of 3,730 loans with an unpaid principal balance of $34.1 billion.

FHA construction and rehabilitation projects have a significant economic impact on local communities, including a substantial impact on employment. In FY 2024, the projects insured by the Office of Healthcare Programs created more than 266 full-time equivalent construction jobs with a total construction economic impact of $133.5 million. Once the projects are fully constructed, the residential healthcare facilities will create more than 663 full-time equivalent jobs and provide a total annual economic impact of $92.0 million to the local communities.

MARBRIDGE RETIREMENT CENTER

On January 30, 2024, ORCF endorsed a Section 232 new construction loan on Marbridge Retirement Center. The facility is located in Cheshire, CT, and has memory care and assisted living beds. The facility is surrounded by single family residential homes on three-sides and a church on one-side. Common area amenities include a main dining room, alfresco dining, bistro, fitness center, wellness center, spa facility, activity room, beauty and barber shop, various lounge areas, outdoor courtyards, and eating areas. The facility features daily housekeeping and laundry service, exercise and physical therapy programs, and an elopement security system. Construction was completed on July 18, 2023, and the project is operating at stabilized occupancy.

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 capital debt, with or without a construction or rehabilitation project. During FY 2024, FHA achieved the following through the Section 242 program:

- Production Volume: issued two firm insurance commitment totaling $70.3 million.
- Asset Management Volume: managed a portfolio of 82 active hospital loans with a total unpaid principal balance of $5.4 billion.

In January 2024, Community Hospital of Grand Junction opened the doors of its new James Pulsipher Regional Cancer Center and Monument View Medical Plaza. Affectionately referred to as Colorado West, Community Hospital is located in Grand Junction, CO, and is a 60-bed acute care hospital and a Level III trauma center, serving the Western Slope region of Colorado and adjacent areas in eastern Utah. Colorado West joined the FHA program in 2020 via a $84.9 million 223(f) loan. In 2021, Colorado West was approved for a $73.8 million FHA-insured 241 mortgage to construct a four-story cancer center and medical office building. The 130,000-square-foot facility includes Grand Valley Oncology as well as cardiology, cardiopulmonary rehabilitation, women's health, and pulmonology services.

COMMUNITY HOSPITAL OF GRAND JUNCTION

FY 2024 PORTFOLIO AND PERFORMANCE ACCOMPLISHMENTS

In FY 2024, the Office of Healthcare Programs (OHP) continued to refine its operational processes, including the following trainings:

- In July 2024, ORCF Closers and Review Appraisers met in Seattle in Seattle, WA for a two-day training. This training allowed Closers/Review Appraisers, their Workload Managers, and other leaders the opportunity to collaborate in person. Sessions focused on efficiently and effectively perform closings and reviewing appraisals in our high-volume environment. Sessions also included standard work revisions and emerging issues related to the closing and appraisal process.
- OHF routinely engages healthcare industry experts to keep staff informed about the highly regulated and ever-changing healthcare environment. Over the course of FY 2024, OHF provided multiple in-person and virtual sessions on topics such as audit and financial statement risks, price transparency and the No Surprise Act, rural emergency hospitals, healthcare growth and financial planning, tax credits and Inflation Reduction Act/energy incentives, and cyber/IT Issues in Healthcare.
- The ORCF-AHCA/NCAL Webinar was held in September 2024. This webinar focused on new and emerging recent updates in Production and Asset Management.
- In July 2024, the Office of Hospital Facilities hosted a virtual Lender Training. OHF and the Office of Architecture and Engineering staff led sessions to review OHF's transactional documents (OMB 2502-0602 - Comprehensive Transactional Forms Supporting FHA's Section 242 Mortgage Insurance Program for Hospitals). The training event reviewed the documents used for applications and loan closings for FHA mortgage insurance under the Section 242 Hospital Mortgage Insurance Program, ongoing asset management documents related to those FHA-insured facilities, and other documents related to those facilities for loan modifications, construction projects, and physical and environmental reviews.

MANAGEMENT INITIATIVES AND PROGRAM IMPROVEMENTS

In FY 2024, OHP focused on enhancing underwriting and asset management capabilities. Enhancements designed to improve workflow and mitigate risk included the following:

- Throughout FY 2024, ORCF continued to improve and streamline its risk identification and response processes in cooperation with lenders, with a goal of improving predictive data tools to focus on facilities most at risk, including an ad hoc working group to focus on chronically delinquent assets.
- In addition, ORCF revamped the process for communication with lender servicers regarding their servicing performance and improved the internal use of the SharePoint Asset Management Lender Performance tracking tool launched in 2023, by revising the internal communication protocols, to assure that Account Executives and Workload Managers have greater input in ORCF's approach to lender servicing performance issues.
- In February 2024, the largest electronic healthcare payment system in the United States was shut down for two months due to a ransomware cyberattack, which impacted claims processing and payment from insurers to hospitals. During this time, OHF received a significant increase in requests related to the Mortgage Reserve Fund and other financing mechanisms to assist hospitals with working capital needs. Account Executives worked with stakeholders to expeditiously navigate program requirements and process requests.
- ORCF continued cross-collaborations with Multifamily and senior staff in HUD's Office of Housing to develop an Application Programming Interface (API) that integrates the Environmental Protection Agency (EPA) Portfolio Manager's website with HUD's database, specifically the interface autofills benchmarking data in HUD's Integrated Real Estate Management System (iREMS). The information in iREMS will track energy, water usage, and other valuable information to ensure ongoing performance with the Green Mortgage Insurance Premium (MIP) requirements.
- ORCF improved its tools and processes for transitioning assets from endorsement to asset management, such as capturing underwriting performance projections and formalizing closing special conditions on escrows and quality of care conditions to ensure follow through by asset management after endorsement. ORCF collaborated with the Departmental Enforcement Center (DEC) to provide updates on recent changes to the Section 232 Program and identify opportunities to strengthen and enhance ORCF's working relationship with the DEC. Emphasis was placed on the DEC's vital role in utilizing enforcement strategies to mitigate risk to the Section 232 Portfolio.

LOAN SALES

During FY 2024, the Office of Healthcare Programs had one Loan Sale on August 21, 2024. The portfolio of loans sold consisted of 10 mortgage loans with an aggregate unpaid principal balance ("UPB") of $93 million secured by 9 healthcare facilities.

COVID-19 RECOVERY EFFORTS

The lingering effects of the COVID-19 National Emergency continue to affect the operations and finances of the residential care and hospital facilities in the Office of Healthcare Programs portfolio. Many facilities were able to continue to operate during the peak of the national emergency using readily attainable COVID relief funds, but as those funds lapsed, a significant number of facilities were faced with post-pandemic realities of diminished revenues and much higher operating costs resulting from staffing shortages, reputational issues, and increasingly stringent regulatory standards. In FY 2024, the Office of Healthcare Programs staff, in conjunction with program stakeholders, continue to stay engaged with the healthcare facilities as they address the continuing challenges.

RISK MANAGEMENT OVERVIEW

With an outstanding portfolio balance of over $39.5 billion, managing risk is an important focus of the OHP programs. OHP mitigates risk upfront during the underwriting process and, after loan closing, continues to manage risk 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 2024, 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 reassignment, 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 FHA's General Insurance/Special Risk Insurance (GI/SRI) Fund.

ANALYSIS OF FINANCIAL STATEMENTS

OVERVIEW

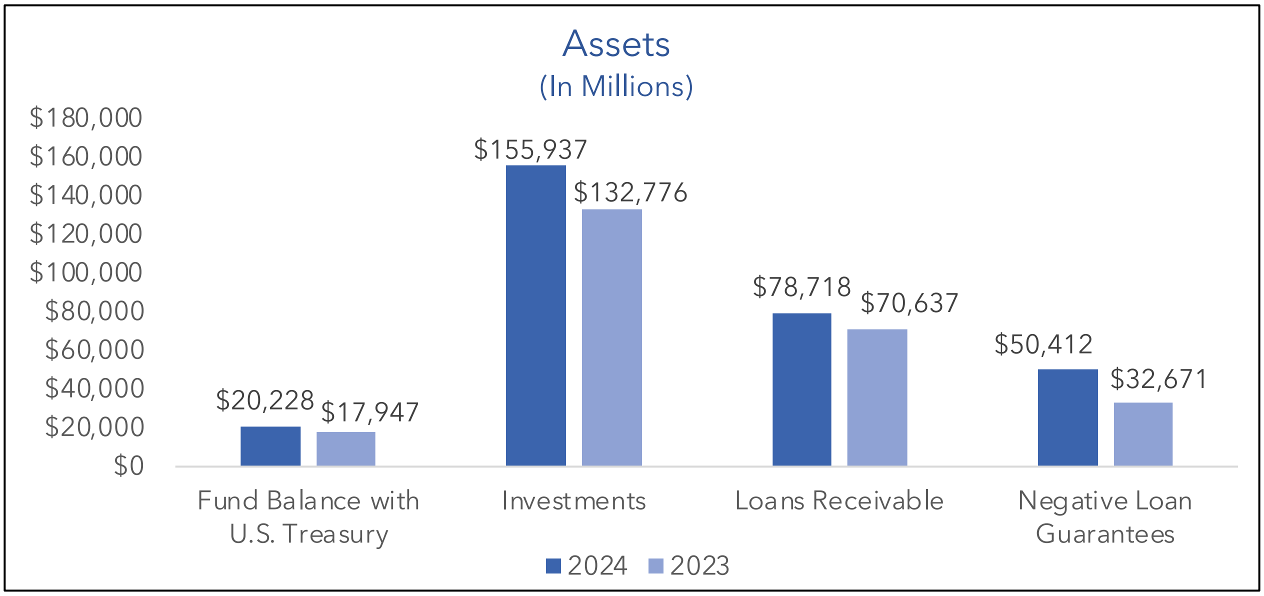
This section presents a summary of FHA's financial statements. These financial statements were prepared in accordance with Generally Accepted Accounting Principles (GAAP) for Federal entities, Federal Accounting Standards Advisory Board (FASAB) standards and concepts statements as applicable to programs 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.

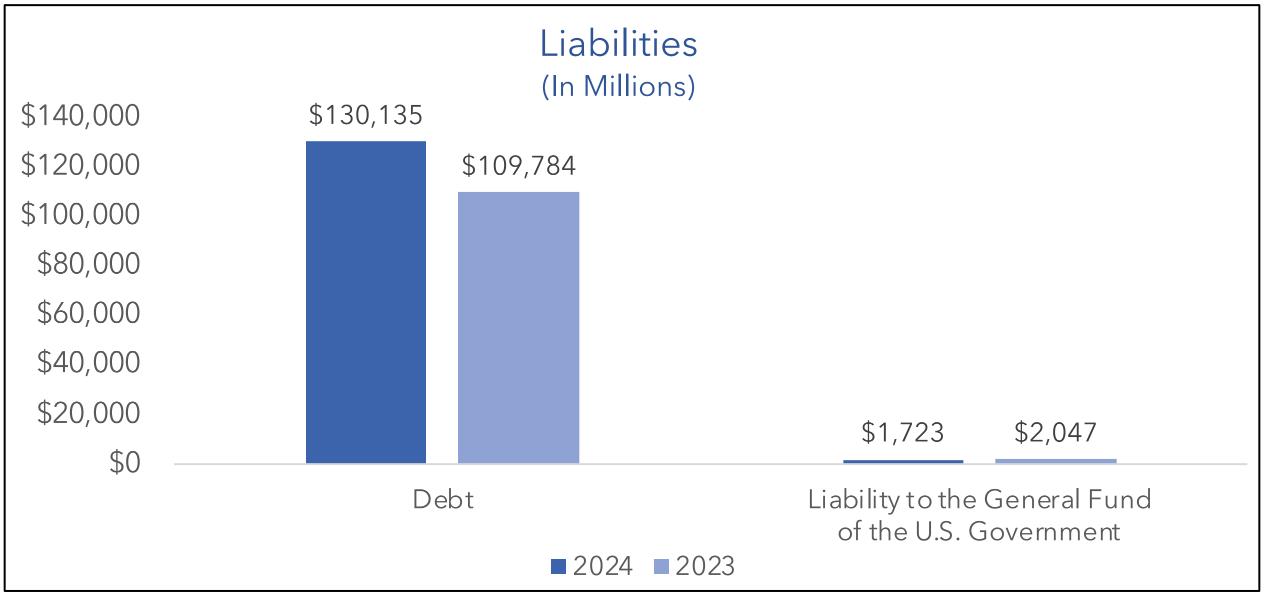
OVERVIEW OF FINANCIAL POSITION

A summary of FHA's change in financial position from FY 2023 to FY 2024 is presented in the following sections on Assets and Liabilities, Net Cost, and Budgetary Resources.

ASSETS AND LIABILITIES

FHA's assets on its balance sheet primarily consist of fund balance with the U.S. Treasury, investments, loan receivables, and negative loan guarantees[1], 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 negative subsidy expense and credit subsidy downward reestimates from its loan guarantee financing accounts under the requirements of FCRA, which also may increase FHA's borrowing. Transfers of negative subsidy expense and downward reestimates from the MMI loan guarantee financing account to the MMI capital reserve fund are invested in U.S. Treasury Securities, which increases investments. Subsidy expense and reestimates are influenced by estimates of future premium collections, prepayments, claims, and recoveries on credit program assets. On that basis, FHA's fund balance with the U.S. Treasury, investments, and debt can fluctuate significantly, depending largely on economic and market conditions and customer demand.





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

Total assets increased by $51,087 million during fiscal year 2024. This increase was primarily due to a $23,161 million increase in investments, a $8,081 million increase in loans receivable, a $2,281 million increase in Fund Balance with U.S. Treasury, and an increase in Negative Loan Guarantees, discussed in greater detail in next section, of $17,741 million. The $23,161 million increase in investments resulted from transfers in fiscal year 2024 of fund balance from a net downward LLG reestimate and negative subsidy to the MMI capital reserve fund. These transferred funds were subsequently invested. The $8,081 million increase in loans receivable is mostly attributable to increases in the value of HECM and Single Family Forward loans receivable. Total liabilities increased by $20,164 million, primarily due to an increase of $20,351 million in debt. Debt increased in fiscal year 2024 to make cash available to cover transfers of the previous year's net downward reestimate and negative subsidy, as well as make claim payments. The increase in debt was partially offset by a decrease in liabilities to the General Fund of the U.S. Government of $324 million.

NEGATIVE LOAN GUARANTEES

FHA reported net negative loan guarantee liability in fiscal years 2024 and 2023. 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.

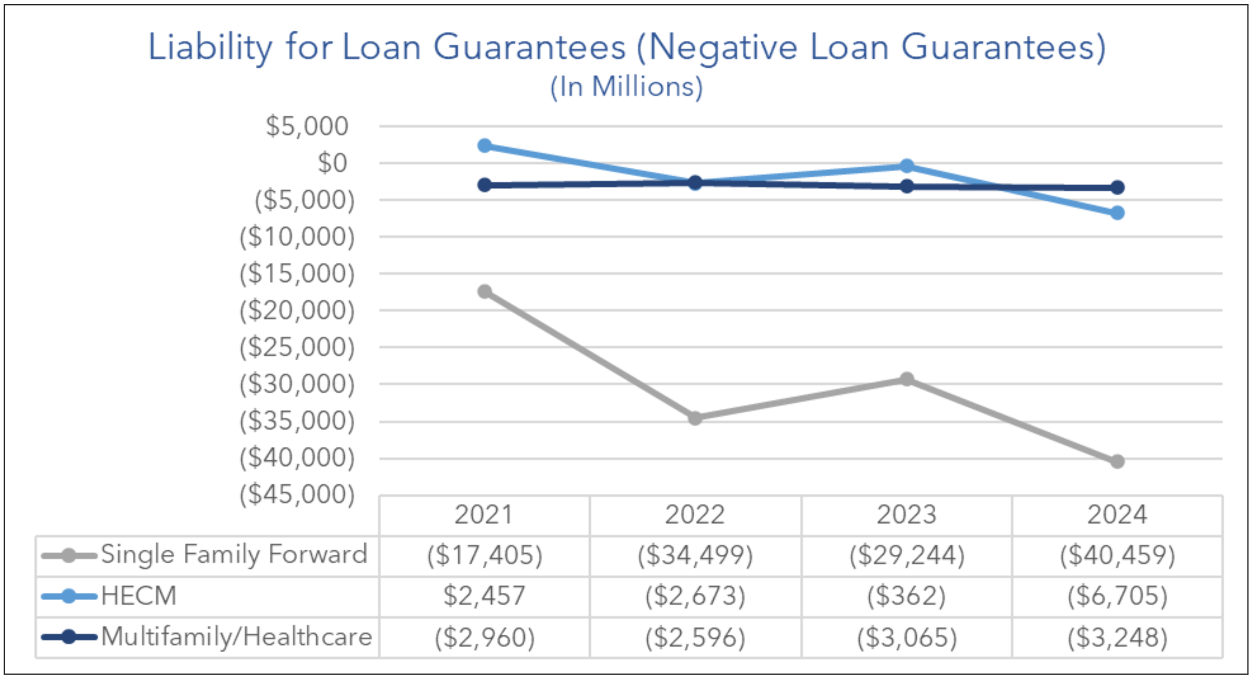
FHA's liability for loan guarantees or net negative loan guarantees represents the present value of anticipated cash outflows, such as claim payments, premium refunds, property expense for on-hand properties, and sales expense for sold properties; less the present value of anticipated cash inflows, such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

TABLE 4 - SCHEDULE OF LIABILITY FOR LOAN GUARANTEES

Schedule of Liability for Loan Guarantees (Negative Loan Guarantees) | (Dollars in Millions)							
		FY 2024		FY 2023		Difference	% Change
Single Family Forward	$	(40,459)	$	(29,244)	$	(11,215)	38%
HECM		(6,705)		(362)		(6,343)	1,752%
Multifamily/Healthcare		(3,248)		(3,065)		(183)	6%
Total	**$**	**(50,412)**	**$**	**(32,671)**	**$**	**(17,741)**	**54%**

The $11,215 million Single Family Forward negative loan guarantee increase and the $6,343 million HECM negative loan guarantee increase were mostly due to changes in the actuarial model methodology, changes in economic forecasts, and changes in actual loan performance in the MMI fund.

For Multifamily/Healthcare, the $183 million increase in the negative loan guarantee occurred mostly in the GI/SRI funds. The negative loan guarantee estimates for Multifamily increased by $212 million offset by a $29 million decrease in the negative loan guarantee for Healthcare.



NET COST/(SURPLUS)

In fiscal year 2024, FHA reported a net surplus of $31,367 million. The most significant contributor to FHA's net surplus was gross costs with the public, which consists primarily of subsidy expense and reestimate 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 reestimated at the end of the fiscal year. The increase in FHA's net surplus from fiscal year 2023 to 2024 was mainly due to increases in reestimate expense from downward re-estimates, which created a surplus.

TABLE 5 - SCHEDULE OF NET COST/(SURPLUS)

Schedule of Net Cost/(Surplus) | (Dollars in Millions)						
		FY 2024		**FY 2023**		**Difference**	**% Change**
Program Costs	$	(24,715)	$	(251)	$	(24,464)	9,746%
Less: Program Revenues		6,652		3,342		3,310	99%
Net Cost (Surplus)	**$**	**(31,367)**	**$**	**(3,593)**	**$**	**(27,774)**	**773%**

BUDGETARY RESOURCES

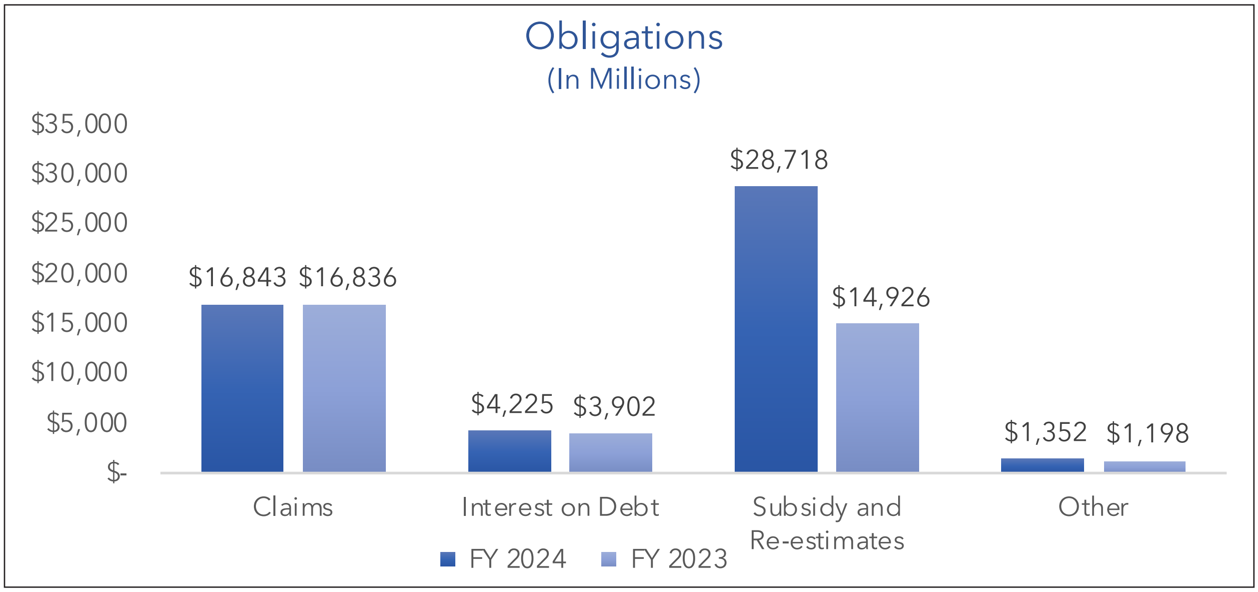
FHA finances its operations through a combination of appropriated funds, debt to the U.S. Treasury, spending authority from offsetting collections, and unexpired prior-year unobligated balances brought forward. Spending authority from offsetting collections includes collections of premiums and fees,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

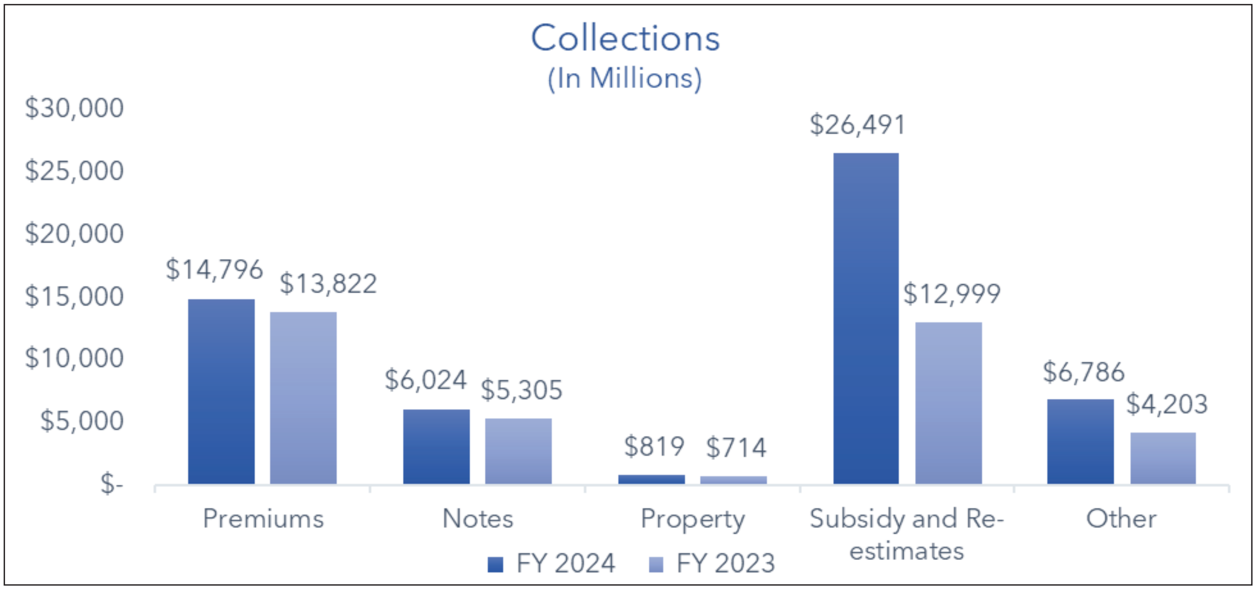
FHA's budgetary resources are increased by Appropriations, Borrowing authority, and Spending authority from offsetting collections. Borrowing authority decreased by $607 million in fiscal year 2024 because a smaller amount of borrowing authority was required to maintain liquidity in FHA's financing funds. For Spending authority from offsetting collections, there was a large increase from fiscal year 2023 to fiscal year 2024 of $24,694 million primarily due to a increase in collections from re-estimates.

TABLE 6 - BUDGETARY RESOURCES

Budgetary Resources | (Dollars in Millions)	FY 2024	FY 2023	Difference	% Change
Unobligated Balance from prior year budget authority, net	$ 148,392	$ 133,233	$ 15,159	11%
Appropriations (discretionary and mandatory)	699	869	(170)	(20%)
Borrowing authority (discretionary and mandatory)	22,018	22,625	(607)	(3%)
Spending authority from offsetting collections (discretionary and mandatory)	52,972	28,278	24,694	87%
Budgetary Resources	**$ 224,081**	**$ 185,005**	**$ 39,796**	**22%**

These resources were used to cover the fiscal year 2024 obligations totaling $51,138 million. FHA's obligations included subsidy/reestimate costs, claim payments on defaulted guaranteed loans, interest on borrowings, and other obligations. New obligations and upward adjustments primarily increased in fiscal year 2024 due to increases in re-estimates. FHA collections received in fiscal year 2024 totaled $54,916 million, which included premiums, notes, property, subsidy/reestimate, and interest earned from U.S. Treasury and other collections. Collections increased in fiscal year 2024 primarily due to increases in re-estimates, premiums, and notes, as noted on the next page. Spending authority from offsetting collections represents offsetting collections net of repayments of debts.


Obligations
(In Millions)
$35,000
$30,000
$25,000
$20,000
$15,000
$10,000
$5,000
$-
$16,843 $16,836
$4,225 $3,902
$28,718
$14,926
$1,352 $1,198
Claims
Interest on Debt
Subsidy and Re-estimates
Other
FY 2024
FY 2023


Collections
(In Millions)
$30,000
$25,000
$20,000
$15,000
$10,000
$5,000
$-
$14,796 $13,822
$6,024 $5,305
$819 $714
$26,491
$12,999
$6,786 $4,203
Premiums
Notes
Property
Subsidy and Re-estimates
Other
FY 2024
FY 2023

ANALYSIS OF SYSTEMS, CONTROLS, AND LEGAL COMPLIANCE

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 auditors' 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 substantially comply with the requirements of the Federal Information Security Management Act (FISMA), Federal Financial Management Improvement Act (FFMIA), and OMB Circular A-123, Appendix D.

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, 2024.

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, that its internal control over financial reporting as of September 30, 2024, was operating effectively and no material weaknesses were found in the design or operation of the internal control over financial reporting.

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 functional operating areas, make better housing decisions, and use accurate data.

To track the progress towards this objective, one of the performance indicators that FHA 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 2024 budget, FHA received an additional $3 million in appropriations from Congress for IT modernization, in addition to the $75.6 million in appropriations from FY 2019 through FY 2023. With this funding, FHA has made significant progress in its multi-year effort to modernize its technology systems, starting with the technology used for its Single Family insurance programs. During FY 2024, FHA implemented upgrades to the FHA Catalyst Case Binder Module and Appraisals Functionality. FHA also updated its IT modernization roadmap.

FY 2024 FINANCIAL STATEMENTS AUDIT FINDINGS

There was no material weaknesses identified in the FY 2024 financial statement audit.

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 2024 for FHA programs in scope, in accordance with the PIIA three-year risk assessment rotation cycle and payment thresholds. Based upon these criteria, the following FHA disbursements programs were reviewed:

- Single Family Insurance Claims (SFIC)
- Multifamily Notes

The risk assessment process includes risk factors identified 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.

FY 2024 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 reasonable assurance that its internal controls over financial reporting were operating effectively as of September 30, 2024.

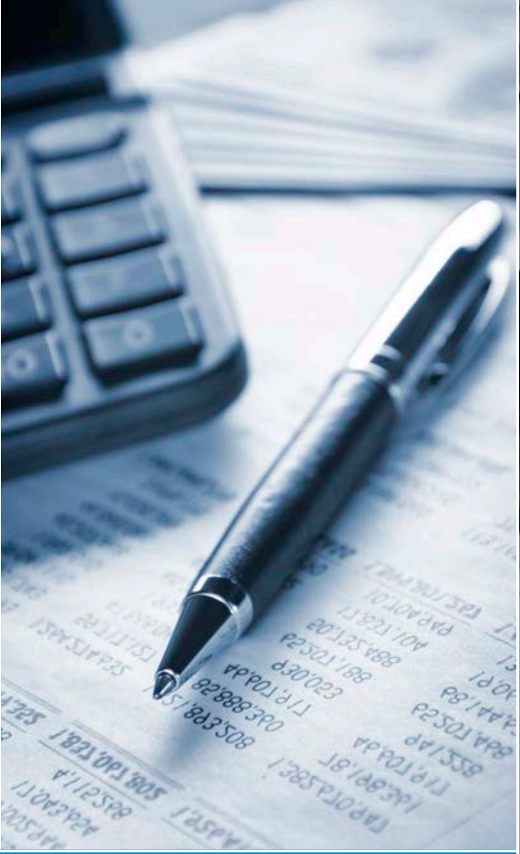
Julia R. Gordon

Julia R. Gordon

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

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.



PRINCIPAL FINANCIAL STATEMENTS

November 13, 2024

A Message from The Deputy Assistant Secretary for Finance and Budget on Principal Financial Statements

I am pleased to present the Federal Housing Administration's (FHA) Principal Financial Statements for the fiscal year ending September 30, 2024. During the fiscal year, we focused our efforts on strengthening financial management and controls over financial reporting, resolving open audit recommendations, enhancing our leadership team and staff, employing enhanced quality control processes, and implementing technological improvements to reduce the likelihood of errors in transaction processing.

Through our collective efforts, FHA received an unmodified (clean) audit opinion on its financial statements. The independent auditors reported that the FHA financial statements as of and for fiscal year ended September 30, 2024 and 2023, were presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles. Importantly, the auditors found no material weaknesses or significant deficiencies in internal control over financial reporting. In addition, the independent auditors found no reportable noncompliance with provisions of applicable laws, regulations, contracts, and grant agreements or other matters. The audit report also recognizes the successful resolution of the prior year significant deficiency related to internal control over loans receivable. This achievement is a direct result of our focused efforts to strengthen our internal controls through process improvements and innovative technology solutions.

These accomplishments reflect the dedication, collaboration, and innovation of our staff, as well as the strong support we receive from our partners. I am immensely proud of the progress we have made and look forward to building on this success in the year ahead.

Susan A. Betts

Susan A Betts

Deputy Assistant Secretary
Office of Finance and Budget

Federal Housing Administration
(An Agency of the Department of Housing and Urban Development)
Consolidated Balance Sheets
As of September 30, 2024 and 2023
(Dollars in Millions)

		FY 2024		FY 2023
ASSETS				
Intragovernmental Assets:				
Fund Balance with Treasury (Note 3)	$	20,228	$	17,947
Investments, Net (Note 5)				
Federal Investments		155,696		132,112
Interest Receivable - Investments		241		664
Total Investments		155,937		132,776
Total Intragovernmental Assets		**176,165**		**150,723**
Other than Intragovernmental Assets:				
Cash and Other Monetary Assets (Note 4)	$	41	$	109
Accounts Receivable, Net (Note 6)		912		1,021
Loans Receivable, Net (Note 7)				
Loans Receivable, Net		78,718		70,637
Negative Loan Guarantees		50,412		32,671
Total Other than Intragovernmental Assets	**$**	**130,083**	**$**	**104,438**
TOTAL ASSETS	**$**	**306,248**	**$**	**255,161**
LIABILITIES				
Intragovernmental Liabilities:				
Accounts Payable (Note 8)	$	1	$	5
Debt (Note 9)				
Loans Payable - Borrowings		130,128		109,777
Interest Payable - Borrowings		7		7
Total Debt		130,135		109,784
Other Liabilities (Note 10)				
Liability to the General Fund of the U.S. Government for Custodial and Other Non-Entity Assets		1,723		2,047
Total Intragovernmental Liabilities	**$**	**131,859**	**$**	**111,836**
Other than Intragovernmental Liabilities:				
Accounts Payable (Note 8)	$	696	$	574
Advances from Others and Deferred Revenue		253		223
Other Liabilities (Note 10)		260		268
Contingent Liabilities (Note 10)		-		3
Total Other than Intragovernmental Liabilities		**1,209**		**1,068**
TOTAL LIABILITIES	**$**	**133,068**	**$**	**112,904**
Commitments and Contingencies (Note 12)				
NET POSITION:				
Unexpended Appropriations	$	178	$	542
Cumulative Results of Operations		173,002		141,715
TOTAL NET POSITION	**$**	**173,180**	**$**	**142,257**
TOTAL LIABILITIES AND NET POSITION	**$**	**306,248**	**$**	**255,161**

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 Period Ended September 30, 2024 and 2023
(Dollars in Millions)

		FY 2024		FY 2023
Single Family Forward				
Intragovernmental Gross Costs	$	1,401	$	1,262
Less: Intragovernmental Earned Revenue		5,618		2,550
Intragovernmental Net Costs (Surplus)		(4,217)		(1,288)
Other than Intragovernmental Gross Costs (Surplus)		(20,874)		(5,951)
Less: Earned Revenues		1		1
Other than Intragovernmental Net Costs (Surplus)		(20,875)		(5,952)
Single Family Forward Net Cost (Surplus)	**$**	**(25,092)**	**$**	**(7,240)**
HECM:				
Intragovernmental Gross Costs	$	2,638	$	2,428
Less: Intragovernmental Earned Revenue		777		557
Intragovernmental Net Costs		1,861		1,871
Other than Intragovernmental Net Costs (Surplus)		(8,521)		$1,907
HECM Net Cost (Surplus)	**$**	**(6,660)**	**$**	**3,778**
Multifamily:				
Intragovernmental Gross Costs	$	204	$	177
Less: Intragovernmental Earned Revenue		69		65
Intragovernmental Net Costs		135		112
Other than Intragovernmental Gross Costs (Surplus)		(581)		(732)
Less: Earned Revenues		140		127
Other than Intragovernmental Net Costs (Surplus)		(721)		(859)
Multifamily Net Cost (Surplus)	**$**	**(586)**	**$**	**(747)**
Healthcare:				
Intragovernmental Gross Costs	$	64	$	52
Less: Intragovernmental Earned Revenue		47		42
Intragovernmental Net Costs		17		10
Other than Intragovernmental Net Costs (Surplus)		(34)		(339)
Healthcare Net Cost (Surplus)	**$**	**(17)**	**$**	**(329)**
Administrative and Contract Gross Costs				
Intragovernmental Gross Costs	$	285	$	265
Other than Intragovernmental Net Costs		703		680
Administrative and Contract Net Cost	**$**	**988**	**$**	**945**
Net Cost (Surplus) of Operations	**$**	**(31,367)**	**$**	**(3,593)**

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 Period Ended September 30, 2024 and 2023
(Dollars in Millions)

		FY 2024		FY 2023
Unexpended Appropriations:				
Beginning Balance	$	542	$	541
Appropriations Received		722		869
Other Adjustments		(388)		(34)
Appropriations Used		(698)		(834)
Net Change in Unexpended Appropriations		(364)		1
Total Unexpended Appropriations	**$**	**178**	**$**	**542**
Cumulative Results of Operations:				
Beginning Balance	$	141,715	$	137,580
Other Adjustments		353		-
Appropriations Used		698		834
Transfers In/Out Without Reimbursement		811		777
Imputed Financing		31		24
Other		(1,973)		(1,093)
Net (Surplus) Cost of Operations		31,367		3,593
Net Change in Cumulative Results of Operations		31,287		4,135
Total Cumulative Results of Operations	**$**	**173,002**	**$**	**141,715**
Net Position	**$**	**173,180**	**$**	**142,257**

The accompanying notes are an integral part of these statements.

Federal Housing Administration
(An Agency of the Department of Housing and Urban Development)
Combined Statement of Budgetary Resources
For the Period Ended September 30, 2024
(Dollars in Millions)

	FY 2024		
	Budgetary	**Non-Budgetary Credit Reform Financing Account**	**Total**
Budgetary Resources:			
Unobligated Balance from Prior Year Budget Authority, net (Discretionary and Mandatory)	$ 132,301	$ 16,091	$ 148,392
Appropriations (Discretionary and Mandatory)	699	-	699
Borrowing Authority (Discretionary and Mandatory)	-	22,018	22,018
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	27,060	25,912	52,972
Total Budgetary Resources	**$ 160,060**	**$ 64,021**	**$ 224,081**
Status of Budgetary Resources:			
New Obligations and Upward Adjustments (Total)	$ 4,891	$ 46,247	$ 51,138
Unobligated Balance, End of Year			
Apportioned, Unexpired Accounts	22	6,842	6,864
Unapportioned, Unexpired Accounts	155,119	10,932	166,051
Unexpired Unobligated Balance, End of Year	155,141	17,774	172,915
Expired Unobligated Balance, End of Year	28	-	28
Total Unobligated Balance, End of Year	155,169	17,774	172,943
Total Status of Budgetary Resources	**$ 160,060**	**$ 64,021**	**$ 224,081**
Outlays, Net, and Disbursements, Net:			
Outlays, net (Total) (Discretionary and Mandatory)	$ (22,596)	-	$ (22,596)
Distributed Offsetting Receipts	(2,207)	-	(2,207)
Agency Outlays, net (Discretionary and Mandatory)	**$ (24,803)**	**-**	**$ (24,803)**
Disbursements, Net (Total) (Mandatory)	**$ -**	**$ 18,044**	**$ 18,044**

The accompanying notes are an integral part of these statements.

Federal Housing Administration
(An Agency of the Department of Housing and Urban Development)
Combined Statement of Budgetary Resources
For the Period Ended September 30, 2023
(Dollars in Millions)

	FY 2023		
	Budgetary	Non-Budgetary Credit Reform Financing Account	Total
Budgetary Resources:			
Unobligated Balance from Prior Year Budget Authority, net (Discretionary and Mandatory)	$ 120,465	$ 12,768	$ 133,233
Appropriations (Discretionary and Mandatory)	869	-	869
Borrowing Authority (Discretionary and Mandatory)	-	22,625	22,625
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	13,765	14,513	28,278
Total Budgetary Resources	**$ 135,099**	**$ 49,906**	**$ 185,005**
Status of Budgetary Resources:			
New Obligations and Upward Adjustments (Total)	$ 2,693	$ 34,168	$ 36,861
Unobligated Balance, End of Year			
Apportioned, Unexpired Accounts	20	6,033	6,053
Unapportioned, Unexpired Accounts	132,351	9,705	142,056
Unexpired Unobligated Balance, End of Year	132,371	15,738	148,109
Expired Unobligated Balance, End of Year	35	-	35
Total Unobligated Balance, End of Year	132,406	15,738	148,144
Total Status of Budgetary Resources	**$ 135,099**	**$ 49,906**	**$ 185,005**
Outlays, Net, and Disbursements, Net:			
Outlays, net (Total) (Discretionary and Mandatory)	$ (10,942)	-	$ (10,942)
Distributed Offsetting Receipts	(1,933)	-	(1,933)
Agency Outlays, net (Discretionary and Mandatory)	**$ (12,875)**	**-**	**$ (12,875)**
Disbursements, Net (Total) (Mandatory)	**$ -**	**$ 10,149**	**$ 10,149**

The accompanying notes are an integral part of these statements.

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 2024

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 Guaran*tees, 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 General Fund 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 reclassified 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. For fiscal year 2024, FHA is reporting Negative Loan Guarantees. 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 2023 and 2024, FHA is reporting its negative loan guarantees as an asset on the Balance Sheet. Based on guidance from U.S. Treasury, FHA is reporting Negative Loan Guarantees for fiscal years 2023 and 2024 as part of Loans Receivable, net, on the Balance Sheet.

Debt

Pursuant to the FCRA, FHA has authority to borrow funds when necessary to support transfers of negative subsidy or downward reestimates 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.

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 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 appropriation 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 $31 million for fiscal year 2024 and $24 million for fiscal year 2023, 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 yet for FHA mortgage insurance. These premiums are excluded from FHA's LLG because they have not yet been earned. Per OMB Circular A-136, FHA is reporting deferred revenue of $253 million and $223 million for fiscal years 2024 and 2023, respectively, separately from Other Liabilities.

Statement of Changes in Net Position

During fiscal year 2024, FHA identified an error in its process for returning unused appropriations to the U.S. Treasury. The error was an accumulation for many years and resulted in the overstatement of the beginning balance lines of the Unexpended Appropriation and an equal understatement of Cumulative Results of Operations sections of the Statement of Changes in Net Position (SCNP). Specifically, FHA improperly returned unused appropriations via a Non-expenditure Transfer (SF-1151). To address this, FHA collaborated with the U.S. Treasury and made an adjusting entry to the SCNP. The entry adjusts the *Other Adjustments* line in both the Unexpended Appropriations and Cumulative Results of Operations sections of the SCNP in the amount of $353 million. FHA updated its business processes to return unused appropriations to the U.S. Treasury using the Treasury Yearend Transaction module within the CARS system, or negative appropriation, as of September 30, 2024.

Cumulative Results of operations

Cumulative Results of Operations reflect the net results of FHA's operations since inception. The beginning balance of FHA's cumulative results of operations for the current fiscal year is the same as the ending balance of FHA's cumulative results of operations for the previous fiscal year. FHA's cumulative results of operations for fiscal year 2024 were impacted by net surplus of operations of $31,367 million, appropriations used of $698 million, other adjustments in the amount of $353 million (see SCNP reference above), transfers in and out without reimbursement of $811 million, and amounts swept to the General Fund of the U.S. Government of ($1,973) million. Amounts swept to the General Fund of the U.S. Government decreased in fiscal year 2024 due to a decrease in downward reestimates and negative subsidy collections from the GI/SRI loan guarantee financing account in fiscal year 2024, partially offset by an increase in transfers from the GI/SRI liquidating account to the General Fund of the U.S. Government.

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 existing 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.

Outlays are a measure of Government spending. An outlay is a payment to liquidate an obligation. FHA reports Outlays, net, for its Budgetary Accounts and Disbursements, net, for its Non-Budgetary Credit Reform Financing Accounts. Outlays, net, and Disbursements, net, both consist of gross outlays reduced by offsetting collections.

Offsetting collections are payments to the Government that, by law, are credited directly to expenditure accounts and deducted from gross budget authority and outlays of the expenditure accounts, rather than added to receipts. Usually, offsetting collections are authorized to be spent for the purposes of the account without further action by Congress. The authority to spend offsetting collections is a form of budget authority.

Outlays, net, are reduced by Distributed Offsetting Receipts. Distributed offsetting receipts are collections credited to the General Fund, special fund, or trust fund receipt accounts that offset gross outlays of an agency. FHA's distributed offsetting receipts consist of negative subsidy and downward reestimates in the GI/SRI and H4H programs that are transferred to General Fund receipt accounts during the fiscal year and amounts related to pre-1992 loan guarantees that will be returned to the U.S. Treasury.

Implementation of New Lease Accounting Standards

Statement of Federal Financial Accounting Standards (SFFAS) 54: Leases revised the financial reporting standards for federal lease accounting to require reporting entities to recognize federal lease activities in financial statements and to include appropriate disclosures. SFFAS 62: Transitional Amendment to SFFAS 54 amended the implementation section of SFFAS 54 by providing transitional accommodations to reporting entities implementing SFFAS 54 in the area of "embedded leases." SFFAS 62 states that "embedded leases" is a common industry term used to describe contracts or agreements that contain lease component(s) and non-lease component(s), such as service components, and serve a primary purpose attributable to the non-lease component(s).

FHA has assessed its contracts and agreements, existing as of October 1, 2023, and those subsequently entered into or modified on or prior to September 30, 2024, for potential embedded leases in accordance with SFFAS 54 and SFFAS No. 62: Transitional Amendment to SFFAS 54. Based on this assessment, FHA has determined that none of its contracts qualify as embedded leases. As a result, implementation of the new lease accounting standards did not have an impact on these financial statements.

Reclassification

In fiscal year 2024, FHA separated the presentation of Multifamily and Healthcare activity in Note 7 to provide additional information to the reader or the financial statements. Prior to the FY 2024 financial statements, FHA had combined this activity. For FY 2024 reporting, FHA separated Multifamily and Healthcare information for both the current year and prior year. The following tables within Note 7 were updated: Defaulted Guaranteed Loans, Guaranteed Loans Outstanding, New Guaranteed Loans Disbursed, Negative Loan Guarantees, and Subsidy Expense. This additional detain had no effect on the Balance Sheet, Statement of Net Cost (Surplus), Statement of Changes in Net Position, and the Statement of Budgetary Resources.

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, 2024 and 2023, are as follows:

Non-Entity Assets
(Dollars in Millions)

		FY 2024		FY 2023
Intragovernmental:				
Fund Balance with Treasury (Note 3)	$	37	$	51
Total Intragovernmental		37		51
Cash and Other Monetary Assets		18		17
Total Non-Entity Assets	$	55	$	68
Total Entity Assets	$	306,193	$	255,093
Total Assets	**$**	**306,248**	**$**	**255,161**

FHA's non-entity assets consist of escrow monies collected by FHA from the loan borrowers. Cash and other monetary assets that are collected from FHA loan 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, 2024 and 2023:

Fund Balance with U.S. Treasury
(Dollars in Millions)

		FY 2024		FY 2023
Status of Fund Balance with U.S. Treasury:				
Unobligated Balance				
Available	$	4,742	$	4,084
Unavailable		11,423		10,181
Obligated Balance Not Yet Disbursed		4,063		3,682
Total	**$**	**20,228**	**$**	**17,947**

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.

Significant Variances

Fund Balance with U.S. Treasury increased by $2,281 million in fiscal year 2024 due to increased borrowings from the U.S. Treasury (net of repayments) in both the MMI/CMHI and GI/SRI funds in the amount of $15,526 million and $1,498 million, premium collections in both the MMI/CMHI and GI/SRI funds in the amount of $14,078 million and $716 million, collections related to defaulted loans for both the MMI/CMHI and GI/SRI funds in the amount of $4,285 million and $1,403 million and other activity totaling $723 million. These Fund Balance with Treasury increases were offset by net purchases of investments in the MMI/CMHI fund in the amount of ($17,571) million, claim disbursements in both the MMI/CMHI and GI/SRI funds in the amount of ($13,579) million and ($3,115) million, downward reestimates in the GI/SRI fund in the amount of ($1,466) million, negative subsidy endorsements in the GI/SRI fund in the amount of ($194) million, and net borrowing repayments from U.S. Treasury in the H4H fund in the amount of ($2) million.

Note 4. Cash And Other Monetary Assets

Cash and Other Monetary Assets
(Dollars in Millions)

	FY 2024	FY 2023
Other Monetary Assets:		
Escrow Monies Deposited at Minority-Owned Banks	$ 18	$ 17
Deposits in Transit	23	92
Total Cash and Other Monetary Assets	**$ 41**	**$ 109**

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 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 30, 2024.

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. For its investments in long-term U.S. Treasury notes and bonds, FHA uses the effective interest rate method to account for bond discount accretion and bond premium amortization.

The cost, net amortized premium/discount, interest receivable, net investment, and unrealized gain/loss and market values of FHA's investments in U.S. Treasury securities as of September 30, 2024 and 2023, are as follows:

Investments - Intragovernmental
(Dollars in Millions)

FY 2024	Cost	Amortization Method	Amortized (Premium) /Discount, Net	Interest Receivable	Investments, Net	Unrealized Gain/(Loss)	Market Value
Intragovernmental Investments:							
Treasury Bills	$ 94,403	Straight-Line	$ 64	$ -	$ 94,467	$ 12	$ 94,479
Treasury Notes	60,416	Effective Interest	813	241	61,470	(603)	60,867
Total Intragovernmental Investments	**$ 154,819**		**$ 877**	**$ 241**	**$ 155,937**	**$ (591)**	**$ 155,346**

FY 2023	Cost	Amortization Method	Amortized (Premium) /Discount, Net	Interest Receivable	Investments, Net	Unrealized Gain/(Loss)	Market Value
Intragovernmental Investments:							
Treasury Bills	$ 2,842	Straight-Line	$ 82	$ -	$ 2,924	$ 1	$ 2,925
Treasury Notes	131,732	Effective Interest	(2,554)	664	129,842	(3,100)	126,742
Overnight Securities	10	No Amortization	-	-	10	-	10
Total Intragovernmental Investments	**$ 134,584**		**$ (2,472)**	**$ 664**	**$ 132,776**	**$ (3,099)**	**$ 129,677**

Significant Variances

The increase in FHA's investments is primarily due to a transfer from FHA's MMI/CMHI financing account to its Capital Reserve account to execute the prior year's downward reestimate in fiscal year 2024. The amount transferred was reinvested in short-term securities in the MMI fund.

NOTE 6. ACCOUNTS RECEIVABLE, NET

Accounts receivable, net, as of September 30, 2024 and 2023, are as follows:

Accounts Receivable
(Dollars in Millions)

	Gross		Allowance		Net	
	FY 2024	FY 2023	FY 2024	FY 2023	FY 2024	FY 2023
With the Public:						
Receivables Related to Credit Program Assets	$ 13	$ 15	$ -	$ -	$ 13	$ 15
Premiums Receivables	620	638	-	-	620	638
Partial Claims Receivables	41	182	(9)	(44)	32	138
Generic Debt Receivables	387	258	(184)	(86)	203	172
Criminal Restitution Receivables	10	6	(9)	(5)	1	1
Settlements Receivables	12	28	-	-	12	28
Miscellaneous Receivables	31	29	-	-	31	29
Total	**$ 1,114**	**$ 1,156**	**$ (202)**	**$ (135)**	**$ 912**	**$ 1,021**

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 represent partial claims paid by FHA to mortgagees as part of its loss mitigation efforts to bring delinquent loans current. Partial claims for which FHA does not yet have the promissory note are recorded and reported as accounts receivable.

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 47% and on criminal restitution receivables of approximately 92% in fiscal year 2024. FHA's allowance for loss on partial claims receivables reported under Note 6 is equivalent to the allowance for subsidy associated with the unsupported partial claims. No allowance for loss is reported for premiums receivables because premiums 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. Loans Receivable, Net and Loan Guarantee Liabilities (Negative Loan Guarantees)

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, 2024, and 2023, 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 an intragovernmental 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.

Direct Loans Obligated (Pre-1992)
(Dollars in Millions)

September 30, 2024	**GI/SRI - Multifamily**	**Total**
Loan Receivables	$ 7	$ 7
Interest Receivables	15	15
Allowance	(8)	(8)
Direct Loans, Net	**$ 14**	**$ 14**

September 30, 2023	**GI/SRI - Multifamily**	**Total**
Loan Receivables	$ 7	$ 7
Interest Receivables	15	15
Allowance	(9)	(9)
Direct Loans, Net	**$ 13**	**$ 13**

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 September of the current fiscal year and projections are used to estimate the direct loan cash flows for the fourth 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 (Post-1991)
(Dollars in Millions)

September 30, 2024	GI/SRI - Multifamily	Total
Loan Receivables	$ 2,823	$ 2,823
Interest Receivables	7	7
Allowance	435	435
Direct Loans, Net	**$ 3,265**	**$ 3,265**

September 30, 2023	GI/SRI - Multifamily	Total
Loan Receivables	$ 2,800	$ 2,800
Interest Receivables	7	7
Allowance	443	443
Direct Loans, Net	**$ 3,250**	**$ 3,250**

Total Amount of Direct Loans Disbursed Post-1991
(Dollars in Millions)

Direct Loan Programs	FY 2024	FY 2023
GI/SRI:		
Multifamily	$ 61	$ 120
GI/SRI Subtotal	**$ 61**	**$ 120**

Subsidy Expense for Direct Loans Programs by Component
(Dollars in Millions)

September 30, 2024

	GI/SRI	Total
Multifamily		
FFB		
Interest Differential	$ (5)	$ (5)
Fees and Other Collections	(1)	(1)
Other	1	1
Subtotal	**$ (5)**	**$ (5)**

September 30, 2023

	GI/SRI	Total
Multifamily		
FFB		
Interest Differential	$ (14)	$ (14)
Fees and Other Collections	(2)	(2)
Other	2	2
Subtotal	**$ (14)**	**$ (14)**

Subsidy Expense for Modifications and Reestimates
(Dollars in Millions)

FY 2024	Interest Rate Reestimate	Technical Reestimate	Total Reestimate
GI/SRI	$ 28	$ (8)	$ 19
Total	**$ 28**	**$ (8)**	**$ 19**

FY 2023	Interest Rate Reestimate	Technical Reestimate	Total Reestimate
GI/SRI	$ 524	$ (611)	$ (87)
Total	**$ 524**	**$ (611)**	**$ (87)**

Total Direct Loan Subsidy Expense
(Dollars in Millions)

	FY 2024	FY 2023
Direct Loan Programs:		
GI/SRI	$ 15	$ (100)
Total	**$ 15**	**$ (100)**

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.

Budget Subsidy Rates for Direct Loans for the Current Year's Cohorts
(Percentage)

September 30, 2024	**Interest Differential**	**Default**	**Fees and Other Collections**	**Other**	**Total**
GI/SRI					
Multifamily					
FFB	(8.57)	0.03	(0.98)	1.69	(7.83)
September 30, 2023	**Interest Differential**	**Default**	**Fees and Other Collections**	**Other**	**Total**
GI/SRI					
Multifamily					
FFB	(8.20)	0.05	(1.43)	1.44%	(8.14)

Schedule for Reconciling Subsidy Cost Allowance Balances (Post-1991 Direct Loans)
(Dollars in Millions)

	FY 2024	FY 2023
Beginning Balance, Changes, and Ending Balance		
Beginning balance of the subsidy cost allowance	$ (443)	$ (347)
Add: subsidy expense for direct loans disbursed during the reporting years by component	(5)	(14)
Adjustments:		
- Subsidy allowance amortization	(10)	3
- Other	3	1
Ending balance of the subsidy cost allowance before reestimates	**$ (455)**	**$ (356)**
Add or subtract subsidy reestimates by component:		
Total Subsidy Reestimates	**20**	**(87)**
Ending balance of the subsidy cost allowance	**$ (435)**	**$ (443)**

Loan Guarantee Programs

Defaulted Guaranteed Loans from Pre-1992 Guarantees (Allowance for Loss Method)
(Dollars in Millions)

FY 2024		MMI/CMHI		GI/SRI		Total
Single Family Forward						
Defaulted Guaranteed Loan Receivable, Gross	$	15	$	-	$	15
Foreclosed Property		1		9		10
Allowance for Loan Losses		(1)		(4)		(5)
Subtotal	**$**	**15**	**$**	**5**	**$**	**20**
Multifamily						
Defaulted Guaranteed Loans Receivable, Gross	$	-	$	959	$	959
Interest Receivables		-		244		244
Foreclosed Property		-		(49)		(49)
Allowance for Loan Losses		-		(432)		(432)
Subtotal	**$**	**-**	**$**	**722**	**$**	**722**
Healthcare						
Defaulted Guaranteed Loans Receivable, Gross	$	-	$	10	$	10
Interest Receivables		-		-		-
Foreclosed Property		-		45		45
Allowance for Loan Losses		-		(56)		(56)
Subtotal	**$**	**-**	**$**	**(1)**	**$**	**(1)**
HECM*						
Defaulted Guaranteed Loans Receivable, Gross	$	-	$	2	$	2
Interest Receivables		-		1		1
Foreclosed Property		-		(2)		(2)
Allowance for Loan Losses		-		(1)		(1)
Subtotal	**$**	**-**	**$**	**-**	**$**	**-**
Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net	**$**	**15**	**$**	**726**	**$**	**741**

FY 2023	MMI/CMHI	GI/SRI	Total
Single Family Forward			
Defaulted Guaranteed Loans Receivable, Gross	$ 16	$ 1	$ 17
Foreclosed Property	1	9	10
Allowance for Loan Losses	(1)	(4)	(5)
Subtotal	**$ 16**	**$ 6**	**$ 22**
Multifamily			
Defaulted Guaranteed Loans Receivable, Gross	$ -	$ 1,007	$ 1,007
Interest Receivables	-	237	237
Foreclosed Property	-	(49)	(49)
Allowance for Loan Losses	-	(457)	(457)
Subtotal	**$ -**	**$ 738**	**$ 738**
Healthcare			
Defaulted Guaranteed Loans Receivable, Gross	$ -	$ 10	$ 10
Interest Receivables	-	-	-
Foreclosed Property	-	45	45
Allowance for Loan Losses	-	(56)	(56)
Subtotal	**$ -**	**$ (1)**	**$ (1)**
HECM*			
Defaulted Guaranteed Loans Receivable, Gross	$ -	$ 2	$ 2
Interest Receivables	-	(1)	(1)
Foreclosed Property	-	(2)	(2)
Allowance for Loan Losses	-	1	1
Subtotal	**$ -**	**$ -**	**$ -**
Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net	**$ 16**	**$ 743**	**$ 759**

**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 2024

	MMI/CMHI	GI/SRI	H4H	Total
Single Family Forward				
Defaulted Guaranteed Loans Receivable, Gross	$ 34,265	$ 390	$ 6	$ 34,661
Foreclosed Property	432	17	-	449
Allowance for Subsidy Cost	(9,327)	(110)	(3)	(9,440)
Subtotal	**$ 25,370**	**$ 297**	**$ 3**	**$ 25,670**
Multifamily				
Defaulted Guaranteed Loans Receivable, Gross	$ -	$ 373	$ -	$ 373
Interest Receivables	-	40	-	40
Foreclosed Property	-	19	-	19
Allowance for Subsidy Cost	-	(175)	-	(175)
Subtotal	**$ -**	**$ 257**	**$ -**	**$ 257**
Healthcare				
Defaulted Guaranteed Loans Receivable, Gross	$ -	$ 248	$ -	$ 248
Interest Receivables	-	16	-	16
Allowance for Subsidy Cost	-	(166)	-	(166)
Subtotal	**$ -**	**$ 98**	**$ -**	**$ 98**
HECM*				
Defaulted Guaranteed Loans Receivable, Gross	$ 21,406	$ 8,383	$ -	$ 29,843
Interest Receivables	23,218	7,074	-	30,292
Foreclosed Property	128	141	-	269
Allowance for Subsidy Cost	(8,495)	(3,236)	-	(11,731)
Subtotal	**$ 36,311**	**$ 12,362**	**$ -**	**$ 48,673**
Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net	**$ 61,681**	**$ 13,014**	**$ 3**	**$ 74,698**

FY 2023	MMI/CMHI	GI/SRI	H4H	Total
Single Family Forward				
Defaulted Guaranteed Loans Receivable, Gross	$ 29,500	$ 392	$ 6	$ 29,898
Interest Receivables	-	(1)	-	(1)
Foreclosed Property	408	15	-	423
Allowance for Subsidy Cost	(6,844)	(94)	(3)	(6,941)
Subtotal	**$ 23,064**	**$ 312**	**$ 3**	**$ 23,379**
Multifamily				
Defaulted Guaranteed Loans Receivable, Gross	$ 9	$ 346	$ -	$ 355
Interest Receivables	-	35	-	35
Foreclosed Property	-	19	-	19
Allowance for Subsidy Cost	(4)	(163)	-	(167)
Subtotal	**$ 5**	**$ 237**	**$ -**	**$ 242**
Healthcare				
Defaulted Guaranteed Loans Receivable, Gross	$ -	$ 288	$ -	$ 288
Interest Receivables	-	37	-	37
Allowance for Subsidy Cost	-	(194)	-	(194)
Subtotal	**$ -**	**$ 131**	**$ -**	**$ 131**
HECM*				
Defaulted Guaranteed Loans Receivable, Gross	$ 19,741	$ 7,621	$ -	$ 27,362
Interest Receivables	19,800	5,693	-	25,493
Foreclosed Property	122	139	-	261
Allowance for Subsidy Cost	(7,193)	(3,059)	-	(10,252)
Subtotal	**$ 32,470**	**$ 10,394**	**$ -**	**$ 42,864**
Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net	**$ 55,539**	**$ 11,074**	**$ 3**	**$ 66,616**

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

Significant Variances

Loans Receivable increased by $8,081 million in fiscal year 2024. The increase was primarily due to increases in Single Family Forward and HECM Defaulted Guaranteed Loans from Post-1991 Guarantees. Single family Forward increased by $2,291 million due to an increase in loans receivable of $4,764 million and foreclosed property of $26 million offset by an increase the allowance for subsidy cost of ($2,499) million. HECM loans receivable increased by $5,810 million due to increases in loans receivable of $2,481 million, interest receivable of $4,800 million, and foreclosed property of $8 million, offset by an increase in the allowance for subsidy of ($1,479) million.

Guaranteed Loans Outstanding:
(Dollars in Millions)

Loan Guarantee Programs	Outstanding Principal of Guaranteed Loans, Face Value	Amount of Outstanding Principal Guaranteed
FY 2024		
MMI/CMHI:		
Single Family Forward	$ 1,632,547	$ 1,441,523
Multifamily/Healthcare	1,076	994
MMI/CMHI Subtotal	**$ 1,633,623**	**$ 1,442,517**
GI/SRI:		
Single Family Forward	$ 4,793	$ 1,588
Multifamily/Healthcare	185,342	166,275
GI/SRI Subtotal	**$ 190,135**	**$ 167,863**
H4H:		
Single Family - 257	$ 44	$ 33
H4H Subtotal	**$ 44**	**$ 33**
Total	**$ 1,823,802**	**$ 1,610,413**
FY 2023		
MMI/CMHI:		
Single Family Forward	$ 1,486,174	$ 1,316,881
Multifamily/Healthcare	1,037	970
MMI/CMHI Subtotal	**$ 1,487,211**	**$ 1,317,851**
GI/SRI:		
Single Family Forward	$ 3,691	$ 1,830
Multifamily/Healthcare	178,150	161,600
GI/SRI Subtotal	**$ 181,841**	**$ 163,430**
H4H:		
Single Family - 257	$ 45	$ 35
H4H Subtotal	**$ 45**	**$ 35**
Total	**$ 1,669,097**	**$ 1,481,316**

New Guaranteed Loans Disbursed:
(Dollars in Millions)

	Outstanding Principal of Guaranteed Loans, Face Value	Amount of Outstanding Principal Guaranteed
FY 2024		
MMI/CMHI:		
Single Family Forward	$ 231,482	$ 230,180
Multifamily/Healthcare	42	42
MMI/CMHI Subtotal	**$ 231,524**	**$ 230,222**
GI/SRI:		
Single Family Forward	$ 16	$ 15
Multifamily/Healthcare	10,014	9,991
GI/SRI Subtotal	**$ 10,030**	**$ 10,006**
Total	**$ 241,554**	**$ 240,228**
FY 2023		
MMI/CMHI:		
Single Family Forward	$ 208,644	$ 207,366
Multifamily/Healthcare	36	36
MMI/CMHI Subtotal	**$ 208,680**	**$ 207,402**
GI/SRI:		
Single Family Forward	$ 16	$ 15
Multifamily/Healthcare	11,947	11,898
GI/SRI Subtotal	**$ 11,963**	**$ 11,913**
Total	**$ 220,643**	**$ 219,315**

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 1,346,906 HECM loans with a maximum claim amount of $379 billion. Of these 1,346,906 HECM loans insured by FHA, 307,799 loans with a maximum claim amount of $119 billion are still insured. As of September 30, 2024, the insurance-in-force (the outstanding balance of active loans that have not been assigned to FHA) was $70 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 2024				
MMI/CMHI		$ 13,357	$ 65,152	$ 113,812
GI/SRI		-	5,141	4,826
Total		**$ 13,357**	**$ 70,293**	**$ 118,638**
FY 2023				
MMI/CMHI		$ 16,165	$ 65,936	$ 115,091
GI/SRI		-	8,870	8,933
Total		**$ 16,165**	**$ 74,806**	**$ 124,024**

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

Negative Loan Guarantees, Net
(Dollars in Millions)

FY 2024	**MMI/CMHI**	**GI/SRI**	**Total**
LLG:			
Single Family Forward	$ (40,470)	$ 11	$ (40,459)
Multifamily	(39)	(2,266)	(2,305)
Healthcare	-	(943)	(943)
HECM	(7,272)	567	(6,705)
Subtotal	**$ (47,781)**	**$ (2,631)**	**$ (50,412)**
Negative Loan Guarantee Liability Total	**$ (47,781)**	**$ (2,631)**	**$ (50,412)**

FY 2023	**MMI/CMHI**	**GI/SRI**	**Total**
LLG:			
Single Family Forward	$ (29,262)	$ 18	$ (29,244)
Multifamily	(32)	(2,061)	(2,093)
Healthcare	-	(972)	(972)
HECM	(1,614)	1,252	(362)
Subtotal	**$ (30,908)**	**$ (1,763)**	**$ (32,671)**
Negative Loan Guarantee Liability Total	**$ (30,908)**	**$ (1,763)**	**$ (32,671)**

Subsidy Expense for Loan Guarantees by Program and Component

(Dollars in Millions)

FY 2024		**MMI/CMHI**		**GI/SRI**		**Total**
Single Family Forward:						
Defaults	$	6,507	$	-	$	$6,507
Fees and Other Collections		(11,092)		(1)		(11,093)
Other		1,530		-		1,530
Subtotal	**$**	**(3,055)**	**$**	**(1)**	**$**	**(3,056)**
Multifamily:						
Defaults	$	1	$	41	$	42
Fees and Other Collections		(2)		(179)		(181)
Other		-		-		-
Subtotal	**$**	**(1)**	**$**	**(138)**	**$**	**(139)**
Healthcare:						
Defaults	$	-	$	$114	$	114
Fees and Other Collections		-		(162)		(162)
Other		-		-		-
Subtotal	**$**	**-**	**$**	**(48)**	**$**	**(48)**
HECM:						
Defaults	$	99		-	$	99
Fees and Other Collections		(482)		-		(482)
Subtotal	**$**	**(383)**	**$**	**-**	**$**	**(383)**
Total	**$**	**(3,439)**	**$**	**(187)**	**$**	**(3,626)**
FY 2023		**MMI/CMHI**		**GI/SRI**		**Total**
Single Family Forward:						
Defaults		6,835		1		6,836
Fees and Other Collections		(12,334)		(1)		(12,335)
Other		1,515		-		1,515
Subtotal	**$**	**(3,984)**	**$**	**-**	**$**	**(3,984)**
Multifamily:						
Defaults		1		59		60
Fees and Other Collections		(2)		(266)		(268)
Other		-		-		-
Subtotal	**$**	**(1)**	**$**	**(207)**	**$**	**(208)**
Healthcare:						
Defaults	$	-	$	104	$	104
Fees and Other Collections		-		(177)		(177)
Other		-		-		-
Subtotal	**$**	**-**	**$**	**(73)**	**$**	**(73)**
HECM:						
Defaults		(31)		-		(31)
Fees and Other Collections		(647)		-		(647)
Subtotal	**$**	**(678)**	**$**	**-**	**$**	**(678)**
Total	**$**	**(4,663)**	**$**	**(280)**	**$**	**(4,943)**

Subsidy Expense for Reestimates
(Dollars in Millions)

FY 2024	Interest Rate Reestimate	Technical Reestimate	Total Reestimate
MMI/CMHI	$ 176	$ (22,293)	$ (22,117)
GI/SRI	47	(1,048)	(1,001)
Total	**$ 223**	**$ (23,341)**	**$ (23,118)**

FY 2023	Interest Rate Reestimate	Technical Reestimate	Total Reestimate
MMI/CMHI	$ 516	$ 2,159	$ 2,674
GI/SRI	(164)	282	118
Total	**$ 352**	**$ 2,441**	**$ 2,792**

Total Loan Guarantee Subsidy Expense:
(Dollars in Millions)

	FY 2024	FY 2023
MMI/CMHI	$ (25,556)	$ (1,987)
GI/SRI	(1,188)	(163)
Total	**$ (26,744)**	**$ (2,150)**

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.

Subsidy Rates for Loan Guarantee Endorsements by Program and Component

(Percentage)

Budget Subsidy Rates for FY 2024 Loans Guarantees:	Defaults	Fees and Other Collections	Other	Total
MMI/CMHI				
Single Family				
SF - Forward	2.81	(4.79)	0.66	(1.32)
HECM				
SF – HECM	0.74	(3.61)	-	(2.87)
Multifamily				
MF - Default CMHI- (Cooperatives)	2.81	(4.79)	0.66	(1.32)
GI/SRI				
Single Family				
Title I - Manufactured Housing	3.79	(9.46)	-	(5.67)
Title I - Property Improvements	2.59	(5.10)	-	(2.51)
Multifamily				
Apartments – New/Substantial Construction	0.96	(2.14)	-	(1.18)
Tax Credit Projects	0.45	(2.22)	-	(1.77)
Apartments- Refinance	0.19	(1.96)	-	(1.77)
HFA Risk Share	0.07	(1.21)	-	(1.14)
Healthcare				
FHA Full Insurance - Health Care	0.55	(5.52)	-	(4.98)
MF - Health Care Refinance	3.54	(4.65)	-	(1.12)
MF - Hospitals (includes refi., and Suppl. Loan)	0.31	(5.53)	-	(5.22)
Other Rentals	0.79	(3.78)	-	(2.99)

Budget Subsidy Rates for FY 2023 Loans Guarantees:	Defaults	Fees and Other Collections	Other	Total
MMI/CMHI				
Single Family				
SF - Forward 10/01/2022 – 03/19/2023	3.19	(6.95)	0.71	(3.05)
SF - Forward 03/20/2023 - 09/30/2023	3.34	(5.23)	0.74	(1.15)
SF - HECM	(0.19)	(4.00)	-	(4.19)
Multifamily				
MF - Default CMHI- (Cooperatives) 10/1/202203/19/2023	3.19	(6.95)	0.71	(3.05)
MF - Default CMHI- (Cooperatives) 03/20/2023 - 09/30/2023	3.34	(5.23)	0.74	(1.15)
GI/SRI				
Single Family				
Title I - Manufactured Housing	4.67	(10.82)	-	(6.15)
Title I - Property Improvements	4.67	(6.26)	-	(1.59)
Multifamily				
Apartments – New/Substantial Construction	1.63	(2.53)	-	(0.90)
Tax Credit Projects	0.64	(2.80)	-	(2.16)
Apartments- Refinance	0.31	(2.56)	-	(2.25)
HFA Risk Share	0.06	(1.62)	-	(1.56)
Healthcare				
FHA Full Insurance - Health Care	0.76	(6.56)	-	(5.80)
MF - Health Care Refinance	3.72	(5.99)	-	(2.27)
MF - Hospitals (includes refi., and Suppl. Loan)	0.46	(6.18)	-	(5.72)
Other Rentals	1.37	(4.01)	-	(2.64)

In accordance with the requirements in OMB Circular A-11 Section 185, FHA's Budget Subsidy Rates for fiscal year 2024 and fiscal year 2023 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 2024 and fiscal year 2023 were included in the President's Budget for fiscal year 2024 and fiscal year 2023, 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 President's 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 2024		FY 2023
Beginning balance of the Negative Loan Guarantees	**$**	**(32,671)**	**$**	**(39,768)**
Less claim payments to lenders		(22,344)		(22,282)
Add fees received		14,764		13,949
Add foreclosed property and loans acquired		20,152		20,508
Less interest revenue on uninvested funds		931		956
Add interest expense on entity borrowings		(4,224)		(3,834)
Less negative subsidy payments		(3,626)		(4,943)
Add upward reestimates		1,711		5,921
Less downward reestimates		(24,829)		(3,128)
Other		(276)		(50)
Ending Balance of the Negative Loan Guarantees	**$**	**(50,412)**	**$**	**(32,671)**

Administrative Expense
(Dollars in Millions)

		FY 2024		FY 2023
MMI/CMHI	$	988	$	945
Total	**$**	**988**	**$**	**945**

Schedule for Reconciling Loans Receivable, Net

(Dollars in Millions)

FY 2024	Direct Loans	Defaulted Guaranteed Loans (Post-1991)	Defaulted Guaranteed Loans (Pre-1992)	Total
Beginning Balance of Loans Receivable, Net	**$ 3,249**	**$ 66,617**	**$ 770**	**$ 70,636**
Add loan disbursements	143	9,521	41	9,705
Add foreclosed property acquired	-	1,258	-	1,258
Add reduction in subsidy allowance for loans written off	-	477	-	477
Less principal and interest payments received	(124)	(4,766)	(54)	(4,944)
Less fees received	-	(363)	-	(363)
Less sale of foreclosed property	-	(875)	-	(875)
Less loans written off	-	(716)	(3)	(719)
Less interest revenue on uninvested funds/Add interest expense on borrowings	11	-	-	11
Less subsidy expense/Add negative subsidy	5	-	-	5
Less upward reestimates/Add downward reestimates	(19)	3,586	-	3,567
Other increase/(decrease) to the subsidy allowance	-	(40)	-	(40)
Ending Balance of Loans Receivable, Net	**$ 3,265**	**$ 74,699**	**$ 754**	**$ 78,718**

FY 2023	Direct Loans	Defaulted Guaranteed Loans (Post-1991) As Restated	Defaulted Guaranteed Loans (Pre-1992)	Total As Restated
Beginning Balance of Loans Receivable, Net	**$ 3,070**	**$ 57,066**	**$ 803**	**$ 60,939**
Add loan disbursements	200	10,459	35	10,694
Add foreclosed property acquired	-	1,142	-	1,142
Add reduction in subsidy allowance for loans written off	-	270	-	270
Less principal and interest payment received	(119)	(4,451)	(68)	(4,638)
Less fees received	-	(298)	-	(298)
Less sale of foreclosed property	-	(763)	-	(763)
Less loans written off	-	(411)	-	(411)
Less interest revenue on uninvested funds/Add interest expense on borrowings	(1)	-	-	(1)
Less subsidy expense/Add negative subsidy	13	-	-	13
Less upward reestimates/Add downward reestimates	86	3,732	-	3,818
Other increase/(decrease) to the subsidy allowance	-	(128)	-	(128)
Ending Balance of Loans Receivable, Net	**$ 3,249**	**$ 66,618**	**$ 770**	**$ 70,637**

Other Information On Foreclosed Property:

Additional information on FHA foreclosed property as of September 30, 2024 and 2023, is as follows:

Other Information On Foreclosed Property	FY 2024	FY 2023
Average number of days in inventory for Sold Cases	178	176
End of period active inventory	2,401	2,548

This chart reports the average holding period for FHA foreclosed property and the total number of foreclosed properties on-hand as of September 30, 2024. The amounts reported above for foreclosed properties include both Single Family Forward and HECM foreclosed properties.

Restrictions on the use/disposal of foreclosed property

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 and HECM properties may be sold to eligible entities (24 CFR 291.303) through public asset sales. The 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 2024. Overall, FHA's liability decreased from the fiscal year 2024 estimates.

Mutual Mortgage Insurance (MMI) – On net, the MMI Fund LLG decreased from ($30,876) million to ($47,741) million at the end of fiscal year 2024. 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 2024 SFF LLG forecast calculation is like the methodology used in 2023. 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 2023 LLG, the 2024 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 2024, 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 2023 LLG, the 2024 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 $567 million at the end of 2024, 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 $53 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 decreased this year by $59.7 million, from ($1,075) million to ($1,135) million, due to lower claim and prepayment expectations, as well as an increase in insurance-in-force.

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 $16.7 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 decreased this year by $25.1 million, from ($383) million to ($408) million due to lower claim and prepayment expectations.

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 $25.3 billion. The Section 221(d)(4) liability decreased by $103.4 million this year, from ($182) million to ($286) million, due to lower claim and prepayment projections, as well as an increase in 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 $2.1 billion. The Section 232 NC liability decreased by $4.2 million this year, from ($39.9) million to ($44.1) million, due to lower claim projections and higher 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 $33.3 billion. The Section 232 Refinance liability increased by $4.0 million this year, from ($703) million to ($699) million, due to higher claim and prepayment projections.

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 $5.3 billion. The Section 242 liability increased by $28.2 million this year from ($225) million to ($197) 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 2024 is zero.

GI/SRI Multifamily & Healthcare LLR - For the Multifamily and Healthcare portfolio, the remaining insurance-in-force for pre-credit reform loans is $65.6 million. The aggregate liability for the remaining pre-credit reform loans in fiscal year 2024 is ($230) thousand, which is a $69 thousand increase from the ($299) thousand estimate in fiscal year 2023. The year-over-year decrease in aggregate liability is due to the decreasing insurance-in-force in the liquidating fund.

NOTE 8. ACCOUNTS PAYABLE

Accounts Payable as of September 30, 2024 and 2023, are as follows:

Accounts Payable
(Dollars in Millions)

		FY 2024		FY 2023
Intragovernmental:				
Miscellaneous Payables to Other Federal Agencies	$	1	$	5
Total	**$**	**1**	**$**	**5**
Other than Intragovernmental:				
Claims Payable	$	226	$	87
Premium Refunds Payable		388		390
Single Family Property Disposition Payable		10		29
Miscellaneous Payables		72		68
Total	**$**	**696**	**$**	**574**

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 Payable

Claims payable 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 Payable

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 Payable

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.

Significant Variances

The increase of $122 million in accounts payable was primarily due to increases in claims payable in both the MMI/CMHI and GI/SRI funds in the amount of $79 million and $60 million; in addition, an increase in miscellaneous payables accounted for $4 million of the variance. The activity was offset by decreases in single family property disposition payables in MMI/CMHI of ($16) million and GI/SRI of ($3) million; premium refunds payable also decreased by ($2) million.

Note 9. Debt

The following tables describe the composition of Debt held by FHA in millions as of September 30, 2024 and 2023:

Debt
(Dollars in Millions)

FY 2024	**Beginning Balance**	**Borrowings**	**Repayments**	**Ending Balance**
Intragovernmental Debt:				
Debt to the U.S. Treasury	$ 106,978	$ 21,804	$ (1,475)	$ 127,307
Debt to the FFB	2,806	60	(38)	2,828
Total	**$ 109,784**	**$ 21,864**	**$ (1,513)**	**$ 130,135**

FY 2023	**Beginning Balance**	**Borrowings**	**Repayments**	**Ending Balance**
Intragovernmental Debt:				
Debt to the U.S. Treasury	$ 93,571	$ 22,282	$ (8,875)	$ 106,978
Debt to the FFB	2,722	120	(36)	2,806
Total	**$ 96,293**	**$ 22,402**	**$ (8,911)**	**$ 109,784**

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.

Both interest revenue and expense are accrued at FHA's Single Effective Rate (SER). During fiscal year 2024, FHA's U.S. Treasury debt carried interest rates ranging from 0.68 percent to 7.59 percent, and the maturity dates for these debts range from September 2026 to September 2049. 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 from the U.S. Treasury as of September 30, 2024 and 2023, was zero. FHA returns unused borrowing authority to the U.S. Treasury at fiscal year end. After discussions with the U.S. Treasury in fiscal year 2024, FHA revised its methodology for calculating available borrowing authority and adjusted the prior year disclosure of $8, 875 million to zero. Interest paid on borrowings from the U.S. Treasury as of September 30, 2024 and 2023, was $4,224 million and $3,834 million, respectively.

Debt to the Federal Financing Bank

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. During fiscal year 2024, FHA's FFB debt carried interest rates ranging from 1.57 percent to 3.86 percent, and the maturity dates for the FFB debt ranged from May 2038 to October 2064. FHA's available borrowing authority from the FFB as of September 30, 2024 and 2023, was $244 million and $223 million, respectively. The prior year amount reflects a $35 million increase due to the inclusion of subsidy expense, compared to the amount reported in FHA's published fiscal year 2023 annual report. Interest paid on borrowings from the FFB as of September 30, 2024 and 2023, was $82.6 million and $82.4 million, respectively.

Significant Variances

Debt increased in fiscal year 2024 in all of FHA's financing accounts. Cash inflows from FHA's normal business activities were insufficient for FHA to pay claims and make the necessary transfers of negative subsidy and downward reestimates from FHA's loan guarantee financing accounts. FHA increased its borrowing in both the GI/SRI and MMI loan guarantee financing accounts due to disbursements of HECM, Single Family, and Multi-family claims, negative subsidy, and downward reestimates on loan guarantees. In addition, the GI/SRI Direct Loan financing account borrowing increased to allow FHA to disburse and endorse additional loans under the FFB direct loan program.

Note 10. Other Liabilities

The following table describes the composition of Other Liabilities as of September 30, 2024 and 2023:

Other Liabilities (Dollars in Millions)		
FY 2024		**Current**
Intragovernmental:		
Liability to the General Fund of the U.S. Government for Custodial and Other Non-Entity Assets	$	1,723
Total Intragovernmental	**$**	**1,723**
Other than Intragovernmental:		
Trust and Deposit Liabilities	$	56
Miscellaneous Liabilities		204
Total Other than Intragovernmental	**$**	**260**
Total Other Liabilities	**$**	**1,983**
FY 2023		**Current**
Intragovernmental:		
Liability to the General Fund of the U.S. Government for Custodial and Other Non-Entity Assets	$	2,047
Total Intragovernmental	**$**	**2,047**
Other than Intragovernmental:		
Trust and Deposit Liabilities	$	69
Miscellaneous Liabilities		202
Total Other than Intragovernmental	**$**	**271**
Total Other Liabilities	**$**	**2,318**

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. The receipt account liability decreased by ($324) million in fiscal year 2024, due primarily to a decrease in downward reestimates and negative subsidy transferred from the GI/SRI loan guarantee financing account during fiscal year 2024. GI/SRI downward reestimates and negative subsidy are transferred to general fund receipt accounts and are not available to be used for FHA's business operations.

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

Total Liabilities Not Requiring Budgetary Resources
(Dollars in Millions)

	FY 2024	FY 2023
Total Liabilities Not Covered by Budgetary Resources	$ -	$ 3
Total Liabilities Covered by Budgetary Resources	131,326	110,837
Total Liabilities Not Requiring Budgetary Resources	1,742	2,064
Total Liabilities	**$ 133,068**	**$ 112,904**

Total Liabilities Covered by Budgetary Resources include 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 required in the past and will not require in the future the use of budgetary resources. FHA's liabilities in its general fund receipt accounts, including immaterial liabilities in non-fiduciary deposit funds, are reported as liabilities not requiring budgetary resources for fiscal years 2024 and 2023. 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 to 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, 2024. In addition, there are pending or threatened legal actions where judgment against FHA is reasonably possible with an estimated potential loss of $26 million or more.

Activity With Ginnie Mae

As of September 30, 2024, and 2023, the Government National Mortgage Association ("Ginnie Mae") held FHA-insured mortgage loans acquired from defaulted mortgage-backed securities issuers with the following balances:

Activity With Ginnie Mae
(Dollars in Millions)

	FY 2024	FY 2023
HECM Loans, at Gross Fair Value	$ 17,877	$ 19,866
Single Family Loans, at Gross Fair Value & Foreclosed Property	1,528	1,659
Short Sale Claims Receivable	1	2
Total	**$ 19,406**	**$ 21,527**

"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 for forward loans and upon assignment at 98% of the maximum claim amount for HECM loans. Claims may also be submitted for any deficiency in amounts collected from the disposition (short sale, etc.) of the asset. 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, 2024 and 2023, are as follows:

Gross Costs Incurred by FHA
(Dollars in Millions)

FY 2024	Single Family Forward	HECM	Multi-family	Health-care	Administrative Expenses	Total
Intragovernmental:						
Interest Expense	$ 1,401	$ 2,638	$ 204	$ 64	$ -	$ 4,307
Imputed Cost	-	-	-	-	31	31
Other Expenses	-	-	-	-	254	254
Total	**$ 1,401**	**$ 2,638**	**$ 204**	**$ 64**	**$ 285**	**$ 4,592**
Other than Intragovernmental:						
Salary and Administrative Expense	$ -	$ -	$ -	$ -	$ 706	$ 706
Subsidy Expense	(3,055)	(383)	(144)	(48)	-	(3,630)
Reestimate Expense	(16,672)	(6,054)	(403)	31	-	(23,098)
Interest Accumulation Expense	(1,151)	(2,084)	(43)	(17)	-	(3,295)
Bad Debt Expense	1	-	4	-	-	5
Other Expenses	3	-	5	-	(3)	5
Total	**$ (20,874)**	**$ (8,521)**	**$ (581)**	**$ (34)**	**$ 703**	**$(29,307)**
Total Gross Costs (Surplus)	**$ (19,473)**	**$ (5,883)**	**$ (377)**	**$ $30**	**$ 988**	**$(24,715)**

FY 2023	Single Family Forward	HECM	Multi-family	Health-care	Administrative Expenses	Total
Intragovernmental:						
Interest Expense	$ 1,259	$ 2,428	$ 177	$ 52	$ -	$ 3,916
Imputed Cost	-	-	-	-	24	24
Other Expenses	3	-	-	-	241	244
Total	**$ 1,262**	**$ 2,428**	**$ 177**	**$ 52**	**$ 265**	**$ 4,184**
Other than Intragovernmental:						
Salary and Administrative Expense	$ -	$ -	$ -	$ -	$ 677	$ 677
Subsidy Expense	(3,984)	(678)	(221)	(74)	-	(4,957)
Reestimate Expense	(1,056)	4,506	(490)	(255)	-	2,705
Interest Accumulation Expense	(913)	(1,921)	(33)	(10)	-	(2,877)
Bad Debt Expense	1	-	3	-	-	4
Other Expenses	1	-	9	-	3	13
Total	**$ (5,951)**	**$ 1,907**	**$ (732)**	**$ (339)**	**$ $680**	**$ (4,435)**
Total Gross Costs	**$ (4,689)**	**$ 4,335**	**$ (555)**	**$ (287)**	**$ 945**	**$ (251)**

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.

Salary And Administrative Expenses

Salary and administrative expenses 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.

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 that are other than intragovernmental 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.

SIGNIFICANT VARIANCES

Significant variances in FHA's Gross Cost (Surplus) were noted for Single Family Forward and HECM Gross Costs (Surplus). The increase in FHA's Gross Surplus was primarily due to downward reestimates in both the MMI/CMHI and GI/SRI program accounts, offset by an increase in interest expense on the loan guarantee liability.

NOTE 14. EARNED REVENUE

Earned revenues generated by FHA for the period ended September 30, 2024 and 2023, are as follows:

Earned Revenue
(Dollars in Millions)

FY 2024	Single Family Forward	HECM	Multi-family	Healthcare	Total
Intragovernmental:					
Interest Revenue from Deposits at U.S. Treasury	$ 250	$ 554	$ 69	$ 47	$ 920
Interest Revenue from MMI/CMHI Investments	5,368	223	-	-	5,591
Total Intragovernmental	**$ 5,618**	**$ 777**	**$ 69**	**$ 47**	**$ 6,511**
Other than Intragovernmental:					
Income from Notes and Properties	$ -	$ -	$ 47	$ -	$ 47
Other Revenue	1	-	93	-	94
Total Other than Intragovernmental	**$ 1**	**$ -**	**$ 140**	**$ -**	**$ 141**
Total Earned Revenue	**$ 5,619**	**$ 777**	**$ 209**	**$ 47**	**$ 6,652**
FY 2023	**Single Family Forward**	**HECM**	**Multi-family**	**Healthcare**	**Total**
Intragovernmental:					
Interest Revenue from Deposits at U.S. Treasury	$ 346	$ 507	$ 65	$ 42	$ 960
Interest Revenue from MMI/CMHI Investments	2,204	50	-	-	2,254
Total Intragovernmental	**$ 2,550**	**$ 557**	**$ 65**	**$ 42**	**$ 3,214**
Other than Intragovernmental:					
Income from Notes and Properties	$ 1	$ -	$ 47	$ -	$ 48
Other Revenue	-	-	80	-	80
Total Other than Intragovernmental	**$ 1**	**$ -**	**$ 127**	**$ -**	**$ 128**
Total Earned Revenue	**$ 2,551**	**$ 557**	**$ 192**	**$ 42**	**$ 3,342**

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. Single Family Forward Intragovernmental Earned Revenue increased by $3,068 million in fiscal year 2024, primarily due to an increase in Interest Revenue from MMI/CMHI Investments, offset by a decrease in Interest Revenue from Deposits at U.S. Treasury.

INSURANCE PREMIUM REVENUE

Under FCRA accounting, FHA's premium revenue should include only premiums associated with the pre-1992 loan guarantee business. However, these are immaterial and are not presented as a separate line item in the chart above. 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 2024 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 2024 were:

Upfront Premium Rates	
10/01/2023 - 9/30/2024	
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 2024 were:

Annual Periodic Premium Rates	
10/01/2023 - 9/30/2024	
Single Family - Term > 15 years	0.50%, 0.55%, 0.70% or 0.75%
Single Family - Term ≤ 15 years	0.15%, 0.40% or 0.65%
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.

SIGNIFICANT VARIANCES

Increases in Earned Revenue are primarily due to increases in both the Single Family Forward and HECM programs for the amortization of discounts/premiums to MMI/CMHI investments and interest revenue on uninvested funds.

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, 2024 and 2023, are as follows:

Unexpended Appropriations
(Dollars in Millions)

FY 2024	Beginning Balance	Appropriations Received	Other Adjustments	Appropriations Used	Ending Balance
Positive Subsidy	$ 2	$ -	$ -	$ -	$ 2
Authority for Contract Expenses	187	150	(12)	(149)	176
Reestimates	-	547	-	(547)	-
GI/SRI Liquidating	353	25	(376)	(2)	-
Total	**$ 542**	**$ 722**	**$ (388)**	**$ (698)**	**$ 178**

FY 2023	Beginning Balance	Appropriations Received	Other Adjustments	Appropriations Used	Ending Balance
Positive Subsidy	$ 2	$ -	$ -	$ -	$ 2
Authority for Contract Expenses	211	150	(34)	(140)	187
Reestimates	-	694	-	(694)	-
GI/SRI Liquidating	328	25	-	-	353
Total	**$ 541**	**$ 869**	**$ (34)**	**$ (834)**	**$ 542**

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 appropriations are rescinded, permanent indefinite appropriations are returned, or other miscellaneous adjustments are required.

In fiscal year 2024, FHA recorded the correction of an error from years preceding the prior year in the amount of $353 million. Please refer to Note 1 for details.

Note 17. Undelivered Orders And Commitments At The End Of The Period

Undelivered Orders – Unpaid represent the amount of goods and services ordered by FHA that have not been actually or constructively received and for which amounts have not been prepaid or advanced. This includes amounts specified in contracts or agreements. Undelivered Orders by fund as of September 30, 2024 and 2023, are as follows:

Undelivered Orders - Unpaid (Dollars in Millions)						
FY 2024		**Federal**		**Non-Federal**		**Total**
MMI/CMHI	$	17	$	745	$	762
GI/SRI		-		2,597		2,597
H4H		-		1		1
Undelivered Orders Total	**$**	**17**	**$**	**3,343**	**$**	**3,360**
FY 2023		**Federal**		**Non-Federal**		**Total**
MMI/CMHI	$	8	$	783	$	791
GI/SRI		-		2,293		2,293
H4H		-		2		2
Undelivered Orders Total	**$**	**8**	**$**	**3,078**	**$**	**3,086**

NOTE 18. BUDGETARY RESOURCES - COLLECTIONS

FHA's collections represent actual offsetting collections received by FHA during the fiscal year from Federal and Non-Federal sources. Spending authority from offsetting collections represents offsetting collections net of repayments of debts. These collections offset FHA's gross outlays. The following table presents FHA's collections for the period ended September 30, 2024 and 2023:

Budgetary Resources-Collections
(Dollars in Millions)

FY 2024	MMI/CMHI	GI/SRI	H4H	Total
Collections:				
Premiums	$ 14,076	$ 720	$ -	$ 14,796
Notes	4,489	1,535	-	6,024
Property	728	91	-	819
Interest Earned from U.S. Treasury	6,227	338	-	6,565
Subsidy	3,440	-	-	3,440
Reestimates	22,504	546	1	23,051
Collections from settlements	16	-	-	16
Other	84	121	-	205
Total	**$ 51,564**	**$ 3,351**	**$ 1**	**$ 54,916**

FY 2023	MMI/CMHI	GI/SRI	H4H	Total
Collections:				
Premiums	$ 13,089	$ 733	$ -	$ 13,822
Notes	3,953	1,351	1	5,305
Property	616	98	-	714
Interest Earned from U.S. Treasury	3,636	360	-	3,996
Subsidy	4,660	-	-	4,660
Reestimates	7,645	694		8,339
Collections from settlements	-	-	-	-
Other	89	118	-	207
Total	**$ 33,688**	**$ 3,354**	**$ 1**	**$ 37,043**

NOTE 19. BUDGETARY RESOURCES – OBLIGATIONS INCURRED

Obligations Incurred are reported on the Statement of Budgetary Resources as new obligations and upward adjustments. Obligations incurred represent new paid or unpaid obligations incurred by FHA during the fiscal year, as well as upward adjustments to prior-year outstanding obligations. The following table presents FHA's obligations incurred for the period ended September 30, 2024 and 2023:

Budgetary Resources - Obligations Incurred
(Dollars in Millions)

September 30, 2024	MMI/CMHI	GI/SRI	H4H	Total
Obligations:				
Claims	$ 13,662	$ 3,180	$ 1	$ 16,843
Property Expenses	218	69	-	287
Interest on Borrowings – BFS	3,291	933	-	4,224
Interest on Borrowings - FFB	-	1	-	1
Subsidy	3,439	215	-	3,654
Downward Reestimates	18,331	2,013	-	20,344
Upward Reestimates	4,173	546	1	4,720
Administrative Contracts	157	(6)	-	151
FFB Direct Loans	-	434	-	434
Other	311	169	-	480
Total	**$ 43,582**	**$ 7,554**	**$ 2**	**$ 51,138**

September 30, 2023	MMI/CMHI	GI/SRI	H4H	Total
Obligations:				
Claims	$ 12,425	$ 4,410	$ 1	$ 16,836
Property Expenses	273	60	-	333
Interest on Borrowings – BFS	3,003	830	-	3,833
Interest on Borrowings – FFB	-	69	-	69
Subsidy	4,663	300	-	4,963
Downward Reestimates	5,830	1,621	3	7,454
Upward Reestimates	1,815	694	-	2,509
Administrative Contracts	166	-	-	166
FFB Direct Loans	-	355	-	355
Other	208	136	-	344
Total	**$ 28,383**	**$ 8,475**	**$ 4**	**$ 36,862**

Note 20. Net Adjustments To Unobligated Balance, Brought Forward, October 1

During the years ended September 30, 2024 and 2023, certain adjustments were made to the balance of unobligated budgetary resources available as of October 1, 2023 and 2022. 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.

Net Adjustments to Unobligated Balance, Brought Forward October 1
(Dollars in Millions)

		FY 2024		FY 2023
Net Adjustments to Unobligated Balance, Brought Forward October 1				
Prior Year Ending Unobligated Balance	$	148,144	$	132,942
Adjustments to Budgetary Resources Made During Current Year:				
Adjustments Reported on Line 1020 of the SF-133	$	(24)	$	(70)
Downward Adjustments of Prior Year Undelivered Orders		417		612
Downward Adjustments of Prior Year Delivered Orders		8		7
Other Adjustments		(153)		(258)
Net Adjustments to Unobligated Balance Brought Forward, October 1	**$**	**248**	**$**	**291**
Unobligated Balance from Prior Year (Discretionary and Mandatory)	**$**	**148,392**	**$**	**133,233**

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.

Reconciliation Of Net Cost To Net Outlays
For the Period Ending September 30, 2024
(Dollars in Millions)

	Intragovernmental	Other than Intragovernmental	Total
Net Cost (Surplus)	**$ (1,920)**	**$ (29,448)**	**$ (31,367)**
Components of Net Cost That Are Not Part of the Budgetary Outlays:			
Year-end credit reform subsidy accrual reestimates	$ 17,364	$ -	$ 17,364
Negative Subsidy	3,630	-	3,630
Adjustments to prior year credit reform reestimates accrual	5,465	-	5,465
Increase/(Decrease) in Assets:			
Accounts receivable, net	4,780	-	4,780
Loans Receivable, net (Non-FCRA)	-	(16)	(16)
Securities and investments	(53)	-	(53)
Increase/(Decrease) in Liabilities:			
Accounts Payable	2,856	1	2,857
Other Liabilities	(1)	3	2
Financing Sources:			
Imputed Cost	(31)	-	(31)
Total Components Of Net Operating Cost Not Part Of Budgetary Outlays	**$ 34,280**	**$ (12)**	**$ 34,268**
Financing Sources:			
Transfers out/(in) without reimbursements	(28,250)	-	(28,250)
Effect of prior year credit subsidy reestimates	547	-	547
Total Components Of The Budget Outlays That Are Not Part Of Net Operating Costs	**$ (27,703)**	**$ -**	**$ (27,703)**
Other Reconciling Items:			
Distributed offsetting receipts (SBR 4200)	$ (2,207)	$ -	$ (2,207)
Financing Fund Activity (FHA/HUD Proper)	(3,386)	3,386	-
Non-Entity Activity	2,297	-	2,297
Liability for Liquidating Fund Transfers	(90)	-	(90)
Total Other Reconciling Items	**$ (3,386)**	**$ 3,386**	**$ -**
Total Net Outlays (Calculated Total)	**$ 1,271**	**$ (26,074)**	**$ (24,802)**
Budgetary Agency Outlays, net (SBR 4210)			**$ (24,802)**

Reconciliation Of Net Cost To Net Outlays

For the Period Ending September 30, 2023

(Dollars in Millions)

	Intragovernmental	Other than Intragovernmental	Total
Net Cost (Surplus)	**$ 970**	**$ (4,562)**	**$ (3,593)**
Components of Net Cost That Are Not Part of the Budgetary Outlays:			
Year-end credit reform subsidy accrual reestimates	$ 10,159	$ -	$ 10,159
Negative Subsidy	4,956	-	4,956
Adjustments to prior year credit reform reestimates accrual	(12,864)	-	(12,864)
Increase/(Decrease) in Assets:			
Accounts receivable, net	(3,996)	-	(3,996)
Loans Receivable, net (Non-FCRA)	-	(33)	(33)
Securities and investments	(784)	-	(784)
Increase/(Decrease) in Liabilities:			
Accounts payable	(3,757)	11	(3,746)
Other Liabilities	-	(7)	(7)
Financing Sources:			
Imputed Cost	(24)	-	(24)
Total Components Of Net Operating Cost Not Part Of Budgetary Outlays	**$ (6,311)**	**$ (29)**	**$ (6,341)**
Financing Sources:			
Transfers out/(in) without reimbursements	(3,634)	-	(3,634)
Effect of prior year credit reform subsidy reestimates	694	-	694
Total Components Of The Budget Outlays That Are Not Part Of Net Operating Costs	**$ (2,941)**	**$ -**	**$ (2,941)**
Other Reconciling Items:			
Distributed offsetting receipts (SBR 4200)	$ (1,933)	$ -	$ (1,933)
Custodial/Non-exchange revenue	-	(1)	(1)
Non-Entity Activity	2,156	-	2,156
Financing Fund Activity (FHA/HUD Proper)	(2,957)	2,957	-
Liability for Liquidating Fund Transfers	(223)	-	(223)
Total Other Reconciling Items	**$ (2,957)**	**$ 2,956**	**$ (1)**
Total Net Outlays (Calculated Total)	**$ (11,239)**	**$ (1,635)**	**$ (12,874)**
Budgetary Agency Outlays, net (SBR 4210)			**$ (12,874)**

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 reestimates 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 reestimates 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."

In accordance with the guidance provided by OMB Circular A-136, the presentation of the BAR has been revised to enhance clarity and compliance. Specifically, we have adjusted the reporting of financing accounts related to loans receivable under FCRA.

Under the updated presentation, financing account activities are now included in the Net Income line of the BAR. This change reflects our commitment to providing a comprehensive overview of our financial performance while adhering to regulatory requirements. However, to maintain transparency and ensure a clear understanding of the financing activities, we have also included a line item *Financing Fund Activity (FHA/HUD Proper)* in the "Other Reconciling Items" section that backs out these financing account activities to follow the guidance provided by OMB.

This approach ensures that stakeholders can clearly see the effects of financing accounts on our overall financial results while distinctly isolating these items for better analysis. This dual presentation aligns with OMB A-136, which stipulates that agencies must exclude financing account activities from the BAR.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule A: Intragovernmental Assets

FHA's Intra-governmental assets, by Federal entity, are as follows on September 30, 2024 and 2023:

Intragovernmental Assets
(Dollars in Millions)

FY 2024	Fund Balance with U.S. Treasury	Investments in U.S. Treasury Securities	Total
U.S. Treasury	$ 20,228	$ 155,937	$ 176,165
Total	**$ 20,228**	**$ 155,937**	**$ 176,165**

FY 2023	Fund Balance with U.S. Treasury	Investments in U.S. Treasury Securities	Total
U.S. Treasury	$ 17,947	$ 132,776	$ 150,723
Total	**$ 17,947**	**$ 132,776**	**$ 150,723**

Schedule B: Intragovernmental Liabilities

FHA's Intragovernmental liabilities, by Federal entity, are as follows on September 30, 2024 and 2023:

Intragovernmental Liabilities
(Dollars in Millions)

FY 2024	Accounts Payable	Borrowings	Other Liabilities	Total
Federal Financing Bank	$ -	$ 2,830	$ -	$ 2,830
U.S. Treasury	-	127,305	1,723	129,028
HUD	1	-	-	1
Total	**$ 1**	**$ 130,135**	**$ 1,723**	**$ 129,029**

FY 2023	Accounts Payable	Borrowings	Other Liabilities	Total
Federal Financing Bank	$ -	$ 2,806	$ -	$ 2,806
U.S. Treasury	-	106,978	2,047	109,025
HUD	5	-	-	5
Total	**$ 5**	**$ 109,784**	**$ 2,047**	**$ 111,836**

REQUIRED SUPPLEMENTARY INFORMATION

Schedule C: Comparative Combining Statement Of Budgetary Resources By FHA Program For Budgetary September 30, 2024:

Comparative Combining Statement Of Budgetary Resources By FHA Program

(Dollars in Millions)

	MMI/CMHI		GI/SRI		
	Capital Reserve	Program	Program	Other	Budgetary Total
Budgetary Resources:					
Unobligated balance from prior year budget authority, net	$ 128,065	$ 4,217	$ 2	$ 17	$ 132,301
Appropriations (discretionary and mandatory)	-	150	546	3	699
Spending authority from offsetting collections (discretionary & mandatory)	26,992	-	-	68	27,060
Total budgetary resources	**$ 155,057**	**$ 4,367**	**$ 548**	**$ 88**	**$ 160,060**
Status of Budgetary Resources:					
Obligations incurred	$ -	$ 4,330	$ 546	$ 15	$ 4,891
Unobligated balance, end of year:					
Apportioned	-	4	2	16	22
Unapportioned	155,057	5	-	57	155,119
Unexpired unobligated balance, end of year	155,057	9	2	73	155,141
Expired unobligated balance, end of year	-	28	-	-	28
Total unobligated balance, end of year	155,057	37	2	73	155,169
Total budgetary resources	**$ 155,057**	**$ 4,367**	**$ 548**	**$ 88**	**$ 160,060**
Outlays, Net:					
Outlays, net (discretionary and mandatory)	$ (27,415)	$ 4,322	$ 546	$ (49)	$ (22,596)
Distributed offsetting receipts (-)	-	-	-	(2,207)	(2,207)
Agency outlays, net (discretionary and mandatory)	**$ (27,415)**	**$ 4,322**	**$ 546**	**$(2,256)**	**$ (24,803)**

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE C: COMPARATIVE COMBINING STATEMENT OF BUDGETARY RESOURCES BY FHA PROGRAM FOR BUDGETARY SEPTEMBER 30, 2023:

Comparative Combining Statement Of Budgetary Resources By FHA Program
(Dollars in Millions)

	MMI/CMHI		GI/SRI		
	Capital Reserve	Program	Program	Other	Budgetary Total
Budgetary Resources:					
Unobligated balance from prior year budget authority, net	$ 118,554	$ 1,877	$ 2	$ 32	$ 120,465
Appropriations (discretionary and mandatory)	-	150	694	25	869
Spending authority from offsetting collections (discretionary & mandatory)	13,679	-	-	86	13,765
Total budgetary resources	**$ 132,233**	**$ 2,027**	**$ 696**	**$ 143**	**$ 135,099**
Status of Budgetary Resources:					
Obligations incurred	$ -	$ 1,981	$ 694	$ 18	$ 2,693
Unobligated balance, end of year:					
Apportioned	-	11	2	7	20
Unapportioned	132,233	-	-	118	132,351
Unexpired unobligated balance, end of year	132,233	11	2	125	132,371
Expired unobligated balance, end of year	-	35	-	-	35
Total unobligated balance, end of year	132,233	46	2	125	132,406
Total budgetary resources	**$ 132,233**	**$ 2,027**	**$ 696**	**$ 143**	**$ 135,099**
Outlays, Net:					
Outlays, net (discretionary and mandatory)	$ (13,526)	$ 1,963	$ 694	$ (73)	$ (10,942)
Distributed offsetting receipts (-)	-	-	-	(1,933)	(1,933)
Agency outlays, net (discretionary and mandatory)	**$ (13,526)**	**$ 1,963**	**$ 694**	**$(2,006)**	**$ (12,875)**

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE D: COMPARATIVE COMBINING BUDGETARY RESOURCES BY FHA PROGRAM FOR NON-BUDGETARY SEPTEMBER 30, 2024

Comparative Combining Budgetary Resources By FHA Program For Non-Budgetary
(Dollars in Millions)

FY 2024	MMI/CMHI Financing	GI/SRI Financing	Other	Non-Budgetary Total
Budgetary Resources:				
Unobligated balance from prior year budget authority, net	$ 8,459	$ 7,628	$ 4	$ $16,091
Borrowing authority (discretionary and mandatory)	19,316	2,702	-	22,018
Spending authority from offsetting collections (discretionary and mandatory)	23,060	2,853	(1)	25,912
Total budgetary resources	**$ 50,835**	**$ 13,183**	**$ 3**	**$ 64,021**
Status of Budgetary Resources:				
Obligations incurred	$ 39,252	$ 6,995	$ -	$ 46,247
Unobligated balance, end of year:				
Apportioned	4,861	1,980	1	6,842
Unapportioned	6,722	4,209	1	10,932
Unexpired unobligated balance, end of year	11,583	6,189	2	17,774
Total unobligated balance, end of year	11,583	6,188	3	17,774
Total budgetary resources	**$ 50,835**	**$ 13,183**	**$ 3**	**$ 64,021**
Disbursements, Net (Total)(mandatory)	**$ 14,784**	**$ 3,261**	**$ (1)**	**$ 18,044**

REQUIRED SUPPLEMENTARY INFORMATION

Schedule D: Comparative Combining Budgetary Resources by FHA Program for Non-Budgetary September 30, 2023:

Comparative Combining Budgetary Resources by FHA Program for Non-Budgetary
(Dollars in Millions)

FY 2023	MMI/CMHI Financing	GI/SRI Financing	Other	Non-Budgetary Total
Budgetary Resources:				
Unobligated balance from prior year budget authority, net	$ 9,344	$ 3,420	$ 3	$ 12,767
Borrowing authority (discretionary and mandatory)	13,426	9,196	3	22,625
Spending authority from offsetting collections (discretionary and mandatory)	11,788	2,724	2	14,514
Total budgetary resources	**$ 34,558**	**$ 15,340**	**$ 8**	**$ 49,906**
Status of Budgetary Resources:				
Obligations incurred	$ 26,399	$ 7,764	$ 5	$ 34,168
Unobligated balance, end of year:				
Apportioned	5,251	782	-	6,033
Unapportioned	2,908	6,794	3	9,705
Unexpired unobligated balance, end of year	8,159	7,576	3	15,738
Total unobligated balance, end of year	8,159	7,576	3	15,738
Total budgetary resources	**$ 34,558**	**$ 15,340**	**$ 8**	**$ 49,906**
Disbursements, Net (Total)(mandatory)	**$ 5,952**	**$ 4,194**	**$ 3**	**$ 10,149**

OTHER ACCOMPANYING INFORMATION

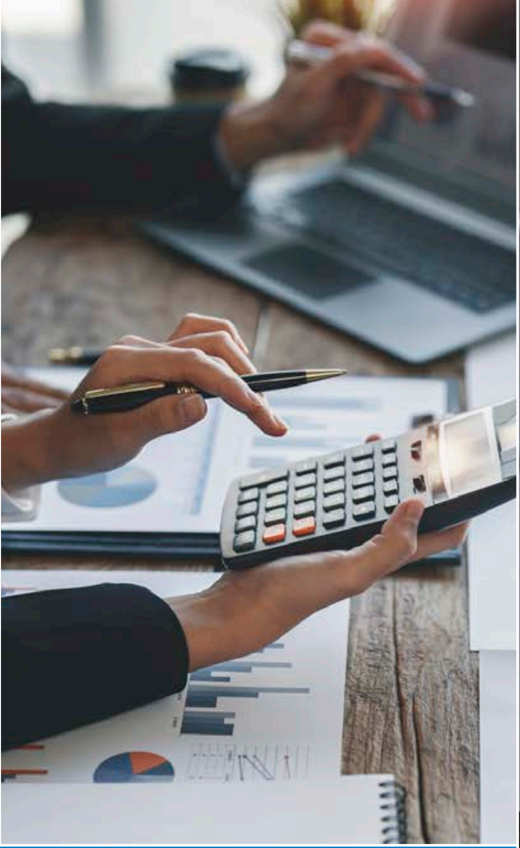
For FY 2024, no material weaknesses were identified by the Office of Inspector General in its audit of FHA's Principal Financial Statements and accompanying Notes. Table 1 provides a summary of financial audit findings with regard to the audit opinion. Table 2 is a summary of FHA's Federal Manager's 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
Weaknesses in Internal Control Over Financial Reporting	0	0	0	0	0
Total Material Weaknesses	0	0	0	0	0

Table 2
Summary of Management Assurances

Effectiveness of Internal Control over Financial Reporting (FMFIA section 2)					
Statement of Assurance	Unmodified				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Weaknesses in Internal Control Over Financial Reporting	0	0	0	0	0
Total Material Weaknesses	0	0	0	0	0



AUDITORS' REPORT

This report was issued separately on November 13, 2024 by the HUD Office of Inspector General entitled, "Federal Housing Administration, Washington, DC, FY 2024 and 2023 Financial Statements Audit" (2025-FO-0002). The report is available at HUD, OIG's internet site at: https://www.hudoig.gov

OFFICE of INSPECTOR GENERAL

UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Audit of Federal Housing Administration's Fiscal Years 2024 and 2023 Financial Statements

Audit Report Number: 2025-FO-0002

November 13, 2024

Date: November 13, 2024

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 2024 and 2023 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 2024 and 2023 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 Sikich CPA LLC to audit the financial statements of FHA as of and for the fiscal years ending September 30, 2024 and 2023,[1] 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 Sikich 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, Sikich reported

- That FHA's financial statements as of and for the fiscal year ending September 30, 2024, were presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles.
- No material weaknesses or significant deficiencies[2] for fiscal year 2024 in internal control over financial reporting, based on limited procedures performed.

[1] The accompanying financial statements as of and for the fiscal year ending September 30, 2023, were audited by other auditors, whose Independent Auditor's Report, issued on November 13, 2023, expressed an unmodified opinion on those financial statements.

[2] 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. 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.

- No reportable noncompliance for fiscal year 2024 with provisions of applicable laws, regulations, contracts, and grant agreements or other matters.

In connection with the contract, we reviewed Sikich's reports and related documentation and questioned its representatives. Our review, as differentiated from an audit of the financial statements in accordance with 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, and grant agreements or other matters. Sikich is responsible for the attached Independent Auditors' Report, dated November 13, 2024, and the conclusions expressed therein. Our review disclosed no instances in which Sikich did not comply, in all material respects, with U.S. generally accepted government auditing standards.

The Inspector General Act, as amended, 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 do not hesitate to call Brittany Wing, Audit Director, at (202) 320-7296.

SIKICH.

333 John Carlyle Street, Suite 500
Alexandria, VA 22314
703.836.6701

SIKICH.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 audit of the fiscal year 2024 financial statements of the Federal Housing Administration (FHA), we found:

- The financial statements as of and for the fiscal year ended September 30, 2024, are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America;
- No material weaknesses in internal control over financial reporting based on the limited procedures we performed;
- No reportable noncompliance for fiscal year 2024 with provisions of applicable laws, regulations, contracts, and grant agreements that we tested.

The following sections contain:

1. Our report on FHA's financial statements, including an other matter paragraph related to the prior-period financial statements having been audited by a predecessor auditor, required supplementary information (RSI), and other information included with the financial statements; and
2. Other reporting required by *Government Auditing Standards*, which is our report on FHA's (a) internal control over financial reporting and (b) compliance and other matters. This section also includes FHA's comments on our report.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion
We have audited the financial statements of FHA, which comprise the consolidated balance sheet as of September 30, 2024, and the related consolidated statement of net cost, changes in net position, and combined statement of budgetary resources for the fiscal year then ended, and the related notes to the financial statements (collectively, the basic financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of FHA as of September 30, 2024, and its net cost of operations, changes in net position, and budgetary resources for the fiscal year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion
We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS); standards applicable to financial statement audits contained in Generally Accepted Government Auditing Standards (GAGAS), issued by the Comptroller General of the United States; and guidance contained in Office of Management and Budget (OMB) Bulletin 24-02, *Audit Requirements for*

Federal Financial Statements. Our responsibilities under those standards and OMB Bulletin 24-02 are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* subsection 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter
FHA's financial statements as of and for the year ended September 30, 2023, were audited by other auditors, whose Independent Auditors' Report thereon dated November 13, 2023, expressed an unmodified opinion on those financial statements. We were not engaged to audit, review, or apply any procedures to FHA's fiscal year 2023 financial statements and, accordingly, we do not express an opinion or any other form of assurance on the fiscal year 2023 financial statements.

Responsibilities of Management for the Financial Statements
Management is responsible for (1) the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles; (2) the preparation, measurement, and presentation of the RSI in accordance with U.S. generally accepted accounting principles; (3) the preparation and presentation of other information included in FHA's Annual Management Report, and ensuring the consistency of that information with the audited financial statements and the RSI; and (4) the design, implementation, and maintenance of 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.

Auditors' Responsibilities for the Audit of the Financial Statements
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 conducted in accordance with GAAS, GAGAS, and OMB guidance will always detect a material misstatement 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 material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgments made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, GAGAS, and OMB guidance, 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 the 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. 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.

SIKICH.

Required Supplementary Information
Accounting principles generally accepted in the United States of America and OMB Circular No. A-136, *Financial Reporting Requirements,* require that the Management's Discussion and Analysis (MD&A) and other RSI be presented to supplement the basic financial statements. Such RSI is the responsibility of management and, although not a part of the basic financial statements, is required by the Federal Accounting Standards Advisory Board (FASAB) and OMB, who consider it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, and historical context.

We have applied certain limited procedures to the RSI in accordance with auditing standards generally accepted in the United States of America. These procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit and we do not express an opinion or provide any assurance on the information because the limited procedures we applied do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
FHA's 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. Management is responsible for the other information included in FHA's Annual Management Report. The other information does not include the financial statements and our auditor's 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.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Report on Internal Control over Financial Reporting and on Compliance and Other Matters

Internal Control over Financial Reporting
In connection with our audit 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 over financial reporting 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. Given these limitations, during our 2024 audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

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 material weakness is a deficiency, or 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.

SIKICH.

During our fiscal year 2024 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.

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 GAGAS and OMB audit guidance.

Responsibilities of Management for Internal Control over Financial Reporting
FHA management is responsible for 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.

Auditors' Responsibilities for 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, 2024, in accordance with GAGAS, 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. Accordingly, we do not express an opinion on FHA's internal control over financial reporting. We are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses. We did not consider all internal controls relevant to operating objectives, 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.

Intended 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 GAGAS in considering internal control over financial reporting. Accordingly, this report on internal control over financial reporting is not suitable for any other purpose.

Compliance and Other Matters
In connection with our audit 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 2024 that would be reportable under GAGAS. However, the objective of our tests was not to provide an opinion on compliance

SIKICH.

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 GAGAS and OMB audit guidance.

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.

Auditors' Responsibilities for Tests of 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 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.

Intended 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 GAGAS in considering compliance. Accordingly, this report on compliance with laws, regulations, contracts, and grant agreements and other matters is not suitable for any other purpose.

FHA's Comments

FHA's comments on this report are included in Attachment A.

Sikich CPA LLC

Alexandria, VA
November 13, 2024

Attachment A

FHA's Comments to the Audit Report

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

OFFICE OF HOUSING

November 6, 2024

MEMORANDUM FOR: Kilah S. White, Assistant Inspector General for Audit, GA

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

SUSAN BETTS Digitally signed by SUSAN BETTS Date: 2024.11.06 15:11:32 -05'00'

SUBJECT: Response to Fiscal Years 2024 and 2023 Draft FHA Financial Statements Audit Report

Thank you for the opportunity to respond to the Federal Housing Administration's (FHA) FY 2024 Independent Auditors' Report. The FHA is pleased to receive an unmodified "clean" audit opinion on its financial statements, with no material weaknesses or significant deficiencies in internal control over financial reporting. We believe our commitment to sound financial management and internal control over financial reporting are reflected in the overall results of this year's audit.

As always, we thank you for and appreciate the collaborative efforts of the Office of Inspector General (OIG) and the independent public accounting firm, Sikich CPA LLC. FHA's management and staff are committed to sustained efforts to strengthen controls around financial reporting.

FHA
ORGANIZATIONAL CHART

Assistant Secretary for Housing and Federal Housing Commissioner

- **Finance & Budget**
  - Office of the Housing - FHA Comptroller
  - Office of Asset Sales
  - Office of Budget & Field Resources
- **Multifamily Housing Programs**
  - Office of Program Systems Management
  - Office of Multifamily Production
  - Office of Asset Management & Portfolio Oversight
  - Office of Recapitalization
  - Office of Field Support & Operations
- **Housing Counseling**
  - Office of Policy & Grant Administration
  - Office of Outreach & Capacity Building
  - Office of Oversight & Accountability
- **Single Family Housing**
  - Office of Single Family Program Development
  - Office of Single Family Asset Management
  - Office of Lender Activities & Program Compliance
  - Atlanta Homeownership Center
  - Denver Homeownership Center
  - Philadelphia Homeownership Center
  - Santa Ana Homeownership Center
- **Healthcare Programs**
  - Office of Hospital Facilities
  - Office of Residential Care Facilities
  - Office of Architecture & Engineering
- **Risk Management & Regulatory Affairs**
  - Office of Risk Management
  - Office of Evaluation
- **Operations**
  - Office of FHA Transformation
  - Office of Management
  - Office of Business Development
- **Manufactured Housing Programs**

https://www.hud.gov/sites/dfiles/Housing/documents/FHAFY2024ANNUALMGMNTRPT.PDF

ANNUAL MANAGEMENT REPORT
FISCAL YEAR 2024

U.S. DEPARTMENT OF HOUSING
AND URBAN DEVELOPMENT

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