



FROM THE DESK OF CAROL GALANTE

April 16, 2013

On April 10, President Obama released the Administration's FY2014 Federal Government Budget Proposal, including HUD's budget request. The President's budget demonstrates how we can invest in the things we need to grow our economy, create jobs and strengthen the middle class while further reducing the deficit in a balanced way.

Similarly, HUD's FY2014 Budget will help grow our economy from the middle class out while supporting the recovery in our housing market, and creating ladders of opportunity in communities across the country. HUD's budget follows the roadmap the President has laid out for jumpstarting our economy through educating, innovating, and building – by targeting our investments to the families and geographies that need them the most, and putting American back to work.

FHA's Single Family Business

The President's budget projects that the Federal Housing Administration (FHA) will insure \$189 billion in forward and reverse mortgage loans in 2014, supporting new home purchases and refinances that will enable families to significantly reduce their payments. This projected volume is lower than FY 2013 estimates, though it shows that FHA continues to play a crucial role in our nation's economic recovery, helping to pull the housing market back from the brink of collapse and providing the needed stability to encourage the return of private capital to the marketplace.

The FY 2014 budget also shows that recent policy changes in pricing, lender enforcement, loss mitigation, and credit policy made since 2009 are making a difference and will ensure that FHA remains a vital resource for working families to obtain affordable mortgage financing. While FHA is still under stress from loans insured in 2009 and earlier, and from mortgages insured under its reverse mortgage program (HECM), it is clear that FHA has made significant progress and is on a sound fiscal path moving forward. These changes are projected to help FHA generate \$13 billion in receipts in 2013 to help offset losses in FY2014.

Nonetheless, the President's budget projects that FHA's MMI Fund may need a \$943 million mandatory appropriation by the end of the fiscal year in order to ensure that FHA holds sufficient reserves are on hand to cover projected losses over the next 30-years. This is not a certainty and FHA is taking every appropriate action to reduce the likelihood that such assistance is needed.

We will continue to take responsible steps to increase recoveries on defaulted loans and ensure that newly ensured loans continue to be the strongest in FHA history. Last month we released a new edition of TOTAL scorecard. This revised version of TOTAL has revised the "cut-point" based on which potential borrowers are referred to manual underwriting.

HUD.gov/FHA

[HUD Press
Releases](#)

This week, we issued a mortgagee letter implementing a 2012 final rule implementing a clearer indemnification policy for lender insurance lenders. And later this month, we plan to issue an ML streamlining short sales. In addition, several other policies are in the works, including a final rule on seller concessions and mortgagee letters on disputed accounts and manual under-writing.

Housing Assistance

In FY 2014, HUD is requesting a total of \$526 million to fund the Section 202 and 811 programs that will directly support housing and services for very low-income elderly individuals and persons with disabilities and their families. HUD has worked to enhance these programs to better fit the needs of the families they serve. This includes streamlining the existing program structure to better leverage state and local investments in affordable housing and aligning more strategically with state and federal health care priorities.

In FY2014, HUD is requesting a total of \$400 million for Section 202, which will provide \$20 million for operating assistance contracts to support approximately 3,400 new households; \$70 million for service coordinators; and \$310 million for Project Rental Assistance Contract (PRAC) renewals. For the Section 811 program, HUD is requesting \$126 million, including \$106 million for Project Rental Assistance Contract renewals and \$20 million in Project Rental Assistance funds to support approximately 700 new units through grants to State housing agencies.

With respect to Project Based Rental Assistance (PBRA), HUD's FY2014 request is \$10.3 billion, which will enable HUD to support affordable rental housing for some of America's neediest families. However, our 2014 request is impacted by the FY2013 Continuing Resolution which will result in a \$1.2 billion shortfall in the program for FY2013 at sequester funding levels. Under this scenario, all contracts will not be funded for a full 12 months during FY2013 and into FY2014. The Office of Multifamily Housing continues to actively monitor this situation and is implementing cost savings measures to help minimize any disruptions to owners and tenants alike.

The Budget also proposes to provide \$400 million for the Choice Neighborhoods program. This program contributes to the President's Promise Zones initiative, which will revitalize up to twenty of America's highest-poverty communities by creating jobs, attracting private investment, expanding educational opportunity, and reducing violent crime. Promise Zones are a key strategy in the Administration's new Ladders of Opportunity initiative, which is aimed at ensuring that opportunities exist for Americans who live in high-poverty communities; and are working hard to make it into the middle class.

Housing Counseling

HUD is requesting \$55 million for Housing Counseling grants, up from \$45 million in FY 13, reflecting the continued importance of housing counseling and the increased ability of HUD, through its new Office of Housing Counseling, to perform the function of distributing and monitoring these grants. A recently released study by NeighborWorks America showed that households who receive counseling are one-third less likely to be 90 days delinquent within two years of origination than those who do not.

We also are in the process of engaging with stakeholders to determine the best structure for integrating counseling into FHA programs and will announce more detail about these plans soon.

FHA's Multifamily/Healthcare Business

Finally, HUD is requesting \$30B in commitment authority for the GI/SRI insurance fund for FY2014, an increase of \$5B from the FY2013 CR and FY 2012 levels. This additional commitment authority will enable not only financing for new healthcare facilities and multifamily properties, but also refinancing of the debt of existing properties into lower interest rates. Due to historically low interest rates, FHA is experiencing a high volume of refinances of loans already insured by FHA in both the multifamily and healthcare portfolio. Last month, FHA notified Congress that it would be seeking an additional \$5 billion in commitment authority for the remained of FY 2013.

In addition to the FY 2014 request, HUD will continue to work with Congress in pursuit of this authority in order to prevent a disruption in the multifamily and healthcare markets. The high volume of activity in these programs is projected to provide approximately \$889 million in off-setting receipts in FY2014.

Overall, HUD's proposed 2014 budget provides \$47.6 billion, an increase of \$4.2 billion or 9.7 percent above the 2012 enacted level. More than 90 percent of this funding increase is used to maintain current levels of rental and homelessness assistance for vulnerable families, most of whom earn less than 30 percent of their area's median income. The Budget also makes investments to revitalize high-poverty neighborhoods, reduce blight in communities hardest hit by the foreclosure crisis, and support sustainable economic development. The work of the Office of Housing and the Federal Housing Administration is integral to this work and we thank you, our stakeholders, for your continued support and advocacy on behalf of HUD programs. We look forward to partnering with you again this year as we work to strengthen our housing market and build ladders to opportunity for all Americans.

#