

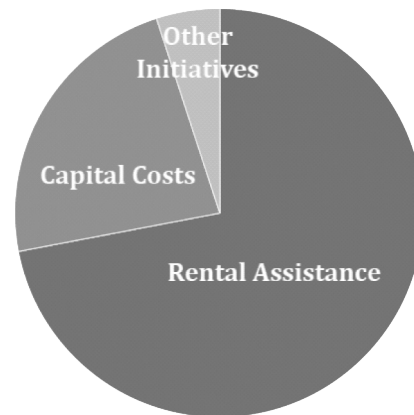
*An Overview
of the HUD Budget:
How HUD Funding
Furthers Our Mission*

AN OVERVIEW OF THE HUD BUDGET: HOW HUD FUNDING FURTHERS OUR MISSION



In order to achieve the overarching mission of creating strong, sustainable, inclusive communities and quality, affordable homes for all, HUD has developed a portfolio of programs and policy initiatives to approach housing and development challenges. And while these programs serve a diverse array of communities nationwide, with challenges almost as wide-ranging as the individual families themselves, HUD's budget can broadly be divided into three categories:

- 72% Rental Assistance** provides an ongoing stream of funding that makes up the gap between that low-income tenants can afford to pay in rent and the cost of operating housing
- 23% Capital Costs** allow HUD to partner with communities to develop and repair affordable housing or support economic development activities and infrastructure
- 5% Other Initiatives** include a diverse array of programs, including Fair Housing and Equal Opportunity, Healthy Homes and Lead Hazard Reduction, and service coordination programs, just to name a few.



Taken together, these broad categories encapsulate an overall HUD budget of \$47.9 billion (pre-receipts) that provides direct housing and services to millions of families and thousands of communities across the country. For the population that HUD serves, we are committed to providing access to the opportunities that result from living in homes and neighborhoods that are safe, healthy, affordable, and inclusive.

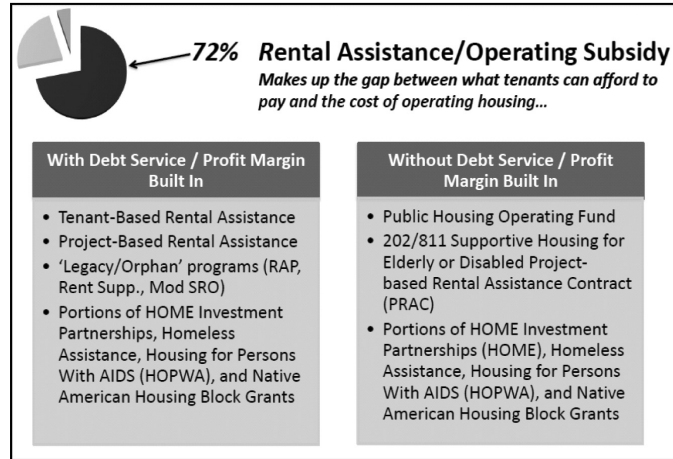
RENTAL ASSISTANCE

Throughout the country, over 4.5 million families receive assistance through HUD's rental programs, which include Tenant-Based Rental Assistance (TBRA), Project-Based Rental Assistance (PBRA), Public Housing, and a handful of smaller initiatives. These programs provide crucial funding to low-income tenants to make up the difference between what they can afford to pay in rent and what housing actually costs. Under most HUD rental programs, the resident family pays at least 30 percent of their income for rent and HUD subsidizes the remainder to cover operating costs or a fixed local fair market rent

HUD's top priority for rental assistance is to maximize the resources available to provide assistance to the neediest of our nation's citizens, which include low- to extremely low-income

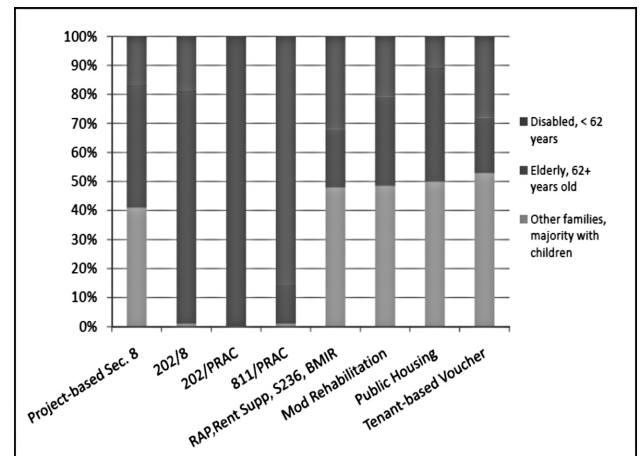
families, elderly, homeless, disabled persons, veterans and at-risk youth.

Altogether, the median income of a HUD-assisted household is \$10,200 or 17 percent of



area median income. As one example, **while the median U.S. family income in 2010 was over \$60,000 the average adjusted income of a TBRA family was just \$10,440.** Moreover, 72 percent of HUD-assisted households are extremely low-income, which places them below 30 percent of area median income. These characteristics put the tenants of HUD-assisted housing at risk of being particularly affected by economic conditions.

In addition to dedicating the majority of funding to serve families with the greatest financial needs, HUD spends a significant portion of its funding on our nation's most vulnerable families. Altogether, **54 percent of HUD-assisted households are elderly or disabled, in addition to over 58,000 households served through HUD's Housing for Persons with AIDS (HOPWA) program.** HUD remains committed to working together with other agencies, including the Departments of Health and Human Services (HHS) and Veterans Affairs (VA) to coordinate services and ensure the most effective and efficient utilization of funds for these unique populations. Through cross-agency grant announcements, best practice analysis, and capacity building, HUD has refined and reformed its programs to most effectively serve these families.



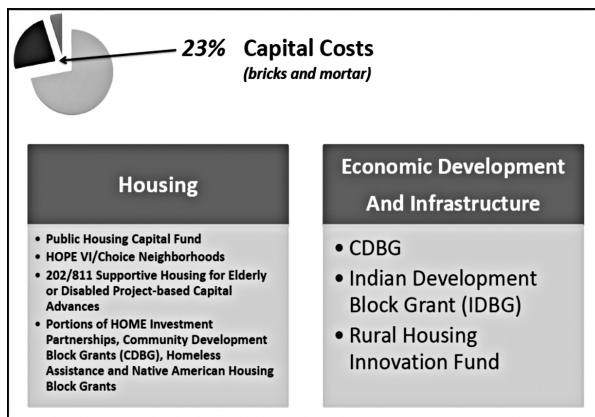
In Fiscal Year 2012, HUD remains committed to continuing to serve households with the most pressing housing and financial needs, dedicating **approximately \$34.5 billion to rental assistance for our nation's most vulnerable families.** This request includes:

- \$19.22 billion in TBRA, delivering safe and affordable housing on the private market
- \$9.43 billion in PBRA, allowing families to obtain safe and affordable housing in privately owned affordable housing
- \$3.96 billion in Public Housing Operating Funds, coupled with \$1 billion from PHAs operating reserves, to support a valuable asset in our nation's housing stock

Still, in many communities around the country, the supply of affordable units is grossly inadequate to meet demand, and many families go without assistance. HUD’s recent findings on “worst case needs” for affordable rental housing discussed in the Message from the Secretary simply drive home this point. In particular, the nation needs an increased supply of affordable rental homes in safe, mixed-income communities that provide access to jobs, good schools, transportation, high-quality services, and, most importantly, economic self-sufficiency. HUD will work to expand the supply of affordable rental housing and the capital needed to increase the supply, while sharpening our ability to target the needs of individuals and neighborhoods. The Department will also improve the effectiveness of tools for creating supply and streamline policies and programs to increase the efficiency of program practices.

CAPITAL COSTS

In addition to providing our nation’s most vulnerable families with the rental assistance that they desperately need, each year HUD funds the capital costs of housing and economic development projects throughout the country. Capital costs, which can loosely be considered the ‘bricks and mortar’ of project development, are crucial sources of funding for the communities hardest hit by our country’s economic downturn.



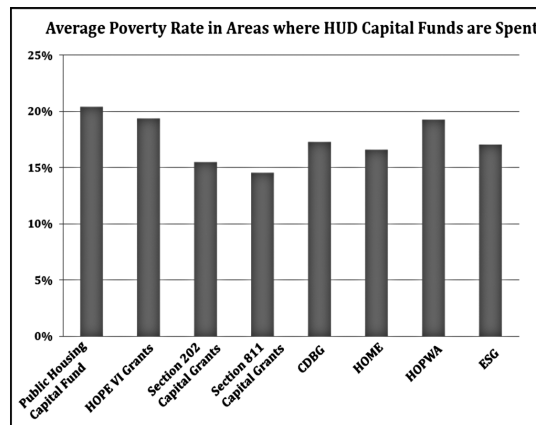
Each year, HUD awards capital grants to communities nationwide for housing and economic development initiatives. Through these grants, HUD remains committed to providing real opportunity for people living in neighborhoods of concentrated poverty and segregation and offering choices that help families live closer to jobs and schools. These priorities reflect a core belief: when you choose a home, you do not just choose a home—you also choose transportation to

work, schools for your children, and public safety. You choose a community—and the choices available in that community. Programs such as the Community Development Block Grant (CDBG), the Rural Innovation Fund, and Choice Neighborhoods are targeted to areas of need, to provide locally-driven solutions to overarching economic development challenges.

As with HUD’s rental assistance programs, capital grant awards are prioritized to areas of concentrated need. One particularly useful proxy of such need is unemployment figures. In total, 61 percent of HUD capital dollars are invested in cities and counties with an unemployment rate greater than the national average, and the average HUD capital dollar is dedicated to a city or county with an unemployment rate of 10.5 percent, nearly one full

percentage point above the national unemployment rate. In Fiscal Year 2012, HUD is requesting approximately \$11 billion to fund capital grants towards locally-driven housing and economic development initiatives across the country. This request includes:

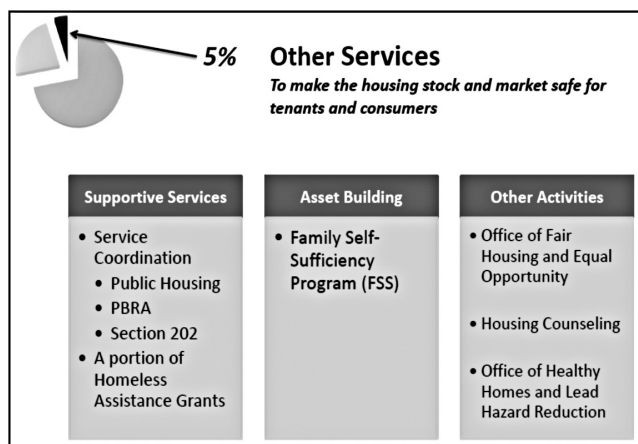
- \$3.69 billion for CDBG, the largest and most flexible community development program in the Federal portfolio
- \$2.41 billion in Public Housing Capital funds to address the needs of affordable rental housing, including modernization capital grants, administrative receiverships, and financial and physical assessment support
- \$250 million for Choice Neighborhoods, to transform neighborhoods of extreme poverty into sustainable mixed-income communities
- \$65 million for Indian Community Development Block Grants, a flexible source of grant funds for Federally-recognized tribes or eligible Indian entities nationwide



Taken together, HUD remains committed to providing affordable rental housing for our most vulnerable families, as well as partnering with local organizations to provide community-driven, innovative solutions to some of our country's most crucial economic development challenges.

OTHER INITIATIVES

Each year, approximately 5 percent of HUD's overall budget goes to a diverse series of key activities that support the provision of housing and services to families throughout the country.



In Fiscal Year 2012, HUD is requesting approximately \$2.4 billion in other important initiatives that will ensure that millions of families nationwide are provided with quality, safe affordable housing and services, as well as homeownership opportunities. Specifically, this request includes:

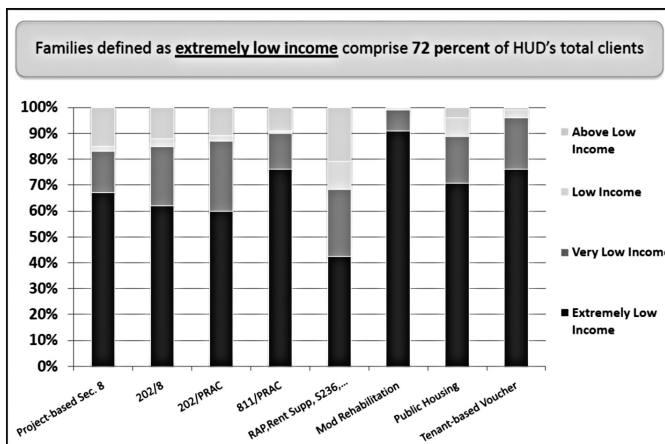
- \$140 million for Lead-Based Paint Hazard Reduction, to improve the health and safety of

families by making smart investments to yield positive health outcomes

- \$88 million for Housing Counseling, to expand and preserve homeownership, as well as improve access to affordable housing for families nationwide
- \$72 million for Fair Housing and Equal Opportunity, to maintain inclusivity and provide accountability in housing and lending practices nationwide.
- \$60 million for Family Self-Sufficiency Coordinators, to provide crucial services to families so that they can achieve employment goals, and accumulate assets to become financially self-sufficient.
- \$57 million for Policy Development and Research, to provide data collection, research, policy analysis, and program evaluation to assist HUD in making informed decisions and hold programs accountable.

FULFILLING HUD'S MISSION

Every day, thousands of communities, and millions of families across the country directly benefit from HUD rental assistance, capital funding and grants, as well as other ongoing initiatives. These programs have kept Americans in their homes, provided communities with much-needed sustainable development, and improved the overall economic outlook of families nationwide. Without such assistance, many of these families would face housing and economic challenges, including, in the most severe cases, homelessness.



For these reasons, HUD remains committed to continuing its responsibilities of serving our nation's poorest, most vulnerable families and the neighborhoods and communities hardest-hit by the economic downturn. In that sense, HUD bases its 2012 budget request on what has arguably been its mission all along: to create strong, sustainable, inclusive communities and quality, affordable homes for all.

The pages that follow outline the specific policy and programmatic priorities through which HUD intends to achieve its mission. Several of the initiatives will appear in multiple priority categories, and there's a reason for that. Over the years, we have learned that it takes more than just one office or program to create sustainable, lasting solutions to our country's most challenging dilemmas. Instead, HUD is focused on cross-cutting initiatives that break silos and effect change. In 2012, the Department will continue to firmly root that goal in reality.