Notes To Financial Statements

September 30, 2013 and 2012

Note 1: Entity and Mission

HUD was created in 1965 to (1) provide housing subsidies for low and moderate income families, (2) provide grants to states and communities for community development activities, (3) provide direct loans and capital advances for construction and rehabilitation of housing projects for the elderly and persons with disabilities, and (4) promote and enforce fair housing and equal housing opportunity. In addition, HUD insures mortgages for single family and multifamily dwellings; insures loans for home improvements and manufactured homes; and facilitates financing for the purchase or refinancing of millions of American homes.

HUD's major programs are as follows:

The Federal Housing Administration (FHA) administers active mortgage insurance programs which are designed to make mortgage financing more accessible to the home-buying public and thereby to develop affordable housing. FHA insures private lenders against loss on mortgages which finance single family homes, multifamily projects, health care facilities, property improvements, and manufactured homes.

The Government National Mortgage Association (Ginnie Mae) guarantees the timely payment of principal and interest on Mortgage-Backed Securities (MBS) issued by approved private mortgage institutions and backed by pools of mortgages insured or guaranteed by FHA, the Department of Agriculture (USDA), the Department of Veterans Affairs (VA), and the HUD Office of Public and Indian Housing (PIH).

The Section 8 Rental Assistance programs assist low- and very low-income families in obtaining decent and safe rental housing. HUD makes up the difference between what a low- and very low-income family can afford and the approved rent for an adequate housing unit funded by the Housing Choice Voucher (HCV) Program.

The Low Rent Public Housing Grants program provides grants to Public Housing Agencies (PHAs) and Tribally Designated Housing Entities (TDHEs) for construction and rehabilitation of low-rent housing. This program is a continuation of the Low Rent Public Housing Loan program which pays principal and interest on long-term loans made to PHAs and TDHEs for construction and rehabilitation of low-rent housing.

The Homeless Assistance Grants program provides grants to localities to implement innovative approaches to address the diverse facets of homelessness.

The **Section 202/811** Supportive Housing for the Elderly and Persons with Disabilities programs provided 40-year loans to nonprofit organizations sponsoring rental housing for the elderly or disabled. During FY 1992, the program was converted to a grant program. The grant program provides capital for long-term supportive housing for the elderly (Section 202) and the disabled (Section 811).

The Community Development Block Grant (CDBG) programs provide funds for metropolitan cities, urban counties, and other communities to use for neighborhood revitalization, economic development, and improved community facilities and services. The United States Congress appropriated $17.5 billion in FY 2008 and $150 million in emergency supplemental appropriations in FY 2005 for the "Community

Development Fund" for emergency expenses to respond to various disasters such as Hurricane Katrina and IKE . Funds of $1.5 billion were disbursed in FY 2013 and $868 million in FY 2012. Any remaining un-obligated balances remain available until expended.

The Home Investments Partnerships program provides grants to states, local governments, and Indian tribes to implement local housing strategies designed to increase home ownership and affordable housing opportunities for low- and very low-income families.

Other Programs not included above consist of other smaller programs which provide grant, subsidy funding, and direct loans to support other HUD objectives such as fair housing and equal opportunity, energy conservation, rehabilitation of housing units, removal of lead hazards, and for maintenance costs of PHAs and TDHEs housing projects. The programs provided 9 percent of HUD's consolidated revenues and financing sources for FY 2013 and 12 percent of HUD's consolidated revenues and financing sources for FY 2012.

Note 2: Summary of Significant Accounting Policies

A. Basis of Consolidation

The accompanying principal financial statements include all Treasury Account Fund Symbols (TAFSs) designated to the Department of Housing and Urban Development, which consist of principal program funds, revolving funds, general funds and deposit funds. All inter-fund accounts receivable, accounts payable, transfers in and transfers out within these TAFSs have been eliminated to prepare the consolidated balance sheet, statement of net cost, and statement of changes in net position. The SBR is prepared on a combined basis as required by *OMB Circular A-136, Financial Reporting Requirements*.

The Department's FY 2013 financial statements do not include the accounts and transactions of one transfer appropriation, the Appalachian Regional Commission. Some laws require departments (parent) to allocate budget authority to another department (child). Allocation means a delegation, authorized by law, by one department of its authority to obligate and outlay funds to another department. HUD, the child account, receives budget authority and then obligates and outlays sums of up to the amount included in the allocation. As required by OMB Circular A-136, financial activity is in the parent account which is also accountable for and maintains the responsibility for reporting while the child performs on behalf of the parent and controls how the funds are expended. Consequently, these balances are not included in HUD's consolidated financial statements as specified by OMB Circular A-136.

B. Basis of Accounting

The Department's FY 2013 financial statements include the accounts and transactions of FHA, Ginnie Mae, and its grant, subsidy and loan programs.

The financial statements are presented in accordance with the OMB Circular No. A-136, Financial Reporting Requirements, and in conformance with the Federal Accounting Standards Advisory Board's (FASAB) Statements of Federal Financial Accounting Standards (SFFAS).

The financial statements are presented on the accrual and budgetary bases of accounting. Under the accrual method, HUD recognizes revenues when earned, and expenses when a liability is incurred, without regard to receipt or payment of cash. Generally, procedures for HUD's major grant and subsidy programs require recipients to request periodic disbursement concurrent with incurring eligible costs. Budgetary accounting facilitates compliance with legal requirements on the use of Federal funds.

The Department's disbursement policy permits grantees/recipients to request funds to meet immediate cash needs to reimburse themselves for eligible incurred expenses and eligible expenses expected to be received and paid within three days or as subsidies payable in accordance with the Cash Management Improvement Act of 1990. Except for PIH programs, HUD's disbursement of funds for these purposes are not considered advance payments but are viewed as sound cash management between the Department and the grantees. In the event it is determined that the grantee/recipient did not disburse the funds within the three-day time frame, interest earned must be returned to HUD and deposited into one of Treasury's miscellaneous receipt accounts.

C. Use of Estimates

The preparation of the principal financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Amounts reported for net loans receivable and related foreclosed property and the loan guarantee liability represent the Department's best estimates based on pertinent information available.

To estimate the Allowance for Subsidy (AFS) associated with loans receivable and related foreclosed property and the Liability for Loan Guarantees (LLG), the Department uses cash flow model assumptions associated with the loan guarantees subject to the Federal Credit Reform Act of 1990 (FCRA), as described in Note 7, to estimate the cash flows associated with future loan performance. To make reasonable projections of future loan performance, the Department develops assumptions based on historical data, current and forecasted program and economic assumptions.

Certain programs have higher risks due to increased chances of fraudulent activities perpetrated against the Department. The Department accounts for these risks through the assumptions used in the liabilities for loan guarantee estimates. HUD develops the assumptions based on historical performance and management's judgments about future loan performance.

The Department relies on estimates by PIH to determine the amount of funding needs for PHAs/IHAs under the PIH Housing Choice Voucher Program. Under the Department's cash management program, PIH evaluates the program needs of PHAs/IHAs to minimize excess cash balances maintained by these entities. The Department implemented a cash management policy in calendar year 2012 over the voucher program given its significant funding levels and the excess cash balances which PHAs/IHAs had accumulated over the years. The cash reserves, referred to as net restricted assets (NRA) are monitored by the Department and estimated by HUD on a recurring basis. The NRA balances are the basis for PIH prepayments recorded by the Department in its comparative financial statements for FY 2012 and FY 2013. HUD's FY 2012 financial statements were restated based on a cash flow model which anticipates funding levels and actual costs of implementing the program . The Department relies on expenditure data reported by PHAs/IHAs which are reported through the Voucher Management System.

D. Credit Reform Accounting

The primary purpose of the Federal Credit Reform Act of 1990 (FCRA), which became effective on October 1, 1991, is to more accurately measure the cost of Federal credit programs and to place the cost of such credit programs on a basis equivalent with other Federal spending. *OMB Circular A-11,* *Preparation, Execution, and Submission of the Budget*, Part 5, Federal Credit Programs defines loan guarantee as any guarantee, insurance or other pledge with respect to the payment of all or a part of the principal or interest on any debt obligation of a non-Federal borrower (Issuer) to a non-Federal lender (Investor). FHA practices Credit Reform accounting.

The FCRA establishes the use of the program, financing, and general fund receipt accounts for loan guarantees committed and direct loans obligated after September 30, 1991 (Credit Reform). It also establishes the liquidating account for activity relating to any loan guarantees committed and direct loans obligated before October 1, 1991 (pre-Credit Reform). These accounts are classified as either budgetary or non-budgetary in the Combined Statements of Budgetary Resources. The budgetary accounts include the program, capital reserve and liquidating accounts. The non-budgetary accounts consist of the credit reform financing accounts.

The program account is a budget account that receives and obligates appropriations to cover the subsidy cost of a direct loan or loan guarantee and disburses the subsidy cost to the financing account. The program account also receives appropriations for administrative expenses. The financing account is a non-budgetary account that records all of the cash flows resulting from Credit Reform direct loans or loan guarantees. It disburses loans, collects repayments and fees, makes claim payments, holds balances, borrows from U.S. Treasury, earns or pays interest, and receives the subsidy cost payment from the program account.

The general fund receipt account is a budget account used for the receipt of amounts paid from the financing account when there are negative subsidies from the original estimate or a downward re-estimate. In most cases, the receipt account is a general fund receipt account and amounts are not earmarked for the credit program. They are available for appropriations only in the sense that all general fund receipts are available for appropriations. Any assets in this account are non-entity assets and are offset by intragovernmental liabilities. At the beginning of the following fiscal year, the fund balance in the general fund receipt account is transferred to the U.S. Treasury General Fund. The FHA general fund receipt accounts of the General Insurance (GI) and Special Risk Insurance (SRI) funds are in this category.

In order to resolve the different requirements between the FCRA and the National Affordable Housing Act of 1990 (NAHA), OMB instructed FHA to create the capital reserve account to retain the Mutual Mortgage Insurance/Cooperative Management Housing Insurance (MMI/CMHI) negative subsidy and subsequent downward re-estimates. Specifically, the NAHA required that FHA's MMI fund achieve a Capital Ratio of 2.0 percent by FY 2000. The Capital Ratio is defined as the ratio of economic net worth (current cash plus the present value of all future net cash flows) of the MMI fund to unamortized insurance in force (the unpaid balance of insured mortgages). Therefore, to ensure that the calculated capital ratio reflects the actual strength of the MMI fund, the resources of the capital reserve account, which are considered FHA assets, are included in the calculation of the MMI fund's economic net worth.

The liquidating account is a budget account that records all cash flows to and from FHA resulting from pre-Credit Reform direct loans or loan guarantees. Liquidating account collections in any year are available only for obligations incurred during that year or to repay debt. Unobligated balances remaining in the GI and SRI liquidating funds at year-end are transferred to the U.S. Treasury's General Fund. Consequently, in the event that resources in the GI/SRI liquidating account are otherwise insufficient to cover the payments for obligations or commitments, the FCRA provides the GI/SRI liquidating account with permanent indefinite authority to cover any resource shortages.

E. Operating Revenue and Financing Sources

HUD finances operations principally through appropriations, collection of premiums and fees on its FHA and Ginnie Mae programs, and interest income on its mortgage notes, loans, and investments portfolio.

Appropriations for Grant and Subsidy Programs

HUD receives both annual and multi-year appropriations and recognizes those appropriations as revenue when related program expenses are incurred. Accordingly, HUD recognizes grant-related revenue and related expenses as recipients perform under the contracts. HUD recognizes subsidy-related revenue and related expenses when the underlying assistance (e.g., provision of a Section 8 rental unit by a housing owner) is provided or upon disbursal of funds to PHAs.

Ginnie Mae Fees

Fees received for Ginnie Mae's guaranty of MBS are recognized as earned. Commitment fees represent income that Ginnie Mae earns for providing approved issuers with authority to pool mortgages into Ginnie Mae MBS. The authority Ginnie Mae provides issuers expires 12 months from issuance for single family issuers and 24 months from issuance for multifamily issuers. Ginnie Mae receives commitment fees as issuers request commitment authority and recognizes the commitment fees as earned as issuers use their commitment authority, with the balance deferred until earned or expired, whichever occurs first. Fees from expired commitment authority are not returned to issuers.

F. Appropriations and Moneys Received from Other HUD Programs

The National Housing Act of 1990, as amended, provides for appropriations from Congress to finance the operations of GI and SRI funds. For Credit Reform loan guarantees, appropriations to the GI and SRI funds are provided at the beginning of each fiscal year to cover estimated losses on insured loans during the year. For pre-Credit Reform loan guarantees, FHA has permanent indefinite appropriation authority to finance any shortages of resources needed for operations.

Monies received from other HUD programs, such as interest subsidies and rent supplements, are recorded as revenue for the liquidating accounts when services are rendered. Monies received for the financing accounts are recorded as additions to the Liability for Loan Guarantee or the Allowance for Subsidy when collected.

G. Investments

HUD limits its investments, principally comprised of investments by FHA's MMI/CMHI Fund and by Ginnie Mae, to non-marketable market-based Treasury interest-bearing obligations (i.e., investments not sold in public markets). The market value and interest rates established for such investments are the same as those for similar Treasury issues, which are publicly marketed.

HUD's investment decisions are limited to Treasury policy which: (1) only allows investment in Treasury notes, bills, and bonds; and (2) prohibits HUD from engaging in practices that result in "windfall" gains and profits, such as security trading and full scale restructuring of portfolios in order to take advantage of interest rate fluctuations.

FHA's normal policy is to hold investments in U.S. Government securities to maturity. However, in certain circumstances, FHA may have to liquidate its U.S. Government securities before maturity to finance claim payments.

HUD reports investments in U.S. Government securities at amortized cost. Premiums or discounts are amortized into interest income over the term of the investment. HUD intends to hold investments to maturity, unless needed for operations. No provision is made to record unrealized gains or losses on these securities because, in the majority of cases, they are held to maturity.

In connection with an Accelerated Claims Disposition Demonstration program (the 601 program), FHA transfers assigned mortgage notes to private sector entities in exchange for cash and equity interest. FHA uses the equity method of accounting to measure the value of its investments in these entities.

Multifamily Risk Sharing Debentures [Section 542(c)] is a program available to lenders where the lender shares the risk in a property by issuing debentures for the claim amount paid by FHA on defaulted insured loans.

H. Credit Program Receivables and Related Foreclosed Property

HUD finances mortgages and provides loans to support construction and rehabilitation of low rent housing, principally for the elderly and disabled under the Section 202/811 program. Prior to April 1996, mortgages were also assigned to HUD through FHA claims settlement (i.e., Mortgage Notes Assigned (MNAs). Single family mortgages were assigned to FHA when the mortgagor defaulted due to certain "temporary hardship" conditions beyond the control of the mortgagor, and when, in management's judgment, it is likely that the mortgage could be brought current in the future. FHA's loans receivable include MNAs, also described as Secretary-held notes, Purchase Money Mortgages (PMM) and notes related to partial claims. Under the requirements of the FCRA, PMM notes are considered to be direct loans while MNA notes are considered to be defaulted guaranteed loans. The PMM loans are generated from the sales on credit of FHA's foreclosed properties to qualified non-profit organizations. The MNA notes are created when FHA pays the lenders for claims on defaulted guaranteed loans and takes assignment of the defaulted loans for direct collections. In addition, multifamily mortgages are assigned to FHA when lenders file mortgage insurance claims for defaulted notes.

Credit program receivables for direct loan programs and defaulted guaranteed loans assigned for direct collection are valued differently based on the direct loan obligation or loan guarantee commitment date. These valuations are in accordance with the FCRA and SFFAS No. 2, "Accounting for Direct Loans and Loan Guarantees," as amended by SFFAS No. 18. Those obligated or committed on or after October 1, 1991 (post-Credit Reform) are valued at the net present value of expected cash flows from the related receivables.

Credit program receivables resulting from obligations or commitments prior to October 1, 1991 (pre-Credit Reform) are recorded at the lower of cost or fair value (net realizable value). Fair value is estimated based on the prevailing market interest rates at the date of mortgage assignment. When fair value is less than cost, discounts are recorded and amortized to interest income over the remaining terms of the mortgages or upon sale of the mortgages. Interest is recognized as income when earned. However, when full collection of principal is considered doubtful, the accrual of interest income is suspended and receipts (both interest and principal) are recorded as collections of principal. Pre-Credit Reform loans are reported net of allowance for loss and any unamortized discount. The estimate for the allowance on credit program receivables is based on historical loss rates and recovery rates resulting from asset sales and property recovery rates, and net of cost of sales.

Foreclosed property acquired as a result of defaults of loans obligated or loan guarantees committed on or after October 1, 1991, is valued at the net present value of the projected cash flows associated with the property. Foreclosed property acquired as a result in defaulted loans obligated or loan guarantees committed prior to 1992 is valued at net realizable value. The estimate for the allowance for loss related to the net realizable value of foreclosed property is based on historical loss rates and recovery rates resulting from property sales, and net of cost of sales.

I. Borrowings

As further discussed in Note 11, several of HUD's programs have the authority to borrow funds from the U.S. Treasury for program operations. These borrowings, representing unpaid principal balances and future accrued interest is reported as debt in HUD's consolidated financial statements. The PIH Low Rent Public Housing Loan Program and the Housing for the Elderly or Handicapped fund were financed through borrowings from the Federal Financing Bank or the U.S. Treasury prior to the Department's conversion of these programs to grant programs. The Department also borrowed funds from the private sector to assist in the construction and rehabilitation of low rent housing projects under the PIH Low Rent Public Housing Loan Program. Repayments of these long-term borrowings have terms up to 40 years.

In accordance with Credit Reform accounting, FHA also 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 amount related to new loan disbursements, and existing loan modifications from the financing accounts to the general fund receipts account (for cases in GI/SRI funds) or the liquidating account (for cases in MMI/CMHI funds). In some instances, borrowings are also needed to transfer the credit subsidy related to downward re-estimates from the GI/SRI financing account to the GI/SRI receipt account or when available cash is less than claim payments due.

J. Liability for Loan Guarantees

The net potential future losses related to FHA's central business of providing mortgage insurance are accounted for as Loan Guarantee Liability in the consolidated balance sheets. As required by SFFAS No. 2, the Loan Guarantee Liability includes the Credit Reform related Liabilities for Loan Guarantees (LLG) and the pre-Credit Reform Loan Loss Reserve (LLR).

The LLG is calculated as the net present value of anticipated cash outflows for defaults, such as claim payments, premium refunds, property costs to maintain foreclosed properties less anticipated cash inflows such as premium receipts, proceeds from asset sales and principal and interest on Secretary-held notes.

HUD records loss estimates for its single family LLR and multifamily LLR mortgage insurance programs operated through FHA. FHA records loss estimates for its single family programs to provide for anticipated losses incurred (e.g., claims on insured mortgages where defaults have taken place but claims have not yet been filed). Using the net cash flows (cash inflows less cash outflows), FHA computes an estimate based on conditional claim rates and loss experience data, and adjusts the estimates to incorporate management assumptions about current economic factors. FHA records loss estimates for its multifamily programs to provide for anticipated outflows less anticipated inflows. Using the net present value of claims less premiums, fees, and recoveries, FHA computes an estimate based on conditional claim rates, prepayment rates, and recovery assumptions based on historical experience.

Ginnie Mae also establishes loss reserves to the extent management believe issue defaults are probable and FHA, USDA, and PIH insurance or guarantees are insufficient to recoup Ginnie Mae expenditures.

K. Full Cost Reporting

Beginning in FY 1998, SFFAS No. 4, Managerial Cost Accounting Concepts and Standards for the Federal Government, required that full costing of program outputs be included in Federal agency financial statements. Full cost reporting includes direct, indirect, and inter-entity costs. For purposes of the consolidated department financial statements, HUD identified each responsible segment's share of the program costs or resources provided by HUD or other Federal agencies.

L. Accrued Unfunded Leave and Federal Employees Compensation Act (FECA) Liabilities

Annual leave and compensatory time are accrued as earned and the liability is reduced as leave is taken. The liability at year-end reflects cumulative leave earned but not taken, priced at current wage rates. Earned leave deferred to future periods is to be funded by future appropriations. To the extent that current or prior year appropriations are not available to fund annual leave earned but not taken, funding will be obtained from future financing sources. Sick leave and other types of leave are expensed as taken.

M. Retirement Plans

The majority of HUD's employees participate in either the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS). FERS went into effect pursuant to Public Law 99-335 on January 1, 1987. Most employees hired after December 31, 1983, are automatically covered by FERS and Social Security. Employees hired before January 1, 1984, can elect to either join FERS and Social Security or remain in CSRS. HUD expenses its contributions to the retirement plans.

A primary feature of FERS is that it offers a savings plan whereby HUD automatically contributes one percent of pay and matches any employee contribution up to five percent of an individual's basic pay. Under CSRS, employees can contribute up to $16,500 of their pay to the savings plan, but there is no corresponding matching by HUD. Although HUD funds a portion of the benefits under FERS relating to its employees and makes the necessary withholdings from them, it has no liability for future payments to employees under these plans, nor does it report CSRS or FERS assets, accumulated plan benefits, or unfunded liabilities applicable to its employees' retirement plans.

N. Separate Disclosure of the Homeless Assistance Grants Program

The Department restated its financial statements to include Community Planning and Development's Homeless Assistance Grants program as a separate responsibility center due to increased funding levels by the Department. The grants provide funds for the Emergency Solutions Grant and Continuum of Care programs. These programs, which award funds through formula and competitive processes, enable localities to shape and implement comprehensive, flexible, coordinated approaches to address the multiple issues of homelessness. Prior to FY 2012, the PIH Operating Subsidy program was shown as a separate entity but has been incorporated in the All Other program category reported by the Department. As of September 30, 2013, the total Fund Balance with Treasury in the Homeless Assistance Grants program was $5 billion representing 43 percent of the $11 billion reported in HUD's All Other programs prior to the restatement by HUD.

Note 3: Entity and Non-Entity Assets

Non-entity assets consist of assets that belong to other entities but are included in the Department's consolidated financial statements and are offset by various liabilities to accurately reflect HUD's net position. The Department's non-entity assets principally consist of: (1) U.S. deposit of negative credit subsidy in the GI/SRI general fund receipt account, (2) escrow monies collected by FHA that are either deposited at the U.S. Treasury, Minority-Owned banks or invested in U.S. Treasury securities, and (3) cash remittances from Section 8 bond refunding deposited in the General Fund of the Treasury.

HUD's assets as of September 30, 2013 and 2012 were as follows (dollars in millions):

Description	2013			2012		
	Entity	Non-Entity	Total	Entity	Non-Entity	Total
Intragovernmental						
Fund Balance with Treasury (Note 4)	$ 133,311	$ 2,286	$ 135,597	$ 104,693	$ 3,524	$ 108,217
Investments (Note 5)	1,821	3	1,824	4,896	3	4,899
Other Assets (Note 11)	15	-	15	27	-	27
Total Intragovernmental Assets	$ 135,147	$ 2,289	$ 137,436	$ 109,616	$ 3,527	$ 113,143
Investments (Note 5)	56	-	56	60	-	60
Accounts Receivable, Net (Note 6)	159	21	180	193	20	213
Loan Receivables and Related Foreclosed Property, Net (Note 7)	9,986	-	9,986	8,534	-	8,534
Other Non-Credit Reform Loans Receivable, Net (Note 8)	4,001	-	4,001	4,355	-	4,355
General Property, Plant and Equipment, Net (Note 9)	351	-	351	367	-	367
PIH Prepayments (Note 10)	452	-	452	986	-	986
Other Assets (Note 11)	331	47	378	59	-	59
Total Assets	**$ 150,483**	**$ 2,357**	**$ 152,840**	**$ 124,170**	**$ 3,547**	**$ 127,717**

Note 4: Fund Balance with the U.S. Treasury

The U.S. Treasury, which, in effect, maintains HUD's bank accounts, processes substantially all of HUD's receipts and disbursements. HUD's fund balances with the U.S. Treasury as of September 30, 2013 and 2012 were as follows (dollars in millions):

Description	2013	2012
Revolving Funds	$ 64,404	$ 45,021
Appropriated Funds	61,890	53,067
Trust Funds	7,066	6,101
Other	2,237	4,028
Total - Fund Balance	**$ 135,597**	**$ 108,217**

The Department's Fund Balance with Treasury includes receipt accounts established under current Federal Credit Reform legislation and cash collections deposited in restricted accounts that cannot be used by HUD for its programmatic needs. These designated funds established by the Department of Treasury are classified as suspense and/or deposit funds and consist of accounts receivable balances due from the public. A Statement of Budgetary Resources is not prepared for these funds since any cash remittances received by the Department are not defined as a budgetary resource.

In addition to fund balance, contract and investment authority are also a part of HUD's funding sources. Contract authority permits an agency to incur obligations in advance of an appropriation, offsetting collections, or receipts to make outlays to liquidate the obligations. HUD has permanent indefinite contract authority. Since Federal securities are considered the equivalent of cash for budget purposes, investments in them are treated as a change in the mix of assets held, rather than as a purchase of assets.

HUD's fund balances with the U.S. Treasury as reflected in the entity's general ledger as of September 30, 2013 and 2012 were as follows (dollars in millions):

Status of Resources - 2013

Description	Unobligated Available	Unobligated Unavailable	Obligated Not Yet Disbursed	Unfilled Customer Orders	Status of Total Resources	Fund Balance	Other Authority	Total Resources
FHA	$ 25,075	$ 33,617	$ 3,170	$ (3)	$ 61,859	$ 61,856	$ 3	$ 61,859
Ginnie Mae	2	9,159	480	(19)	9,622	9,622	-	9,622
Section 8 Rental Assistance	561	40	8,363	-	8,964	8,964	-	8,964
PIH Loans and Grants	115	29	5,257	-	5,401	5,401	-	5,401
Homeless Assistance Grants	1,871	400	2,691	-	4,962	4,962	-	4,962
Section 202/811	391	158	2,863	-	3,412	3,412	-	3,412
CDBG	13,875	15	14,419	-	28,309	28,309	-	28,309
Home	190	16	3,819	-	4,025	4,025	-	4,025
Section 235/236	27	14	1,566	-	1,607	1,140	467	1,607
All Other	604	845	4,290	(61)	5,678	5,666	12	5,678
Total	**$ 42,711**	**$ 44,293**	**$ 46,918**	**$ (83)**	**$ 133,839**	**$ 133,357**	**$ 482**	**$ 133,839**

Status of Resources Covered by Fund Balance

Description	Unobligated Available	Unobligated Unavailable	Obligated Not Yet Disbursed	Unfilled Customer Orders	Fund Balance	Non-Budgetary: Suspense, Deposit and Receipt Accounts	Total Fund Balance
FHA	$ 25,075	$ 33,614	$ 3,170	$ (3)	61,856	$ 1,625	$ 63,481
Ginnie Mae	2	9,159	480	(19)	9,622	-	9,622
Section 8 Rental Assistance	561	40	8,363	-	8,964	11	8,975
PIH Loans and Grants	115	29	5,257	-	5,401	-	5,401
Homeless Assistance Grants	1,871	400	2,691	-	4,962	-	4,962
Section 202/811	391	158	2,863	-	3,412	-	3,412
CDBG	13,875	15	14,419	-	28,309	-	28,309
Home	190	16	3,819	-	4,025	-	4,025
Section 235/236	3	6	1,131	-	1,140	-	1,140
All Other	604	833	4,290	(61)	5,666	604	6,270
Total	**$ 42,687**	**$ 44,270**	**$ 46,483**	**$ (83)**	**$ 133,357**	**$ 2,240**	**$ 135,597**

Status of Resources Covered by Other Authority

Description	Unobligated Available	Unobligated Unavailable	Obligated Not Yet Disbursed	Unfilled Customer Orders	Permanent Indefinite Authority	Investment Authority	Borrowing Authority
FHA	$ -	$ 3	$ -	$ -	$ -	$ 3	$ -
Ginnie Mae	-	-	-	-	-	-	-
Section 8 Rental Assistance	-	-	-	-	-	-	-
PIH Loans and Grants	-	-	-	-	-	-	-
Section 202/811	-	-	-	-	-	-	-
Section 235/236	24	8	435	-	467	-	-
All Other	-	12	-	-	-	-	12
Total	**$ 24**	**$ 23**	**$ 435**	**$ -**	**$ 467**	**$ 3**	**$ 12**

Status of Receipt Account Balances

Description	Fund Balance
FHA	$ 1,625
Section 8 Rental Assistance	11
All Other	604
Total	**$ 2,240**

Breakdown of All Other

Description	Fund Balance
Other Repayments of Capital Investments and Recoveries and Manufactured Housing Fees Trust Fund	$ 545
Negative Subsidies and Downward Restimates of Subsidies	59
Total	**$ 604**

Status of Resources - 2012

Description	Unobligated Available	Unobligated Unavailable	Obligated Not Yet Disbursed	Unfilled Customer Orders	Status of Total Resources	Fund Balance	Other Authority	Total Resources
FHA	$ 18,405	$ 25,944	$ 3,202	$ (2)	$ 47,549	$ 44,775	$ 2,774	$ 47,549
Ginnie Mae	5	8,860	334	(18)	9,181	7,075	2,106	9,181
Section 8 Rental Assistance	290	70	9,751	-	10,111	10,111	-	10,111
PIH Loans and Grants	99	48	5,792	-	5,939	5,939	-	5,939
Homeless Assistance Grants	2,015	379	2,474	-	4,868	4,868	-	4,868
Section 202/811	367	100	3,476	-	3,943	3,943	-	3,943
CDBG	733	13	15,037	-	15,783	15,783	-	15,783
Home	149	13	4,340	-	4,502	4,502	-	4,502
Section 235/236	49	14	1,952	-	2,015	1,142	873	2,015
All Other	600	755	5,313	(71)	6,597	6,585	12	6,597
Total	**$ 22,712**	**$ 36,196**	**$ 51,671**	**$ (91)**	**$ 110,488**	**$ 104,723**	**$ 5,765**	**$ 110,488**

Status of Resources Covered by Fund Balance

Description	Unobligated Available	Unobligated Unavailable	Obligated Not Yet Disbursed	Unfilled Customer Orders	Fund Balance	Non-Budgetary: Suspense, Deposit and Receipt Accounts	Total Fund Balance
FHA	$ 18,405	$ 23,170	$ 3,202	$ (2)	44,775	$ 2,866	$ 47,641
Ginnie Mae	5	6,754	334	(18)	7,075	-	7,075
Section 8 Rental Assistance	290	70	9,751	-	10,111	9	10,120
PIH Loans and Grants	99	48	5,792	-	5,939	-	5,939
Homeless Assistance Grants	2,015	379	2,474	-	4,868	-	4,868
Section 202/811	367	100	3,476	-	3,943	-	3,943
CDBG	733	13	15,037	-	15,783	-	15,783
Home	149	13	4,340	-	4,502	-	4,502
Section 235/236	4	6	1,132	-	1,142	-	1,142
All Other	600	743	5,313	(71)	6,585	619	7,204
Total	**$ 22,667**	**$ 31,296**	**$ 50,851**	**$ (91)**	**$ 104,723**	**$ 3,494**	**$ 108,217**

Status of Resources Covered by Other Authority

Description	Unobligated Available	Unobligated Unavailable	Obligated Not Yet Disbursed	Unfilled Customer Orders	Permanent Indefinite Authority	Investment Authority	Borrowing Authority
FHA	$ -	$ 2,774	$ -	$ -	$ -	$ 2,774	$ -
Ginnie Mae	-	2,106	-	-	-	2,106	-
Section 8 Rental Assistance	-	-	-	-	-	-	-
PIH Loans and Grants	-	-	-	-	-	-	-
Section 202/811	-	-	-	-	-	-	-
Section 235/236	45	8	820	-	873	-	-
All Other	-	12	-	-	-	-	12
Total	**$ 45**	**$ 4,900**	**$ 820**	**$ -**	**$ 873**	**$ 4,880**	**$ 12**

Status of Receipt Account Balances

Description	Fund Balance
FHA	$ 2,866
Section 8 Rental Assistance	9
All Other	619
Total	**$ 3,494**

Breakdown of All Other

Description	Fund Balance
Other Repayments of Capital Investments and Recoveries and Manufactured Housing Fees Trust Fund	$ 543
Negative Subsidies and Downward Restimates of Subsidies	76
Total	**$ 619**

An immaterial difference exists between HUD's recorded Fund Balances with the U.S. Treasury and the U.S. Department of Treasury's records. It is the Department's practice to adjust its records to agree with Treasury's balances at the end of the fiscal year. The adjustments are reversed at the beginning of the following fiscal year.

Note 5: Investments

The U.S. Government securities are non-marketable intra-governmental securities. Interest rates are established by the U.S. Treasury and during FY 2013 ranged from 1.88 percent to 2.00 percent. During FY 2012, interest rates ranged from 0.44 percent to 2.00 percent. The amortized cost and estimated market value of investments in debt securities as of September 30, 2013 and 2012 were as follows (dollars in millions):

	Cost	Amortized (Premium)/ Discount, Net	Accrued Interest	Net Investments	Market Value
FY 2013	$ 1,815	$ (1)	$ 10	$ 1,824	$ 1,868
FY 2012	$ 4,892	$ (3)	$ 10	$ 4,899	$ 4,960

Investments in Private-Sector Entities

These investments in private-sector entities are the result of FHA's participation in the Accelerated Claims Disposition Demonstration program and Risk Sharing Debentures as discussed in Note 2G. The following table presents financial data on FHA's investments in Section 601 and Risk Sharing Debentures as of September 30, 2013 and 2012 (dollars in millions):

	Beginning Balance	New Acquisitions	Share of Earnings or Losses	Return of Investment	Redeemed	Ending Balance
2013						
601 Program	$ -	$ -	$ -	$ -	$ -	$ -
Risk Sharing Debentures	57	1	-	-	(2)	56
Total	**$ 57**	**$ 1**	**$ -**	**$ -**	**$ (2)**	**$ 56**
2012						
601 Program	$ 6	$ 21	$ 7	$ (31)	$ -	$ 3
Risk Sharing Debentures	57	-	-	-	-	57
Total	**$ 63**	**$ 21**	**$ 7**	**$ (31)**	**$ -**	**$ 60**

Note 6: Accounts Receivable (Net)

The Department's accounts receivable represents Section 8 year-end settlements, claims to cash from the public, state and local authorities for bond refunding, Section 236 excess rental income, sustained audit findings, refunds of overpayment, FHA insurance premiums, and foreclosed property proceeds.

A 100 percent allowance for loss is established for all delinquent accounts 90 days and over for bond refunding. The allowance for loss methodology is the total delinquencies greater than 90 days plus/or minus economic stress factors. The economic stress factors include payoff, foreclosure, bankruptcy and hardship of the project. Adjustments to the bond refunding allowance for loss account are done every quarter to ensure they are deemed to be necessary.

For Section 236 excess rental income, the allowance for loss consists of 10 percent of the receivables with a repayment plan plus 95 percent of the receivables without a repayment plan. Adjustments to the excess rental income allowance for loss account are done biannually to ensure they are deemed necessary.

Section 8 Settlements

Prior to January 1, 2005, the Housing Choice Voucher (HCV) Program's Section 8 subsidies were disbursed based on estimated amounts due under the contracts. At the end of each year, the actual amount due under the contracts was determined. The excess of subsidies paid to PHAs during the year over the actual amount due was reflected as an accounts receivable in the balance sheet. These receivable amounts were "collected" by offsetting such amounts with subsidies due to the PHAs in subsequent periods. On January 1, 2005, Congress changed the basis of the program funding from a "unit-based" process with program variables that affected the total annual Federal funding need, to a "budget-based" process that limits the Federal funding to PHAs to a fixed amount. Under this "budget-based" process, a year-end settlement process to determine actual amounts due is no longer applicable. Effective January 1, 2012, PIH reinstated the year-end settlement process for the HCV Program in accordance with its cash management policies. However, as reported by the OIG's Internal Control Report, the results of PIH's cash reconciliation reviews are not reflected in the Department's financial statements. The PIH reviews have not been completed on a timely basis and the required standard general ledger transactions have not been recorded in the Department's accounting systems.

Bond Refunding

Many of the Section 8 projects constructed in the late 1970s and early 1980s were financed with tax exempt bonds with maturities ranging from 20 to 40 years. The related Section 8 contracts provided that the subsidies would be based on the difference between what tenants could pay pursuant to a formula, and the total operating costs of the Section 8 project, including debt service. The high interest rates during the construction period resulted in high subsidies. When interest rates came down in the 1980s, HUD was interested in getting the bonds refunded. One method used to account for the savings when bonds are refunded (PHAs sell a new series of bonds at a lower interest rate, to liquidate the original bonds), is to continue to pay the original amount of the bond debt service to a trustee. The amounts paid in excess of the lower "refunded" debt service and any related financing costs, are considered savings. One-half of these savings are provided to the PHA, the remaining one-half is returned to HUD. As of September 30, 2013 and 2012, HUD was due $17 million and $16 million, respectively.

Section 236 Excess Rental Income

The Excess Rental Income receivable account represents the difference between the amounts that projects reported to HUD's Lockbox as owing (in use prior to August 2008) and the actual amount collected. On a monthly basis, projects financed under Section 236 of the National Housing Act must report the amount of rent collected in excess of basic rents and remit those funds to the Department. Unless written authorization is given by the Department to retain the excess rental income, the difference must be remitted to HUD. Generally, the individual amounts owing under Excess Rental Income receivables represents monthly reports remitted without payment. After 2008, any remittances owed by individuals are collected through PAY.GOV as well as the required HUD documents.

Other Receivables

Sustained audit costs include sustained audit findings, refunds of overpayment, FHA insurance premiums and foreclosed property proceeds due from the public. The Department recognizes that the amount of sustained audit costs anticipated from OIG disallowed costs are not reflected in the Department's financial statements. HUD expects to report these balances in FY 2014 based on expected recovery rates from OIG's pool of questioned costs reported by the Department's program recipients. The Department's believes that the amount is within a range of $57 million to $151 million but further confirmation of the underlying data and finalization of HUD's methodology is required.

The following shows accounts receivable as reflected in the Balance Sheet as of September 30, 2013 and 2012 (dollars in millions):

Description	2013 Gross Accounts Receivable	2013 Allowance for Loss	2013 Total, Net	2012 Gross Accounts Receivable	2012 Allowance for Loss	2012 Total, Net
Public						
Section 8 Settlements	$ 10	$ -	$ 10	$ 8	$ -	$ 8
Bond Refundings	17	-	17	23	(7)	16
Section 236 Excess Rental Income	6	(2)	4	7	(3)	4
Other Receivables:						
FHA	109	(96)	13	103	(79)	24
Ginnie Mae	121	-	121	736	(581)	155
Other Receivables	17	(2)	15	15	(9)	6
Total Accounts Receivable	**$ 280**	**$ (100)**	**$ 180**	**$ 892**	**$ (679)**	**$ 213**

Note 7: Direct Loans and Loan Guarantees, Non-Federal Borrowers

HUD reports direct loan obligations or loan guarantee commitments made prior to FY 1992 and the resulting direct loans or defaulted guaranteed loans, net of allowance for estimated uncollectible loans or estimated losses.

The FHA insures Home Equity Conversion Mortgages (HECM), also known as reverse mortgages. These loans are used by senior homeowners age 62 and older to convert the equity in their home into monthly streams of income and/or a line of credit to be repaid when they no longer occupy the home. Unlike ordinary home equity loans, a HUD reverse mortgage does not require repayment as long as the home is the borrower's principal residence.

The FHA also administers the HOPE for Homeowners (H4H) program. The program was established by Congress to help those at risk of default and foreclosure refinance into more affordable, sustainable loans.

The allowance for loan losses for the Flexible Subsidy Fund and the Housing for the Elderly and Disabled Program is determined as follows:

Flexible Subsidy Fund

There are four parts to the calculation of allowance for loss: (1) loss rate for loans written-off, (2) loss rate for restructured loans, (3) loss rate for loans paid-off, and (4) loss rate for loans delinquent or without repayment activity for 30 years. Loss rates for parts 1 and 3 are based on actual historical data derived from the previous three years. The loss rates for parts 2 and 4 are provided by or agreed to by the Housing Office of Evaluation.

Housing for the Elderly and Disabled Program

There are three parts to the calculation of allowance for loss: (1) loss rate for loans issued a Foreclosure Hearing Letter, (2) loss rate for the estimated number of foreclosures in the current year, and (3) loss rate for loans delinquent for more than 180 days. Loss rates for parts 1 and 2 are determined by actual historical data from the previous five years. Loss rate for part 3 is determined or approved by the Housing Office of Evaluation.

Direct loan obligations or loan guarantee commitments made after FY 1991, and the resulting direct loans or defaulted guaranteed loans, are governed by the FCRA and are recorded as the net present value of the associated cash flows (i.e., interest rate differential, interest subsidies, estimated delinquencies and defaults, fee offsets, and other cash flows).

The following is an analysis of loan receivables, loan guarantees, liability for loan guarantees, and the nature and amounts of the subsidy costs associated with the loans and loan guarantees for FY 2013 and FY 2012:

A. List of HUD's Direct Loan and/or Guarantee Programs:

1. FHA
   a) MMI/CMHI Direct Loan Program
   b) GI/SRI Direct Loan Program
   c) MMI/CMHI Loan Guarantee Program
   d) GI/SRI Loan Guarantee Program
   e) H4H Loan Guarantee Program
   f) HECM Program
2. Housing for the Elderly and Disabled
3. All Other
   a) CPD Revolving Fund
   b) Flexible Subsidy Fund
   c) Section 108 Loan Guarantees
   d) Indian Housing Loan Guarantee Fund
   e) Loan Guarantee Recovery Fund
   f) Native Hawaiian Housing Loan Guarantee Fund
   g) Title VI Indian Housing Loan Guarantee Fund
   h) Green Retrofit Direct Loan Program
   i) Emergency Homeowners' Loan Program

B. Direct Loans Obligated Pre-1992 (Allowance for Loss Method) (dollars in millions):

2013

Direct Loan Programs	Loans Receivable, Gross	Interest Receivable	Allowance for Loan Losses	Foreclosed Property	Value of Assets Related to Direct Loans, Net
FHA					
a) MMI/CHMI Direct Loan Program	$ -	$ -	$ (5)	$ -	(5)
b) GI/SRI Direct Loan Program	15	11	(7)	-	19
Housing for the Elderly and Disabled	2,096	22	(10)	-	2,108
All Other					
a) CPD Revolving Fund	5	-	(5)	2	2
b) Flexible Subsidy Fund	479	84	(42)	-	521
Total	**$ 2,595**	**$ 117**	**$ (69)**	**$ 2**	**$ 2,645**

2012

Direct Loan Programs	Loans Receivable, Gross	Interest Receivable	Allowance for Loan Losses	Foreclosed Property	Value of Assets Related to Direct Loans, Net
FHA					
a) MMI/CHMI Direct Loan Program	$ -	$ -	$ (5)	$ -	(5)
b) GI/SRI Direct Loan Program	15	11	(6)	-	20
Housing for the Elderly and Disabled	2,493	25	(19)	-	2,499
All Other					
a) CPD Revolving Fund	5	-	(5)	1	1
b) Flexible Subsidy Fund	508	89	(37)	-	560
Total	**$ 3,021**	**$ 125**	**$ (72)**	**$ 1**	**$ 3,075**

C. Direct Loans Obligated Post-1991 (dollars in millions):

2013

Direct Loan Programs	Loans Receivable, Gross	Interest Receivable	Allowance for Loan Losses	Foreclosed Property	Value of Assets Related to Direct Loans
All Other					
a) Green Retrofit Program	$ 75	$ 1	$ (70)	$ -	$ 6
b) Emergency Homeowners' Loan Program	82	1	(81)	-	2
c) EHLP Receipt Account	40	-	-	-	40
Total	**$ 197**	**$ 2**	**$ (151)**	**$ -**	**$ 48**

2012

Direct Loan Programs	Loans Receivable, Gross	Interest Receivable	Allowance for Loan Losses	Foreclosed Property	Value of Assets Related to Direct Loans
All Other					
a) Green Retrofit Program	$ 80	$ 1	$ (69)	$ -	$ 12
b) Emergency Homeowners' Loan Program	69	-	(67)	-	2
Total	**$ 149**	**$ 1**	**$ (136)**	**$ -**	**$ 14**

D. Total Amount of Direct Loans Disbursed (Post-1991) (dollars in millions):

Direct Loan Programs	Current Year	Prior Year
All Other		
a) Green Retrofit Program	$ -	$ -
b) Emergency Homeowners' Loan Program	19	69
Total	**$ 19**	**$ 69**

E. Subsidy Expense for Direct Loans by Program and Component (dollars in millions):

E1. Subsidy Expense for New Direct Loans Disbursed (dollars in millions):

Direct Loan Programs	2013 Interest Differential	Defaults	Fees and Other Collections	Other	Total
All Other					
a) Green Retrofit Program	$ -	$ -	$ -	$ -	$ -
b) Emergency Homeowners' Loan Program	-	-	-	18	18
Total	**$ -**	**$ -**	**$ -**	**$ 18**	**$ 18**

Direct Loan Programs	2012 Interest Differential	Defaults	Fees and Other Collections	Other	Total
All Other					
a) Green Retrofit Program	$ -	$ -	$ -	$ -	$ -
b) Emergency Homeowners' Loan Program	-	-	-	67	67
Total	**$ -**	**$ -**	**$ -**	**$ 67**	**$ 67**

E2. Modifications and Re-estimates (dollars in millions):

Direct Loan Programs	2013 Total Modification	Interest Rate Re-estimates	Technical Re-stimates	Total Re-estimates
All Other				
a) Green Retrofit Program	$ -	$ -	$ -	$ -
b) Emergency Homeowners' Loan Program	-	-	-	-
Total	**$ -**	**$ -**	**$ -**	**$ -**

Direct Loan Programs	2012 Total Modification	Interest Rate Re-estimates	Technical Re-stimates	Total Re-estimates
All Other				
a) Green Retrofit Program	$ -	$ -	$ -	$ -
b) Emergency Homeowners' Loan Program	-	-	-	-
Total	**$ -**	**$ -**	**$ -**	**$ -**

E3. Total Direct Loan Subsidy Expense (dollars in millions):

Direct Loan Programs	Current Year	Prior Year
All Other		
a) Green Retrofit Program	$ -	$ -
b) Emergency Homeowners' Loan Program	18	67
Total	**$ 18**	**$ 67**

F. Subsidy Rates for Direct Loans by Program and Component:

Budget Subsidy Rates for Direct Loans

	2013				
Direct Loan Programs	**Interest Differential**	**Defaults**	**Fees and Other Collections**	**Other**	**Total**
All Other					
a) Green Retrofit Program	41.0%	42.7%	0.0%	(1.3%)	82.3%
b) Emergency Homeowners' Loan Program	0.0%	0.0%	0.0%	97.7%	97.7%

	2012				
Direct Loan Programs	**Interest Differential**	**Defaults**	**Fees and Other Collections**	**Other**	**Total**
All Other					
a) Green Retrofit Program	41.0%	42.7%	0.0%	(1.3%)	82.3%
b) Emergency Homeowners' Loan Program	0.0%	0.0%	0.0%	97.7%	97.7%

G. Schedule for Reconciling Subsidy Cost Allowance Balances (Post-1991 Direct Loans) (dollars in millions):

Beginning Balance, Changes, and Ending Balance	FY 2013	FY 2012
Beginning balance of the subsidy cost allowance	$ 137	$ 69
Add: subsidy expense for direct loans disbursed during the reporting years by component:	-	-
a) Interest rate differential costs	-	-
b) Default costs (net of recoveries)	-	-
c) Fees and other collections	-	-
d) Other subsidy costs	18	67
Total of the above subsidy expense components	18	67
Adjustments:		
a) Loan modifications	-	-
b) Fees received	-	-
c) Foreclosed properties acquired	-	-
d) Loans written off	(5)	-
e) Subsidy allowance amortization	1	1
f) Other	-	-
Ending balance of the subsidy cost allowance before re-estimates	151	137
Add or subtract subsidy re-estimates by component:		
a) Interest rate re-estimate	-	-
b) Technical/default re-estimate	-	-
Total of the above re-estimate components	-	-
Ending balance of the subsidy cost allowance	**$ 151**	**$ 137**

H. Defaulted Guaranteed Loans from Pre-1992 Guarantees (Allowance for Loss Method) (dollars in millions):

2013	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Allowance for Loan and Interest Losses	Foreclosed Property, Net	Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net
FHA					
a) MMI/CMHI Funds	$ 18	$ -	$ (23)	$ 22	$ 17
b) GI/SRI Funds, Excluding HECM	2,225	228	(945)	9	1,517
c) GI/SRI Funds, HECM	5	2	(2)	7	12
Total	**$ 2,248**	**$ 230**	**$ (970)**	**$ 38**	**$ 1,546**

2012	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Allowance for Loan and Interest Losses	Foreclosed Property, Net	Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net
FHA					
a) MMI/CMHI Funds	$ 17	$ -	$ (33)	$ 24	$ 8
b) GI/SRI Funds, Excluding HECM	2,339	219	(1,378)	10	1,190
c) GI/SRI Funds, HECM	5	1	(2)	5	9
Total	**$ 2,361**	**$ 220**	**$ (1,413)**	**$ 39**	**$ 1,207**

I. Defaulted Guaranteed Loans from Post-1991 Guarantees (dollars in millions):

2013	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Allowance for Subsidy Cost (Present Value)	Foreclosed Property, Gross	Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net
FHA					
a) MMI/CMHI Funds	$ 3,487	$ 163	$ (4,957)	$ 4,500	$ 3,193
b) GI/SRI Funds, Excluding HECM	686	2	(359)	152	481
c) GI/SRI Funds, HECM	2,038	951	(1,015)	67	2,041
d) H4H Program	-	-	1	1	2
All Other					
a) Indian Housing Loan Guarantee	-	-	-	30	30
b) Native Hawaiian Housing Loan Guarantee	-	-	-	1	1
Total	**$ 6,211**	**$ 1,116**	**$ (6,330)**	**$ 4,751**	**$ 5,748**

	2012									
	Defaulted Guaranteed Loans Receivable, Gross		Interest Receivable		Allowance for Subsidy Cost (Present Value)		Foreclosed Property, Gross		Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net	
FHA										
a) MMI/CMHI Funds	$	1,744	$	41	$	(4,482)	$	4,888	$	2,191
b) GI/SRI Funds, Excluding HECM		683		2		(559)		201		327
c) GI/SRI Funds, HECM		1,775		806		(934)		53		1,700
All Other		-		-		-		20		20
Total	**$**	**4,202**	**$**	**849**	**$**	**(5,975)**	**$**	**5,162**	**$**	**4,238**

	2013	2012
Total Credit Program Receivables and Related Foreclosed Property, Net	$9,986	$8,534

J. Guaranteed Loans Outstanding (dollars in millions):

J1. Guaranteed Loans Outstanding (dollars in millions):

	2013			
Loan Guarantee Programs	Outstanding Principal, Guaranteed Loans, Face Value		Amount of Outstanding Principal Guaranteed	
FHA Programs				
a) MMI/CMHI Funds	$	1,167,538	$	1,087,079
b) GI/SRI Funds		115,234		104,680
c) H4H Progam		117		113
All Other		5,718		5,713
Total	**$**	**1,288,607**	**$**	**1,197,585**

	2012			
Loan Guarantee Programs	Outstanding Principal, Guaranteed Loans, Face Value		Amount of Outstanding Principal Guaranteed	
FHA Programs				
a) MMI/CMHI Funds	$	1,141,718	$	1,069,419
b) GI/SRI Funds		111,586		100,720
c) H4H Progam		124		122
All Other		5,190		5,185
Total	**$**	**1,258,618**	**$**	**1,175,446**

J2. Home Equity Conversion Mortgage Loans Outstanding (dollars in millions):

			Cumulative			
Loan Guarantee Programs	2013 Current Year Endorsements		Current Outstanding Balance		Maximun Potential Liability	
FHA Programs	$	14,671	$	100,869	$	145,918

			Cumulative			
Loan Guarantee Programs	2012 Current Year Endorsements		Current Outstanding Balance		Maximun Potential Liability	
FHA Programs	$	13,111	$	93,565	$	139,858

J3. New Guaranteed Loans Disbursed (dollars in millions):

	2013	
Loan Guarantee Programs	**Outstanding Principal, Guaranteed Loans, Face Value**	**Amount of Outstanding Principal Guaranteed**
FHA Programs		
a) MMI/CMHI Funds	$ 240,276	$ 237,443
b) GI/SRI Funds	23,344	23,191
c) H4H Program	-	-
All Other	794	793
Total	**$ 264,414**	**$ 261,427**

	2012	
Loan Guarantee Programs	**Outstanding Principal, Guaranteed Loans, Face Value**	**Amount of Outstanding Principal Guaranteed**
FHA Programs		
a) MMI/CMHI Funds	$ 213,267	$ 211,043
b) GI/SRI Funds	18,806	18,709
c) H4H Program	-	-
All Other	869	869
Total	**$ 232,942**	**$ 230,621**

K. Liability for Loan Guarantees (Estimated Future Default Claims, Pre-1992) (dollars in millions):

	2013		
Loan Guarantee Programs	**Liabilities for Losses on Pre-1992 Guarantees, Estimated Future Default Claims**	**Liabilities for Loan Guarantees for Post-1991 Guarantees (Present Value)**	**Total Liabilities For Loan Guarantees**
FHA Programs	$ 8	$ 39,124	$ 39,132
All Other	-	173	173
Total	**$ 8**	**$ 39,297**	**$ 39,305**

	2012		
Loan Guarantee Programs	**Liabilities for Losses on Pre-1992 Guarantees, Estimated Future Default Claims**	**Liabilities for Loan Guarantees for Post-1991 Guarantees (Present Value)**	**Total Liabilities For Loan Guarantees**
FHA Programs	$ 17	$ 51,688	$ 51,705
All Other	-	160	160
Total	**$ 17**	**$ 51,848**	**$ 51,865**

L. Subsidy Expense for Post-1991 Guarantees:

L1. Subsidy Expense for Current Year Loan Guarantees (dollars in millions):

Loan Guarantee Programs	2013 Endorsement Amount	Default Component	Fees Component	Other Component	Subsidy Amount
FHA					
a) MMI/CMHI Funds, Excluding HECM	$ 240,276	$ 7,135	$ (24,207)	$ (7)	$ (17,079)
b) MMI/CMHI Funds, HECM	14,671	536	(902)	-	(366)
c) GI/SRI Funds	23,344	571	(1,484)	-	(913)
d) H4H Program	-	-	-	-	-
All Other	-	14	-	-	14
Total	**$ 278,291**	**$ 8,256**	**$ (26,593)**	**$ (7)**	**$ (18,344)**

L2. Subsidy Expense for Prior Year Loan Guarantees (dollars in millions):

Loan Guarantee Programs	2012 Endorsement Amount	Default Component	Fees Component	Other Component	Subsidy Amount
FHA					
a) MMI/CMHI Funds, Excluding HECM	$ 213,267	$ 6,829	$ (13,203)	$ 993	$ (5,381)
b) MMI/CMHI Funds, HECM	13,111	754	(954)	-	(200)
c) GI/SRI Funds	18,806	647	(1,041)	-	(394)
d) H4H Program	-	-	-	-	-
All Other	-	16	-	-	16
Total	**$ 245,184**	**$ 8,246**	**$ (15,198)**	**$ 993**	**$ (5,959)**

L3. Modification and Re-estimates (dollars in millions):

Loan Guarantee Programs	2013 Total Modifications	Interest Rate Re-estimates	Technical Re-estimates	Total Re-estimates
FHA				
a) MMI/CMHI Funds	$ -	$ -	$ 9,862	$ 9,862
b) GI/SRI Funds	-	-	(1,443)	(1,443)
All Other	-	-	(2)	(2)
Total	**$ -**	**$ -**	**$ 8,417**	**$ 8,417**

Loan Guarantee Programs	2012 Total Modifications	Interest Rate Re-estimates	Technical Re-estimates	Total Re-estimates
FHA				
a) MMI/CMHI Funds	$ -	$ -	$ 16,636	$ 16,636
b) GI/SRI Funds	-	-	3,993	3,993
All Other	-	-	13	13
Total	**$ -**	**$ -**	**$ 20,642**	**$ 20,642**

L4. Total Loan Guarantee Subsidy Expense (dollars in millions):

Loan Guarantee Programs	Current Year	Prior Year
FHA		
a) MMI/CMHI Funds	$ (7,582)	$ 11,054
b) GI/SRI Funds	(2,356)	3,599
c) H4H Program	-	-
All Other	$ 11	$ 30
Total	**$ (9,927)**	**$ 14,683**

M. Subsidy Rates for Loan Guarantees by Programs and Component:

Budget Subsidy Rates for Loan Guarantees for FY 2013 Cohorts

Loan Guarantee Program	Default	Fees and Other Collections	Other	Total
FHA Programs				
MMI/CMHI				
Single Family - Forward	3.0%	(9.4%)		(6.5%)
Single Family - HECM	2.4%	(6.2%)		(3.8%)
Single Family - Refinancing	10.2%	(7.7%)	(2.6%)	0.0%
Multi Family - Section 213	3.0%	(9.4%)		(6.5%)
GI/SRI				
Multifamily				
Section 221(d)(4)	4.4%	(6.9%)		(2.5%)
Section 207/223(f)	1.1%	(5.8%)		(4.7%)
Section 223(a)(7)	1.1%	(5.8%)		(4.7%)
Section 232	3.1%	(7.4%)		(4.3%)
Section 242	1.3%	(7.7%)		(6.4%)
H4H				
Single Family - Section 257				0.0%
All Other Programs				
CDBG, Section 108(b)	2.5%			2.5%
Loan Guarantee Recovery	50.0%			50.0%
Indian Housing	1.4%	0.0%		1.4%
Native Hawaiian Housing	0.5%	0.0%		0.5%
Title VI Indian Housing	10.9%			10.9%

Budget Subsidy Rates for Loan Guarantees for FY 2012 Cohorts

Loan Guarantee Program	Default	Fees and Other Collections	Other	Total
FHA Programs				
MMI/CMHI				
Single Family - Forward	3.7%	(6.4%)		(2.8%)
Single Family - HECM	5.7%	(7.3%)		(1.5%)
Multi Family - Section 213	3.7%	(6.4%)		(2.8%)
GI/SRI				
Multifamily				
Section 221(d)(4)	5.3%	(6.4%)		(1.1%)
Section 207/223(f)	3.5%	(5.6%)		(2.2%)
Section 223(a)(7)	3.5%	(5.6%)		(2.2%)
Section 232	3.6%	(5.6%)		(2.0%)
Section 242	1.8%	(5.6%)		(3.8%)
H4H				
Single Family - Section 257				0.0%
All Other Programs				
CDBG, Section 108(b)	2.5%			2.5%
Loan Guarantee Recovery	50.0%			50.0%
Indian Housing	1.5%			1.5%
Native Hawaiian Housing	0.9%			0.9%
Title VI Indian Housing	10.8%			10.8%

N. Schedule for Reconciling Loan Guarantee Liability Balances (Post-1991 Loan Guarantees) (dollars in millions):

Beginning Balance, Changes, and Ending Balance	2013	2012
Beginning balance of the loan guarantee liability	$ 55,144	$ 36,214
Add: subsidy expense for guaranteed loans disbursed during the reporting years by component:		
(a) Interest supplement costs	-	-
(b) Default costs (net of recoveries)	8,256	8,246
(c) Fees and other collections	(26,593)	(15,198)
(d) Othe subsidy costs	(7)	993
Total of the above subsidy expense components	$ (18,344)	$ (5,959)
Adjustments:		
(a) Loan guarantee modifications	-	-
(b) Fees Received	12,029	10,743
(c) Interest supplemental paid	-	-
(d) Foreclosed property and loans acquired	11,835	5,888
(e) Claim payments to lenders	(29,417)	(20,275)
(f) Interest accumulation on the liability balance	1,687	1,425
(g) Other	(27)	(51)
Ending balance of the subsidy cost allowance before re-estimates	$ 32,907	$ 27,985
Add or Subtract subsidy re-estimates by component:		
(a) Interest rate re-estimate	-	-
(b) Technical/default re-estimate	1,316	20,167
(c) Adjustment of prior years credit subsidy re-estimates	7,414	6,992
Total of the above re-estimate components	8,730	27,159
Ending balance of the subsidy cost allowance	**$ 41,637**	**$ 55,144**
Less: unrealized Ginnie Mae claims from defaulted loans	$ (2,332)	$ (3,279)
Ending balance of the subsidy cost allowance	**$ 39,305**	**$ 51,865**

O. Administrative Expenses (dollars in millions):

Loan Guarantee Program	2013	2012
FHA	$ 647	$ 647
All Other	-	-
Total	**$ 647**	**$ 647**

Note 8: Other Non-Credit Reform Loans

The following shows HUD's Other Non-Credit Reform Loans Receivable as of September 30, 2013 and September 30, 2012 (dollars in millions):

	2013			
Description	FHA	Ginnie Mae	All Other	Total
Mortgage Loans Held for Investment, net	$ -	$ 3,336	$ -	$ 3,336
Advances Against Defaulted Mortgage-Backed Security Pools, net	-	99	-	99
Properties Held for Sale, net	-	23	-	23
Foreclosed Property	-	481	-	481
Short Sale Claims Receivable	-	62	-	62
Total	**$ -**	**$ 4,001**	**$ -**	**$ 4,001**

Description	2012 FHA	2012 Ginnie Mae	2012 All Other	2012 Total
Mortgage Loans Held for Investment, net	$ -	$ 3,410	$ -	$ 3,410
Advances Against Defaulted Mortgage-Backed Security Pools, net	-	912	-	912
Properties Held for Sale, net	-	12	-	12
Foreclosed Property	-	-	-	-
Short Sale Claims Receivable	-	21	-	21
Total	**$ -**	**$ 4,355**	**$ -**	**$ 4,355**

Other Non-Credit Reform Loans consists of Ginnie Mae Advances Against Defaulted Mortgage-Backed Security Pools, Mortgage Loans Held for Investment, Short Sale Claims Receivable, and Foreclosed Property. The balance of Other Non-Credit Reform Loans as of September 30, 2013 and 2012 is $4,001 and $4,355 million, respectively. Below is a description of each type of loan.

Advances against Defaulted Mortgage-Backed Security Pools

Advances against defaulted MBS pools represent pass-through payments made to fulfill Ginnie Mae's guarantee of timely principal and interest payments to MBS security holders. The advances are reported net of an allowance to the extent that management believes that they will not be recovered. The allowance for uncollectible advances is estimated based on actual and expected recovery experience including expected recoveries from FHA, USDA, VA and PIH. Other factors considered in the estimate include market analysis and appraised value of the loans. These loans are still accruing interest because they have not reached the required delinquency thresholds and purchased from the defaulted issuer pools.

Once Ginnie Mae purchases the loans from the pools after the 90 and 120 day delinquency thresholds for Manufactured Housing and Single Family loans, respectively, the loans are reclassified as Mortgage Loans Held for Investment (HFI) below. Ginnie Mae records a charge-off as a reduction to the allowance for loan losses when losses are confirmed through the receipt of assets in full satisfaction of a loan, such as the receipt of claims proceeds from an insuring agency or underlying collateral upon foreclosure. The advances against defaulted MBS pools balance is $99 million in FY 2013 and $912 million in FY 2012.

When a Ginnie Mae issuer defaults, Ginnie Mae is required to step into the role of the issuer and make the timely pass-through payments to investors, and subsequently, assumes the servicing rights and obligations of the issuer's entire Ginnie Mae guaranteed, pooled loan portfolio of the defaulted issuer. Ginnie Mae utilizes the MSSs to service these portfolios. There are currently two MSSs for Single Family and one MSS for Manufactured Housing defaulted issuers. These MSSs currently service 100 percent of all non-pooled loans.

In its role as servicer, Ginnie Mae assesses individual loans within its pooled portfolio to determine whether the loan must be purchased out of the pool as required by the Ginnie Mae MBS Guide. Ginnie Mae purchases mortgage loans out of the MBS pool when:

A. Mortgage loans are uninsured by the FHA, USDA, VA or PIH
B. Mortgage loans were previously insured but insurance is currently denied (collectively with B), referred to as uninsured mortgage loans)
C. Mortgage loans are insured but are delinquent for more than 90 and 120 days based on management discretion for manufactured housing and single family loans, respectively.

During FY 2013, the majority of purchased mortgage loans were bought out due to borrower delinquency of more than 90 or 120 days depending on loan type (i.e., Single Family or Manufactured Housing).

Ginnie Mae evaluates the collectability of all purchased loans and assesses whether there is evidence of credit deterioration subsequent to the loan's origination and it is probable, at acquisition, that Ginnie Mae will be unable to collect all contractually required payments receivable. Ginnie Mae considers guarantees and insurance from FHA, USDA, VA and PIH in determining whether it is probable that Ginnie Mae will collect all amounts due according to the contractual terms.

For FHA insured loans, Ginnie Mae expects to collect the full amount of the unpaid principal balance and debenture rate interest (only for months allowed in the insuring agency's timeline), when the insurer reimburses Ginnie Mae subsequent to filing a claim. As a result, these loans are accounted for under ASC Subtopic 310-20, Receivables – Nonrefundable Fees and Other Costs. In accordance with ASC 310-20-30-5, these loans are recorded at the unpaid principal balance which is the amount Ginnie Mae pays to repurchase these loans. Accordingly, Ginnie Mae recognizes interest income on these loans on an accrual basis at the debenture rate for the number of months allowed under the insuring agency's timeline. After the allowed timeline, Ginnie Mae considers these loans to be non-performing as the collection of interest is no longer reasonably assured, and places these loans on nonaccrual status. Ginnie Mae recognizes interest income for loans on nonaccrual status when cash is received.

Ginnie Mae separately assesses the collectability of mortgage loans bought out of the defaulted portfolios that are uninsured and loans that are non-FHA insured for which Ginnie Mae only receives a portion of the outstanding principal balance. If the principal and interest payments are not fully guaranteed from the insurer (i.e., there is a lack of insurance), or loans are delinquent at acquisition, it is probable that Ginnie Mae will be unable to collect all contractually required payments receivable. Accordingly, these loans are considered to be credit impaired and are accounted for under ASC Subtopic 310-30, *Receivables – Loans and Debt Securities Acquired with Deteriorated Credit Quality*. At the time of acquisition, these loans are recorded at the lower of their acquisition cost or present value of expected amounts to be received. As non-performing loans, these loans are placed on nonaccrual status.

Ginnie Mae has the ability and the intent to hold these acquired loans for the foreseeable future or until maturity. Therefore, Ginnie Mae classifies the mortgage loans as held for investment (HFI). The mortgage loans HFI are reported net of allowance for loan losses. Mortgage loans HFI also includes mortgage loans that are undergoing the foreclosure process.

Ginnie Mae performs periodic and systematic reviews of its loan portfolios to identify credit risks and assess the overall collectability of the portfolios for the estimated uncollectible portion of the principal balance of the loan. The allowance for loss on mortgage loans HFI represents management's estimate of probable credit losses inherent in Ginnie Mae's mortgage loan portfolio. The allowance for loss on mortgage loans HFI is netted against the balance of mortgage loans HFI. Additionally, Ginnie Mae incorporates the probable recovery amount from mortgage insurance (e.g., FHA, USDA, VA, or PIH) based on established insurance rates. To make this evaluation, Ginnie Mae reviews the delinquency of mortgage loans, industry benchmarks, as well as the established rates of insurance recoveries from insurers.

Ginnie Mae records a charge-off as a reduction to the allowance for loan losses when losses are confirmed through the receipt of assets in full satisfaction of a loan, such as the receipt of claims proceeds from an insuring agency or underlying collateral upon foreclosure. Mortgage loans HFI, net as of September 30, 2013 and 2012 was $3 and $3 billion, respectively.

Foreclosed Property

Ginnie Mae records foreclosed property when a MSS receives marketable title to a property which has completed the foreclosure process in the respective state. The asset is measured as the principal and interest of a loan which is in the process of being conveyed to an insuring agency, net of an allowance. These assets are conveyed to the appropriate insuring agency within six months. Foreclosed property has previously been placed on nonaccrual status after the loan was repurchased from a pool. These properties differ from properties held for sale because they will be conveyed to an insuring agency, and not sold by the MSS.

The allowance for foreclosed property is estimated based on actual and expected recovery experience including expected recoveries from FHA, USDA, VA, and PIH. The aggregate of the foreclosed property and the allowance for foreclosed property is the amount that Ginnie Mae determines to be collectible. Ginnie Mae records a charge-off as a reduction to the allowance for loan losses when losses are confirmed through the receipt of assets in full satisfaction of a loan, such as the receipt of claims proceeds from an insuring agency. Foreclosed Property, net as of September 30, 2013 was $481 million.

Short Sale Claims Receivable

As an alternative to foreclosure, a property may be sold for its appraised value even if the sale results in a short sale where the proceeds are not sufficient to pay off the mortgage. Ginnie Mae's MSSs analyze mortgage loans HFI for factors such as delinquency, appraised value of the loan, and market in locale of the loan to identify loans that may be short sale eligible. These transactions are analyzed and approved by Ginnie Mae's MBS program office.

For FHA insured loans, for which the underlying property was sold in a short sale, the FHA typically pays Ginnie Mae the difference between the proceeds received from the sale and the total contractual amount of the mortgage loan and interest at the debenture rate. Hence, Ginnie Mae does not incur any losses as a result of the short sale of an FHA insured loan. Ginnie Mae records a short sale claims receivable while it awaits repayment of this amount from the insurer. For short sales claims receivable for which Ginnie Mae believes that collection is not probable, Ginnie Mae records an allowance for short sales claims receivable. The allowance for short sales claims receivable is estimated based on actual and expected recovery experience including expected recoveries from FHA, USDA, VA, and PIH. The aggregate of the short sales receivable and the allowance for short sales receivable is the amount that Ginnie Mae determines to be collectible. Ginnie Mae records a charge-off as a reduction to the allowance for loan losses when losses are confirmed through the receipt of claims in full satisfaction of a loan from an insuring agency. Short Sale Claims Receivable, net as of September 30, 2013 and 2012 was $62 and $21 million, respectively.

Note 9: General Property, Plant, and Equipment (Net)

General property, plant, and equipment consists of furniture, fixtures, equipment and data processing software used in providing goods and services that have an estimated useful life of two or more years. Purchases of $100,000 or more are recorded as an asset and depreciated over their estimated useful life on a straight-line basis with no salvage value. Capitalized replacement and improvement costs are depreciated over the remaining useful life of the replaced or improved asset. Generally, the Department's assets are depreciated over a four-year period, unless it can be demonstrated that the estimated useful life is significantly greater than four years.

The following shows general property, plant, and equipment as of September 30, 2013 and September 30, 2012 (dollars in millions):

Description	2013			2012		
	Cost	Accumulated Depreciation and Amortization	Book Value	Cost	Accumulated Depreciation and Amortization	Book Value
Equipment	$ 3	$ (1)	$ 2	$ 3	$ (1)	$ 2
Leasehold Improvements	-	-	-	-	-	-
Internal Use Software	186	(158)	28	175	(143)	32
Internal Use Software in Development	321	-	321	333	-	333
Total	**$ 510**	**$ (159)**	**$ 351**	**$ 511**	**$ (144)**	**$ 367**

Note 10: PIH Prepayments

HUD's assets include the Department's estimates for net restricted assets (NRA) balances maintained by Public Housing Authorities under the Housing Choice Voucher Program. As further discussed in Note 30, NRA balances represent cash reserves used by PHAs to cover program expenses reported by these entities as a result of recent funding shortfalls faced by the Department. The NRA balances are expected to be transitioned to HUD's project reserves in calendar year 2014 under PIH's cash management policies. PIH has estimated NRA balances of $452 million and $986 million for FY 2013 and FY 2012 respectively. Under the PIH cash management program, the NRA balances estimated by the Department are expected to be transitioned to HUD's project reserve accounts in FY 2014. Prior to the restatement of the Department's financial statements for FY 2012, the asset and the associated expenses were not reported by HUD. The amount of the prepayments are reflected as non-federal assets and reported under the Section 8 Rental Assistance program segment of HUD's consolidating balance sheet.

Note 11: Other Assets

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

Description	FHA	Ginnie Mae	Section 8	All Other	Total
Intragovernmental Assets:					
Other Assets	$ 1	$ -	$ -	$ 14	$ 15
Total Intragovernmental Assets	**1**	**-**	**-**	**14**	**15**
Mortgagor Reserves for Replacement - Cash	$ 47	$ -	$ -	$ -	$ 47
Other Assets	331	-	-	-	331
Total	**$ 379**	**$ -**	**$ -**	**$ 14**	**$ 393**

Description	2012				
	FHA	Ginnie Mae	Section 8	All Other	Total
Intragovernmental Assets:					
Other Assets	$ 3	$ -	$ -	$ 24	$ 27
Total Intragovernmental Assets	**3**	**-**	**-**	**24**	**27**
Mortgagor Reserves for Replacement - Cash	$ 55	$ -	$ -	$ -	$ 55
Other Assets	5	-	-	(1)	4
Total	**$ 63**	**$ -**	**$ -**	**$ 23**	**$ 86**

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			2012		
	Covered	Not-Covered	Total	Covered	Not-Covered	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.

Note 16: Other Liabilities

The following shows HUD's Other Liabilities as of September 30, 2013 (dollars in millions):

Description	Non-Current	Current	Total
Intragovernmental Liabilities			
FHA Special Receipt Account Liability	$ 3,983	$ -	$ 3,983
Unfunded FECA Liability	17	-	17
Employer Contributions and Payroll Taxes	-	3	3
Miscellaneous Receipts Payable to Treasury	-	641	641
Advances to Federal Agencies	-	15	15
Total Intragovernmental Liabilities	$ 4,000	$ 659	$ 4,659
Other Liabilities			
FHA Other Liabilities	$ 81	$ -	$ 81
FHA Escrow Funds Related to Mortgage Notes	343	-	343
Ginnie Mae Deferred Income	-	139	139
Deferred Credits	-	18	18
Deposit Funds	-	17	17
Accrued Unfunded Annual Leave	82	-	82
Accrued Funded Payroll Benefits	-	27	27
Contingent Liability	-	-	-
Other	-	2	2
Total Other Liabilities	**$ 4,506**	**$ 862**	**$ 5,368**

The following shows HUD's Other Liabilities as of September 30, 2012 (dollars in millions):

Description	Non-Current	Current	Total
Intragovernmental Liabilities			
FHA Special Receipt Account Liability	$ 3,473	$ -	$ 3,473
Unfunded FECA Liability	18	-	18
Employer Contributions and Payroll Taxes	-	10	10
Miscellaneous Receipts Payable to Treasury	-	607	607
Advances to Federal Agencies	-	9	9
Total Intragovernmental Liabilities	$ 3,491	$ 626	$ 4,117
Other Liabilities			
FHA Other Liabilities	$ 74	$ -	$ 74
FHA Escrow Funds Related to Mortgage Notes	322	-	322
Ginnie Mae Deferred Income	-	134	134
Ginnie Mae Deposit Funds	-	(3)	(3)
Deferred Credits	-	18	18
Deposit Funds	-	30	30
Accrued Unfunded Annual Leave	82	-	82
Accrued Funded Payroll Benefits	-	63	63
Contingent Liability	16	-	16
Total Other Liabilities	**$ 3,985**	**$ 868**	**$ 4,853**

Special Receipt Account Liability

The special receipt account liability is created from negative subsidy endorsements and downward credit subsidy in the GI/SRI special receipt account.

Note 17: Financial Instruments with Off-Balance Sheet Risk

Some of HUD's programs, principally those operated through FHA and Ginnie Mae, enter into financial arrangements with off-balance sheet risk in the normal course of their operations.

A. FHA Mortgage Insurance

The outstanding principal of FHA's guaranteed loans (face value) as of September 30, 2013 and 2012 was $1,282 billion and $1,253 billion, respectively. The amount of outstanding principal guaranteed (insurance-in-force) as of September 30, 2013 and 2012 was $1,191 billion and $1,170 billion, respectively, as disclosed in Note 7J. The maximum claim amount (MCA) outstanding for FHA's reverse mortgage insurance program (HECM) as of September 30, 2013 and 2012 was $146 billion and $140 billion, respectively. As of September 30, 2013 and 2012 the insurance-in-force (the outstanding balance of active loans) was $101 billion and $94 billion, respectively as disclosed in Note 7J. The HECM insurance in force includes balances drawn by the mortgagee; interest accrued on the balances drawn, service charges, and mortgage insurance premiums. The maximum claim amount is the dollar ceiling to which the outstanding loan balance can grow before being assigned to FHA.

B. Ginnie Mae Mortgage-Backed Securities

Ginnie Mae financial instruments with off-balance sheet risk include guarantees of MBS and commitments to guarantee MBS. The securities are backed by pools of FHA, USDA, VA and PIH mortgage loans. Ginnie Mae is exposed to credit loss in the event of non-performance by other parties to the financial instruments. The total amount of Ginnie Mae guaranteed securities outstanding at September 30, 2013 and 2012, was approximately $1,457 billion and $1,341 billion, respectively. However, Ginnie Mae's potential loss is considerably less because of the financial strength of the Department's issuers. Additionally, in the event of default, the underlying mortgages serve as primary collateral and FHA, USDA, VA and PIH insurance or guarantee indemnifies Ginnie Mae for most losses.

During the mortgage closing period and prior to granting its guaranty, Ginnie Mae enters into commitments to guarantee MBS. The commitment ends when the MBS are issued or when the commitment period expires. Ginnie Mae's risks related to outstanding commitments are much less than for outstanding securities due, in part, to Ginnie Mae's ability to limit commitment authority granted to individual issuers of MBS. Outstanding commitments as of September 30, 2013 and 2012 were $118 billion and $116 billion, respectively. Generally, Ginnie Mae's MBS pools are diversified among issuers and geographic areas. No significant geographic concentrations of credit risk exist; however, to a limited extent, securities are concentrated among issuers.

In FY 2013 and FY 2012, Ginnie Mae issued a total of $99 billion and $107 billion, respectively, in its multi-class securities program. The estimated outstanding balance for the complete multi-class securities program (REMICs, Platinum's, etc.) at September 30, 2013 and 2012, were $468 billion and $522 billion, respectively. These guaranteed securities do not subject Ginnie Mae to additional credit risk beyond that assumed under the MBS program.

C. Section 108 Loan Guarantees

Under HUD's Loan Guarantee (Section 108) program, recipients of the CDBG Entitlement Grant program funds may pledge future grant funds as collateral for loans guaranteed by HUD (these loans were provided from private lenders since July 1, 1986). Section 108 provides entitlement communities with a source of financing for projects that are too large to be financed from annual grants. The amount of loan guarantees outstanding as of September 30, 2013 and 2012 was $2 billion and $2 billion, respectively. HUD's management believes its exposure in providing these loan guarantees is limited, since loan repayments can be offset from future CDBG Entitlement Program Funds and, if necessary, other funds provided to the recipient by HUD. HUD has never had a loss under this program since its inception in 1974.

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 be 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.

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

	Ginnie Mae	Rental Housing Assistance	Flexible Subsidy	Manufactued Housing Fees Trust Fund	Recovery Act Funds	Other	Eliminations	Total Earmarked Funds
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**

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

	Ginnie Mae	Rental Housing Assistance	Flexible Subsidy	Manufactued Housing Fees Trust Fund	Recovery Act Funds	Other	Eliminations	Total Earmarked 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.

The following shows HUD's intragovernmental costs and exchange revenue (dollars in millions):

2013	**Federal Housing Administration**	**Ginnie Mae**	**Section 8 Rental Assistance**	**Low Rent Public Housing Loans and Grants**	**Homeless Assistance Grants**	**Housing for the Elderly and Disabled**	**Community Development Block Grants**	**HOME**	**All Other**	**Financial Statement Eliminations**	**Consolidating**
Intragovernmental Costs	$ 943	$ 3	$ 71	$ 34	$ 29	$ 61	$ 19	$ 10	$ 309	$ (4)	$ 1,475
Public Costs	(7,661)	599	28,582	2,926	1,782	1,107	5,768	1,437	6,300	-	40,840
Subtotal Costs	$ (6,718)	$ 602	$ 28,653	$ 2,960	$ 1,811	$ 1,168	$ 5,787	$ 1,447	$ 6,609	$ (4)	$ 42,315
Unassigned Costs									$ -	$ -	$200
Total Costs											$ 42,515
Intragovernmental Earned Revenue	$ (2,604)	$ (99)	$ -	$ -	$ -	$ -	$ -	$ -	$ (20)	$ 4	$ (2,719)
Public Earned Revenue	(76)	(1,126)	-	-	-	(192)	-	-	(14)	-	(1,408)
Total Earned Revenue	(2,680)	(1,225)	-	-	-	(192)	-	-	(34)	4	(4,127)
Net Cost of Operations	**$ (9,398)**	**$ (623)**	**$ 28,653**	**$ 2,960**	**$ 1,811**	**$ 976**	**$ 5,787**	**$ 1,447**	**$ 6,575**	**$ -**	**$ 38,388**

2012	**Federal Housing Administration**	**Ginnie Mae**	**Section 8 Rental Assistance**	**Low Rent Public Housing Loans and Grants**	**Homeless Assistance Grants**	**Housing for the Elderly and Disabled**	**Community Development Block Grants**	**HOME**	**All Other**	**Financial Statement Eliminations**	**Consolidating**
Intragovernmental Costs	$ 492	$ 2	$ 85	$ 45	$ 1	$ 32	$ 25	$ 12	$ 315	$ (3)	$ 1,006
Public Costs	23,031	709	29,043	3,467	1,964	1,145	6,876	1,802	6,224	-	74,261
Subtotal Costs	$ 23,523	$ 711	$ 29,128	$ 3,512	$ 1,965	$ 1,177	$ 6,901	$ 1,814	$ 6,539	$ (3)	$ 75,267
Unassigned Costs									$ 200	$ -	$200
Total Costs											$ 75,467
Intragovernmental Earned Revenue	$ (3,113)	$ (94)	$ -	$ -	$ -	$ -	$ -	$ -	$ (16)	$ 3	$ (3,220)
Public Earned Revenue	(113)	(1,165)	-	-	-	(228)	-	-	(8)	-	(1,514)
Total Earned Revenue	(3,226)	(1,259)	-	-	-	(228)	-	-	(24)	3	(4,734)
Net Cost of Operations	**$ 20,297**	**$ (548)**	**$ 29,128**	**$ 3,512**	**$ 1,965**	**$ 949**	**$ 6,901**	**$ 1,814**	**$ 6,715**	**$ -**	**$ 70,733**

Note 21: Total Cost and Earned Revenue by Budget Functional Classification

The following shows HUD's total cost and earned revenue by budget functional classification for FY 2013 (dollars in millions):

Budget Functional Classification	Gross Cost	Earned Revenue	Net Cost
Intragovernmental:			
Commerce and Housing Credit	$ 946	$ (2,704)	$ (1,758)
Community and Regional Development	91	(5)	86
Income Security	445	(12)	433
Other Multiple Functions	(3)	(2)	(5)
Financial Statement Eliminations	$ (3)	$ 3	$ -
Total Intragovernmental	1,476	(2,720)	(1,244)
With the Public:			
Commerce and Housing Credit	$ (7,084)	$ (1,396)	$ (8,480)
Community and Regional Development	5,906	(1)	5,905
Income Security	41,570	(10)	41,560
Administration of Justice	73	-	73
Other Multiple Functions	374	-	374
Total with the Public	$ 40,839	$ (1,407)	$ 39,432
Not Assigned to Programs:			
Income Security	200	-	200
Total with the Public	$ 200	$ -	$ 200
TOTAL:			
Commerce and Housing Credit	$ (6,138)	$ (4,100)	$ (10,238)
Community and Regional Development	5,997	(6)	5,991
Income Security	42,215	(22)	42,193
Administration of Justice	73	-	73
Other Multiple Functions	371	(2)	369
Financial Statement Eliminations	(3)	3	-
TOTAL:	**$ 42,515**	**$ (4,127)**	**$ 38,388**

The following shows HUD's total cost and earned revenue by budget functional classification for FY 2012 (dollars in millions):

Budget Functional Classification	Gross Cost	Earned Revenue	Net Cost
Intragovernmental:			
Commerce and Housing Credit	$ 494	$ (3,208)	$ (2,714)
Community and Regional Development	70	(5)	65
Income Security	442	(7)	435
Other Multiple Functions	$ 1	$ (1)	$ -
Total Intragovernmental	1,007	(3,221)	(2,214)
With the Public:			
Commerce and Housing Credit	$ 23,794	$ (1,507)	$ 22,287
Community and Regional Development	7,070	-	7,070
Income Security	42,881	(6)	42,875
Administration of Justice	70	-	70
Other Multiple Functions	445	-	445
Total with the Public	$ 74,260	$ (1,513)	$ 72,747
Not Assigned to Programs:			
Income Security	200	-	200
Total with the Public	$ 200	$ -	$ 200
TOTAL:			
Commerce and Housing Credit	$ 24,288	$ (4,715)	$ 19,573
Community and Regional Development	7,140	(5)	7,135
Income Security	43,523	(13)	43,510
Administration of Justice	70	-	70
Other Multiple Functions	446	(1)	445
TOTAL:	**$ 75,467**	**$ (4,734)**	**$ 70,733**

Note 22: Expenditures by Strategic Goals

As HUD updated its Strategic Plan to address the economic and community development issues the nation is facing, five Strategic Goals were identified. This note presents the expenditures incurred by HUD's various programs in achieving these goals. A description of each Strategic Goal is presented below and additional information is found in the Strategic Plan section of the AFR.

Goal 1: Strengthen the nation's housing market to bolster the economy and protect consumers

Goal 2: Meet the need for quality affordable rental homes

Goal 3: Utilize housing as a platform for improving quality of life

Goal 4: Build inclusive and sustainable communities free from discrimination

Goal 5: Transform the way HUD does business

The following table shows the expenditures allocated to HUD's Strategic Goals for FY 2013 (dollars in millions):

Programs	Goal 1	Goal 2	Goal 3	Goal 4	Goal 5	Total
FHA	(6,071)	(1,448)	(379)	(1,500)	-	(9,398)
Ginnie Mae	(467)	(156)	-	-	-	(623)
Section 8 Rental Assistance	-	23,430	187	5,036	-	28,653
Low Rent Public Housing Loans and Grants	413	2,172	74	301	-	2,960
Homeless Assistance Grants	-	1,268	543	-	-	1,811
Housing for the Elderly and Disabled	-	608	85	283	-	976
Community Development Block Grants	1,157	289	868	3,472	-	5,786
HOME	391	781	-	275	-	1,447
All Other Programs	410	3,784	798	1,588	(4)	6,576
Total	(4,167)	30,728	2,176	9,455	(4)	38,188
Costs Not Assigned To Programs						200
Total						38,388

The following table shows the expenditures allocated to HUD's Strategic Goals for FY 2012 (dollars in millions):

Programs	Goal 1	Goal 2	Goal 3	Goal 4	Goal 5	Total
FHA	12,338	3,900	771	3,288	-	20,297
Ginnie Mae	(411)	(137)	-	-	-	(548)
Section 8 Rental Assistance	-	23,816	190	5,122	-	29,128
Low Rent Public Housing Loans and Grants	418	2,658	75	361	-	3,512
Homeless Assistance Grants	-	1,376	589	-	-	1,965
Housing for the Elderly and Disabled	-	591	83	275	-	949
Community Development Block Grants	1,380	345	1,035	4,141	-	6,901
HOME	490	979	-	345	-	1,814
All Other Programs	588	3,471	820	1,628	8	6,515
Total	14,803	36,999	3,563	15,160	8	70,533
Costs Not Assigned To Programs						200
Total						70,733

Note 23: Net Costs of HUD's Cross-Cutting Programs

This note provides a categorization of net costs for several major program areas whose costs were incurred among HUD's principal organizations previously discussed under Section 1 of the report. Costs incurred under HUD's other programs represent activities which support the Department's strategic goal to develop and preserve quality, healthy, and affordable homes.

The following table shows the Department's cross-cutting costs among its major program areas for FY 2013 (dollars in millions):

HUD's Cross-Cutting Programs	Public and Indian Housing	Housing	Community Planning and Development	Other	Consolidated
Section 8					
Intragovernmental Gross Costs	$ 44	$ 27	$ -	$ -	$ 71
Intragovernmental Earned Revenues	-	-	-	-	-
Intragovernmental Net Costs	$ 44	$ 27	$ -	$ -	$ 71
Gross Costs with the Public	$ 18,835	$ 9,666	$ 78	$ 3	$ 28,582
Earned Revenues	-	-	-	-	-
Net Costs with the Public	$ 18,835	$ 9,666	$ 78	$ 3	28,582
Net Program Costs	**$ 18,879**	**$ 9,693**	**$ 78**	**$ 3**	**$ 28,653**
Low Rent Public Housing Loans & Grants					
Intragovernmental Gross Costs	$ 34	$ -	$ -	$ -	$ 34
Intragovernmental Earned Revenues	-	-	-	-	-
Intragovernmental Net Costs	$ 34	$ -	$ -	$ -	$ 34
Gross Costs with the Public	$ 2,923	$ -	$ -	$ 3	$ 2,926
Earned Revenues	-	-	-	-	-
Net Costs with the Public	$ 2,923	$ -	$ -	$ 3	$ 2,926
Net Program Costs	**$ 2,957**	**$ -**	**$ -**	**$ 3**	**$ 2,960**
Homeless Assistance Grants					
Intragovernmental Gross Costs	$ -	$ -	$ -	$ 30	$ 30
Intragovernmental Earned Revenues	-	-	-	-	-
Intragovernmental Net Costs	$ -	$ -	$ -	$ 30	$ 30
Gross Costs with the Public	$ -	$ -	$ 1,726	$ 55	$ 1,781
Earned Revenues	-	-	-	-	-
Net Costs with the Public	$ -	$ -	$ 1,726	$ 55	$ 1,781
Net Program Costs	**$ -**	**$ -**	**$ 1,726**	**$ 85**	**$ 1,811**
CDBG					
Intragovernmental Gross Costs	$ -	$ -	$ 19	$ -	$ 19
Intragovernmental Earned Revenues	-	-	-	-	-
Intragovernmental Net Costs	$ -	$ -	$ 19	$ -	$ 19
Gross Costs with the Public	$ 77	$ -	$ 5,606	$ 85	$ 5,768
Earned Revenues	-	-	-	-	-
Net Costs with the Public	$ 77	$ -	$ 5,606	$ 85	$ 5,768
Net Program Costs	**$ 77**	**$ -**	**$ 5,625**	**$ 85**	**$ 5,787**
All Other					
Intragovernmental Gross Costs	$ 92	$ 154	$ 41	$ 23	$ 310
Intragovernmental Earned Revenues	-	-	-	(20)	(20)
Intragovernmental Net Costs	$ 92	$ 154	$ 41	$ 3	$ 290
Gross Costs with the Public	$ 4,463	$ 557	$ 1,326	$ (47)	$ 6,299
Earned Revenues	-	(14)	-	-	(14)
Net Costs with the Public	$ 4,463	$ 543	$ 1,326	$ (47)	$ 6,285
Direct Program Costs	**$ 4,555**	**$ 697**	**$ 1,367**	**$ (44)**	**$ 6,575**
Costs Not Assigned to Programs	$ 64	$ 91	$ 45	$ -	$ 200
Net Program Costs (including indirect costs)	**$ 4,619**	**$ 788**	**$ 1,412**	**$ (44)**	**$ 6,775**

The following table shows the cross-cutting of HUD's major program areas that incur costs that cross multiple program areas for FY 2012 (dollars in millions):

HUD's Cross-Cutting Programs	Public and Indian Housing	Housing	Community Planning and Development	Other	Consolidated
Section 8					
Intragovernmental Gross Costs	$ 42	$ 43	$ -	$ -	$ 85
Intragovernmental Earned Revenues	-	-	-	-	-
Intragovernmental Net Costs	$ 42	$ 43	$ -	$ -	$ 85
Gross Costs with the Public	$ 19,143	$ 9,818	$ 80	$ 2	$ 29,043
Earned Revenues	-	-	-	-	-
Net Costs with the Public	$ 19,143	$ 9,818	$ 80	$ 2	29,043
Net Program Costs	**$ 19,185**	**$ 9,861**	**$ 80**	**$ 2**	**$ 29,128**
Low Rent Public Housing Loans & Grants					
Intragovernmental Gross Costs	$ 45	$ -	$ -	$ -	$ 45
Intragovernmental Earned Revenues	-	-	-	-	-
Intragovernmental Net Costs	$ 45	$ -	$ -	$ -	$ 45
Gross Costs with the Public	$ 3,461	$ -	$ -	$ 6	$ 3,467
Earned Revenues	-	-	-	-	-
Net Costs with the Public	$ 3,461	$ -	$ -	$ 6	$ 3,467
Net Program Costs	**$ 3,506**	**$ -**	**$ -**	**$ 6**	**$ 3,512**
CDBG					
Intragovernmental Gross Costs	$ -	$ -	$ 25	$ -	$ 25
Intragovernmental Earned Revenues	-	-	-	-	-
Intragovernmental Net Costs	$ -	$ -	$ 25	$ -	$ 25
Gross Costs with the Public	$ 71	$ -	$ 6,746	$ 59	$ 6,876
Earned Revenues	-	-	-	-	-
Net Costs with the Public	$ 71	$ -	$ 6,746	$ 59	$ 6,876
Net Program Costs	**$ 71**	**$ -**	**$ 6,771**	**$ 59**	**$ 6,901**
All Other					
Intragovernmental Gross Costs	$ 83	$ 168	$ 69	$ (5)	$ 315
Intragovernmental Earned Revenues	(2)	-	-	(15)	(17)
Intragovernmental Net Costs	$ 81	$ 168	$ 69	$ (20)	$ 298
Gross Costs with the Public	$ 4,628	$ 301	$ 1,287	$ 9	$ 6,225
Earned Revenues	-	(9)	-	1	(8)
Net Costs with the Public	$ 4,628	$ 292	$ 1,287	$ 10	$ 6,217
Direct Program Costs	**$ 4,709**	**$ 460**	**$ 1,356**	**$ (10)**	**$ 6,515**
Costs Not Assigned to Programs	$ 67	$ 95	$ 38	$ -	$ 200
Net Program Costs (including indirect costs)	**$ 4,776**	**$ 555**	**$ 1,394**	**$ (10)**	**$ 6,715**

Note 24: FHA Net Costs

FHA organizes its operations into three overall program types: Single Family Forward, Multifamily/Healthcare, and Home Equity Conversion Mortgages (HECM). These program types are composed of two major funds: GI/SRI and MMI/CMHI. FHA encourages homeownership through its Single Family Forward programs by making loans readily available with its mortgage insurance programs. These programs insure mortgage lenders against losses from default, enabling those lenders to provide mortgage financing on favorable terms to homebuyers. Multifamily Housing Programs provide FHA insurance to approved lenders to facilitate the construction, rehabilitation, repair, refinancing, and purchase of multifamily housing projects such as apartment rentals, and cooperatives. Healthcare programs enable low cost financing of health care facility projects and improve access to quality health care by reducing the cost of capital. The HECM program provides eligible homeowners who are 62 years of age and older access to the equity in their property with flexible terms. Homeowners may opt for a lump sum payment of mortgage proceeds, monthly payments, line of credit or a combination thereof.

The following table shows Net Cost detail for the FHA (dollars in millions):

	Fiscal Year 2013				
	Single Family Forward Program	HECM Program	Multifamily/Healthcare Program	Administrative Costs	Total
Costs					
Intragovernmental Gross Costs	$ 727	$ 53	$ 142	$ 21	$ 943
Intragovernmental Earned Revenues	(1,720)	(823)	(62)	-	(2,605)
Intragovernmental Net Costs	$ (993)	$ (770)	$ 80	$ 21	$ (1,662)
Gross Costs with the Public	$ (5,840)	$ (565)	$ (1,927)	$ 671	$ (7,661)
Earned Revenues	(28)	(2)	(46)	-	(76)
Net Costs with the Public	$ (5,868)	$ (567)	$ (1,973)	$ 671	$ (7,737)
Net Program Costs	**$ (6,861)**	**$ (1,337)**	**$ (1,893)**	**$ 692**	**$ (9,399)**

	Fiscal Year 2012				
	Single Family Forward Program	HECM Program	Multifamily/Healthcare Program	Administrative Costs	Total
Costs					
Intragovernmental Gross Costs	$ 326	$ 52	$ 85	$ 29	$ 492
Intragovernmental Earned Revenues	(2,608)	(478)	(28)	-	(3,114)
Intragovernmental Net Costs	$ (2,282)	$ (426)	$ 57	$ 29	$ (2,622)
Gross Costs with the Public	$ 15,454	$ 8,159	$ (1,243)	$ 660	$ 23,030
Earned Revenues	(50)	(5)	(57)	-	(112)
Net Costs with the Public	$ 15,404	$ 8,154	$ (1,300)	$ 660	$ 22,918
Net Program Costs	**$ 13,122**	**$ 7,728**	**$ (1,243)**	**$ 689**	**$ 20,296**

Note 25: Commitments under HUD's Grant, Subsidy, and Loan Programs

A. Contractual Commitments

HUD has entered into extensive long-term commitments that consist of legally binding agreements to provide grants, subsidies or loans. Commitments become liabilities when all actions required for payment under an agreement have occurred. The mechanism for funding subsidy commitments generally differs depending on whether the agreements were entered into before or after 1988.

With the exception of the Housing for the Elderly and Disabled and Low Rent Public Housing Loan Programs (which have been converted to grant programs), Section 235/236, and a portion of "all other" programs, HUD management expects all of the programs to continue to incur new commitments under authority granted by Congress in future years. However, estimated future commitments under such new authority are not included in the amounts below.

Prior to fiscal 1988, HUD's subsidy programs, primarily the Section 8 program and the Section 235/236 programs, operated under contract authority. Each year, Congress provided HUD the authority to enter into multiyear contracts within annual and total contract limitation ceilings. HUD then drew on and continues to draw on permanent indefinite appropriations to fund the current year's portion of those multiyear contracts. Because of the duration of these contracts (up to 40 years), significant authority exists to draw on the permanent indefinite appropriations. Beginning in FY 1988, the Section 8 and the Section 235/236 programs began operating under multiyear budget authority whereby the Congress appropriates the funds "up-front" for the entire contract term in the initial year.

HUD's commitment balances are based on the amount of unliquidated obligations recorded in HUD's accounting records with no provision for changes in future eligibility, and thus are equal to the maximum amounts available under existing agreements and contracts. Unexpended appropriations and cumulative results of operations shown in the Consolidated Balance Sheet comprise funds in the U.S. Treasury available to fund existing commitments that were provided through "up-front" appropriations and also include permanent indefinite appropriations received in excess of amounts used to fund the pre-1988 subsidy contracts and offsetting collections.

FHA enters into long-term contracts for both program and administrative services. FHA funds these contractual obligations through appropriations, permanent indefinite authority, and offsetting collections. The appropriated funds are primarily used to support administrative contract expenses while the permanent indefinite authority and the offsetting collections are used for program services.

The following shows HUD's obligations and contractual commitments under its grant, subsidy, and loan programs as of September 30, 2013 (dollars in millions):

	Undelivered Orders				
Programs	**Unexpended Appropriations**	**Permanent Indefinite**	**Investment Authority**	**Offsetting Collections**	**Undelivered Orders - Obligations, Unpaid**
FHA	$ 174	$ 109	$ -	$ 2,061	$ 2,344
Ginnie Mae	-	-	-	428	428
Section 8 Rental Assistance	8,360	-	-	-	8,360
Low Rent Public Housing Loans and Grants	5,243	-	-	-	5,243
Homeless Assistance Grants	2,680	-	-	-	2,680
Housing for the Elderly and Disabled	2,860	-	-	-	2,860
Community Development Block Grants	14,385	-	-	-	14,385
HOME Partnership Investment Program	3,810	-	-	-	3,810
Section 235/236	1,100	466	-	-	1,566
All Other	4,075	-	-	-	4,075
Total	**$ 42,687**	**$ 575**	**$ -**	**$ 2,489**	**$ 45,751**

Of the total Section 8 Rental Assistance contractual commitments as of September 30, 2013**,** $6 billion relates to project-based commitments and $2 billion relates to tenant-based commitments.

The following shows HUD's obligations and contractual commitments under its grant, subsidy, and loan programs as of September 30, 2012 (dollars in millions):

Programs	Undelivered Orders: Unexpended Appropriations	Undelivered Orders: Permanent Indefinite	Undelivered Orders: Investment Authority	Undelivered Orders: Offsetting Collections	Undelivered Orders - Obligations, Unpaid
FHA	$ 188	$ 193	$ -	$ 1,696	$ 2,077
Ginnie Mae	-	-	-	343	343
Section 8 Rental Assistance	9,750	-	-	-	9,750
Low Rent Public Housing Loans and Grants	5,769	-	-	-	5,769
Homeless Assistance Grants	2,455	-	-	-	2,455
Housing for the Elderly and Disabled	3,470	-	-	-	3,470
Community Development Block Grants	14,970	-	-	-	14,970
HOME Partnership Investment Program	4,330	-	-	-	4,330
Section 235/236	1,078	872	-	-	1,950
All Other	4,998	-	-	-	4,998
Total	**$ 47,008**	**$ 1,065**	**$ -**	**$ 2,039**	**$ 50,112**

Of the total Section 8 Rental Assistance contractual commitments as of September 30, 2012, $7 billion relates to project-based commitments and $2 billion relates to tenant-based commitments.

B. Administrative Commitments

In addition to the above contractual commitments, HUD has entered into administrative commitments which are reservations of funds for specific projects (including those for which a contract has not yet been executed) to obligate all or part of those funds. Administrative commitments become contractual commitments upon contract execution.

The following chart shows HUD's administrative commitments as of September 30, 2013 (dollars in millions):

Programs	Reservations: Unexpended Appropriations	Reservations: Permanent Indefinite Appropriations	Reservations: Offsetting Collections	Total Reservations
Section 8 Rental Assistance	$ 185	$ -	$ -	$ 185
Low Rent Public Housing Loans and Grants	24	-	-	24
Homeless Assistance Grants	124	-	-	124
Housing for the Elderly and Disabled	66	-	-	66
Community Development Block Grants	4,234	-	-	4,234
HOME Partnership Investment Program	186	-	-	186
Section 235/236	-	-	-	-
All Other	145	-	-	145
Total	**$ 4,964**	**$ -**	**$ -**	**$ 4,964**

The following chart shows HUD's administrative commitments as of September 30, 2012 (dollars in millions):

Programs	Unexpended Appropriations	Permanent Indefinite Appropriations	Offsetting Collections	Total Reservations
	Reservations			
Section 8 Rental Assistance	$ 89	$ -	$ -	$ 89
Low Rent Public Housing Loans and Grants	8	-	-	8
Homeless Assistance Grants	311	-	-	311
Housing for the Elderly and Disabled	98	-	-	98
Community Development Block Grants	553	-	-	553
HOME Partnership Investment Program	144	-	-	144
Section 235/236	-	-	-	-
All Other	141	-	-	141
Total	**$ 1,344**	**$ -**	**$ -**	**$ 1,344**

Note 26: Disaster Recovery Relief Efforts

The effects of Hurricanes Katrina, Rita and Wilma in 2005 and Hurricanes Ike and Gustav in 2008 resulted in increased funding for the Department for assisting in meeting housing needs of those displaced by the disaster. In FY 2008, HUD also received additional disaster funding for the Mid West to assist communities affected by severe storms and flooding.

The following table shows the status of budgetary resources information for HUD's programs funded to support disaster relief as of September 30, 2013 (dollars in millions):

	CDBG	Tenant-Based Rental Assistance	Total
Budgetary Resources			
Unobligated Balance, beginning of period	$ 241	$ -	$ 241
Recoveries	-	-	-
Budget Authority	-	-	-
Spending Authority from Offsetting Collections		-	-
Non-Expenditure Transfers, net	-	-	-
Other Balances Withdrawn	-	-	-
Total Budgetary Resources	**$ 241**	**$ -**	**$ 241**
Status of Budgetary Resources			
Obligations Incurred	$ 119	$ -	$ 119
Unobligated Balance, available	122	-	122
Unobligated Balance, not available	-	-	-
Total Status of Budgetary Resources	**$ 241**	**$ -**	**$ 241**
Change in Obligated Balance			
Obligated Balance, net beginning of period	$ 2,698	$ -	$ 2,698
Obligations Incurred	119	-	119
Gross Outlays	(671)	-	(671)
Recoveries	-	-	-
Obligated Balance, net end of period	**$ 2,146**	**$ -**	**$ 2,146**
Net Outlays	**$ 671**	**$ -**	**$ 671**

The data below displays cumulative activity for the four largest state recipients of HUD disaster assistance since the inception of the program. The obligations incurred and gross outlays shown above represent fiscal year activity (dollars are in millions).

	Obligations	Outlays	Unliquidated
Louisiana	$ 14,571	$ 12,585	$ 1,986
Mississippi	5,539	4,678	861
Texas	3,751	1,756	1,995
Florida	393	328	65
Other States	2,288	2,059	229
Total	**$ 26,542**	**$ 21,406**	**$ 5,136**

The following table shows the status of budgetary resources information for HUD's programs funded to support disaster relief as of September 30, 2012 (dollars in millions):

	CDBG	Tenant-Based Rental Assistance	Total
Budgetary Resources			
Unobligated Balance, beginning of period	$ 200	$ -	$ 200
Recoveries	-	6	6
Budget Authority	100	-	100
Spending Authority from Offsetting Collections		-	-
Non-Expenditure Transfers, net	300	-	300
Other Balances Withdrawn	-	(6)	(6)
Total Budgetary Resources	**$ 600**	**$ -**	**$ 600**
Status of Budgetary Resources			
Obligations Incurred	$ 359	$ -	$ 359
Unobligated Balance, available	241	-	241
Unobligated Balance, not available	-	-	-
Total Status of Budgetary Resources	**$ 600**	**$ -**	**$ 600**
Change in Obligated Balance			
Obligated Balance, net beginning of period	$ 3,206	$ 13	$ 3,219
Obligations Incurred	359	-	359
Gross Outlays	(868)	(8)	(876)
Recoveries	-	(6)	(6)
Obligated Balance, net end of period	**$ 2,697**	**$ (1)**	**$ 2,696**
Net Outlays	**$ 868**	**$ 8**	**$ 876**

The data below displays cumulative activity for the four largest state recipients of HUD disaster assistance since the inception of the program. The obligations incurred and gross outlays shown above represent fiscal year activity (dollars in millions).

	Obligations	Outlays	Unliquidated
Louisiana	$ 14,521	$ 12,078	$ 2,443
Mississippi	5,539	4,428	1,111
Texas	3,751	1,412	2,339
Florida	393	267	126
Other States	2,287	1,739	548
Total	**$ 26,491**	**$ 19,924**	**$ 6,567**

Note 27: Apportionment Categories of Obligations Incurred

Budgetary resources are usually distributed in an account or fund by specific time periods, activities, projects, objects, or a combination of these categories. Resources apportioned by fiscal quarters are classified as Category A apportionments. Apportionments by any other category would be classified as Category B apportionments.

HUD's categories of obligations incurred were as follows (dollars in millions):

	Category A	Category B	Total
2013			
Direct	$ 893	$ 137,476	$ 138,369
Reimbursable	-	9	9
Total	**$ 893**	**$ 137,485**	**$ 138,378**

	Category A	Category B	Total
2012			
Direct	$ 948	$ 95,488	$ 96,436
Reimbursable	-	3,964	3,964
Total	**$ 948**	**$ 99,452**	**$ 100,400**

Note 28: Explanation of Differences between the Statement of Budgetary Resources and the Budget of the United States Government

The President's Budget containing actual FY 2013 data is not available for comparison to the Statement of Budgetary Resources. Actual FY 2013 data will be available in the Appendix to the Budget of the United States Government, FY 2015.

For FY 2012, an analysis to compare HUD's Statement of Budgetary Resources to the President's Budget of the United States was performed to identify any differences.

The following shows the difference between Budgetary Resources reported in the Statement of Budgetary Resources and the President's Budget for FY 2012 (dollars in millions):

	Budgetary Resources	Obligations Incurred	Distributed Offsetting Receipts	Net Outlays
Combined Statement of Budgetary Resources	$ 159,150	$ 100,400	$ (3,426)	$ 55,022
Difference #1 - Resources related to HUD's expired accounts not reported in the President's Budget	(653)	(55)	-	-
Difference #2 - The negative subsidy reported by Ginnie Mae as an offsetting receipt is reported as a negative outlay in the President's Budget	-	-	737	(737)
Difference #3 - Restatement of Ginnie Mae commercial financial statements to Federal reporting standards	149	(10)	-	-
Difference #4 - Ginnie Mae amounts precluded from obligation	(102)	-	-	-
United States Budget	**$ 158,544**	**$ 100,335**	**$ (2,689)**	**$ 54,285**

Note 29: Reconciliation of Net Cost of Operations to Budget

This note (formerly the Statement of Financing) links the proprietary data to the budgetary data. Most transactions are recorded in both proprietary and budgetary accounts. However, because different accounting bases are used for budgetary and proprietary accounting, some transactions may appear in only one set of accounts. The Reconciliation of Net Cost of Operations to Budget is as follows for the periods ending September 30, 2013 and September 30, 2012 (dollars in millions):

	2013	2012
Budgetary Resources Obligated		
Obligations Incurred	$ 138,378	$ 100,401
Spending Authority from Offsetting Collections and Recoveries	(88,899)	(51,665)
Obligations Net of Offsetting Collections	$ 49,479	$ 48,736
Offsetting Receipts	(1,495)	(3,425)
Net Obligations	$ 47,984	$ 45,311
Other Resources		
Transfers In/Out Without Reimbursement	$ (564)	$ (1,440)
Imputed Financing from Costs Absorbed by Others	78	80
Other Resources	1	3
Net Other Resources Used to Finance Activities	$ (485)	$ (1,357)
Total Resources Used to Finance Activities	$ 47,499	$ 43,954
Resources Used to Finance Items Not Part of the Net Cost of Operations		
Change in Budgetary Resources Obligated for Goods/Services/Benefits		
Services Ordered but Not Yet Provided	$ 4,989	$ 8,095
Credit Program Resources that Increase LLG or Allowance for Subsidy	80,982	47,527
Credit Program Resources not Included in Net Cost (Surplus) of Operations	(55,840)	-
Resources that Finance the Acquisition of Assets or Liquidation of Liabilities	(33,354)	(10,429)
Resources that Fund Expenses from Prior Periods	(21)	(1)
Other Changes to Net Obligated Resources Not Affecting Net Cost of Operations	(51)	(14,619)
Total Resources Used to Finance Items Not Part of Net Cost of Operations	$ (3,295)	$ 30,573
Total Resources Used to Finance the Net Cost of Operations	$ 44,204	$ 74,527
Components of Net Cost of Operations Not Requiring/Generating Resources in the Current Period		
Upward/Downward Re-estimates of Credit Subsidy Expense	$ 8,723	$ 27,148
Increase in Exchange Revenue Receivable from the Public	(208)	(218)
Change in Loan Loss Reserve	(3)	(3)
Revaluation of Assets or Liabilities	1	5
Depreation and Amortization	16	18
Changes in Bad Debt Expenses Related to Credit Reform Receivables	(440)	(303)
Reduction of Credit Subsidy Expense from Guarantee Endorsements and Modifications	(18,358)	(5,977)
Increase in Annual Leave Liability	-	-
Other	4,453	(24,464)
Total Components of Net Cost of Operations Not Requiring/Generating Resources in the Current Period	$ (5,816)	$ (3,794)
Net Cost of Operations	**$ 38,388**	**$ 70,733**

Note 30: Restatement of the Department's Fiscal Year 2012 Financial Statements

In FY 2013, the Department restated its FY 2012 financial statements to correct material errors in the Consolidated Balance Sheet, the Statement of Net Cost, the Statement of Changes in Net Position, and the Combined Statement of Budgetary Resources. The FY 2012 restatement was due to Ginnie Mae's financial statements prepared under Federal Accounting Standards Advisory Board (FASAB), the reclassification of GNMA's other assets to other non-credit reform loans receivable, and the establishment of prepayments from our tenant-based rental assistance program.

The Department and Ginnie Mae properly use different accounting standards, but this restatement is required to correct errors required by HUD in the preparation of the Department's consolidated financial statements. However, in the opinion of management and HUD's general counsel, Ginnie Mae is not subject to the Federal Credit Reform Act (FCRA). As a result, the restated financial statements are based on the Department's analysis of accounting standards not specific to FCRA. Also related to Ginnie Mae was the impact of the accounting error related to the classification of Mortgages Held for Investment and related activity as other assets which is inconsistent with the Department of Treasury's reporting requirements. Based on further discussions with the OIG and GNMA program officials, these balances were reclassified as non-credit reform loans.

The restated financial statements by HUD also reflect the accounting error of not recording net restricted assets maintained by PHAs under the Housing Choice Voucher Program, which resulted in additional assets and operating expenses reported by the Department. Summarized below are the net changes to the Department's FY 2012 financial statements to correct accounting errors not previously reported (dollars in millions):

Financial Statement	Amount
Consolidated Balance Sheet	
Total Assets	$ 8,988
Total Liabilities	(9,913)
Total Net Position	925
Consolidated Statement of Net Cost	$ 963
Consolidated Statement of Changes in Net Position	
Cumulative Results of Operations	$ 61
Unexpended Appropriations	986
Consolidated Statement of Budgetary Resources	
Unpaid Obligations, End of Year, Gross	$ 158
Unobligated Balances	(158)

The Department's restated financial statements do not reflect the impact of eliminating the current use of the First In First Out (FIFO) method to liquidate obligations under CPD's formula grant programs. The Department is in the process of modifying the Integrated Disbursement Information System (IDIS) to ensure that the disbursements are matched to the proper funding source as required under U.S. generally accepted accounting principles (GAAP). Until the systems modifications are completed by the Department, the impact on HUD's financial statements cannot be determined. HUD was also not able to assess the impact of revising its regulations based on GAO's ruling of HUD's interpretation of the 24 month commitment period which grantees must adhere to as a stipulation to receiving Federal funds. The failure by a grantee to meet the 24-month commitment as interpreted by GAO would result in greater recoveries reported on the Department's Statement of Budgetary Resources. The Department will disclose a restatement related to CPD's programs once HUD determines the financial statements and corresponding line items impacted.

Consolidation of a Reporting Entity with a Differing Accounting Treatment

HUD restated its FY 2012 financial statements to correct the impact of errors resulting from the improper consolidation of Ginnie Mae's financial statements. FASAB is the source of generally accepted accounting principles (GAAP) for Federal reporting entities. Ginnie Mae is a government corporation within HUD, and HUD reports Ginnie Mae on its consolidated financial statements. Ginnie Mae prepares its stand-alone financial statements in accordance with Financial Accounting Standards Board (FASB) accounting guidance. However, HUD's financial statements are presented in conformance with the FASAB's SFFAS. As such, Ginnie Mae assessed the differences between FASB and FASAB accounting requirements for purposes of reporting the financial information to HUD and identified the following differences:

Mortgage Servicing Rights (MSR) – Under FASB, servicing assets and servicing liabilities arise from situations in which Ginnie Mae assumes servicing rights on the pooled loan portfolio as a result of issuer default. FASB Accounting Standards Codification (ASC) 860-50-30-1 indicates that servicing assets and servicing liabilities should be initially measured at fair value. In accordance with ASC 860-50-35-3, Ginnie Mae has made an irrevocable election to subsequently measure MSRs at fair value at each reporting date based on the present value of estimated future net servicing income. However, under FASAB guidance, there is no servicing rights concept and the expected cash flows from revenue to be received but unearned are not considered an asset under FASAB. As a result, the MSR asset of $61 million was eliminated in the FY 2012 Consolidated Balance Sheet and a corresponding loss was recognized in the FY 2012 Statement of Net Cost.

Guarantee Asset – Under FASB guidance, Ginnie Mae receives guarantee fees from the issuers equal to six basis points (Single Family and Manufactured Housing loans) and nine basis points (Multifamily loans) on the unpaid principal balance of the outstanding MBSs in the non-defaulted issuer portfolio. These fees are paid on a monthly basis over the period that the guarantee is provided (typically 30 years of cash flows over the life of the loan). As the guarantee is issued in a standalone transaction for a premium, Ginnie Mae records a guarantee asset (representing a receivable at net present value) for the guarantee fees as the offsetting entry for the guarantee liability (see description below) in accordance with ASC 460-10-55-23a. On the other hand, FASAB does not have guidance to specifically allow for the recognition of an asset as it relates to future collection of fees tied to a guaranteed liability. A receivable is only recognized once goods and services are provided and a reasonable estimate can be made. As a result, the guarantee asset of $7 billion is written off from the FY 2012 HUD Consolidated Financial Statements.

Guarantee Liability – Under FASB guidance, Ginnie Mae recognizes a Guarantee Liability for the non-contingent aspect of its obligation. At inception of the guarantee under the MBS Program, Ginnie Mae recognizes a liability for the guarantee that it provides on MBSs issued by third-party issuers. Generally, a guarantee liability is initially measured at fair value. However, Ginnie Mae applies the practical expedient in ASC 460-10-30-2a (ASC Topic 460, Guarantees (ASC 460)), which allows the guarantee liability to be recognized at inception based on the premium received or receivable by the guarantor, provided the guarantee is issued in a standalone arm's length transaction with an unrelated party. As Ginnie Mae does not receive guarantee fees at inception of the guarantee, Ginnie Mae determines the initial measurement of the guarantee liability based on the expected present value cash flows to be received for the guarantee fee. Under FASAB guidance, there is currently not a practical expedient consideration in FASAB. Therefore, the guarantee liability of $7 billion is written off from the FY 2012 HUD Consolidated Financial Statements.

Restatement of Other Assets

HUD restated its FY 2012 financial statements to correct the impact of the errors resulting from improper classification of the non-credit reform loans to other assets. The error occurred due to the Department's misinterpretation of the United States Standard General Ledger (USSGL) requirements which provide guidance on the presentation of financial statements. As the crosswalk did not specifically note a line for a non-credit reform loans receivable and related assets, Ginnie Mae presented certain assets in other assets in FY 2012. In FY 2013, Ginnie Mae agreed to reclassify balances related to Mortgage Loans Held for Investment and related balances from other assets to other non-credit reform loans as a result of ambiguous reporting criteria as it applies to Ginnie Mae's Mortgage Backed Securities (MBS). Below is a summary of the restatement in FY 2012:

	September 30, 2012 Restatement	September 30, 2012 Original Presentation	Difference
Non-Credit Reform Loans Receivable	$ 7,634,117,316	$ -	$ 7,634,117,316
Other Assets	$ 4,135	$ 14,328,742,865	$ (14,328,738,731)

The Other Assets line item includes the Guaranty Asset and MSRs in the Original Presentation column which has been written off as previously discussed in the prior section. In FY 2012, the original presentation included Mortgage Loans Held for Investment, Foreclosed Property, Advances against Defaulted MBS Pools, and Short Sale Claims Receivable. These balances have been moved to the Non-Credit Reform Loans Receivable line item in the Restatement column. Note 8 provides detail in regards to the composition of the Non-Credit Reform line item in FY 2013.

Statement of Budgetary Resources

The Department restated its FY 2012 financial statements to correct the impact of the errors resulting from omission of unpaid undelivered obligations. The error occurred because budgetary accounting was not being performed due to limitations of Ginnie Mae's reporting system which was configured to meet private sector needs. As a Government corporation, Ginnie Mae prepares its financial statements based on FASB accounting guidance. In order to prepare budgetary data for HUD consolidated purposes, Ginnie Mae performs reconciliations of proprietary transactions to complete the Statement of Budgetary Resources (SBR) outside of their financial system. Based on the FY 2013 audit, the Office of the Inspector General (OIG) identified that unpaid, undelivered obligations were not properly accounted for within the consolidated data. As a result of Ginnie Mae's analysis of procurement data as of October 1, 2006, the amount Ginnie Mae's unpaid obligations as of September 30, 2012 increased from $333 million to $490 million. All of the differences disclosed by the Department are the result of the consolidation of Ginnie Mae's stand-alone financial statements to comply with Federal Accounting Standards Advisory Board (FASAB) reporting requirements. Ginnie Mae expects to complete the systems modifications to capture budgetary data at the transaction level in FY 2014.

Elimination of Probable Unrealized Claims from Ginnie Mae

HUD restated its FY 2012 financial statements to correct the impact of the errors resulting from the improper valuation of Ginnie Mae held defaulted FHA-insured mortgage loans. As of September 30, 2013 and 2012, Ginnie Mae held defaulted FHA-insured mortgage loans. These loans, acquired from defaulted MBS issuers, had balances of $6 billion and $7 billion in FY 2013 and FY 2012, respectively. Ginnie Mae reports these loans as assets on their financial statements. Ginnie Mae may submit requests for claim payments to FHA for some or all of these loans. Subject to all existing claim verification controls, FHA would pay such claims to Ginnie Mae, another component of HUD, upon conveyance of the foreclosed property to FHA. Any liability for such claims, and offsetting recoveries, is reflected in FHA's Liability for Loan Guarantees (LLG) on the accompanying financial statements based on the default status of the insured loans. In prior years, the HUD consolidated financial statements reflected these amounts on their statements without reclassification.

In FY 2013, HUD revised the presentation of the balance sheet to conform with generally accepted accounting principles. The Department recognized probable claims by Ginnie Mae reducing the value of its assets and liabilities by the same amount. The correction of the error recognized by FHA's guarantee recorded in the LLG account reduced the amount of Mortgages Held for Investment reported as non-credit reform loans in HUD's consolidated balance sheet. The reclassification entry of $2 billion and $3 billion was made in the Department's FY 2013 and FY 2012 financial statements, respectively, and had no impact on HUD's net position Prior to the restatement of the financial statements by HUD, the Department only eliminated actual claims by Ginnie Mae totaling $8 million and $6 million for FY 2013 and FY 2012, respectively.

Recognition of NRA Balances and Impact of Cash Management Reviews

HUD restated its FY 2012 financial statements to correct the impact of the errors resulting from the omission of PIH's Net Restricted Asset (NRA) balances in HUD's consolidated balance sheet. Beginning in 2005, PHAs have maintained NRA balances as a result of funding provided by the Department under the Housing Choice Voucher Program. The NRA balances have been significantly depleted over the years due to reduced renewal funding levels and sequestration.

In calendar year 2012, PIH implemented new cash management requirements and procedures for the disbursement by HUD of housing assistance payments funds provided to PHAs under the Housing Choice Voucher program in accordance with Department of Treasury's guidelines. PIH Notices further stipulated that NRAs maintained by PHAs as of December 31, 2012 were to be transitioned to HUD held reserves under the Department's cash management policies. The implementation of the Department's cash management policies have not been fully implemented and as a result, PHAs continue to hold NRA balances to cover shortfalls to cover the subsidiary costs of the Housing Voucher Program.

PIH has implemented a forecasting model to project the NRA balances maintained by the PHAs. The OIG has reviewed the projections by PIH and has determined that additional audit work is needed to verify the underlying data and assumptions of the model. The Department recognizes that the expenses of the program are self-reported by the PHAs and subject to audit verification by the OIG and the results of PIH's ongoing monitoring reviews. The amount of costs incurred by PHAs under the program are reported through PIH's Voucher Management System and used by program staff to adjust the amount of the NRA balances during the year. The expense recognized by the Department in the Statement of Net Cost and its impact on the net cost of operations reported on the Statement of Changes in Net Position is based on the difference between the beginning and ending NRA balances reported for FY 2013 and FY 2012, respectively. The Department contends that prior reviews of PIH activity and reliance on IPA audits provide a reasonable basis to book the estimate to accurately reflect the full costs of the PIH voucher program.

The Department has recorded a prepayment of $452 million dollars and $986 million dollars in its FY 2013 and FY 2012, respectively. In addition, the Department corrected an error in the beginning balances of $2 billion and $986 million dollars was recognized in its FY 2012 and FY 2013 financial statements, respectively, as a result of understating its equity reported on its balance sheets for the current and prior fiscal years. The reduction of the prepayment increased the amount of expenses under the voucher program by $534 million dollars and $902 million dollars in its Statement of Net Costs for FY 2013 and 2012, respectively. A prepayment of $452 million and $986 million was also recognized in the Statement of Budgetary Resources for FY 2013 and FY 2012, respectively, to account for the related asset established in the Department's Consolidated Balance Sheet. The reclassification from a paid to pre-paid status has no impact on the restated Statement of Budgetary Resources since the amounts for unobligated balances, gross outlays and unpaid obligations, end of year are not impacted under the USSGL

It is the position of the Department that the establishment of an accounts receivable is inappropriate given the substance of the transactions as interpreted by PIH and OCFO staff. Although required by PIH interim policy notices, the recognition of an accounts receivable is not warranted under Federal GAAP since the projected reductions in the NRA balances have not been remitted to the Department. Once the NRA balances are returned to HUD through direct payments or wire transfers by the PHAs, the prepayment balance in the Department's financial records will be reclassified as an accounts receivable and reduced by the cash transfers reflected in the Department's treasury's account. The recommended accounting by the Department is consistent with the substance of the underlying financial event.

The Department also acknowledges that the results of PIH's cash management reviews performed in FY 2012 are not reflected in the financial statements. As noted in the OIG's Internal Control Report, excesses and shortages identified by PIH staff have resulted in receivables and payables amounting to $29 million and $70 million respectively as of June 2013. In addition, excess and identified but not reported by the Department for the fiscal year ending 2012 resulted in receivables and payables amounting to $154 million and $19 million respectively. As a result of not completing the reviews in a timely manner, information to estimate figures as of September 30, 2013 were not available and could not be estimated at the completion of the audit.

Below are the Department's FY 2012 restated financial statements to correct accounting errors not previously reported (dollars in millions):

Balance Sheet (Dollars in Millions)	September 30, 2012 Consolidated Financial Statements (with no restatement)	September 30, 2012 Consolidated Financial Statements (with restatement)	Changes
ASSETS			
Intragovernmental			
Fund Balance with Treasury	108,217	108,217	-
Investments	4,899	4,899	-
Other Assets	27	27	
Total Intragovernmental Assets	113,143	113,143	
Investments	60	60	
Accounts Receivable, Net	213	213	-
Direct Loan and Loan Guarantees, Net	8,534	8,534	-
Other Non Credit Reform Loans (Note 8)	-	4,355	(4,355)
General Property Plant and Equipment, Net	367	367	-
PIH Prepayments (Note 10)		986	(986)
Other Assets (Note 11)	14,388	59	14,329
TOTAL ASSETS	136,705	127,717	8,988
LIABILITIES			
Intragovernmental Liabilities			
Accounts Payable	15	15	
Debt	11,567	11,567	
Other Intragovernmental Liabilities	4,117	4,117	
Total Intragovernmental Liabilities	15,699	15,699	-
Accounts Payable	1,303	1,303	-
Loan Guarantee Liability (Note 7)	55,144	51,865	3,279
Debt Held by the Public	60	60	-
Federal Employee and Veteran Benefits	76	76	-
Loss Reserves	358	358	-
Other Governmental Liabilities (Note 16)	7,370	736	6,634
TOTAL LIABILITIES	80,010	70,097	9,913
Net Position			
Unexpended Appropriations - Funds From Dedicated Collections	240	240	
Unexpended Appropriations - Other Funds	52,229	53,215	(986)
Cumulative Results of Operations - Funds From Dedicated Collections (Note	17,586	17,525	61
Cumulative Results of Operations - Other Funds	(13,360)	(13,360)	
Total Net Position	56,695	57,620	(925)
Total Liabilities and Net Position	136,705	127,717	8,988

Statement of Changes in Net Position (Dollars in Millions)	September 30, 2012 Consolidated Financial Statements (with no restatement)	September 30, 2012 Consolidated Financial Statements (with restatement)	Changes
CUMULATIVE RESULTS OF OPERATIONS:			
Beginning Balances	23,799	23,799	-
Adjustments			
Changes in Accounting Principles			
Corrections of Errors	7	7	
Beginning Balances, As Adjusted	23,806	23,806	-
BUDGETARY FINANCING SOURCES:			
Other Adjustments			
Appropriations Used	52,343	53,246	(903)
Non-exchange Revenue	-	-	
Donations/Forfeitures of Cash & Cash Equivalents	1		
Transfers In/Out Without Reimbursement	(394)	(394)	
Other			
OTHER FINANCING SOURCES (Non-exchange):			
Transfers In/Out Without Reimbursement	(1,045)	(1,045)	
Imputed Financing	80	80	
Other	(795)	(795)	
Total Financing Sources	50,190	51,092	(902)
Net Cost of Operations	(69,770)	(70,733)	963
Net Change	(19,580)	(19,641)	61
CUMULATIVE RESULTS OF OPERATIONS	**4,226**	**4,165**	**61**
UNEXPENDED APPROPRIATIONS:			
Beginning Balances	61,044	61,044	-
Adjustments			
Changes in Accounting Principles			
Corrections of Errors	(7)	1,881	(1,888)
Beginning Balances, As Adjusted	61,037	62,925	(1,888)
BUDGETARY FINANCING SOURCES:			
Appropriations Received	45,568	45,568	-
Appropriations Transferred In/Out			
Other Adjustments	(1,793)	(1,793)	-
Appropriations Used	(52,343)	(53,245)	902
Total Budgetary Financing Sources	(8,568)	(9,470)	902
Total Unexpended Appropriations	52,469	53,455	(986)
NET POSITION	56,695	57,620	(925)

Statement of Net Cost (Dollars in Millions)	September 30, 2012 Consolidated Financial Statements (with no restatement)	September 30, 2012 Consolidated Financial Statements (with restatement)	Changes
PROGRAM COSTS			
Gross Costs (Note 20)	74,454	75,467	(1,013)
Less: Earned Revenue	(4,684)	(4,734)	50
Net Program Costs	69,770	70,733	(963)
Net Cost of Operations	69,770	70,733	(963)

Statement of Budgetary Resources (Dollars in Millions)	September 30, 2012 Consolidated Financial Statements (with no restatement)	September 30, 2012 Consolidated Financial Statements (with restatement)	Changes
Budgetary Resources:			
Unobligated Balance, Brought Forward	58,190	58,040	150
Adjustments to Unobligated Balance Brought Forward, October 1	(24)	(24)	-
Unobligated balance from prior year budget authority, net	58,166	58,016	150
Recoveries of Prior Year Unpaid Obligations	1,237	1,238	(1)
Other changes in unobligated balance	(1,080)	(1,080)	-
Unobligated balance from prior year budget authority, net	58,323	58,174	149
Appropriations (discretionary and mandatory)	44,047	44,047	-
Borrowing Authority (discretionary and mandatory)	5,760	5,760	-
Spending Authority from offsetting collections	51,169	51,170	(1)
Total Budgetary Resources	159,299	159,151	148
STATUS OF BUDGETARY RESOURCES:			
Obligations Incurred			
Direct	96,436	96,437	
Reimbursable	3,955	3,964	(9)
Subtotal	100,391	100,401	(10)
Unobligated Balances			
Apportioned	22,712	22,712	
Unapportioned	36,196	36,038	158
Subtotal	58,908	58,750	158
Total Status of Budgetary Resources	159,299	159,151	148
CHANGE IN OBLIGATED BALANCE:			
Unpaid Obligations:			
Unpaid obligations, brought forward, Oct 1	58,952	59,100	(148)
Adjustments to unpaid obligations, start of year (+ or -)		-	
Obligations incurred	100,391	100,401	(10)
Outlays (gross) (-)	(106,433)	(106,433)	-
Actual Transfers, unpaid obligations (net) (+ or -)	-	-	-
Recoveries of prior year unpaid obligations (-)	(1,238)	(1,238)	-
Unpaid Obligations, end of year (gross)	51,672	51,830	(158)
Uncollected Payments:			
Uncollected payments, Fed sources, brought forward, Oct 1 (-)	(259)	(257)	(2)
Adjustments to uncollected payments, Fed sources, start of year	-	-	
Change in uncollected payments, Fed sources (+ or -)	168	168	-
Actual Transfers, uncollected payments, Fed sources (net) (+ or -)	-	-	
Uncollected payments, Fed sources, end of year (-)	(91)	(89)	(2)
Obligated Balance, start of year (+ or -)	58,693	58,843	(150)
Obligated Balance, end of year (+ or -)	51,581	51,739	(158)
BUDGET AUTHORITY, NET:			
Budget authority, gross (discretionary and mandatory)	100,978	100,978	-
Actual offsetting collections (discretionary and mandatory) (-)	(52,149)	(52,149)	-
Change in uncollected customer payments from Federal Sources (discretionary and mandatory) (+ or -)	168	168	-
Budget Authority, net (discretionary and mandatory) SubTotal	48,997	48,997	-
Outlays, net (discretionary and mandatory)			
Gross Outlays	106,433	106,433	-
Actual offsetting collections (discretionary and mandatory) (-)	(51,412)	(51,412)	-
	55,021	55,021	
Distributed offsetting receipts	(3,425)	(3,425)	-
Agency Outlays, net (discretionary and mandatory)	51,595	51,595	-