Note 12: Liabilities Covered and Not Covered by Budgetary Resources

The following shows HUD's liabilities as of September 30, 2013 and 2012 (dollars in millions):

Description	2013 Covered	2013 Not-Covered	2013 Total	2012 Covered	2012 Not-Covered	2012 Total
Intragovernmental						
Accounts Payable	$ 18	$ -	$ 18	$ 15	$ -	$ 15
Debt	26,079	-	26,079	11,567	-	11,567
Other Intragovernmental Liabilities	4,642	17	4,659	4,098	19	4,117
Total Intragovernmental Liabilities	$ 30,739	$ 17	$ 30,756	$ 15,680	$ 19	$ 15,699
Accounts Payable	803	-	803	1,303	-	1,303
Liabilities for Loan Guarantees	39,305	-	39,305	51,865	-	51,865
Debt	20	-	20	60	-	60
Federal Employee and Veterans' Benefits	-	77	77	-	76	76
Loss Liability	700	-	700	358	-	358
Other Liabilities	627	82	709	639	97	736
Total Liabilities	**$ 72,194**	**$ 176**	**$ 72,370**	**$ 69,905**	**$ 192**	**$ 70,097**

HUD's other governmental liabilities principally consists of Ginnie Mae's deferred revenue, FHA's special receipt account and the Department's payroll costs. Further disclosures of HUD's other liabilities are also found in Note 16.

Note 13: Debt

Several HUD programs have the authority to borrow funds from the U.S. Treasury for program operations. Additionally, the National Housing Act authorizes FHA, in certain cases, to issue debentures in lieu of cash to pay claims. Also, PHAs and TDHEs borrowed funds from the private sector and from the Federal Financing Bank (FFB) to finance construction and rehabilitation of low rent housing. HUD is repaying these borrowings on behalf of the PHAs and TDHEs.

The following shows HUD borrowings, and borrowings by PHAs/TDHEs for which HUD is responsible for repayment, as of September 30, 2013 (dollars in millions):

Description	Beginning Balance	Net Borrowings	Ending Balance
Debt to the U.S. Treasury	$ 11,567	$ 14,512	$ 26,079
Held by the Public	60	(40)	20
Total	$ 11,627	$ 14,472	$ 26,099
Classification of Debt:			
Intragovernmental Debt			$ 26,079
Debt held by the Public			20
Total			**$ 26,099**

The following shows HUD borrowings, and borrowings by PHAs/TDHEs for which HUD is responsible for repayment, as of September 30, 2012 (dollars in millions):

Description	Beginning Balance	Net Borrowings	Ending Balance
Debt to the U.S. Treasury	$ 6,091	$ 5,476	$ 11,567
Held by the Public	153	(93)	60
Total	$ 6,244	$ 5,383	$ 11,627
Classification of Debt:			
Intragovernmental Debt			$ 11,567
Debt held by the Public			60
Total			**$ 11,627**

Interest paid on borrowings as of September 30, 2013 and 2012 was $921 million and $463 million, respectively. The purpose of these borrowings is discussed in the following paragraphs.

Borrowings from the U.S. Treasury

In FY 2013 and FY 2012, FHA borrowed $14,412 billion and $5,670 billion, respectively, from the U.S. Treasury. In accordance with Credit Reform accounting, FHA borrows from the U.S. Treasury when cash is needed in its financing accounts. 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 re-estimates when available cash is less than claim payments due. These borrowings carried interest rates ranging from 1.68 percent to 7.39 percent during FY 2013 and FY 2012.

In FY 2013, HUD borrowed $530 thousand for the Emergency Homeowners' Relief Program. These borrowings earned an interest rate of 1.67 percent. As in FHA's credit reform programs, all borrowings were made in the financing accounts.

Borrowings from the Federal Financing Bank (FFB) and the Public

During the 1960s, 1970s, and 1980s, PHAs obtained loans from the private sector and from the FFB to finance development and rehabilitation of low rent housing projects. HUD is repaying these borrowings on behalf of the PHAs, through the Low Rent Public Housing program. For borrowings from the Public, interest is payable throughout the year.

Before July 1, 1986, the FFB purchased notes issued by units of general local government and guaranteed by HUD under Section 108. These notes had various maturities and carried interest rates that were one-eighth of one percent above rates on comparable Treasury obligations. The FFB held substantially all outstanding notes, and no note purchased by the FFB has ever been declared in default. In March of FY 2010, HUD repaid all FFB borrowings for the Low Rent Public Housing program.

Debentures Issued To Claimants

The National Housing Act authorizes FHA, in certain cases, to issue debentures in lieu of cash to settle claims. FHA-issued debentures bear interest at rates established by the U.S. Treasury. There were no debentures issued in FY 2013. Interest rates related to the outstanding debentures ranged from 4.00

percent to 13.375 percent in FY 2011. Debentures may be redeemed by lenders prior to maturity to pay mortgage insurance premiums to FHA, or they may be called with the approval of the Secretary of the U. S. Treasury.

Note 14: Federal Employee and Veterans' Benefits

HUD is a non-administering agency; therefore, it relies on cost factors and other actuarial projections provided by the Department of Labor (DOL) and Office of Personnel Management (OPM). HUD's imputed costs consist of two components, pension and health care benefits. During FY 2013, HUD recorded imputed costs of $78 million which consisted of $39 million for pension and $39 million for health care benefits. During FY 2012, HUD recorded imputed costs of $81 million which consisted of $37 million for pension and $44 million for health care benefits. These amounts are reported by OPM and charged to expense with a corresponding amount considered as an imputed financing source in the Statement of Changes in Net Position.

HUD also accrues the portion of the estimated liability for disability benefits assigned to the agency under the Federal Employee Compensation Act (FECA), administered and determined by the DOL. The liability, based on the net present value of estimated future payments based on a study conducted by DOL, was $77 million as of September 30, 2013, and $76 million as of September 30, 2012. Future payments on this liability are to be funded by future financing sources.

In addition to the imputed costs of $78 million noted above, HUD recorded benefit expenses totaling $172 million for FY 2013 and $168 million for FY 2012.

Note 15: MBS Loss Liability

For FY 2013 and FY 2012, Ginnie Mae's MBS loss liability was $700 million and $357 million, respectively. The estimate is established to the extent management believes losses due to defaults are probable and estimable and FHA, USDA, VA, and PIH insurance or guarantees are insufficient to recoup Ginnie Mae expenditures. The MBS loss liability represents probable and estimable losses net of recoveries for currently defaulted issuers as well as probable and estimable future defaults by issuers of MBS. An increase to the loss liability is established through a provision charged to operations while a decrease is a recapture of expense charged to operations. The loss liability is relieved as losses are realized from the disposal of the defaulted issuers' portfolios. Ginnie Mae recovers part of its losses through servicing fees on the performing portion of the portfolios.

In estimating losses, management utilizes a statistically-based model that evaluates numerous factors, including but not limited to, general and regional economic conditions, mortgage characteristics, and actual and expected future default and loan loss experience. Based on its analysis of its loss exposure, Ginnie Mae increased its MBS loss liability balance in FY 2013. Ginnie Mae management believes that its MBS loss liability is adequate to cover probable and estimable losses of default-related losses due to Ginnie Mae guaranteed MBS.