

Note 24: FHA Net Costs

FHA organizes its operations into three overall program types: Single Family Forward, Multifamily/Healthcare, and Home Equity Conversion Mortgages (HECM). These program types are composed of two major funds: GI/SRI and MMI/CMHI. FHA encourages homeownership through its Single Family Forward programs by making loans readily available with its mortgage insurance programs. These programs insure mortgage lenders against losses from default, enabling those lenders to provide mortgage financing on favorable terms to homebuyers. Multifamily Housing Programs 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 enable low cost financing of health care facility projects and improve access to quality health care 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. Homeowners may opt for a lump sum payment of mortgage proceeds, monthly payments, line of credit or a combination thereof.

The following table shows Net Cost detail for the FHA (dollars in millions):

	Fiscal Year 2013				
	Single Family Forward Program	HECM Program	Multifamily/Healthcare Program	Administrative Costs	Total
Costs					
Intragovernmental Gross Costs	\$ 727	\$ 53	\$ 142	\$ 21	\$ 943
Intragovernmental Earned Revenues	(1,720)	(823)	(62)	-	(2,605)
Intragovernmental Net Costs	\$ (993)	\$ (770)	\$ 80	\$ 21	\$ (1,662)
Gross Costs with the Public	\$ (5,840)	\$ (565)	\$ (1,927)	\$ 671	\$ (7,661)
Earned Revenues	(28)	(2)	(46)	-	(76)
Net Costs with the Public	\$ (5,868)	\$ (567)	\$ (1,973)	\$ 671	\$ (7,737)
Net Program Costs	\$ (6,861)	\$ (1,337)	\$ (1,893)	\$ 692	\$ (9,399)

	Fiscal Year 2012				
	Single Family Forward Program	HECM Program	Multifamily/Healthcare Program	Administrative Costs	Total
Costs					
Intragovernmental Gross Costs	\$ 326	\$ 52	\$ 85	\$ 29	\$ 492
Intragovernmental Earned Revenues	(2,608)	(478)	(28)	-	(3,114)
Intragovernmental Net Costs	\$ (2,282)	\$ (426)	\$ 57	\$ 29	\$ (2,622)
Gross Costs with the Public	\$ 15,454	\$ 8,159	\$ (1,243)	\$ 660	\$ 23,030
Earned Revenues	(50)	(5)	(57)	-	(112)
Net Costs with the Public	\$ 15,404	\$ 8,154	\$ (1,300)	\$ 660	\$ 22,918
Net Program Costs	\$ 13,122	\$ 7,728	\$ (1,243)	\$ 689	\$ 20,296

Note 25: Commitments under HUD's Grant, Subsidy, and Loan Programs

A. Contractual Commitments

HUD has entered into extensive long-term commitments that consist of legally binding agreements to provide grants, subsidies or loans. Commitments become liabilities when all actions required for payment under an agreement have occurred. The mechanism for funding subsidy commitments generally differs depending on whether the agreements were entered into before or after 1988.

With the exception of the Housing for the Elderly and Disabled and Low Rent Public Housing Loan Programs (which have been converted to grant programs), Section 235/236, and a portion of "all other"

HUD FY 2013 Agency Financial Report

Section 2

programs, HUD management expects all of the programs to continue to incur new commitments under authority granted by Congress in future years. However, estimated future commitments under such new authority are not included in the amounts below.

Prior to fiscal 1988, HUD's subsidy programs, primarily the Section 8 program and the Section 235/236 programs, operated under contract authority. Each year, Congress provided HUD the authority to enter into multiyear contracts within annual and total contract limitation ceilings. HUD then drew on and continues to draw on permanent indefinite appropriations to fund the current year's portion of those multiyear contracts. Because of the duration of these contracts (up to 40 years), significant authority exists to draw on the permanent indefinite appropriations. Beginning in FY 1988, the Section 8 and the Section 235/236 programs began operating under multiyear budget authority whereby the Congress appropriates the funds "up-front" for the entire contract term in the initial year.

HUD's commitment balances are based on the amount of unliquidated obligations recorded in HUD's accounting records with no provision for changes in future eligibility, and thus are equal to the maximum amounts available under existing agreements and contracts. Unexpended appropriations and cumulative results of operations shown in the Consolidated Balance Sheet comprise funds in the U.S. Treasury available to fund existing commitments that were provided through "up-front" appropriations and also include permanent indefinite appropriations received in excess of amounts used to fund the pre-1988 subsidy contracts and offsetting collections.

FHA enters into long-term contracts for both program and administrative services. FHA funds these contractual obligations through appropriations, permanent indefinite authority, and offsetting collections. The appropriated funds are primarily used to support administrative contract expenses while the permanent indefinite authority and the offsetting collections are used for program services.

The following shows HUD's obligations and contractual commitments under its grant, subsidy, and loan programs as of September 30, 2013 (dollars in millions):

<u>Programs</u>	<u>Undelivered Orders</u>				<u>Undelivered Orders - Obligations, Unpaid</u>
	<u>Unexpended Appropriations</u>	<u>Permanent Indefinite</u>	<u>Investment Authority</u>	<u>Offsetting Collections</u>	
FHA	\$ 174	\$ 109	\$ -	\$ 2,061	\$ 2,344
Ginnie Mae	-	-	-	428	428
Section 8 Rental Assistance	8,360	-	-	-	8,360
Low Rent Public Housing Loans and Grants	5,243	-	-	-	5,243
Homeless Assistance Grants	2,680	-	-	-	2,680
Housing for the Elderly and Disabled	2,860	-	-	-	2,860
Community Development Block Grants	14,385	-	-	-	14,385
HOME Partnership Investment Program	3,810	-	-	-	3,810
Section 235/236	1,100	466	-	-	1,566
All Other	4,075	-	-	-	4,075
Total	\$ 42,687	\$ 575	\$ -	\$ 2,489	\$ 45,751

Of the total Section 8 Rental Assistance contractual commitments as of September 30, 2013, \$6 billion relates to project-based commitments and \$2 billion relates to tenant-based commitments.

The following shows HUD's obligations and contractual commitments under its grant, subsidy, and loan programs as of September 30, 2012 (dollars in millions):

Financial Information
Notes To Financial Statements

<u>Programs</u>	<u>Undelivered Orders</u>				<u>Undelivered Orders - Obligations, Unpaid</u>
	<u>Unexpended Appropriations</u>	<u>Permanent Indefinite</u>	<u>Investment Authority</u>	<u>Offsetting Collections</u>	
FHA	\$ 188	\$ 193	\$ -	\$ 1,696	\$ 2,077
Ginnie Mae	-	-	-	343	343
Section 8 Rental Assistance	9,750	-	-	-	9,750
Low Rent Public Housing Loans and Grants	5,769	-	-	-	5,769
Homeless Assistance Grants	2,455	-	-	-	2,455
Housing for the Elderly and Disabled	3,470	-	-	-	3,470
Community Development Block Grants	14,970	-	-	-	14,970
HOME Partnership Investment Program	4,330	-	-	-	4,330
Section 235/236	1,078	872	-	-	1,950
All Other	4,998	-	-	-	4,998
Total	\$ 47,008	\$ 1,065	\$ -	\$ 2,039	\$ 50,112

Of the total Section 8 Rental Assistance contractual commitments as of September 30, 2012, \$7 billion relates to project-based commitments and \$2 billion relates to tenant-based commitments.

B. Administrative Commitments

In addition to the above contractual commitments, HUD has entered into administrative commitments which are reservations of funds for specific projects (including those for which a contract has not yet been executed) to obligate all or part of those funds. Administrative commitments become contractual commitments upon contract execution.

The following chart shows HUD's administrative commitments as of September 30, 2013 (dollars in millions):

<u>Programs</u>	<u>Reservations</u>			<u>Total Reservations</u>
	<u>Unexpended Appropriations</u>	<u>Permanent Indefinite Appropriations</u>	<u>Offsetting Collections</u>	
Section 8 Rental Assistance	\$ 185	\$ -	\$ -	\$ 185
Low Rent Public Housing Loans and Grants	24	-	-	24
Homeless Assistance Grants	124	-	-	124
Housing for the Elderly and Disabled	66	-	-	66
Community Development Block Grants	4,234	-	-	4,234
HOME Partnership Investment Program	186	-	-	186
Section 235/236	-	-	-	-
All Other	145	-	-	145
Total	\$ 4,964	\$ -	\$ -	\$ 4,964

HUD FY 2013 Agency Financial Report
Section 2

The following chart shows HUD's administrative commitments as of September 30, 2012 (dollars in

<u>Programs</u>	<u>Reservations</u>			<u>Total</u>
	<u>Unexpended</u>	<u>Permanent</u>	<u>Offsetting</u>	
	<u>Appropriations</u>	<u>Appropriations</u>	<u>Collections</u>	<u>Reservations</u>
Section 8 Rental Assistance	\$ 89	\$ -	\$ -	\$ 89
Low Rent Public Housing Loans and Grants	8	-	-	8
Homeless Assistance Grants	311	-	-	311
Housing for the Elderly and Disabled	98	-	-	98
Community Development Block Grants	553	-	-	553
HOME Partnership Investment Program	144	-	-	144
Section 235/236	-	-	-	-
All Other	141	-	-	141
Total	\$ 1,344	\$ -	\$ -	\$ 1,344

millions):

Note 26: Disaster Recovery Relief Efforts

The effects of Hurricanes Katrina, Rita and Wilma in 2005 and Hurricanes Ike and Gustav in 2008 resulted in increased funding for the Department for assisting in meeting housing needs of those displaced by the disaster. In FY 2008, HUD also received additional disaster funding for the Mid West to assist communities affected by severe storms and flooding.