

U.S. DEPARTMENT *of* HOUSING *and* URBAN DEVELOPMENT



SUMMARY *of*  
PERFORMANCE  
*and* FINANCIAL  
INFORMATION

FISCAL YEAR 2013

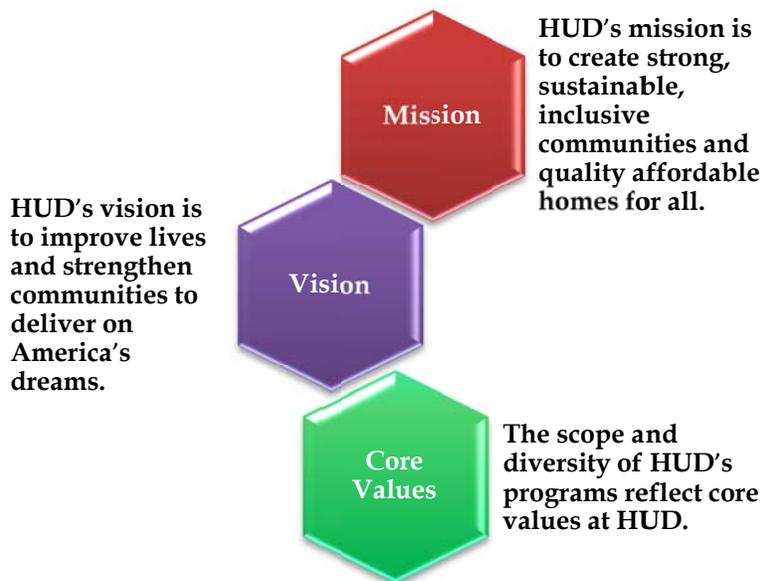
## ABOUT THIS REPORT

The United States Department of Housing and Urban Development's (HUD) Summary of Performance and Financial Information Report (Summary Report) for Fiscal Year (FY) 2013 provides a summary of the most relevant performance and financial information to help the President, Congress, and the public assess our stewardship over the resources entrusted to us. HUD's [FY 2013 Agency Financial Report \(AFR\)](#), [FY 2013 Annual Performance Report](#), and [FY 2015 Annual Performance Plan](#) contain more comprehensive information and analyses.

As part of its mission, HUD is committed to creating places throughout the nation that effectively connect people to jobs, transportation, quality public schools, and other amenities — “geographies of opportunity.”

- **For our residents**, we pledge to improve lives by creating affordable homes in safe, healthy communities of opportunity, and by protecting the rights and affirming the values of a diverse society.
- **For our partners**, we will be a flexible, reliable problem solver and source of innovation.
- **For our employees**, we will be a great place to work, where employees are valued, mission driven, results oriented, innovative, and collaborative.
- **For the public**, we will be a good neighbor, building inclusive and sustainable communities that create value and investing public money responsibly to deliver results that matter.
- **When choosing a home**, citizens are not only choosing a physical structure, but they also are choosing communities and the opportunities for: transportation to work, schools for their children, and public safety. Ensuring that every American family has those choices is what HUD has designed its programs to do.

## MISSION, VISION, & CORE VALUES



## HUD's FY 2010-2015 STRATEGIC GOALS

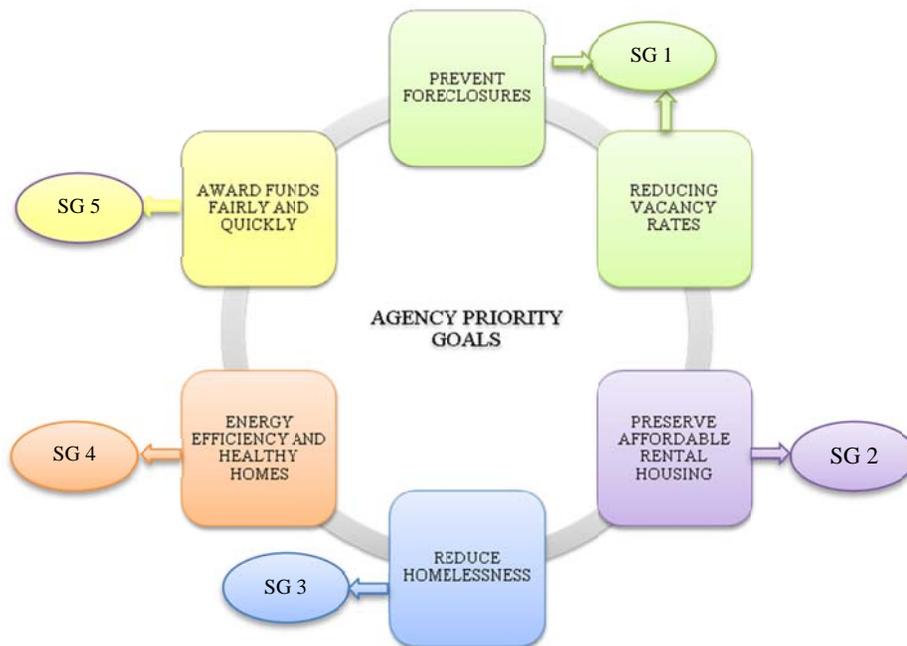
In FY 2010, HUD published a new [Strategic Plan](#) to address the economic, financial, and community development issues the nation was enduring. As a result, the Department created five overarching Strategic Goals that are guiding the transformation of HUD into a 21<sup>st</sup> century organization capable of implementing place-based policies; overseeing a balanced, comprehensive national housing policy that supports sustainable homeownership and affordable rental homes alike; and building the strong, inclusive communities necessary to make the home the foundation of stability and opportunity.

The graphic below displays HUD's Strategic Goals and their relationship to the Department's Agency Priority Goals.



### AGENCY PRIORITY GOALS

Each of HUD's Strategic Goals are supported by one or more two-year Agency Priority Goals (APGs), which serve as key measures of success in furthering HUD's mission. By monitoring progress on the APGs, HUD can analyze performance trends and related funding data to provide a comprehensible picture of the Department's progress towards achieving its priorities.



**HUD's FY 2013 PRIORITY GOALS AND PERFORMANCE OVERVIEW**

**AGENCY PRIORITY GOAL: PREVENT FORECLOSURES**

**Target:** By September 30, 2013, assist 700,000 homeowners who are at risk of losing their homes due to foreclosures.

**Progress:** The performance indicators in the following table are used to track our progress in preventing foreclosures. Between October 1, 2011, and September 30, 2013, HUD set a priority goal of assisting 700,000 homeowners who were at risk of losing their homes due to foreclosure. In that two-year period, HUD exceeded its target by 34 percent, assisting 238,734 more homeowners than planned. HUD exceeded cumulative targets for early delinquency interventions and loss mitigation actions by 20 percent and 70 percent, respectively, for a total of 938,734 homeowners assisted. HUD also performed well on its supporting measures. At the end of FY 2013, the consolidated claims workout (CCW) ratio of 65 percent exceeded our target, and the six-month re-default rate was at its lowest point in the past five years—a decrease of 18 percentage points since 2009. The six-month re-default rate is the percent of homeowners who have re-defaulted on their mortgages within six months of receiving loss mitigation assistance.

Our success on this goal is due to our continued work with lenders to find ways to help borrowers at risk for foreclosure as well as outreach to borrowers to ensure they are aware of their options when facing foreclosure. Although our performance is strong, the Department is closely monitoring the high number of 90+ day defaults as a factor that may affect our Consolidated Claims Workout Ratio moving forward. For detailed quarterly assessments of progress from 2012-2013, readers may consult the archived quarterly updates on [Performance.gov](http://Performance.gov).

INDICATOR	FY 12 Target	FY 12 Actual	FY 13 Target	FY 13 Actual
Early Delinquency Interventions	250,000	290,216	250,000	309,339
Loss Mitigation	100,000	154,933	100,000	184,246
Consolidated Claim Workout Ratio	50.00%	62.58%	50.0%	65.00%
6-Month Re-default Rate	13.00%	13.00%	10.00%	8.00%

**AGENCY PRIORITY GOAL: REDUCING VACANCY RATES**

**Target:** By September 30, 2013, 70 percent of Neighborhood Stabilization Program 2 (NSP2) Neighborhood Investment Clusters (NIC) will reduce the average residential vacancy rate relative to at least one comparable neighborhood.

**Progress:** The following performance indicators track our progress towards this priority goal. By the end of 2013, HUD exceeded its target on its key measure, as well as its targets on two of three supporting metrics.

- By the end of FY 2013, HUD exceeded its target by four percentage points. This means that 74 percent of neighborhoods with at least two NSP2 investments per 100 houses demonstrated lower average residential vacancy rates compared to similar neighborhoods (in terms of factors like home prices and market conditions pre-2008) that received no NSP2 investment.
- By the end of FY 2013, the number of units serviced through NSP2 was lower than originally anticipated, however the number is subject to change beyond September 2013. Of 19,462 units expected to be completed by end of FY 2013, 11,176 (54%) were finished by that time. By statute, NSP2 grantees were required to expend all grant funds by February 11, 2013, but units are not counted

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for this measure until they are occupied. Production estimates lag by 6-18 months after funds are expended, and we expect more completions to be counted through approximately August 2014.

- Between FY 2012 – FY 2013, the average number of days a Federal Housing Administration (FHA) Real Estate Owned (REO) property stayed in the inventory was reduced significantly – by 52 days. The average time to list such properties to the market was reduced by 8 days. HUD staff managing FHA REO properties continue to find ways to make the listing and selling process more efficient.

For detailed quarterly assessments of progress from 2012-2013, readers may consult the archived quarterly updates on [Performance.gov](http://Performance.gov).

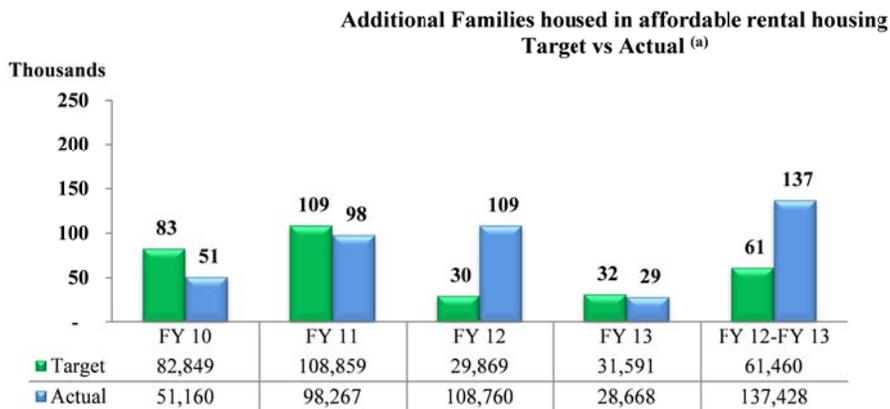
INDICATOR	FY 12 Target	FY 12 Actual	FY 13 Target	FY 13 Actual
Percent of NICs* with improved vacancy rate outcomes over at least one comparable area	70%	75%	70%	74%
NSP2 target areas units of service	6,157	5,292	13,305	5,884
Average days to list REO properties to market	44	22	22	21
Average time in inventory for REO properties	188	136	133	120

\**Neighborhood Investment Cluster, which are neighborhoods with at least two NSP2 investments per 100 houses*

**AGENCY PRIORITY GOAL: PRESERVE AFFORDABLE RENTAL HOUSING**

**Target:** Between October 1, 2011 and September 30, 2013, one of HUD’s priority goals was to preserve affordable rental housing by continuing to serve 5.4 million total families and serve an additional 61,000 families through HUD’s affordable rental housing programs.

**Progress:** HUD reached 91% of its FY 2013 target, and more than doubled its two-year (FY 2012-2013) target, having served an additional 137,428 families with affordable rental housing during that two-year period.



<sup>a</sup> Due to continually improving and corrected data sets, actual figures may slightly differ from figures reported in previous performance reports.

**AGENCY PRIORITY GOAL: REDUCE HOMELESSNESS**

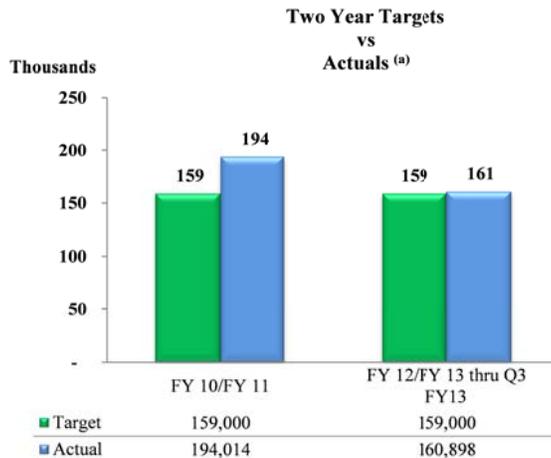
**Target:** Between October 1, 2011, and September 30, 2013, HUD aimed to reduce the number of homeless Veterans to 35,000 by serving 35,500 additional homeless Veterans.

**Progress:** By the close of FY 2013, HUD and the VA had served 46,153 Veterans, surpassing—by 10,418—its two-year goal of serving 35,735 Veterans. A full calculation of HUD's two-year performance impact to reduce the number of homeless Veterans by the end of FY 2013 will be assessed during analysis of results from the annual Point-In-time (PIT) count of the homeless population throughout the nation, which took place on a single night in January 2014. HUD continues to work toward its goal of a reduction in Veterans' homelessness to 35,000 individuals, and based on the PIT count in January 2013, the number of homeless Veterans has decreased by 24% since 2009.

**AGENCY PRIORITY GOAL: ENERGY EFFICIENCY AND HEALTHY HOMES**

**Target:** Between October 1, 2011 and September 30, 2013, HUD aimed to enable a total of 159,000 cost effective energy efficient or healthy housing units, as part of a joint HUD-Department of Energy goal of 520,000 in FY 2012–2013 and a total goal of 1.2 million units in FY 2010–2013.

**Progress:** Through FY2012 and FY 2013, HUD completed 160,898 energy efficient or healthy units, exceeding its two-year goal of 159,000 units. HUD also exceeded its target for the four-year period since this APG was established (FY 2010-13) - with more than 350,000 energy-efficient and green units completed, and a combined total with the Department of Energy of more than 1.4 million units. To continue to track HUD's quarterly and annual progress on this goal, visit [Performance.gov](http://Performance.gov).



<sup>a</sup> Includes the use of a "unit equivalent" method approved by OMB for certain programs to reflect the ten most cost effective Energy Conservation measures.

**AGENCY PRIORITY GOAL: AWARD FUNDS FAIRLY AND QUICKLY**

**Target:** Between October 1, 2011 and September 30, 2013, HUD aimed to improve internal processes to ensure that it could obligate 90 percent of Notice of Funding Availability (NOFA) programs within 180 calendar days from budget passage, ensuring that America's neediest families have the shelter and services they need, when they need them. The timely obligation and subsequent disbursement of funds would positively impact the agency's ability to achieve all of our priority goals.

**Progress:** Through September 22, 2013, or 180 days following budget passage, the Department had obligated funds for 8 of the 25 (32%) competitive grant programs or "NOFA" programs. Within 8 days of September 22 (September 30 or the end of the fiscal year 2013), the Department had obligated funds for an additional 4 NOFA programs, bringing the rate to 48% or 12 of 25 NOFA programs. By December 31, 2013, the Department had obligated funds for two-thirds (17 of 25 or 68%) of the FY 2013 NOFA programs.

While the target for the FY12-13 performance period was not reached, HUD remains committed to awarding funds more efficiently, and several recent significant business process transformations are expected to improve and streamline the NOFA process in FY14 and beyond. Importantly, the Department is automating the NOFA processes, from NOFA development through the obligation document. The Department also contracted with a vendor to build a communications portal for its NOFA stakeholders to easily access current policies and procedures as well as provide a

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portal to share best practices. In September 2013, HUD entered into an agreement with the Department of Health and Human Services (HHS) Center of Excellence for Grants Management to obtain the use of software application modules to automate and streamline the grants.

It is worthwhile to note that the Department also significantly edited and enhanced the clarity of requirements outlined in the General Section for all NOFAs. The improvements to the General Section are expected to reduce the number of questions from potential grantees concerning the application requirements and facilitate NOFA development internally.

<b>Percent of NOFA programs obligated within 180 days of budget passage</b>	<b>Target</b>	<b>Actual</b>	<b>Target Met?</b>
FY 2011	N/A	56%	N/A
FY 2012	90%	46%	No
FY 2013	90%	32%*	No

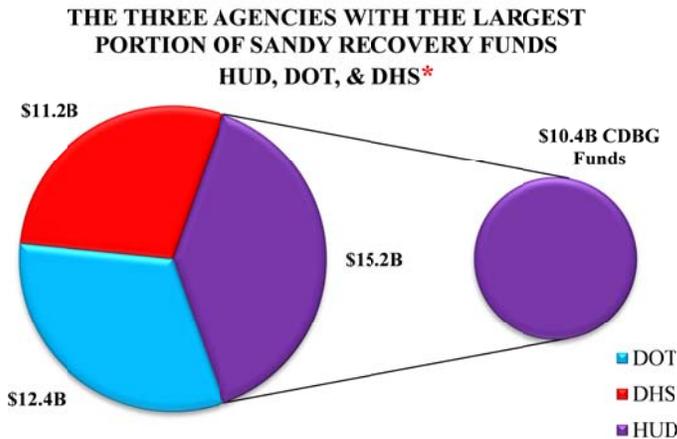
\* There were 25 NOFAs in FY 2013, with 8 (32%) NOFAs making the 180 day goal (September 22, 2013).

### HURRICANE SANDY

#### OVERVIEW

On October 29, 2012 multiple weather systems – including Hurricane Sandy – collided over the most densely populated region in the nation, with devastating and tragic results. At least 159 people in the United States were killed as either a direct or indirect result of Sandy. More than 650,000 homes were damaged or destroyed and hundreds of thousands of businesses were damaged or forced to close at least temporarily. The power of nature was set loose on our nation’s largest city and some of our smallest coastal towns, with results that would have previously seemed unimaginable. Lives were lost, millions of homes were upended, families were made homeless in a single night, and entire communities were in shock at the scale of the loss.

#### MEASURING OUR PROGRESS



More than 26,000 households have already been assisted through CDBG housing programs across the nation, with more than \$157 million paid out to these beneficiaries. Also, more than \$2 billion in infrastructure funds are at work in dozens of projects throughout the region.

### OUR FINANCIAL INFORMATION

The Department’s financial statements, notes, and additional information appear on pages 55 through 135 of our full FY 2013 Agency Financial Report. Among the programs HUD administers are the Federal Housing Administration’s

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(FHA) loan guarantee programs, the Government National Mortgage Association’s (Ginnie Mae) mortgage-backed securities program, Section 8 rental assistance, Community Development Block Grants, the Home Investment Partnerships program, PHA Operating Subsidies, Public and Indian Housing (PIH) loans and grants, Housing for the elderly and disabled, and other programs. Below is a summary of financial information for FY 2013.

**Summarized Financial Data (Dollars in Billions)**

	<b>2013</b>	<b>2012</b>
Total Assets	\$152.8	\$127.7
Total Liabilities	\$72.4	\$70.1
Net Position	\$80.5	\$57.6
FHA Insurance-In-Force*	\$1,292.7	\$1,263.8
Ginnie Mae Mortgage-Backed Securities Guarantees	\$1,457.1	\$1,341.4
Other HUD Program Commitments	\$45.8	\$50.1

\* The numbers vary slightly from those in the AFR due to rounding errors discovered subsequent to publication of the AFR.

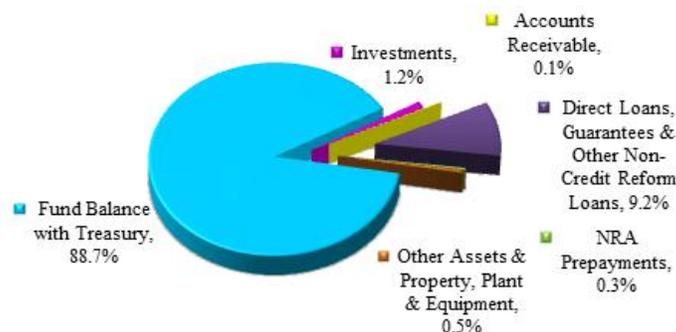
HUD’s FY 2013 Financial Statements reflect restatements of the Department’s Fiscal Year 2012 Financial Statements in the following areas:

- Ginnie Mae’s Financial Statement presentation in conformance with the Federal Accounting Standards Advisory Board’s Statement of Federal Financial Accounting Standards versus the previous Financial Accounting Standard Board’s presentation,
- Ginnie Mae’s revised presentation of Other Assets to provide additional clarity on Non-Credit Reform Loans Receivable,
- Ginnie Mae’s revised presentation of unpaid undelivered orders on the Statement of Budgetary Resources,
- Elimination of probable unrealized claims from Ginnie Mae that are insured by FHA, and
- Recognition of the Net Restricted Asset Prepayments as a result of funding provided by the Department under PIH’s Section 8 Housing Choice Voucher Program.

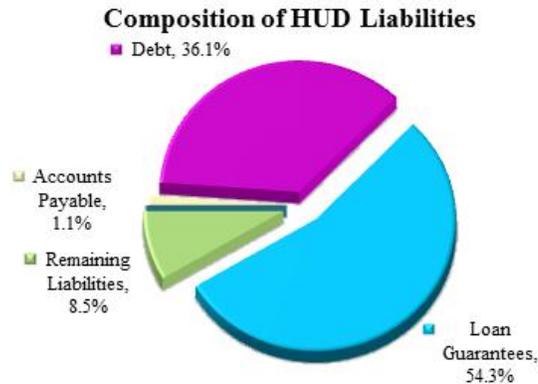
Section II Note 30 of the [Notes to the Financial Statements](#) in the AFR FY 2013, provides further details of the restatement.

**Total Assets** for FY 2013 of \$152.8 billion are comprised of the *Fund Balance with the U.S. Department of Treasury* of \$135.6 billion (88.7 percent), *Accounts Receivable* of \$0.2 billion, *Direct Loans & Loan Guarantees* of \$10.0 billion, *Other Non-Credit Reform Loans* of \$4.0 billion, *Investments* of \$1.8 billion, *Net Restricted Asset Prepayments* of \$0.5 billion, and *Other Assets and Property, Plant & Equipment* of \$0.7 billion at September 30, 2013.

**Composition of HUD Assets - FY13**



**Total Liabilities** of \$72.4 billion consist primarily of *Loan Guarantees* of \$39.3 billion (54.3 percent), *Debt* in the amount of \$26.1 billion (36.1 percent), *Accounts Payable* of \$0.8 billion (1.1 percent), and *Remaining Liabilities* amounting to \$6.2 billion (8.5 percent) at September 30, 2013.



## INDEPENDENT AUDITOR'S REPORT

The Office of Inspector General (OIG) of HUD performed an independent audit of HUD's FY 2013 financial statements. Another independent auditor audited the financial statements of Ginnie Mae and the FHA. The OIG's opinion on the fiscal years 2013 and 2012 financial statements, related to the amounts included for the FHA and Ginnie Mae as of September 30, 2013 and 2012, is based solely on the reports of the other auditors. In the audit of the current fiscal year, the Department received a qualified opinion on its FY 2013 financial statements from the OIG. In addition, an original, unqualified opinion dated November 15, 2012 by the OIG on the Department's FY 2012 financial statements has been replaced with a qualified opinion. The OIG based the qualification of the FY 2013 and FY 2012 financial statements on determining the following HUD practices to be not in accordance with generally accepted accounting principles: (1) Improper budgetary accounting in two programs, and (2) The lack of accounting for cash management in one program.

The OIG identified four material weaknesses, including: improper budgetary accounting for formula grants, improper cash management in the Housing Choice Voucher program, financial management systems weaknesses, and the consolidated financial statement preparation and reporting process. In addition, the Department recognized an operational material weakness in its Strategic Management of Human Capital Operations and a material weakness in the Department's non-compliance with the Federal Information Security Management Act (FISMA). Further, the OIG report notes eleven significant deficiencies, one of which the Department has resolved, and five instances in which HUD has not complied with certain provisions of laws and regulations.

HUD takes these material weaknesses, significant deficiencies, and instances of non-compliance with laws and regulation very seriously. The Department is taking aggressive actions aimed at correcting these issues and strengthening the Department's internal controls. The following items highlight several significant actions that the Department has taken in this fiscal year:

- Began the implementation of a new core financial system with the U.S. Department of Treasury.
- Restated the Department's FY 2012 financial statements.
- Developed a draft plan to eliminate the use of the First-In, First-Out (FIFO) accounting method.
- Developed procedures and adjusted accounting records with an aim of correcting weaknesses in the cash management process in PIH's Housing Choice Voucher program.

For a full discussion of HUD's FY 2013 accomplishments and planned actions in remediation efforts on all of these issues, please refer to the extensive material provided in the Management Assurances and the Summary of Financial Statement Audit subsections of the full [FY 2013 AFR](#).

## SUMMARY OF MANAGEMENT ASSURANCES

The Department of Housing and Urban Development's management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the Federal Managers Financial Integrity Act (FMFIA). For the complete statement of Management Assurances, and for further discussion, see pages 46 through 51 of the complete [AFR](#).

HUD is able to provide a qualified assurance of its internal controls over the effectiveness and efficiency of operations as of September 30, 2013, with the exception of three material weaknesses (one for FMFIA Section 2 and two for Section 4) in the areas of Human Capital Management, Federal Financial Management Improvement Act (FFMIA), and Federal Information Security Management Act (FISMA) noncompliance. Additionally, HUD conducted its assessment of the effectiveness of internal control over financial reporting in accordance with Appendix A of OMB Circular A-123. The Department provides a qualified assurance that its internal controls over financial reporting were operating effectively as of September 30, 2013, with the exceptions of the three material weaknesses — presentation of Balance Sheet Accounts, implementation of Cash Management Requirements, and the utilization of the First-in, First-out (FIFO) method of accounting for disbursements. Other than the noted exceptions, the internal controls were operating effectively, and no other material weaknesses were found in the design or operation of the internal control over financial reporting.

The Disaster Relief Appropriations Act (Sandy Funds) of 2013 provided the Department with \$16 billion to assist in the Hurricane Sandy recovery. Appropriate policies and controls are in place to mitigate the risk of fraud and inappropriate spending practices and to ensure that Sandy Funds are used for their intended purpose.

## MANAGEMENT AND PERFORMANCE CHALLENGES SUMMARY

HUD's most significant management and performance challenges cited by the OIG in FY 2013 are listed below with one area of progress noted for each challenge. [For a comprehensive discussion of the challenges facing the Department, please see the OIG memorandum and management's comments in Section 3 of the AFR.]

- Human Capital Management - Developed the FY 2015 annual budget at a functional level (in 134 functions).
- Financial Management Governance - Performed 46 compliance reviews of administrative control of funds.
- Financial Management Systems - Developing a new core financial system with the Department of the Treasury's Fiscal Service office.
- Information Security - HUD agrees with the OIG's assessment and is currently implementing corrective actions.
- Single-Family Programs - Tightened credit/underwriting requirements and raised mortgage insurance premiums.
- HOME Program - Developed a draft plan to change method for determining compliance with the HOME statute.
- Public and Assisted Housing - Developing tools to assist in Housing Choice Voucher program oversight.
- Programs Directed Toward Victims of Natural Disasters - Placed controls on the Line of Credit Control System.

THIS REPORT IS AVAILABLE ON THE WEB AT:  
<http://portal.hud.gov/hudportal/documents/huddoc?id=sr2013.pdf>



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