Overview of FY2013 President's Budget



U.S. Department of Housing and Urban Development

February 13, 2012

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Background – The Economy and Housing Market

Three Years Ago

- We were hemorrhaging 753,000 jobs a month
- Home prices had fallen every month for 30 months straight
- Consumer confidence had fallen to a forty year low

Today

- ✓ National unemployment has fallen to a near 3-year low
 - American businesses have created 3.2 million new jobs in the past 22 months
- ✓ More than 5.5 million families have received mortgage modifications with affordable monthly payments
- ✓ More than **14 million families** have been able to refinance their homes
- ✓ Foreclosure notices nationally are down by nearly 50 percent

Background – Accomplishments of HUD and its Partners

Over the past 3 years, the accomplishments of HUD and its partners have been significant. **Together, we have...**

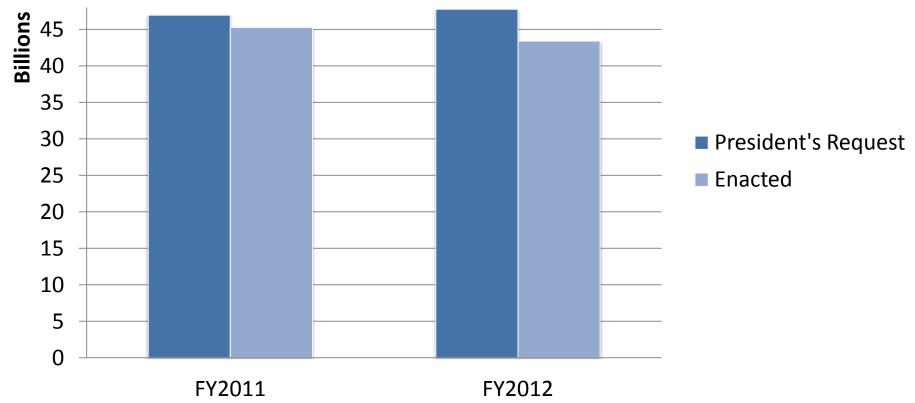
- ✓ Prevented homelessness for more than 1.2 million people nationwide, and helped 1-in-5 homeless veterans move from our streets into permanent housing in the last year alone
- ✓ Increased the number of families served through HUD rental programs, even in tough fiscal times
- ✓ Helped nearly 1 million homeowners refinance into stable, affordable mortgages
- ✓ Insured loans for over 1.8 million homebuyers more than 77 percent of whom were first-time homebuyers

Background – The Budgetary Environment

And while HUD continues to make progress on key issues, budgetary realities cannot be ignored. **America cannot create an economy built to last on a mountain of debt.**

The Budget Control Act of 2011 set caps on discretionary spending for the next 10 years, including \$907 billion in total cuts. The impact on HUD funding can already be seen...



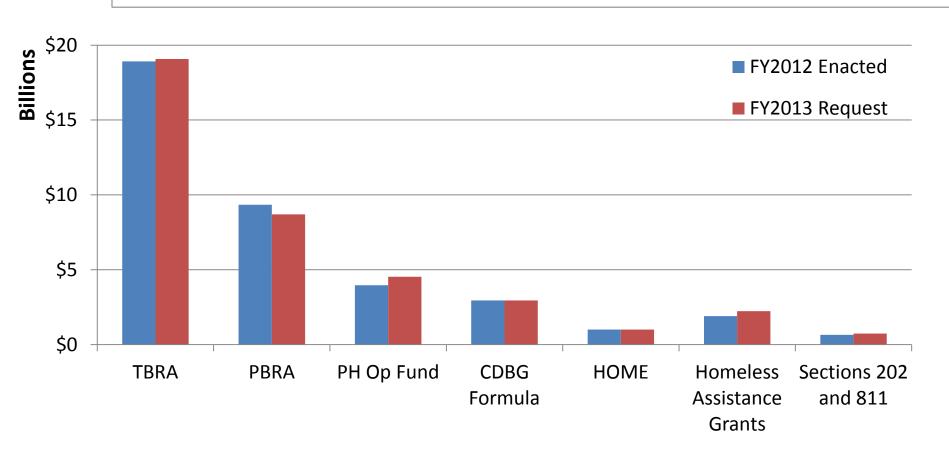


Background – The FY2013 Budget at a Glance

Because of these discretionary caps, FY2012 set a new baseline — requiring HUD to make tough choices in FY2013.

Despite these tough choices, this budget:

- Increases gross Budget Authority by 3% over FY2012 levels, to \$44.8 billion
- Maintains housing assistance for families currently receiving rental subsidies



The Budget Principles

Overall, HUD's FY2013 budget request balances these tough choices with President Obama's call to build an economy to last by following **four key budgetary principles**...

HUD's FY2013 Budget Principles Bring Private Prioritize Reduce Continue **Capital Back** Renewals to Regulatory Progress on **Burdens** and into the Protect Signature Mortgage **Current HUD** Increase **Initiatives** Market **Families** Efficiency

The Budget Principles – Bringing Private Capital Back to the Housing Market

HUD's FY2013 budget request helps strengthen the housing market, speed growth, and jumpstart our economic recovery by...

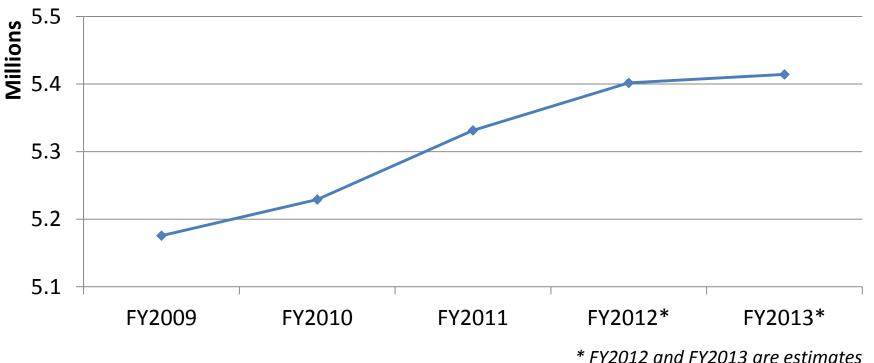
- Allowing FHA and Ginnie Mae to continue crucial, temporary countercyclical role:
 - > \$168 billion FHA loan volume anticipated in 2013, providing an estimated 1.2 million single family mortgages
 - > \$239 billion GNMA new guarantees anticipated in 2013
- While bringing private capital back to the market...
 - ➤ Increasing receipts collection from \$5.8 billion in FY2012 to an estimated \$9.4 billion in FY2013

The Budget Principles – Prioritizing Renewals

HUD's FY2013 budget request maintains a core commitment to protect families currently receiving rental assistance by keeping them in their homes.

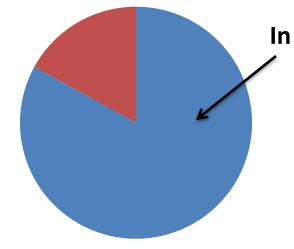
Since 2009, HUD has increased the number of families served each year, in spite of a challenging budget environment – renewing subsidies for these families requires increased resources...

Families Receiving HUD Rental Assistance



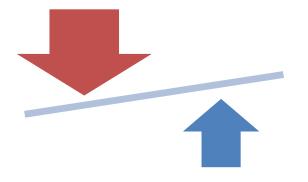
The Budget Principles – Prioritizing Renewals

The majority of HUD's budget is required each year simply to hold ground—keeping current recipients in their homes and providing basic upkeep to the public housing stock...



In FY2013, 83% of HUD's budget request will be used to:

- Renew Existing Rental Assistance/Operating Subsidies
- Fund accrued capital needs of Public Housing
- Renew Existing Homeless Assistance Grants



IN A BUDGET FREEZE:

Funding for existing families increases with inflation - as a result, other programs must decrease.

For every 1% increase in renewals, other programs must decrease by nearly 5% to keep the budget level

The Budget Principles – Prioritizing Renewals

Renewing rental and homeless assistance, and providing capital needs funding for HUD's public housing stock, was the **top priority in FY 2013 because...**

The need for rental and homeless assistance has grown as a result of the recession:

- Over 7 million very low-income renters pay over half of their income in rent
- Worst Housing Needs increased <u>a record</u> 20 percent from 2007 to 2009
- Over 630,000 people were homeless on a single night in January 2011

HUD assistance serves an extraordinarily vulnerable population:

- Extremely low income families make-up 72% of HUD-assisted households
- 54 percent of HUD-assisted households are elderly or disabled
- While the median U.S. family income in 2010 was over \$60,000 the median income of a HUD-assisted family was \$10,200

The Budget Principles - Continuing Progress on Signature Initiatives

In addition to renewal assistance, HUD's FY 2013 budget request includes critical investments to signature initiatives in order to **speed economic growth** ...

Choice Neighborhoods

- \$150 million to transform 4-6 neighborhoods of extreme poverty into sustainable, mixed-income communities connecting people to the workforce
- To date, the 5 Choice Neighborhoods implementation grantees have leveraged a combined \$1.6 billion – over 13 times their total grant award amount

Sustainable Housing and Communities

- \$100 million to align housing and transportation investments crucial in an era where **52** cents of every dollar a household earns goes toward housing and transportation
- In Austin, Texas a \$3.7m planning grant to link its long-term regional transportation plan is expected to create over 7,000 permanent jobs and save the taxpayer \$1.25 billion

Rental Assistance Demonstration

- Enacted in 2012, budget neutral in FY2013
- Imperative for addressing our country's \$26 billion backlog in public housing capital needs

The Budget Principles – Reducing Regulatory Burdens and Increasing Efficiency

HUD's FY 2013 budget request includes several key proposals that will improve the efficiency and effectiveness of HUD programs...

Consolidating Public Housing Operating and Capital Funds

- Simplifying the program and reducing administrative burden on PHAs
- Aligning Public Housing properties with mainstream real estate financing and management practices

Providing Flexibility for PHAs to Improve Supportive Services

- Consolidating Family Self-Sufficiency (FSS) program to more uniformly serve both Housing Choice Voucher and Public Housing residents
- Enhancing FSS program by allowing use of Public Housing and Voucher funds

Streamlining our Largest Rental Assistance Programs

- Reforming rental programs to save \$500 million in 2013 without reducing number of families served, through:
 - Rigorous benchmarking of PBRA subsidies; Aligning minimum rent policy to \$75/month; Simplifying administration of medical expense deduction

HUD's FY 2013 Budget – Creating an Economy Built to Last

Despite tough choices and a difficult budget environment, HUD's FY2013 budget request will help create an economy built to last...

The President is committed to...

Giving Hard-Working, Responsible Americans a Fair Shot

Ensuring Every American Plays by the Same Rules

Creating New Jobs in America to Discourage Outsourcing

Reforming our Government

HUD contributes to this commitment by...

- Strengthening the Nation's Housing Markets to Bolster the Economy and Protect Consumers
- 2. Meeting the Need for Quality Affordable Rental Homes
- 3. Utilizing Housing as a Platform for Improving Quality of Life
- 4. Building Inclusive and Sustainable Communities Free from Discrimination
- 5. Transforming the Way HUD Does
 Business

HUD's FY 2013 Budget – Strengthening the Nation's Housing Market

HUD's 2013 Budget request helps create **an economy built to last** by strengthening the nation's housing market...

Strengthening the Nation's Housing Markets to Bolster the Economy and Protect Consumers

- \$168 billion FHA loan volume in 2013, providing an estimated 1.2 million single family mortgages
- \$239 billion GNMA new guarantees in 2013
- \$15 billion proposed for Project Rebuild (mandatory spending)

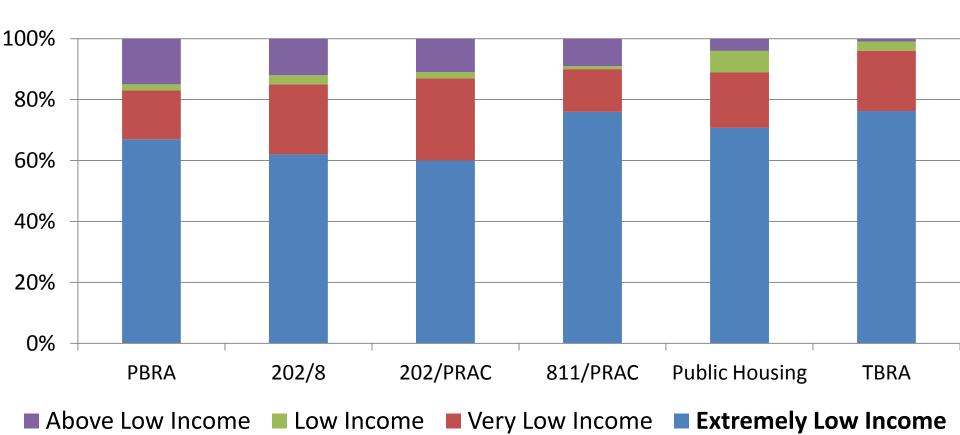
Program (\$ in millions)	2011 Enacted	2012 Enacted	2013 Request
FHA Loan Guarantee Limitation Level	\$400,000	\$400,000	\$400,000
Ginnie Mae Loan Guarantee Limitation Level	\$500,000	\$500,000	\$500,000
Housing Counseling Assistance	\$0	\$45	\$55

HUD's FY 2013 Budget – Meeting the Need for Quality Affordable Rental Housing

HUD's 2013 Budget request helps create **an economy built to last** by providing crucial rental assistance to our nation's most vulnerable families...

Meet the need for quality affordable rental homes

- Provides rental assistance to over 5.4 million families
- Provides \$1 billion for the National Housing Trust Fund (mandatory spending)



HUD's FY 2013 Budget – Meeting the Need for Quality Affordable Rental Housing

Program (\$ in millions)	2011 Enacted	2012 Enacted	2013 Request*
Tenant-Based Rental Assistance			
(total)	\$18,371	\$18,914	\$19,074
[TBRA Contract Renewals]	[\$16,669]	[\$17,242]	[\$17,238]
[TBRA Admin Fees]	[\$1,447]	[\$1,350]	[\$1,575]
Project-Based Section 8 Contracts	ĆO 257	¢0.240	¢9.700
(Housing)	\$9,257	\$9,340	\$8,700
Public Housing Operating Fund	\$4,617	\$3,962	\$4,524
Public Housing Capital Fund**	\$2,040	\$1,875	\$2,070
HOME	\$1,607	\$1,000	\$1,000

^{*} FY2013 request includes projected cost savings in: TBRA, PBRA, and PH Operating Fund

^{**} FY2013 PH Capital Fund includes up to \$50 million for the Jobs Plus initiative

HUD's FY 2013 Budget – Utilizing Housing as a Platform for Improved Quality of Life

HUD's 2013 Budget request helps create **an economy built to last** by improving health and educational outcomes for millions of families nationwide...

Utilize housing as a platform for improving the quality of life

- Delivers on Federal Strategic Plan to Prevent and End Homelessness
- Provides new vouchers to 10,000 homeless veterans; in addition to the over 38,000 vouchers already provided through the HUD-VASH program.
- Provides funding for nearly 9,000 additional units of supportive housing units for elderly and/or disabled individuals (including homeless)

HUD's FY 2013 Budget – Utilizing Housing as a Platform for Improved Quality of Life

Program (\$ in millions)	2011 Enacted	2012 Enacted	2013 Request
Housing for the Elderly (Section 202)	\$399	\$375	\$475
Housing for Persons with Disabilities (Section 811)*	\$185	\$277	\$261
Housing Opportunities for Persons with AIDS (HOPWA)	\$334	\$332	\$330
Homeless Assistance Grants	\$1,901	\$1,901	\$2,231
HUD-VASH vouchers	\$50	\$75	\$75

^{*} Section 811 totals include Mainstream 811, which is funded out of the Tenant-Based Rental Assistance account.

HUD's FY 2013 Budget – Building Inclusive and Sustainable Communities

HUD's 2013 Budget request helps create **an economy built to last** by funding sustainable, community-driven solutions to generate economic growth and opportunity...

Build inclusive and sustainable communities free from discrimination

- Helps address the \$26 billion backlog in public housing capital needs through the Rental Assistance Demonstration
- Helps communities become more economically competitive for the long-term

Choice Neighborhoods \$150 million

- Revitalizing neighborhoods of concentrated poverty
- Aligning interagency investments, particularly around
 education to invest in skills for our nation's future

Sustainable Communities \$100 million

- Coordinating housing, land use, transportation investments to address growing cost burden faced by working families
- More effectively using existing dollars to increase economic competitiveness – allowing us to discourage outsourcing and encourage insourcing

HUD's FY 2013 Budget – Building Inclusive and Sustainable Communities

Program (\$ in millions)	2011 Enacted	2012 Enacted	2013 Request
CDBG (total)	\$3,501	\$3,308	\$3,143
[CDBG formula amount]	[\$3,336]	[\$2,948]	[\$2,948]
Sustainable Communities	\$100	\$0	[\$100]
FHEO	\$72	\$71	\$68
Native American Housing			
Block Grants	\$649	\$650	\$650
Choice Neighborhoods*	\$65	\$120	\$150

^{*} In FY2011, Choice Neighborhoods was a set-aside within HOPE VI, which totaled \$100m

HUD's FY 2013 Budget – Transforming the Way HUD Does Business

HUD's 2013 Budget request helps create **an economy built to last** by developing an agency that's leaner, smarter, more transparent, and ready for the 21st Century...

Transform the way HUD does business

• Builds on success of Transformation Initiative (TI) with up to \$120 million TI Fund transfer for...

Technical and Capacity Building

- ✓ National Resource Network: Targeting long-term problems like deficits and poor bond ratings
- ✓ One CPD: Helping local governments assess market trends and implement housing programs

Research and Demonstrations

- Funding what works (e.g. scaling up Jobs Plus), stop funding what doesn't
- ✓ Evaluations of RAD, Admin Fees, Homeless interventions

3 Information Technology

- ✓ Replacement of 30-year-old technology
- ✓ Moving to a true enterprise approach