

## HUD FY 2013 Agency Financial Report

### Section 2

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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.