

Note 18: Contingencies

Lawsuits and Other

FHA is party in various legal actions and claims brought by or against it. In the opinion of management and general counsel, the ultimate resolution of these legal actions will not have an effect on FHA's consolidated financial statements as of September 30, 2013. As a result, no contingent liability has been recorded.

HUD is party to a number of claims and tort actions related to lawsuits brought against it concerning the implementation or operation of its various programs. The potential loss related to an ongoing case related to HUD's assisted housing programs is probable at this time and as a result, the Department has recorded a contingent liability of \$100 thousand in its financial statements. The Department also estimates other cases where the expected outcome totaling \$351 million is reasonably possible but not probable and therefore no contingent liability was recorded in HUD's financial statements. Other ongoing suits cannot be reasonably determined at this time and in the opinion of management and general counsel, the ultimate resolution of pending litigation will not have a material effect on the Department's financial statements.

Note 19: Funds from Dedicated Collections

Funds from dedicated collections are financed by specifically identified revenues and are required by statute to be used for designated activities or purposes.

Ginnie Mae

Ginnie Mae is a self-financed government corporation, whose program operations are financed by a variety of fees, such as guaranty, commitment, new issuer, handling, and transfer servicing fees, which are to be used only for Ginnie Mae's legislatively authorized mission. In FY 2013, Ginnie Mae was authorized to use \$22 million for payroll and payroll related expense, funded by commitment fees.

Rental Housing Assistance Fund

The Housing and Urban Development Act of 1968 authorized the Secretary to establish a revolving fund into which rental collections in excess of the established basic rents for units in Section 236 subsidized projects would be deposited. The Housing and Community Development Amendment of 1978 authorized the Secretary, subject to approval in appropriation acts, to transfer excess rent collections received after 1978 to the Troubled Projects Operating Subsidy program, renamed the Flexible Subsidy Fund. Prior to that time, collections were used for paying tax and utility increases in Section 236 projects. The Housing and Community Development Act of 1980 amended the 1978 Amendment by authorizing the transfer of excess rent collections regardless of when collected.

Flexible Subsidy

The Flexible Subsidy Fund assists financially troubled subsidized projects under certain FHA authorities. The subsidies are intended to prevent potential losses to the FHA fund resulting from project insolvency and to preserve these projects as a viable source of housing for low and moderate-income tenants. Priority was given with Federal insurance-in-force and then to those with mortgages that had been assigned to the Department.

American Recovery and Reinvestment Act Programs (Recovery Act)

The Recovery Act includes \$14 billion for 17 programs at HUD which are distributed across three themes that align with the broader Recovery goals. A further discussion of HUD's accomplishments under the Recovery Act program can be found at www.hud.gov/recovery.

Manufactured Housing Fees Trust Fund

The National Manufactured Housing Construction and Safety Standards Act of 1974, as amended by the Manufactured Housing Improvement Act of 2000, authorizes development and enforcement of appropriate standards for the construction, design, and performance of manufactured homes to assure their quality, durability, affordability, and safety.

Fees are charged to the manufacturers for each manufactured home transportable section produced and will be used to fund the costs of all authorized activities necessary for the consensus committee (HUD) and its agents to carry out all aspects of the manufactured housing legislation. The fee receipts are permanently appropriated and have helped finance a portion of the direct administrative expenses incurred in program operations. Activities are initially financed via transfer from the Manufactured Housing General Fund.

Financial Information
Notes To Financial Statements

The following shows funds from dedicated collections as of September 30, 2013 (dollars in millions):

	Rental		Manufactured		Other	Eliminations	Total Earmarked Funds
	Ginnie Mae	Housing Assistance	Flexible Subsidy	Housing Fees Trust Fund			
Balance Sheet							
Fund Balance w/Treasury	\$ 9,622	\$ 4	\$ 296	\$ 13	\$ 168	\$ 2	\$ - \$ 10,105
Investments	1,821	-	-	-	-	-	- 1,821
Accounts Receivable	129	4	-	-	3	-	(1) 135
Loans Receivable	-	-	523	-	5	-	- 528
Other Non-Credit Reform Loans Receivable	6,333	-	-	-	-	-	- 6,333
General Property, Plant and Equipment	37	-	-	-	-	-	- 37
Other	-	-	-	-	-	-	- -
Total Assets	\$ 17,942	\$ 8	\$ 819	\$ 13	\$ 176	\$ 2	\$ (1) \$ 18,959
Debt - Intragovernmental	\$ -	\$ -	\$ -	\$ -	\$ 15	\$ -	\$ - \$ 15
Accounts Payable - Intragovernmental	-	-	-	-	1	-	- 1
Accounts Payable - Public	167	-	-	-	-	-	- 167
Loan Guarantees	-	-	-	-	-	-	- -
Loss Liability	700	-	-	-	-	-	- 700
Other Liabilities - Intragovernmental	-	-	-	-	1	-	(1) -
Other Liabilities - Public	140	-	-	-	-	-	- 140
Total Liabilities	\$ 1,007	\$ -	\$ -	\$ -	\$ 17	\$ -	\$ (1) \$ 1,023
Unexpended Appropriations	\$ 1	\$ -	\$ (376)	\$ -	\$ 160	\$ -	\$ - \$ (215)
Cumulative Results of Operations	16,934	8	1,195	13	(1)	2	- 18,151
Total Net Position	\$ 16,935	\$ 8	\$ 819	\$ 13	\$ 159	\$ 2	\$ - \$ 17,936
Total Liabilities and Net Position	\$ 17,942	\$ 8	\$ 819	\$ 13	\$ 176	\$ 2	\$ (1) \$ 18,959
Statement of Net Cost For the Period Ended							
Gross Costs	\$ 602	\$ 3	\$ 7	\$ 7	\$ 456	\$ 1	\$ (4) \$ 1,072
Less Earned Revenues	(1,225)	(3)	(10)	(3)	(1)	(1)	4 (1,239)
Net Costs	\$ (623)	\$ -	\$ (3)	\$ 4	\$ 455	\$ -	\$ - \$ (167)
Statement of Changes in Net Position for the Period Ended							
Net Position Beginning of Period	\$ 16,311	\$ 8	\$ 815	\$ 15	\$ 614	\$ 2	\$ - \$ 17,765
Appropriations Received	-	-	-	-	1	-	- 1
Transfers In/Out Without Reimbursement	-	-	-	2	(1)	-	- 1
Imputed Costs	1	-	-	-	-	-	- 1
Other Adjustments	-	-	-	-	-	-	- -
Donations and Forfeitures of Cash & Cash Equivalen	-	-	-	-	-	-	- -
Penalties, Fines, and Administrative Fees Revenue	-	-	1	-	-	-	- 1
Net Cost of Operations	623	-	3	(4)	(455)	-	- 167
Change in Net Position	\$ 624	\$ -	\$ 4	\$ (2)	\$ (455)	\$ -	\$ - \$ 171
Net Position End of Period	\$ 16,935	\$ 8	\$ 819	\$ 13	\$ 159	\$ 2	\$ - \$ 17,936

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The following shows funds from dedicated collections as of September 30, 2012 (dollars in millions):

	Ginnie Mae	Rental		Manufactured		Other	Eliminations	Total Earmarked Funds
		Housing Assistance	Flexible Subsidy	Housing Fees Trust Fund	Recovery Act Funds			
Balance Sheet								
Fund Balance w/Treasury	\$ 7,075	\$ 4	\$ 255	\$ 15	\$ 634	\$ 2	\$ -	\$ 7,985
Investments	2,124	-	-	-	-	-	-	2,124
Accounts Receivable	161	4	-	-	-	-	-	165
Loans Receivable	-	-	560	-	11	-	-	571
Other Non-Credit Reform Loans Receivable	7,635	-	-	-	-	-	-	7,635
General Property, Plant and Equipment	40	-	-	-	-	-	-	40
Other	-	-	-	-	-	-	-	-
Total Assets	\$ 17,035	\$ 8	\$ 815	\$ 15	\$ 645	\$ 2	\$ -	\$ 18,520
Debt - Intragovernmental	\$ -	\$ -	\$ -	\$ -	\$ 15	\$ -	\$ -	\$ 15
Accounts Payable - Public	234	-	-	-	16	-	-	250
Loss Liability	357	-	-	-	-	-	-	357
Other Liabilities - Public	133	-	-	-	-	-	-	133
Total Liabilities	\$ 724	\$ -	\$ -	\$ -	\$ 31	\$ -	\$ -	\$ 755
Unexpended Appropriations	\$ 2	\$ -	\$ (376)	\$ -	\$ 614	\$ -	\$ -	\$ 240
Cumulative Results of Operations	16,309	8	1,191	15	-	2	-	17,525
Total Net Position	\$ 16,311	\$ 8	\$ 815	\$ 15	\$ 614	\$ 2	\$ -	\$ 17,765
Total Liabilities and Net Position	\$ 17,035	\$ 8	\$ 815	\$ 15	\$ 645	\$ 2	\$ -	\$ 18,520

Statement of Net Cost For the Period Ended

Gross Costs	\$ 711	\$ 1	\$ (535)	\$ 7	\$ 1,963	\$ -	\$ (3)	\$ 2,144
Less Earned Revenues	(1,259)	-	(8)	(3)	(1)	-	3	(1,268)
Net Costs	\$ (548)	\$ 1	\$ (543)	\$ 4	\$ 1,962	\$ -	\$ -	\$ 876

Statement of Changes in Net Position for the Period Ended

Net Position Beginning of Period	\$ 15,762	\$ 9	\$ 270	\$ 17	\$ 2,587	\$ 2	\$ -	\$ 18,647
Appropriations Received	-	-	-	-	-	-	-	-
Transfers In/Out Without Reimbursement	-	-	-	2	-	-	-	2
Imputed Costs	1	-	-	-	-	-	-	1
Other Adjustments	-	-	-	-	(11)	-	-	(11)
Donations and Forfeitures of Cash & Cash Equivalent	-	-	-	-	-	-	-	-
Penalties, Fines, and Administrative Fees Revenue	-	-	2	-	-	-	-	2
Net Cost of Operations	548	(1)	543	(4)	(1,962)	-	-	(876)
Change in Net Position	\$ 549	\$ (1)	\$ 545	\$ (2)	\$ (1,973)	\$ -	\$ -	\$ (882)
Net Position End of Period	\$ 16,311	\$ 8	\$ 815	\$ 15	\$ 614	\$ 2	\$ -	\$ 17,765

Note 20: Intragovernmental Costs and Exchange Revenue

The data below shows HUD's intragovernmental costs and earned revenue separately from activity with the public. Intragovernmental transactions are exchange transactions made between two reporting entities within the Federal government. Intragovernmental costs are identified by the source of the goods and services; both the buyer and seller are Federal entities. Revenues recognized by the Department may also be reported as non-Federal if the goods or services are subsequently sold to the public. Public activity involves exchange transactions between the reporting entity and a non-Federal entity.