

# Summary of Performance & Financial Information *Fiscal Year 2011*



U.S. Department of Housing  
and Urban Development





## HUD'S MISSION

*Create strong, sustainable, inclusive communities and quality, affordable homes for all.*

The core focus of HUD's Mission is to work towards strengthening the housing market to bolster the economy and protect consumers; meet the need for quality affordable rental homes; utilize housing as a platform for improving quality of life; build inclusive and sustainable communities free from discrimination; and transform the way HUD does business.

## ABOUT THIS SUMMARY

The HUD Summary of Performance and Financial Information Report (Summary Report) for Fiscal Year (FY) 2011 provides a summary of the most relevant performance and financial information to help the President, Congress, and the public assess our stewardship over the resources entrusted to us. Our FY 2011 [Agency Financial Report](#) (AFR), published November 15, 2011, and [Annual Performance Report](#) (APR), published on February 14, 2012 contain more detailed information and analyses about FY 2011 financial and performance results.

## HUD'S FY 2010-2015 STRATEGIC GOALS

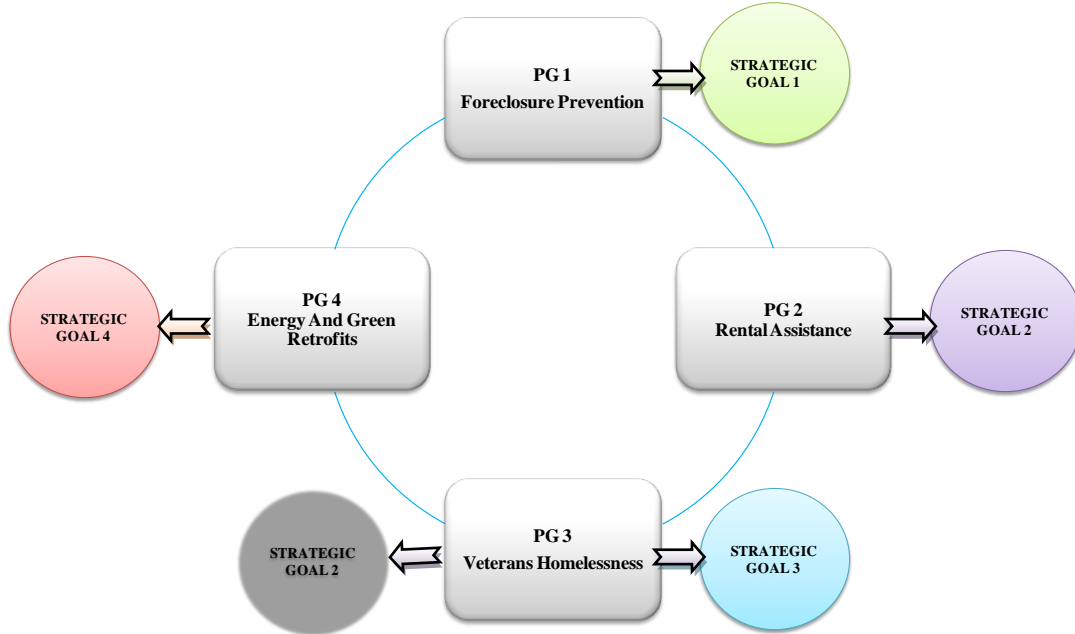
During FY 2010, HUD updated its [Strategic Plan](#) to address the economic, financial, and community development issues the nation was experiencing. As a result, the Department created five overarching Strategic Goals that are guiding the transformation of HUD into a 21<sup>st</sup> century organization capable of implementing place-based policies; overseeing a balanced, comprehensive national housing policy that supports sustainable homeownership and affordable rental homes alike; and building the strong, inclusive communities necessary to make the home the foundation of stability and opportunity. An [introduction](#) to these Strategic Goals is shown below.



DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
FY 2011 SUMMARY OF PERFORMANCE AND FINANCIAL INFORMATION

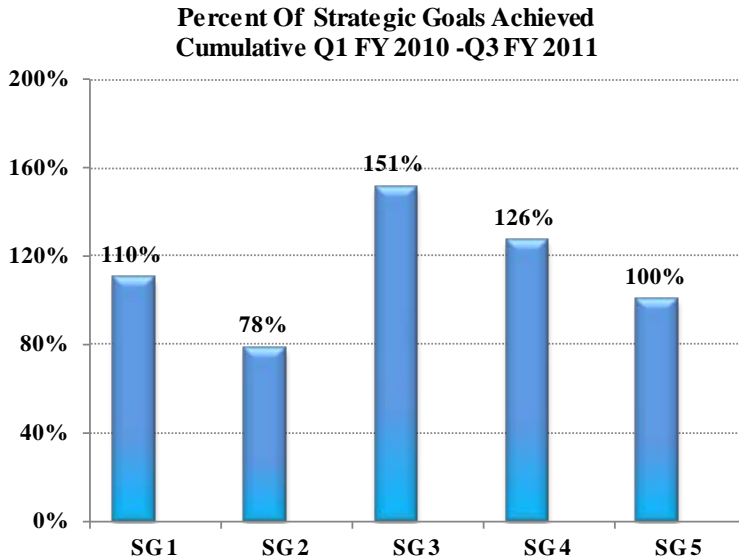
With the exception of Strategic Goal 5, the Strategic Goals are supported by **Priority Goals (PGs)**, which serve as key measures of success in HUD's mission to provide comprehensible trends of performance and the related funding aspects of achieving the Strategic Goals. For three of the four PGs, there is a direct relationship between the PG and a Strategic Goal. However, PG number 3 is cross-cutting with Strategic Goals 2 and 3, respectively.

**HUD'S FY 2011 PRIORITY GOALS**



**FY 2011 PERFORMANCE OVERVIEW**

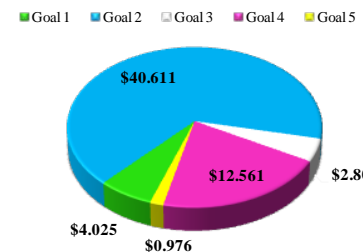
This Summary Report focuses on the results of the Department's 2-year Priority Goals for the period ending at the end of FY 2011 as displayed in the chart and table below.



	Target Cumulative FY 2010-2011	Actual Cumulative FY 2010-2011	Percent of Target
SG 1: Homeowners Assisted	2,008,406	2,209,696	110%
SG 2: Families Assisted	207,000	161,682	78%
SG 3: Homeless Veterans Assisted	19,750	29,814	151%
SG 4: Retrofits	159,333	201,444	126%
SG 5: # Of Decisions Delegated To Field	14	14	100%

The costs expended towards achieving the Strategic Goals are distributed as shown below:

**Expenditures By Strategic Goal  
FY 2011  
(Dollars in billions)**



*\*The expenditures reflected in the above chart represent prorated gross costs, less unassigned costs of \$170 million, as reported on the Consolidated Statement of Net Cost found in Section II of the AFR.*

## PRIORITY GOAL 1: FORECLOSURE PREVENTION

**GOAL STATEMENT:** Assist 3.1 million homeowners who are at risk of losing their homes due to foreclosure.

Millions of homeowners are in danger of losing their homes to foreclosure after experiencing a decline in income due to the [economic recession](#). Additionally, households are sharply reducing debt loads and spending that flowed from home equity loans based on unsustainable home values. As of December 2010, mortgage debt exceeded home values for about 11 million “underwater” homeowners. HUD’s major challenge is to find ways to assure full cooperation from lenders in utilizing available programs for preventing foreclosures while maintaining high loan standards that minimize risk to the FHA mortgage insurance program.

With the aim of preventing foreclosures, this goal is intended to support other efforts of the Administration to address the economic crisis by assisting 3.1 million homeowners who are at risk of losing their homes due to foreclosure.

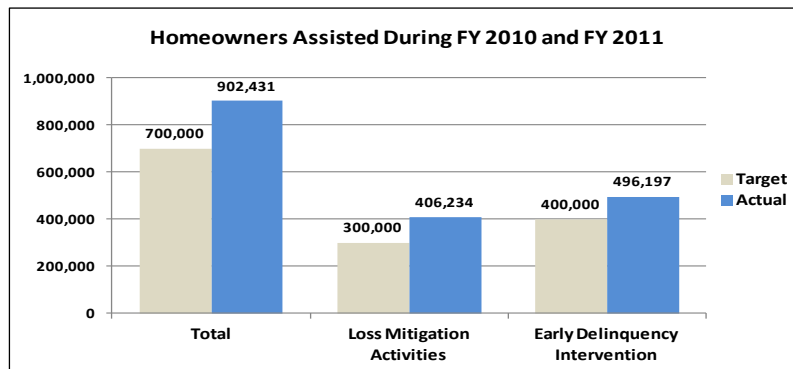
Key [components](#) of this goal include:

Assist 3.1 million homeowners who are at risk of losing their homes due to foreclosure by the end of FY 2011:

- 400,000 homeowners will be assisted through FHA early delinquency intervention.
- 300,000 homeowners will be assisted through joint mitigation programs.
- 2.4 million homeowners will be assisted through the joint HUD-Treasury Home Affordable Modification Program (HAMP).
- Achieve a Consolidated Claim Workout (CCW) Ratio of 75 percent for FHA borrowers that receive loss mitigation assistance, and achieve a 6-month re-default rate of 20 percent or less for those receiving a CCW.

### ACCOMPLISHMENTS

The Department has exceeded all but one of the measures for Goal 1. The target for the Consolidated Claim Workout Ratio was 3 percentage points short of the goal. The Re-Default Ratio was 13.61 percent, 6 percentage points better than the target of 20 percent. HUD’s most prominent accomplishments are reflected in the chart below. In addition, HUD and Treasury met their FY 2011 HAMP target of assisting around 1.7 million homeowners and are striving towards the HAMP target of assisting 2.4 million homeowners through new trial modification starts by December 2012. [See the [Annual Performance Report](#).]



### LOOKING TO THE FUTURE

Challenges remain for this goal. A high rate of foreclosures could continue if high unemployment, low housing prices, and an unstable financial market persist – all external factors affecting HUD’s ability to influence foreclosure rates and improve outcomes. HUD’s major challenge is to find ways to assure full cooperation from lenders in utilizing available programs for preventing foreclosures while maintaining high loan standards that minimize risk to the FHA mortgage insurance program.

In FY 2012-2013, HUD will continue the important work of foreclosure prevention through the work of FHA and housing counseling programs to provide assistance to troubled homeowners. Through the Loss Mitigation and Early Delinquency programs, FHA will aim to prevent or resolve mortgage delinquency, default, and foreclosure with the primary objective to preserve home ownership.

## PRIORITY GOAL 2: RENTAL ASSISTANCE

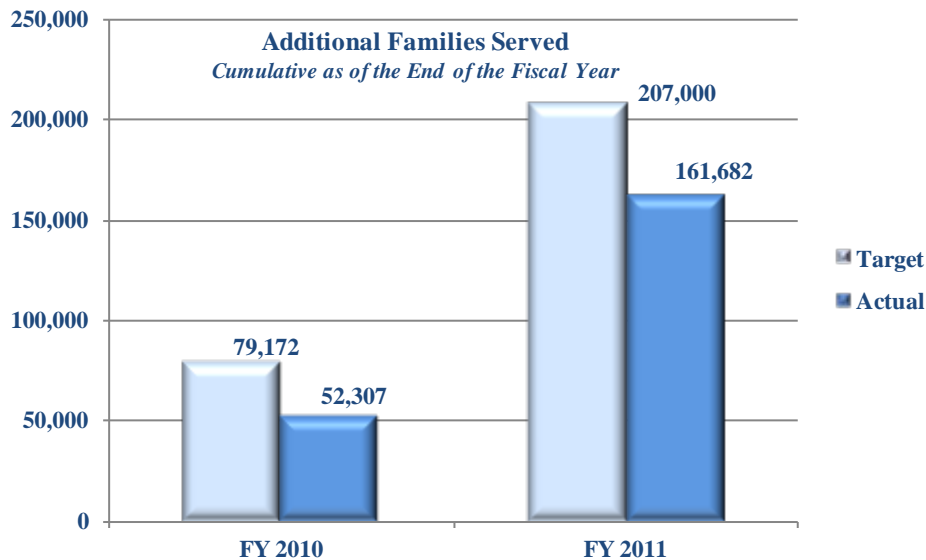
**GOAL STATEMENT:** Serve 5.38 million families by the end of FY 2011, which is 207,000 more than in 2009.

HUD's rental assistance programs provide housing security to families who would otherwise face risk of instability or homelessness. With more than one-third of all American families renting their homes, it remains more important than ever to provide a sufficient supply of affordable rental homes for low-income families. HUD released the [Capital Needs in the Public Housing Program](#) study on June 24, 2011, that states the nation's 1.2 million public housing units need an estimated \$22 - \$26 billion for large-scale repairs.

This PG is the heart of [Strategic Goal 2: Meet the Need for Quality Affordable Rental Homes](#). It focuses on closing the long-term structural gap between the cost of building and operating a standard-quality housing unit, addressing capital needs of the public housing stock, and the ability of lower-income households to afford such units. The Department's budget for rental assistance in FY 2011 was approximately \$35 billion or 77 percent of HUD's total budget. In the next two years, HUD will focus on preserving the affordable housing that the Department currently provides for over 5.3 million households while continuing to take advantage of opportunities to extend rental assistance to additional families.

### ACCOMPLISHMENTS

HUD has provided housing opportunities for an additional 161,682 families more than were assisted in FY 2009, a significant accomplishment as shown in the chart below. There are a number of factors contributing to the Department falling short of the 2-year goal, including the long delay in passage of the FY 2011 departmental budget.



### LOOKING TO THE FUTURE

Providing families with affordable rental housing is at the core of HUD's mission, reflecting the work of over 20 programs across the agency. In the next two years, HUD will focus on preserving the affordable housing that the Department currently provides for over 5.3 million households while continuing to take advantage of opportunities to extend rental assistance to additional families. Going forward, the Department has [several initiatives](#) to address the critical need for quality affordable rental homes. A more in-depth look at additional future strategies can be found both in HUD's [FY 2010–2015 Strategic Plan](#) and in the [Budget Summary](#). One of these initiatives is the Rental Assistance Demonstration (RAD) to test new preservation tools for HUD-assisted housing stock. RAD provides an opportunity to test the conversion of various rental assistance programs to project-based Section 8 in order to achieve the goals of long-term stability and affordability of HUD-assisted housing; access to safe, proven tools to leverage private capital; increased housing choice for residents; strong resident rights; and effective public ownership.

**PRIORITY GOAL 3: VETERANS HOMELESSNESS**

**GOAL STATEMENT:** HUD and the Department of Veterans Affairs (VA) will jointly reduce the number of homeless veterans to 59,000 in June 2012.

On a [single night in January 2011](#), 67,495 Veterans were homeless (defined as staying in an emergency shelter or transitional housing program or living on the street, in an abandoned building, or another place not meant for human habitation). Moreover, Veterans are overrepresented among the homeless population. Causes of homelessness among Veterans are similar to causes of homelessness among non-Veterans (inter-related economic, health, and personal factors as well as a shortage of affordable housing). Combat introduces additional factors from post-traumatic stress. Like other populations, the complexity of navigating systems makes it difficult for Veterans to get their needs met.

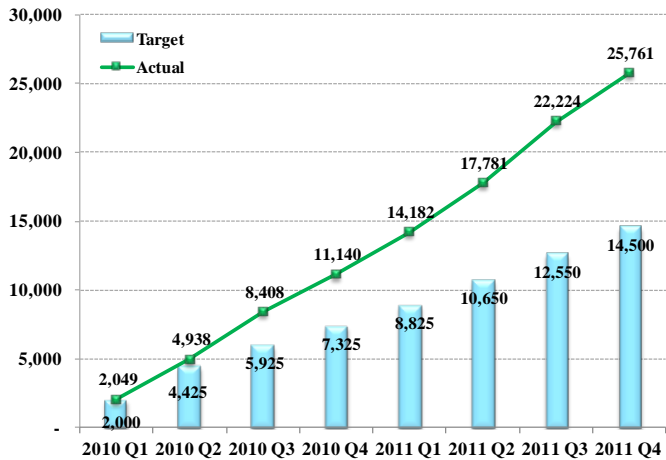


Eliminating Veterans homelessness in five years is one of the key tenets of the Administration’s Federal Strategic Plan to Prevent and End Homelessness.

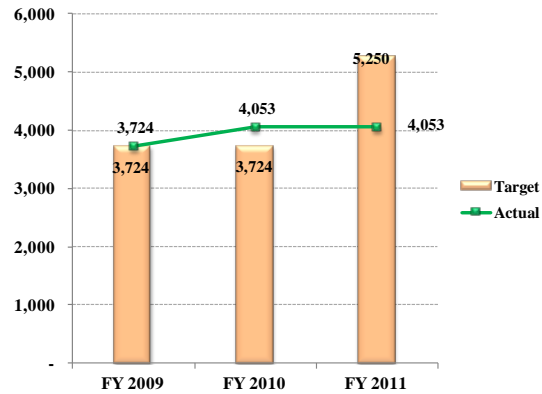
**ACCOMPLISHMENTS**

The charts below reflect the results of the two key programs addressing this Priority Goal. The Department has surpassed the two-year goal for the HUD-Veterans Affairs Supportive Housing (HUD-VASH) program by 78 percent. Final two-year results as of the end of FY 2011 for the Special Needs Assistance Program (SNAPS) are not yet available.

**Number Of Homeless Veterans In Permanent Housing Through HUD-VASH**



**Number Of Homeless Veterans Assisted Through HUD's Homelessness Assistance Programs-SNAPS**



**LOOKING TO THE FUTURE**

The Homelessness Research Institute projects that the absence of additional interventions could increase the overall homeless population by nearly 5 percent during the 2010-2013 period. In FY 2012-2013, HUD will expand on its goal of reducing homelessness among Veterans to include reducing homelessness for families and the chronically homeless by incorporating this as an Agency Priority Goal. With contributions from several different program offices, HUD will work with the VA and the United States Interagency Council on Homelessness to work toward the goals outlined in the Federal Strategic Plan to Prevent and End Homelessness.

**PRIORITY GOAL 4: ENERGY AND GREEN RETROFITS**

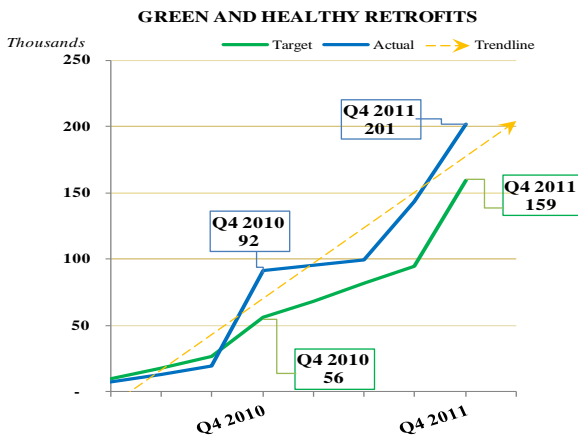
**GOAL STATEMENT:** DOE and HUD will work together to enable the cost effective energy retrofits of a total of 1.1 million housing units in FY 2010 and FY 2011.

Much of HUD’s portfolio of public and assisted housing was built before the advent of energy codes, creating both environmental and affordability challenges for building owners, residents, and the federal government. For lower-income residents, energy costs are a significant burden. For owners, energy costs can affect the financial stability of multifamily rental housing. Finally, HUD spends an estimated \$7.1 billion annually on utility costs while supporting more than 5 million units of housing through its public housing, multifamily assisted housing, Housing Choice Voucher, and other rental assistance programs.

For HUD, the **Energy and Green Retrofit PG** is a key measure of success for the Department’s **Strategic Goal 4, “Build Inclusive and Sustainable Communities Free From Discrimination.”** The retrofiting of existing housing, as well as the construction of new energy efficient housing, plays an essential role in reducing greenhouse gas emissions and the sustainability of communities. HUD’s **specific measures** are to complete 126,119 cost-effective energy retrofits in HUD-assisted and public housing units and to complete green and healthy improvements of 33,214 housing units.

**ACCOMPLISHMENTS**

Cumulatively in FY 2010 and FY 2011, the Department completed 201,444 retrofits, which exceeded the two-year goal by 42,111 units, 26 percent over the target of 159,333 units.



King County Housing Authority (Seattle) is installing an array of 213 solar panels on 24 public housing units being built with Recovery Act funds from HUD in its Greenbridge revitalization area. When finished, it will be the “largest” residential solar array in Washington state.



**LOOKING TO THE FUTURE**

The Department will continue to make significant inroads in increasing the water and energy efficiency of HUD-assisted properties, and greening and improving the health of the federally assisted housing stock and endeavors to **sustain the progress** achieved through significant HUD investments of Recovery Act funds in healthy, energy efficient and green building over the last two years. In the next two years, the Department will continue efforts to enable cost effective, healthy retrofits, and healthy energy retrofits, as well as energy efficient new construction.

**TRANSFORM THE WAY HUD DOES BUSINESS**

The current economic and housing crisis, the structural affordability challenges facing low-income homeowners and renters, and the new multi-dimensional challenges facing our urban, suburban, and rural communities all require an agency in which the fundamentals matter and the basics function. For too long, HUD’s employees and external partners have viewed the Department as lacking in its ability to provide the support needed to deliver on its mission.

When the Department revised its Strategic Plan in FY 2010, it developed Strategic Goal 5 to specifically address the need to **Transform the Way HUD Does Business**.



## AREAS AND RESULTS OF TRANSFORMATION

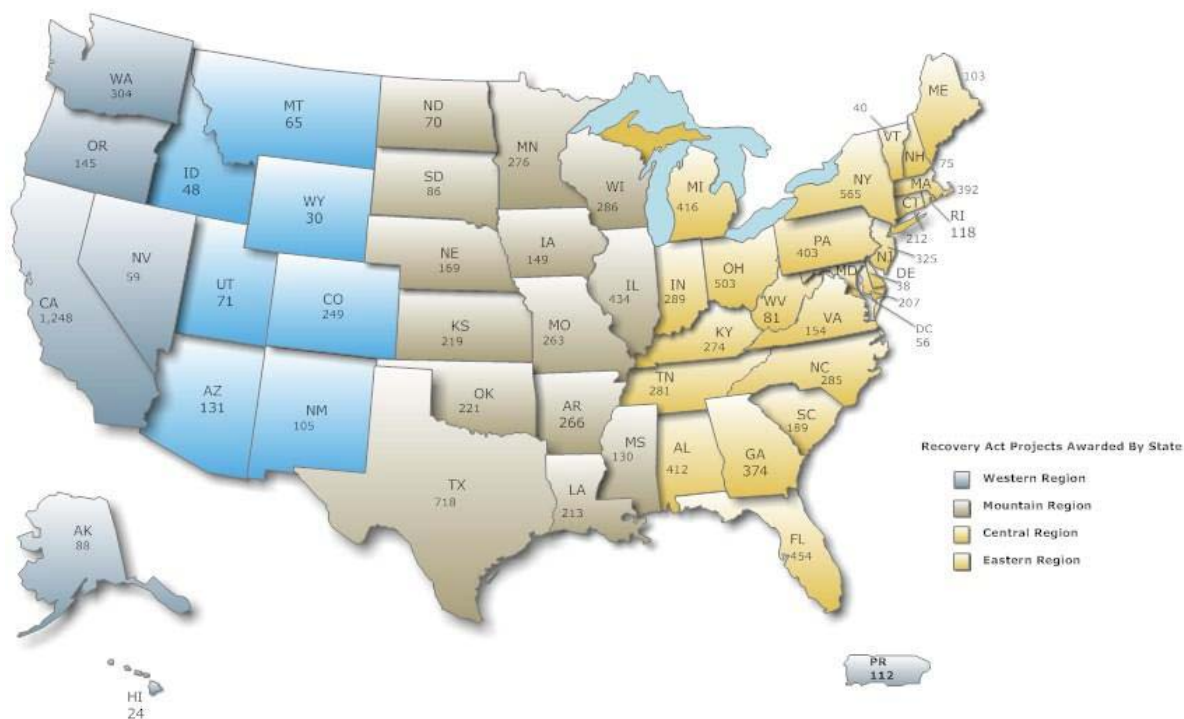
The agency has made steady progress on a number of Transformation priorities over the past year. Specifically the Department focused on increasing the percentage of employees who “agree” or “strongly agree” they are given a real opportunity to improve their skills in their organization; and secondly to increase the number of decisions delegated to field offices. In both instances, the Department met its goal. On the first measure, the Employee Viewpoint Survey found 52.4 percent of employees met the criteria versus a goal of 52 percent. Concerning the second goal, the 14 decision points identified to be transferred to the field were all transferred.

HUD is taking a more comprehensive approach to Strategic Goal 5 in FY 2012. Accordingly, the HUD senior team worked to build on the Strategic Goal 5 measures outlined in the Strategic Plan to define a more concrete set of measures, based on the following criteria:

- Alignment to leadership priorities (i.e., internal and external customer pain points)
- Alignment to actual interventions underway, with a particular focus on aligning to key Transformation projects
- Availability of data, and the ability to set quantitative targets and track on a frequent basis

## THE RECOVERY ACT

The [American Recovery and Reinvestment Act](#) (Recovery Act) provided \$13.6 billion for projects and programs administered by HUD. HUD’s [Recovery Act](#) funds are already being invested in programs that: (1) promote energy efficiency and create green jobs, (2) support assisted housing improvements and critical public projects in need of gap funding, and (3) promote stable communities and help families hardest hit by the economic crisis. As reported by Recovery Act recipients, since the inception of the Act these funds have led to over half a million people being served through homelessness prevention assistance, nearly 19,979 homes being developed, and over 490,958 units of housing being renovated, many with improved energy efficiency. In the third quarter of FY 2011, HUD Recovery Act recipients reported 19,325 jobs saved or created.



More detailed information on funding allocations and on spending progress of the Recovery Act funds for HUD programs can be found at [www.HUD.Gov/Recovery](http://www.HUD.Gov/Recovery).



**OUR FINANCIAL INFORMATION**

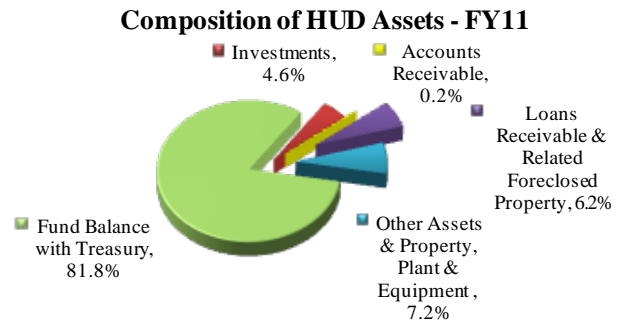
HUD received an **unqualified “clean” opinion** on its **FY 2011 financial statements** for the twelfth consecutive year from the Office of Inspector General. For the fourth consecutive year HUD’s auditors found no material weaknesses, however the auditors identified **ten significant deficiencies**, three of which were new. Progress continues to be made toward resolution of deficiencies identified in prior years, and a corrective action plan is being developed to address the new deficiencies identified in this year’s audit. Overall, HUD’s favorable “clean” financial audit result affirms our continued commitment to financial and management excellence.

**Summarized Financial Data** (*Dollars in Billions*)

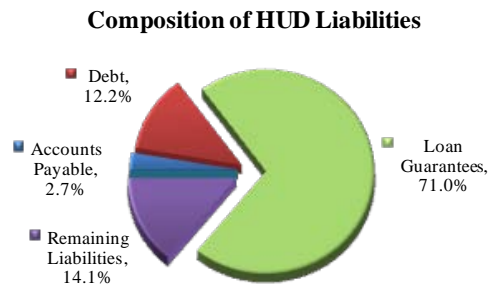
	<b>2011</b>	<b>2010</b>
Total Assets	\$135.9	\$140.5
Total Liabilities	\$51.0	\$45.4
Net Position	\$84.8	\$95.0
FHA Insurance-In-Force	\$1,181.5	\$1,041.0
Ginnie Mae Mortgage-Backed Securities Guarantees	\$1,221.7	\$1,046.2
Other HUD Program Commitments	\$56.9	\$64.9

The Department’s financial statements represent the combined results from the programs it administers which include, but are not limited to, the Federal Housing Administration’s loan guarantee programs, the Government National Mortgage Association mortgage-backed securities program, Section 8 rental assistance, Community Development Block Grants, the HOME Investment Partnerships program, Public Housing Operating subsidies, Public and Indian Housing loans and grants, Housing for the elderly and disabled, and other programs. Following is a summary of financial information for FY 2011. HUD’s **financial statements**, **notes**, and additional information appear on pages 45 through 152 of our full FY 2011 **Agency Financial Report**. Below is a summary of financial information for FY 2011.

**Assets:** Total Assets for FY 2011, as reported in the Consolidated Balance Sheet, are displayed in the table below. Total Assets of \$135.9 billion are comprised primarily of Fund Balance with Treasury of \$111.2 billion (eighty-two percent), Loans Receivable & Related Foreclosed Property of \$8.4 billion (six percent), Investments of \$6.3 billion (five percent), and Other Assets and Property, Plant & Equipment of \$9.7 billion (seven percent) at September 30, 2011.



**Liabilities:** Total Liabilities of \$51.0 billion consist primarily of Loan Guarantees of \$36.2 billion (seventy-one percent), Debt in the amount of \$6.2 billion (twelve percent), Accounts Payable of \$1.4 billion (three percent), and Remaining Liabilities amounting to \$7.2 billion (fourteen percent) at September 30, 2011.



**Net Position:** Changes in Unexpended Appropriations, Net Cost of Operations, and Financing Sources combine to determine the Net Position at the end of the year. Net Position as reported in the Statement of Changes in Net Position reflects a decrease of \$10.2 billion (eleven percent) from the prior fiscal year. The net decrease in Net Position is primarily attributable to a \$9.0 billion decrease in Unexpended Appropriations and a \$1.2 billion decrease in Cumulative Results of Operations.

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**Net Cost:** As reported in the Consolidated Statement of Net Cost, Net Cost of Operations amounts to \$57.6 billion for FY 2011, an increase of \$5.1 billion (ten percent) from the prior fiscal year. Net Cost of Operations consists of total costs, including direct program and administrative costs, offset by program exchange revenues.

*Independent Auditor's Report*

The Office of Inspector General (OIG) of HUD performed an independent audit of HUD's FY 2011 financial statements. The subsequent information is a brief summary of the audit. External accounting firms conducted independent audits of GNMA and FHA. Audit results provide an important indication of the financial performance, reliability, and management of the public funds entrusted to HUD. The result of this audit represents the twelfth consecutive year that HUD has received an unqualified or "clean" audit opinion. OIG's full report is located at:  
<http://www.hudoig.gov/pdf/Internal/2012/ig12f0003.pdf>.

*Management Comment*

As mentioned above, HUD received an unqualified opinion from its auditors on the FY 2011 financial statements. Attainment of an unqualified opinion is a high-water mark for any organization. HUD's accomplishment of having no material weaknesses for the fourth consecutive year is noteworthy, however the auditors identified ten significant deficiencies, of which three were new this FY, for the Department. Progress continues to be made toward resolution of deficiencies identified in prior years (two were resolved), and corrective action plans are being developed to address the new deficiencies identified in this year's audit. Overall, HUD's favorable "clean" financial audit result affirms our continued commitment to financial and management excellence.

## Management and Performance Challenges Summary

In accordance with the Reports Consolidation Act of 2000, HUD's OIG annually identifies the most significant management and performance challenges facing the Department. Below are [six challenges](#) identified by the OIG this fiscal year along with a summary of [management updates](#) on Departmental progress in addressing each issue.

### Management Updates

#### Single Family Programs

*Effective management of its growing portfolio of insured mortgages represents a continuing challenge for the Department.*

- **FHA's Transformation Initiative will implement a modern "off-the shelf" Financial Industry Standard Platform.**
- **The new platform will aggregate loan transaction data, determine trends to help identify lending risks, and improve data quality.**

#### Oversight of Recovery Act Funds

*Carrying out the goals of the Recovery Act, while dealing with the influx of mortgages and refinancing, and conducting normal operations is a significant challenge.*

- **The HUD Recovery Team meets monthly with Program Managers and the OIG to address issues.**
- **PIH conducted 6,500 Capital Fund Recovery Act Reviews with 4,000 more planned for FY 2012 and beyond.**

#### Human Capital Management

*For many years, one of the Department's major challenges has been to effectively manage its limited staff to accomplish its primary mission.*

- **The Department decreased agency hiring time to 79 days.**
- **OCHCO initiated an Inter-Agency Agreement with the Office of Personnel Management to secure licenses for two systems to support the workforce planning pilot.**

#### Financial Management Systems

*Since 1991, OIG has annually reported on the lack of an integrated financial management system and the need to enhance FHA's management controls over its portfolio of integrated insurance and financial systems.*

- **Large IT projects such as HIFMIP are being developed in manageable segments.**
- **HUD is replacing HUDCAPS and the Program Accounting System resulting in the creation of the new Integrated Core Financial System for OCFO.**

#### Public and Assisted Housing Program Administration

*HUD has a challenge of ensuring that the Housing Choice Voucher program has sound financial management as it relates to resource management.*

- **The HUD Shortfall Prevention Team has provided technical assistance to 476 PHAs to prevent lease terminations.**
- **HUD has also developed and implemented a utilization optimization tool to assist PHAs to make more informed programmatic decisions impacting their leasing and costs on an ongoing basis.**

#### Administering Programs Directed Toward Victims of Natural Disasters

*Because of HUD's continuing role in addressing natural disasters, it faces challenges in monitoring disaster program funds.*

- **CPD has developed a *Disaster Recovery Policy and Procedures* manual to ensure consistency in program review requirements for both headquarters and field staff.**
- **CPD has also issued new risk management guidance as part of the CPD Risk Analysis process that includes a separate examination of disaster recovery grants.**



This Report is Available on the Web at:  
<http://portal.hud.gov/hudportal/documents/huddoc?id=SR2011.pdf>



U.S. Department of Housing and Urban Development