

**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
PROGRAM OFFICE SALARIES AND EXPENSES
OFFICE OF HOUSING**

(\$ in Thousands)

	FY 2015 Actual	FY 2016 Enacted	FY 2017 Request
Personnel Services	\$362,797	\$360,080	\$366,423
Non-Personnel Services			
Travel	4,136	5,060	3,827
Transportation of Things	568	162	-
Rent and Utilities	2	2	2
Printing	18	37	31
Other services/Contracts	4,121	7,470	6,410
Training	650	1,601	1,620
Household Goods Storage	317	86	75
Supplies	243	225	229
Attorney's Fees	236	277	100
Working Capital Fund	-	-	14,431
Non-Personnel Services Subtotal	10,291	14,920	26,725
Grand Total	373,088	375,000	393,148
Associated FTE	2,743.5	2,708.0	2,717.0

Program Area Overview

The Office of Housing facilitates the Department's efforts to provide vital public services through its nationally administered programs. It oversees the Federal Housing Administration (FHA), the largest mortgage insurer in the world, and regulates housing industry business. The Office of Housing, through its insurance programs, plays a countercyclical role in the market, as evidenced by the last housing crisis, and operates as a Partner in Opportunity with its stakeholders.

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The missions of the Office of Housing are to:

- Contribute to building and preserving healthy neighborhoods and communities;
- Maintain and expand homeownership, rental housing and healthcare opportunities;
- Stabilize credit markets in times of economic disruption;
- Operate with a high degree of public and fiscal accountability; and
- Recognize and value its customers, staff, constituents and partners.

In addition to Executive Direction and supporting offices that work on finance, budget and operations, there are five program offices within the Office of Housing. These consist of the Office of Multifamily Housing Programs, the Office of Healthcare Programs, the Office of Risk Management and Regulatory Affairs, the Office of Single Family Housing Programs and the Office of Housing Counseling. The request reflects the current structure for Housing. Looking ahead, HUD is considering options for improving operational efficiencies and program support for the Office of Manufactured Housing, including potentially transferring the responsibilities of the program to another office within HUD.

Office of Multifamily Housing Programs: HUD's Multifamily programs serve the nation's renters with a focus on underserved communities and market segments. The Office of Multifamily Housing provides mortgage insurance and administers the Section 202, Section 811, Section 8 Project-Based Rental Assistance programs, Rental Assistance Demonstration (RAD), and Promise Zone programs.

Multifamily Transformation Initiative

Through fiscal year 2016, the Office of Multifamily Housing (MFH) continued the implementation of the Multifamily Transformation (MFT), and will be complete before the beginning of fiscal year 2017.

As a result of the Transformation, MFH streamlined its headquarters operation with the consolidation of several functions into broader, less specialized offices. Therefore, the Grant Administration and Subsidy Administration functions have been incorporated into the Asset Management & Portfolio Oversight and Production & Processing functions of the MFH organization.

Furthermore, as part of the Transformation, Housing separated in fiscal year 2015 the Recapitalization function from the Multifamily Asset Management and Recapitalization function. This reflects the repurposing of the Office of Affordable Housing Preservation into the Office of Recapitalization. This Office is processing multiple financing-related activities related to mandated or needed refinancing, restructuring, recapitalization and preservation of assisted multifamily properties, including the Rental Assistance Demonstration (RAD).

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In fiscal year 2016 MFH anticipates the completion of the modified transformation by completing the process of consolidating its field production operation into 12 offices, and implemented the single underwriter and risk based processing, and account executive models into the field operation. The request assumes that Housing non-personnel funds will be used, in addition to central funding included under the Office of Administration appropriation, for the construction, space build-out, utility, and other such costs associated with the completion of the MFT Initiative. It is not anticipated that there will be any more MFT related expenses in fiscal year 2017.

Multifamily Transformation	FY 2015 Actual	FY 2016 Estimate
Personnel		
MF Buyout	\$2,975,000	\$1,175,000
MF Severance
Terminal Leave	\$3,039,916	\$960,000
MF Relocation	\$2,777,199	\$788,400
Total Personnel	\$8,792,115	\$2,923,400
Non-Personnel		
MF Relocation	\$1,035,139	\$291,600
Total Multifamily Transformation	\$9,827,254	\$3,215,000

RAD Department-wide Cross-cutting Initiative

The Office of Recapitalization allocates 96 FTE in fiscal year 2017 to support its RAD workload functions as part of the Department-wide RAD initiative. The Office of Recapitalization Staff in Washington, DC and Chicago will act as Transaction Managers to support RAD actions, Multifamily Production Staff in the field will manage FHA-insured RAD transactions, and Multifamily Asset Management Staff in the field will support the management of RAD transactions that are either FHA-insured or have Project-Based Rental Assistance, post RAD conversion.

Office of Healthcare Programs: HUD's Healthcare programs provide mortgage insurance on loans that finance the construction,

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renovation, acquisition, or refinancing of healthcare facilities such as hospitals and residential care facilities. Healthcare Asset Management and Recapitalization includes all activities associated with monitoring, loan servicing, claim prevention and (if a claim occurs) asset recovery in the insured hospital and residential care facility loan portfolio. Healthcare Production and Processing activities are associated with pre-application and full review of applications for mortgage insurance for hospitals and residential care facilities.

Office of Risk Management and Regulatory Affairs: The major objectives of the Office of Risk Management and Regulatory Affairs are to conduct analysis and recommend actions to reduce exposure to FHA insurance funds while meeting FHA's housing mission; ensure that FHA operates in compliance with statutory capital requirements; and promote a well-controlled operational infrastructure. The scope of the risk management staff encompasses Program Area (Single Family, Multifamily and Healthcare) activities conducted at headquarters and the field offices. The office also administers the Manufactured Housing Program, which the Department proposes to fund exclusively from fees for Program operations.

Office of Single Family Housing Programs: HUD's Single Family programs include mortgage insurance on loans to purchase new or existing homes, condominiums, manufactured housing, houses needing rehabilitation, and reverse mortgages under the Home Equity Conversion Mortgage (HECM) program that allows seniors to convert the equity in their home to cash. Single Family Housing is managing a high volume of endorsements and monitoring operational risk on multiple dimensions: quality assurance, lender/servicer oversight, loss mitigation, and asset disposition. Risks are measured in billions of dollars. To mitigate these risks, Single Family Housing is focused on improving operational efficiency, enhancing loan level quality assurance, and improving Real Estate Owned (REO) recoveries through a variety of actions, including:

- Maximizing Single Family FHA recovery rates by actively monitoring contractor scorecards and implementing alternative asset disposition options.
- Continuing loss mitigation efforts in order to prevent foreclosures.
- Updating and streamlining Single Family Housing policy and underwriting standards by finalizing the transition from multiple handbooks to a single policy handbook.
- Evaluating policy regarding servicing and issuing appropriate Mortgagee Letters on any revisions necessary to revise FHA guidance.
- Completing and implementing components of the new quality assurance framework to provide clarity and transparency in FHA's policies and encourage lending to qualified borrowers across the credit spectrum.
- Implementing an asset execution model that supports FHA realization of optimal recovery across disposition strategies.

Office of Housing Counseling: HUD's Housing Counseling programs provide counseling through intermediaries to consumers on seeking, financing, maintaining, renting, or owning a home. HUD's Housing Counseling program provides support to a nationwide network of Housing Counseling Agencies (HCAs) and counselors. HCA's are trained and approved to provide tools to

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current and prospective homeowners and renters so that they can make responsible choices to address their housing needs in light of their financial situations.

Office of Finance and Budget: The Office of Finance and Budget provides critical financial and budgetary oversight for the Office of Housing. The office is responsible for all Housing-FHA accounting records, the preparation of the annual audit and Housing's budget formulation activities, timely and accurate financial management reports prepared in conformity with generally accepted accounting principles, the sale and disposition of FHA mortgage notes, and managing Housing's IT investment portfolio. The office serves in an advisory role on all issues involving financial management, budgetary and accounting policy.

The office serves as the principal advisor to the FHA Commissioner on fiscal and budgetary matters and has primary leadership responsibilities for the financial integrity of the Office of Housing-FHA programs. Finance and Budget staff is responsible for the integrity of transactional data and internal controls within Housing programs. In collaboration with the Office of the Chief Financial Officer, this office works closely with Congressional Appropriation Committees on Housing's budgetary matters and assists the program offices with reviewing and interpreting program legislation language and policies for human capital and other resource needs.

Office of Operations: The Office of Housing Operations provides resources and services that are essential for Housing's program offices relating to: personnel, strategic management and workforce plans, Employee Labor Relations, procurement and contracting, business process re-engineering, correspondence, Continuity of Operations Plan (COOP), training and Web Administration and support. The Office of Housing Operations is comprised of two components, the Office of Business Development and the Office of Management.

Among its administrative support staffs, the Office of Housing Operations is building on the efficiencies gained from its process improvement efforts to streamline operations and identify non-value added work that is being done. Additionally, Operations will utilize information technology, such as Live Meeting, webcasts and video conferencing to reduce costs associated with travel and focus on identifying critical needs across the organization and hiring in-house facilitators to develop targeted training to reduce critical skills gaps.

Executive Direction: The immediate Office of the Assistant Secretary coordinates communication, policy implementation, and legislative tracking across the entire Office of Housing and with respect to all Housing programs. This office also engages in a variety of day-to-day business activities that support the Office of Housing, including contracting, oversight, and process management.

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Requested Level and Justification

The Office of Housing requests \$393,148K and 2,717 Full Time Equivalents (FTE) in fiscal year 2017, an increase from fiscal year 2016 enacted of \$18,148K.

Personnel Services: The Office of Housing is requesting \$366,423K for Personnel Services and 2,717 FTE. This request represents an increase from fiscal year 2016 enacted of \$6,343K and an increase of 9 FTE. Funding is included to fund the pay raise, promotions, and within grade increases. The additional 8 FTE will support the RAD Initiative. The remaining 1 FTE is in support of Housing's environmental needs and in response to an IG finding that HUD strengthen its environmental review process and clarify roles and responsibilities.

Non-Personnel Services: The Office of Housing is requesting \$26,725K for Non-Personnel Services (NPS), which includes the working capital fund of \$14,431K. The total NPS of \$12,294K did not increase from fiscal year 2016 enacted of \$14,920K. The small increases for Training and Supplies are inflation cost but the total NPS was decreased by \$2,626K.

The 2017 request includes \$14,431K to pay working capital fund fees for shared services, and other investments determined by the Secretary.

Full-time Equivalents

Staffing	FY 2015 FTE	FY 2016 FTE (Est)	FY 2017 FTE (Est)
Assistant Secretary	18.4	14.0	14.0
Finance and Budget	230.6	235.0	235.0
Healthcare	146.9	153.0	145.0
Housing Counseling	66.1	79.0	81.0
Multifamily	1,265.8	1,176.0	1,181.0
Operations	127.9	127.0	128.0
Risk	50.0	60.0	65.0
Single Family	837.8	864.0	868.0
Total	2,743.5	2,708.0	2,717.0

Key Operational Initiatives

The Office of Housing actively works to identify opportunities to streamline processes to enhance consistency, efficiency and effectiveness. The impact of the process improvement varies by process but in most cases, the savings equates to increased quality, reduced process time and increased consistency. Although there are no direct FTE savings, in the environment where we are being asked to do more with less, the process improvement frees capacity of resources to focus on other priorities and operate under a reduced FTE ceiling.

The Office of Housing is considering using a shared services provider for processing procurement actions. HUD's internal procurement shop does not have the capacity to process the volume or complexity of Housing contract actions. In order to achieve the needs of our business and obtain contracting resources in a timely manner, we are looking at the availability of optional resources. For shared services, Housing is currently in the process of finalizing the Interagency Agreement with Program Support Center and completing the Performance Work Statement packages. The process is expected to move forward in the near future.

Looking ahead, HUD is considering options for improving operational efficiencies and program support for the Office of Manufactured Housing, including potentially transferring the responsibilities of the program to other offices within HUD.