The Department of Housing and Urban Development (HUD): FY2011 Appropriations

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Summary

The Department of Housing and Urban Development (HUD) is the federal agency charged with administering a number of programs designed to promote the availability of safe, decent, and affordable housing and community development. The agency submits a budget as a part of the President's formal budget request each year, and then Congress, through the appropriations process, decides how much funding to provide to the agency. Funding for HUD is under the jurisdiction of the Department of Transportation, HUD, and Related Agencies subcommittees of the House and the Senate appropriations committees.

Regular appropriations for HUD (not including emergency supplemental funding) have increased by 57% in the nine years prior to FY2011. This increase in the HUD budget has been partly attributable to increased funding for HUD programs, particularly the Section 8 programs, which have had a 70% increase in funding over this period and have grown to account for well over half of HUD's total budget. The increase in funding has also resulted from a decrease in the amount of rescissions, collections, and receipts available to offset the cost of the HUD budget.

For FY2011, the President's budget requested about $45.57 billion in net new budget authority for HUD, a decrease of about 1% from the FY2010 enacted level. However, the requested decrease in net new budget authority would actually include a 3% increase in appropriations for HUD programs in aggregate. The overall increase in appropriations requested would be more than offset by a substantial increase in offsetting collections and receipts, which are estimated to come from proposed changes to the Federal Housing Administration (FHA) mortgage insurance programs. The two Section 8 rental assistance programs were requested to receive the largest increases, followed by increases for programs for the homeless and for HUD's research and technology needs. The President's budget proposed decreased funding for other programs, such as programs providing housing for persons who are elderly or disabled and capital repairs in public housing, and the brownfields redevelopment program would no longer be funded.

The House Appropriations Committee reported its version of the FY2011 HUD funding bill on July 26, 2010 (H.R. 5850, 111th Congress), and it passed the full House on July 29, 2010. The Senate Appropriations Committee approved its version (S. 3644, 111th Congress) on July 23, 2010. The House-passed version would have provided $46.55 billion for HUD in FY2011 and the Senate committee-reported version would have provided $46.59 billion, about $1 billion more than the President's request.

When no appropriations legislation was enacted before the beginning of FY2011, the 111th Congress enacted a series of continuing resolutions (CR) to continue funding at the FY2010 level for most accounts in the federal budget, including all of the accounts in HUD's budget. The last CR of the 111th Congress extended funding into the 112th Congress. On February 18, 2011, the House approved H.R. 1, a year-long CR which would have resulted in an overall reduction in funding for HUD. H.R. 1 was rejected by the Senate on March 9, 2011. The 112th Congress approved three short-term CRs before enacting a final year-long CR that was signed into law (P.L. 112-10) on April 15, 2011. The final FY2011 appropriations law cut funding for HUD, relative to FY2010, but not as deeply as proposed in H.R. 1. The act also included a 0.2% across-the-board rescission for all discretionary accounts, including those in HUD's budget.

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Final FY2011 Appropriations Legislation (P.L. 112-10)

On April 14, 2011, Congress enacted a year-long Continuing Resolution (CR), which was signed into law the following day (P.L. 112-10), funding the government through the end of FY2011. For HUD's budget, the act increased funding for the two Section 8 accounts relative to FY2010 funding levels but decreased funding for many other accounts and eliminated funding altogether for a couple of accounts. The act also included a 0.2% across-the-board rescission that applies to discretionary accounts, including those in HUD's budget. Overall, P.L. 112-10 reduced overall appropriations for HUD by about 4% from FY2010 levels, or 11% if offsets from HUD's Federal Housing Administration (FHA) insurance funds are included.

Introduction to the Department of Housing and Urban Development (HUD)

Most of the funding for the activities of the Department of Housing and Urban Development (HUD) comes from discretionary appropriations provided each year in the annual appropriations acts enacted by Congress. HUD's programs are primarily designed to address housing problems faced by households with very low incomes or other special housing needs. These include several programs of rental assistance for persons who are poor, elderly, and/or have disabilities. Three rental assistance programs—Public Housing, Section 8 Vouchers, and Section 8 project-based rental assistance—account for the majority of the department's non-emergency funding (almost 73% in FY2010). Two flexible block grant programs—HOME and Community Development Block Grants (CDBG)—help communities finance a variety of housing and community development activities designed to serve low-income families. Other, more specialized grant programs help communities meet the needs of homeless persons, including those with AIDS. HUD's Federal Housing Administration (FHA) insures mortgages made by lenders to lower-income home buyers, many of whom have below-average credit records, and to developers of multifamily rental buildings containing relatively affordable units. FHA collects fees from insured borrowers, which are used to sustain the insurance fund and offset its administrative costs. Surplus FHA funds have been used to offset the cost of the HUD budget.

In recent years, the HUD budget has also received significant amounts of emergency supplemental funding. Almost $20 billion was provided through HUD's budget for recovery assistance to communities affected by Hurricane Katrina and the other hurricanes of 2005. Most recently, the economic stimulus legislation (P.L. 111-5) provided over $13 billion to HUD's programs.

Table 1 presents total enacted appropriations for HUD over the past five years, including emergency appropriations.

Table 1. Department of Housing and Urban Development Appropriations, FY2006-FY2010

(net budget authority in billions of dollars)

FY2006	FY2007	FY2008	FY2009	FY2010
50.68[a]	35.80[b]	47.66[c]	55.20[d]	46.16[e]

Source: Figures are taken from tables produced by the House Appropriations Committee.

Note: Final appropriations levels for any fiscal year include all supplemental appropriations or rescissions. They did not reflect revised estimates of offsetting receipts. They include advance appropriations provided in the fiscal year, not advance appropriations available in the fiscal year.

a. Figure includes $17.1 billion ($11.9 billion in P.L. 109-148 and $5.2 billion in P.L. 109-234) in emergency supplemental appropriations enacted in response to the hurricanes of 2005. Regular FY2006 HUD appropriations totaled just under $33.6 billion.

b. Figure includes $7 million in emergency supplemental funding. Regular FY2007 appropriations totaled just under $35.8 billion.

c. Figure includes $3.22 billion (P.L. 110-116 and P.L. 110-252) in emergency supplemental funding in response to the hurricanes of 2005 and $6.8 billion (P.L. 110-252 and P.L. 110-329) in emergency supplemental funding for the disasters of 2008. Regular FY2008 appropriations totaled $37.64 billion.

d. Figure includes $13.67 billion in emergency funding provided as fiscal stimulus by P.L. 111-5. Regular FY2008 appropriations totaled $41.5 billion.

e. Figure includes $100 million in emergency funding provided by P.L. 111-212 for assistance in response to disasters that occurred in the spring and summer of 2010.

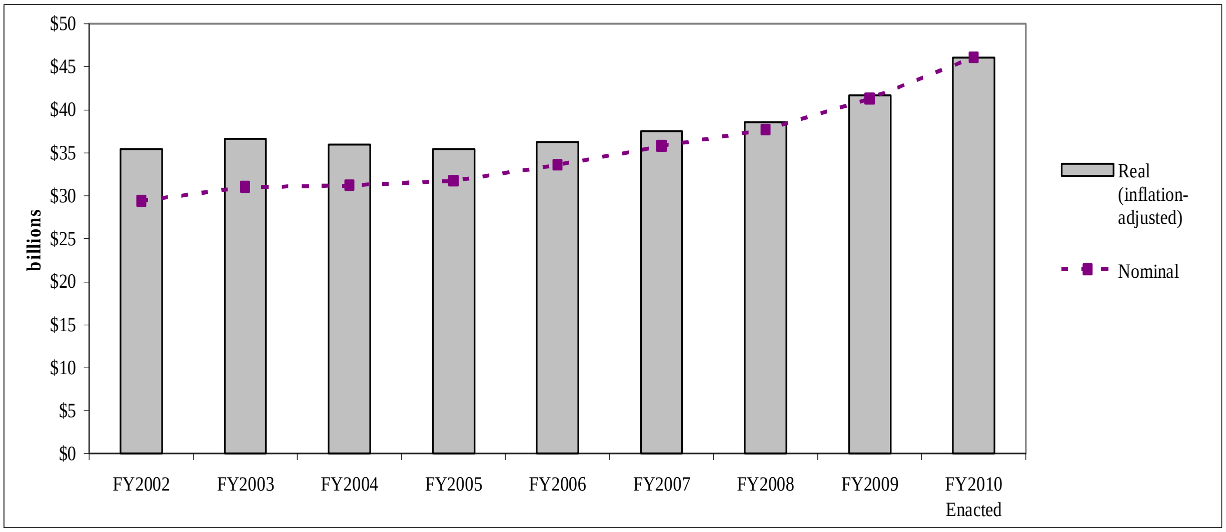
Overview and Trends in HUD Funding

HUD's regular funding (not including emergency supplemental funding, discussed later) has increased by 57% in the past nine years. And, as demonstrated by the line in **Figure 1**, the rate of growth has increased in recent years. In FY2004 and FY2005, year-over-year growth was relatively flat (under 2%), but since then, HUD's budget has had year-over-year increases of 5% or more each year, with growth of nearly 10% in FY2009 and nearly 12% in FY2010.

Adjusting for inflation, the growth in "real" funding (shown by the gray bars in **Figure 1**) has been less robust. Over the nine-year period, adjusting for inflation, HUD's budget grew by about 17%. Through FY2008, the year-over-year growth never exceeded about 3.5%, and in two years there were declines. Most of the growth over the previous nine years has come in the last two years.

Figure 1. HUD (Non-emergency) Funding, FY2002-FY2010

In nominal dollars and in real (2010) dollars



Source: CRS analysis of congressional funding data contained in annual appropriations acts.

Notes: Real figures are presented in 2010 dollars, adjusted using the GDP chained index from the President's FY2011 budget request as well as the Congressional Budget Office's estimate for FY2010, as presented in their Budget and Economic Outlook: Fiscal Years 2010 to 2020.

As shown in **Figure 2**, HUD's funding is made up of several components. The components of HUD's annual funding, or budget authority, include regular annual appropriations, emergency appropriations, rescissions, and offsets.[1]

HUD's programs and activities are funded almost entirely through *regular annual appropriations*, also referred to as discretionary appropriations.[2] The amount provided in the annual appropriations acts each year generally determines how much funding will be obligated and eventually spent for each of HUD's programs and activities.

In some years, Congress will also provide *emergency appropriations*, usually in response to disasters, through one or more of HUD's programs. These funds are generally provided outside of the regular appropriations acts—often in emergency supplemental spending bills—and are generally provided in addition to regular annual appropriations.

Congressional appropriators are generally subject to limits on the amount of new non-emergency discretionary funding they can provide in a year. One way to stay within these limits is to provide less in regular annual appropriations. Another way is to find offsets. A portion of the cost of HUD's regular annual appropriations acts is generally offset in two ways. The first is through

[1] For more information, see CRS Report RS20095, *The Congressional Budget Process: A Brief Overview*, by (name red acted).

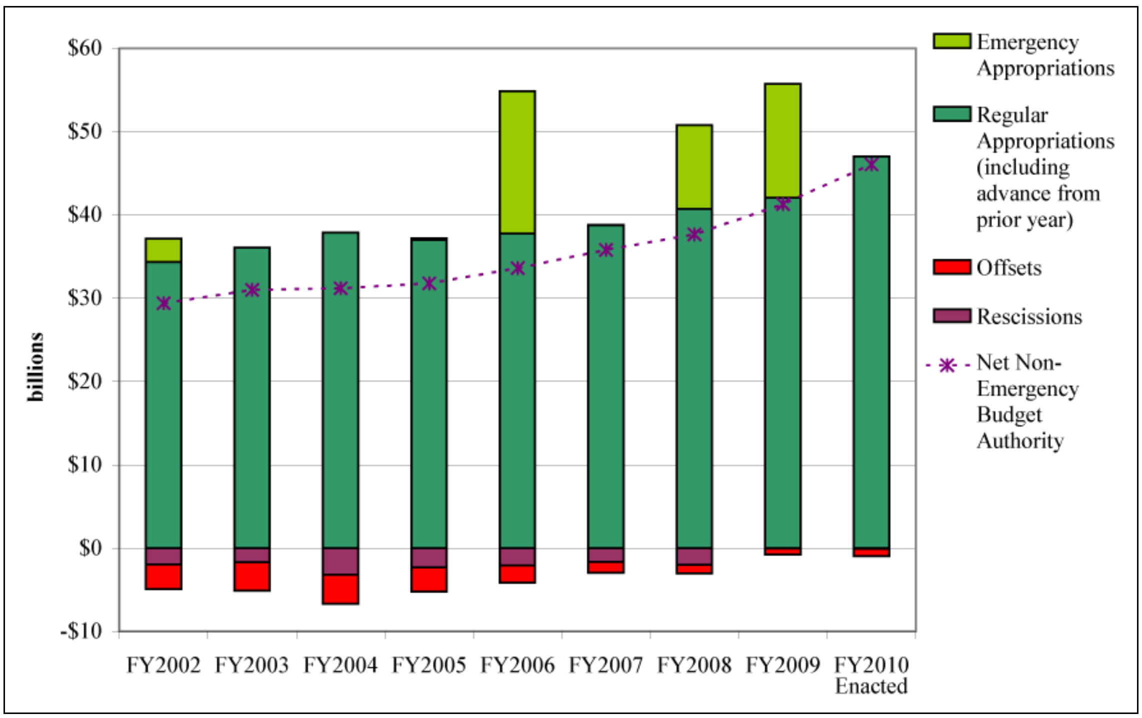
[2] According to Congressional Quarterly's *American Congressional Dictionary*, discretionary appropriations are defined as appropriations not mandated by existing law and therefore made available annually in appropriation bills in such amounts as Congress chooses. The Budget Enforcement Act of 1990 defines discretionary appropriations as budget authority provided in annual appropriation acts and the outlays derived from that authority, but it excludes appropriations for entitlements.

rescissions, or cancellations of unobligated or recaptured balances from previous years' funding. The second is through *offsetting receipts and collections*, generally derived from fees paid by HUD partners or clients.

The interaction between new appropriations and offsets provided through rescissions, receipts, and collections determines HUD's total net budget authority. Net budget authority is also the "cost" of the HUD budget, as estimated by the Congressional Budget Office in its scorekeeping process.[3] The total amount of net budget authority provided to HUD each year, while important for federal budgeting purposes, is not necessarily the best measure of the amount of funding that is being provided for HUD's programs and activities. Because of the role of offsets, declining or increasing net budget authority did not necessarily mean declining or increasing regular appropriations.

As shown by the line in **Figure 2**, which repeats the data shown by the line in **Figure 1**, net non-emergency budget authority for HUD increased 57% between FY2002 and FY2010, from over $29 billion to over $46 billion. However, the overall increase in net new non-emergency budget authority masks several important trends.

Figure 2. Components of HUD Funding, FY2002-FY2010



Source: CRS analysis of congressional funding data contained in annual appropriations acts.

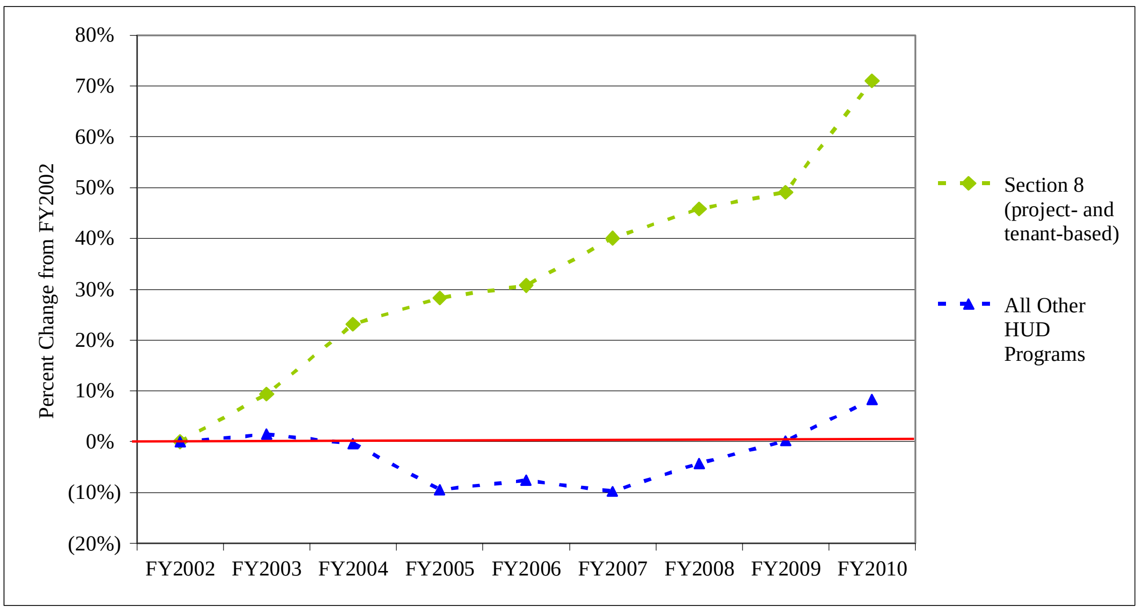
The 57% increase in net non-emergency budget authority is not fully attributable to increased appropriations for HUD programs. From FY2002 to FY2010, regular annual appropriations, which is the amount provided by Congress to fund HUD's programs and activities, grew by only

[3] According to the Congressional Quarterly's *American Congressional Dictionary*, scorekeeping is defined as the process of calculating the budgetary effects of pending and enacted legislation and assessing its impact on applicable budgetary targets, as required by the Congressional Budget Act of 1974.

37% (shown by the dark green bars in **Figure 2**). During the same period, the amount available in offsetting receipts and collections and the amount rescinded, which Congress uses to reduce the cost of providing new appropriations, declined by more than 70% and 96%, respectively (shown by the dark and light red bars in **Figure 2**). As a result, part of the increase in net non-emergency budget authority from FY2002-FY2010 is attributable to decreases in the amount available in offsetting receipts and collections and the amount of rescissions taken.

The 37% growth in regular appropriations during this period (shown by the dark green bars in **Figure 2**) is largely attributable to growth in HUD's Section 8 voucher and project-based rental assistance programs, which, combined, are the largest component of the HUD budget. As can be seen in **Figure 3**, from FY2002 to FY2010, appropriations for the combined Section 8 programs grew by over 70%, while aggregate funding for all other HUD programs and activities grew by only 8%. During this period, the Section 8 programs went from accounting for about 46% of HUD's regular appropriations in FY2002 to accounting for about 57% of HUD's regular appropriations in FY2010. As can be seen in the chart, for a number of years, Section 8 funding grew while aggregate funding for all other HUD programs declined. However, in FY2009 and FY2010, funding for other HUD programs began to grow as well.

Figure 3. Cumulative Percent Change in Annual Appropriations for Section 8 Programs Compared to All Other HUD Programs, FY2002-FY2010

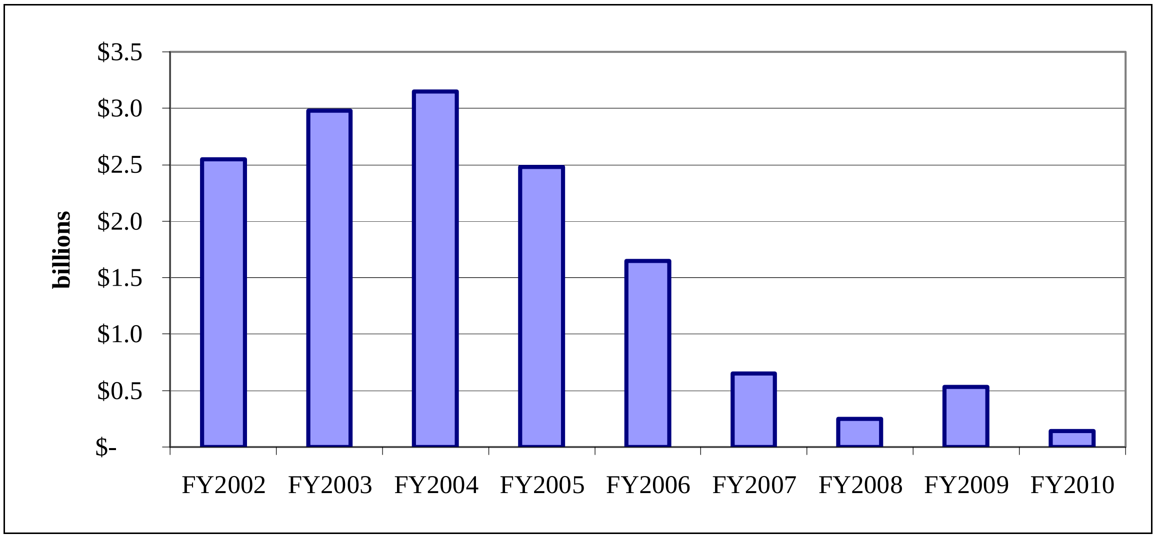


Source: CRS analysis of congressional appropriations documents.

Notes: Section 8 appropriations are not reduced for rescissions of prior year unobligated balances, but are reduced for the FY2009 rescission of current year budget authority taken from the prior year advance appropriation.

The more than 70% decline in offsetting receipts shown in **Figure 2** is largely attributable to declines in offsetting receipts available from the FHA mortgage insurance programs. The amount available from FHA to offset the cost of new HUD appropriations has declined from a high of over $3 billion in FY2004 to well under $0.5 billion in FY2010.

Figure 4. FHA Receipts, FY2002-FY2010



Source: CRS analysis of congressional appropriations documents.

FY2011 Appropriations

The annual appropriations process generally begins with the release of the President's budget request in the spring of the prior fiscal year. The House and the Senate Appropriations Committees then hold hearings and begin crafting their versions of appropriations legislation. Since the federal fiscal year ends on September 30 and the new one begins on October 1, appropriations legislation must be enacted before September 30 in order to avoid a government funding lapse. In years when Congress does not complete appropriations action before the end of the fiscal year, Congress generally enacts short-term continuing resolutions, which continue funding for government programs at the prior fiscal year levels until final actions are taken.

The FY2011 appropriations process began with the release of the President's budget on February 1, 2010, but did not end until more than a year later, when P.L. 112-10 was signed into law on April 15, 2011. The process of adopting final FY2011 funding spanned two calendar years as well as two Congresses. The following section of this report summarizes the major actions in the development of the FY2011 appropriations for HUD. **Table 2**, which follows, compares HUD funding by account from FY2010 to FY2011.

Actions in the 111th Congress

President's Budget

The President's FY2011 budget request was released on February 1, 2010. As shown in **Table 2**, for FY2011 the President's budget requested about $45.6 billion in net new budget authority for HUD, a decrease of about 1% from the FY2010 enacted level. However, the requested decrease in net new budget authority would actually represent a 3% increase in appropriations for HUD programs in aggregate. The President's budget proposed to more than offset the overall increase in appropriations with a substantial increase in offsetting collections and receipts, which are estimated to come from proposed changes to the FHA mortgage insurance programs (see "The Federal Housing Administration Reforms and Funding Levels" later in this report).

The President's budget requested the largest funding increases for the two Section 8 programs, followed by programs for the homeless and for HUD's research and technology needs. The President's budget requested decreased funding for other programs, including programs providing housing for persons who are elderly and persons with disabilities and public housing capital repairs. The President's budget requested no new funding for the brownfields redevelopment program.

House Action

As shown in **Table 2**, the FY2011 HUD funding bill approved by the House on July 29, 2010 (H.R. 5850), would have provided about $1 billion more for HUD than requested by the President. These funding levels would have provided a 1% increase in net new budget authority over the FY2010 enacted level and a 5% increase in appropriations for HUD programs in aggregate.

The bill would have rejected the President's proposed cuts to housing programs for persons who are elderly and persons with disabilities, public housing capital funding, and the brownfields program. The bill also rejected funding for several of the President's proposed initiatives, including Choice Neighborhoods and Transforming Rental Assistance. It was not enacted before the end of the 111th Congress.

Senate Action

As shown in **Table 2**, like the House bill, the FY2011 HUD funding bill approved by the Senate Appropriations Committee on July 23, 2010 (S. 3644), would have provided about $1 billion more for HUD than requested by the President. Like the House bill, the Senate bill would have provided a 1% increase in net new budget authority over the FY2010 enacted level and a 5% increase in appropriations for HUD programs in aggregate.

The Senate bill also would have rejected the President's proposed cuts to housing programs for persons who are elderly and persons with disabilities, public housing capital funding, and the brownfields program, and would have provided funding for the President's Transforming Rental Assistance initiative. Unlike the House bill, the Senate committee bill would have funded the President's Choice Neighborhoods Initiative. The bill was not enacted before the end of the 111th Congress.

Continuing Resolutions

Because no FY2011 appropriations legislation was enacted before the beginning of the fiscal year (October 1, 2010), the 111th Congress enacted a series of continuing resolutions (CRs) that continue funding at the FY2010 level for most accounts in the federal budget (including all of the accounts in HUD's budget). The first continuing resolution lasted from October 1, 2010, until December 3, 2010 (S. Amend. to H.R. 3081, P.L. 111-242). The next two CRs extended the original CR through December 18, 2010, and December 21, 2010, respectively (P.L. 111-290, P.L. 111-317).

The CR approved just before adjournment of the 111th Congress (P.L. 111-322) was slated to expire at the earlier of March 4, 2011, or enactment of FY2011 appropriations legislation, leaving action on funding for the remainder of FY2011 to the 112th Congress. In addition to continuing funding for HUD programs, P.L. 111-322 also extended, through the end of FY2011, FHA mortgage limit increases that would otherwise have expired in December 2010.

Actions in 112th Congress

H.R. 1

On February 18, 2011, the House approved a year-long continuing resolution to fund the federal government through the end of FY2011. That bill, H.R. 1, would have funded many HUD accounts at their FY2010 levels, but would have cut others. Overall, H.R. 1 would have provided about $5 billion less in aggregate appropriations (11%) for HUD programs, which is about $7 billion less in net new budget authority (16%), compared to FY2010. The difference between the aggregate appropriations and net budget authority is attributable to rescissions of prior-year funding proposed by H.R. 1 and an increase in the estimated amount of offsets available from the FHA insurance fund in FY2011 compared to FY2010 (see discussion under "Credit Subsidy and Offsetting Receipts" later in this report).

On March 9, 2011, the Senate considered, but failed to pass, both H.R. 1 as passed by the House and a Senate Amendment to H.R. 1 (S.Amdt. 149). The Senate Amendment to H.R. 1 would have increased funding for HUD, compared to H.R. 1, by nearly $6 billion and would not have rescinded any FY2010 funding. It would have represented a reduction of over $1 billion in net budget authority from FY2010 (under 3%), but it would have represented an increase of about $900 million in aggregate appropriations compared to FY2010 (under 2%). As previously noted, this difference is attributable to an increase in the estimate of offsetting receipts from FHA in FY2011 compared to FY2010.

Continuing Resolutions

Prior to the expiration of the last CR of the 111th Congress (P.L. 111-322), the 112th Congress approved a short-term CR (H.J.Res. 44, P.L. 112-4) to fund the government through March 18, 2011. That short-term CR continued funding for most accounts at FY2010 levels; however, it reduced funding for some accounts below FY2010 levels. For HUD, only the Community Development Fund (CDF) account, which funds the Community Development Block Grant (CDBG) program, was reduced. Under H.J.Res. 44, the CDF was funded at an annualized level approximately $195 million lower than the FY2010 level. That funding reduction is equivalent to the amount of funding that was provided in the account for congressional earmarks through Economic Development Initiatives (EDI) and Neighborhood Initiatives (NI) in FY2010.

Prior to the expiration of H.J.Res. 44, Congress enacted another short-term CR (H.J.Res. 48, P.L. 112-6), which continued funding through April 8, 2011. It maintained funding for most HUD accounts at their FY2010 levels, but continued the reduction in funding for the CDF included in H.J.Res. 44. Further, H.J.Res. 48 provided no funding for HUD's Brownfields Redevelopment account, which had been funded at $17 million in FY2010.

A final short-term CR, P.L. 112-8, was enacted on April 8, 2011. It extended funding through April 15, 2011, while work on a final FY2011 year-long funding bill was completed. It reduced funding for the public housing operating fund and specified that no CDF funds could be used for EDI and NI earmarks.

P.L. 112-10

On April 15, 2011, the Department of Defense and Full-Year Continuing Appropriations Act of 2011 was signed into law (P.L. 112-10). Division A provided year-long FY2011 appropriations for the Department of Defense; Divison B provided year-long FY2011 appropriations for the remaining government agencies, including HUD. Since it is a CR, it funded some HUD programs at FY2010 levels, but it reduced funding for other programs and increased funding for the two Section 8 programs. The act also included an across-the-board 0.2% rescission from all non-defense discretionary accounts, including those in HUD's budget.

As shown in **Table 2**, the law provided an estimated $41.1 billion[4] in net new budget authority for HUD, a decrease of about 11% from the FY2010 enacted level. However, the requested decrease in net new budget authority would only represent a 4% decrease in appropriations for HUD programs in aggregate, due to a substantial increase in offsetting collections and receipts from the FHA mortgage insurance programs (see "The Federal Housing Administration Reforms and Funding Levels" later in this report).

Table 2. HUD Appropriations, FY2010-FY2011

(in billions)

	111th Congress				112th Congress	
Accounts	**FY2010 Enacted**	**FY2011 Request**	**FY2011 H.R. 5850**	**FY2011 S. 3644**	**FY2011 H.R. 1**	**FY2011 Enacted (est.)[a]**
Appropriations						
Management and Administration	1.346	1.379	1.335	1.372	1.346	1.326
Tenant Based Rental Assistance (Sec. 8 vouchers)	18.184	19.551	19.396	19.496	18.080	18.379
Transforming Rental Assistance	0.000	0.350	0.000	0.000	0.000	0.000
Public housing capital fund	2.500	2.044	2.500	2.510	1.428	2.040
Public housing operating fund	4.775	4.829	4.829	4.829	4.626	4.617
Choice Neighborhoods	[b]	0.250	0.000	0.250	0.000	[b]
HOPE VI	0.200[b]	0.000	0.200	0.000	0.000	0.100
Native American housing block grants	0.700	0.580	0.700	0.700	0.500	0.649
Indian housing loan guarantee	0.007	0.009	0.009	0.009	0.007	0.007
Native Hawaiian Block Grant	0.013	0.010	0.010	0.013	0.000	0.013
Native Hawaiian loan guarantee	0.001	0.000[c]	0.001	0.001	0.001	0.001
Housing, Persons with AIDS (HOPWA)	0.335	0.340	0.350	0.340	0.335	0.334
Community Development Fund, CDBG	4.450	4.380	4.382	4.450	1.500	3.501

[4] This estimate of total funding may change, depending on how the 0.2% across-the-board rescission is applied.

Accounts	FY2010 Enacted	FY2011 Request	FY2011 H.R. 5850	FY2011 S. 3644	FY2011 H.R. 1	FY2011 Enacted (est.)[a]
	111th Congress				112th Congress	
Energy Innovation Fund	0.050	0.000	0.000	0.000	0.000	0.000
Sec.108 loan guarantee; subsidy	0.006	0.000[c]	0.010	0.006	0.006	0.006
Brownfields redevelopment	0.018	0.000	0.018	0.000	0.000	0.000
HOME Investment Partnerships	1.825	1.650	1.825	1.825	1.650	1.607
Self-Help Homeownership	0.082	0.060	0.082	0.082	0.082	0.082
Homeless Assistance Grants	1.865	2.055	2.200	2.055	1.865	1.901
Project Based Rental Assistance (Sec. 8)	8.552	9.382	9.382	9.382	9.282	9.264
Housing for the Elderly	0.825	0.274	0.825	0.825	0.238	0.399
Housing for Persons with Disabilities	0.300	0.090	0.300	0.200	0.090	0.150[d]
Housing Counseling Assistance	0.088	0.088	0.088	0.100	0.000	0.000
Manufactured Housing Fees Trust Fund	0.016	0.014	0.014	0.014	0.025	0.016
Rental Housing Assistance	0.040	0.041	0.041	0.041	0.041	0.040
FHA Expenses	0.217	0.466[e]	0.356	0.374	0.216	0.215
Research and technology	0.048	0.087	0.050	0.062	0.048	0.048
Fair housing activities	0.072	0.061	0.072	0.072	0.071	0.072
Office, lead hazard control	0.140	0.140	0.140	0.140	0.120	0.120
Working capital fund	0.200	0.244	0.244	0.244	0.200	0.200
Inspector General	0.125	0.122	0.122	0.125	0.125	0.125
Transformation Initiative[f]	0.020	0.020	0.020	0.020	0.071	0.071
Appropriations Subtotal (Including advances provided in current year for subsequent year)	*46.998*	*48.515*	*49.500*	*49.536*	*41.952*	*45.282*
Rescissions						
HOPE VI Rescission	0.000	0.000	0.000	0.000	-0.198	0.000
Sustainable Communities Rescission	0.000	0.000	0.000	0.000	-0.130	0.000
Energy Innovation Fund Rescission	0.000	0.000	0.000	0.000	-0.017	0.000
Brownfields Redevelopment Rescission	0.000	0.000	0.000	0.000	-0.017	0.000
Rental housing assistance rescission	-0.072	-0.041	-0.041	-0.041	0.000	-0.041
Rescissions Subtotal	*-0.072*	*-0.041*	*-0.041*	*-0.041*	*-0.363*	*-0.041*
Offsets						
Manufactured Housing Fees Trust Fund	-0.007	-0.007	-0.007	-0.007	-0.016	-0.016
Federal Housing Administration (FHA)	-0.140	-2.177	-2.177	-2.177	-2.212	-3.386[g]
GNMA	-0.720	-0.720	-0.720	-0.720	-0.729	-0.729[g]
Offsets Subtotal	*-0.867*	*-2.904*	*-2.904*	*-2.904*	*-2.957*	*-4.131*

Accounts	111th Congress				112th Congress	
	FY2010 Enacted	**FY2011 Request**	**FY2011 H.R. 5850**	**FY2011 S. 3644**	**FY2011 H.R. 1**	**FY2011 Enacted (est.)[a]**
Emergency						
Emergency CDBG[h]	0.100	0.000	0.000	0.000	0.000	0.000
Emergency Subtotal	*0.100*	*0.000*	*0.000*	*0.000*	*0.000*	*0.000*
Totals						
Authorized Budget Authority, Excluding Emergency Funding	***46.059***	***45.571***	***46.555***	***46.592***	***38.633***	***41.110***
Available Budget Authority, Excluding Emergency Funding (adjusted for advances)	***46.066***	***45.564***	***46.549***	***46.586***	***38.594***	***41.095***
Authorized Budget Authority, Including Emergency Funding	***46.159***	***45.571***	***46.555***	***46.592***	***38.633***	***41.110***
Available Budget Authority, Including Emergency Funding (adjusted for advances)	***46.166***	***45.564***	***46.549***	***46.586***	***38.594***	***41.095***

Source: Table prepared by CRS based on information contained in HUD's FY2011 Congressional Budget Justifications, H.R. 5850, S. 3644, H.R. 1, P.L. 112-10, and information about the application of the across-the-board rescission provided to CRS by HUD.

a. Figures for P.L. 112-10 are calculated by CRS to assume the application of the 0.2% across-the-board rescission evenly across accounts, sub-accounts, and activities. The Administration has some flexibility in applying the across-the-board rescission, so these estimates may change.

b. Of the amount provided for HOPE VI, $65 million was set aside for a Choice Neighborhoods demonstration.

c. The President's budget requested a new fee structure for this account, which would eliminate the need for appropriations.

d. P.L. 112-10 stipulated that $32 million of the amount appropriated for Section 811 is to be used for renewing Section 811 voucher contracts entered into prior to 2007. Another $35 million was appropriated to the Section 8 tenant-based account to renew Section 811 vouchers, for a total of $67 million for Section 811 voucher renewals.

e. Includes a $250 million credit subsidy for the Home Equity Conversion Mortgage (HECM) program.

f. In addition to amounts directly provided, the Transformation Initiative includes amounts transferred from other accounts. For more information, see "The Transformation Initiative" later in this report.

g. Totals include CBO's estimates of increased offsetting receipts resulting from increased loan limits authorized in Section 145 of P.L. 111-242.

h. The Dodd-Frank Wall Street Reform and Consumer Protection Act included a $1 billion appropriation for a third round of Neighborhood Stabilization Program grants in FY2011 (Section 1497 of P.L. 111-203). The Supplemental Appropriations Act, 2010 (P.L. 111-212) included an FY2010 emergency appropriation of $100 million for CDBG disaster relief funding for areas affected by flooding in spring 2010. These amounts are not shown in the table, as they are not yet included in committee estimates. See the **Appendix** for more information.

Key Budget Issues and Selected Accounts, FY2011

The Federal Housing Administration Reforms and Funding Levels

The Federal Housing Administration (FHA) insures mortgage loans made by private lenders to eligible borrowers. Those eligible borrowers then pay both upfront and monthly fees for the cost of the insurance. The provision of FHA insurance helps to make mortgage credit more widely available, and at a lower cost, than it might be in the absence of the insurance. The FHA home loan insurance programs are administered primarily through two program accounts in the HUD budget: the Mutual Mortgage Insurance/Cooperative Management Housing Insurance Fund account (MMI/CMHI) and the General Insurance/Special Risk Insurance Fund account (GI/SRI).

The Mutual Mortgage Insurance (MMI) Fund is the largest of the FHA insurance funds, and when there is public discussion of "FHA insurance" or "FHA loans," the discussion is usually related to the MMI fund and the single-family home loans insured under that fund. The Housing and Economic Recovery Act of 2008 (P.L. 110-289) also moved the Home Equity Conversion Mortgage (HECM) program, FHA's reverse mortgage program, into the MMI Fund. This movement has resulted in the establishment of two risk categories in the MMI Fund: the MMI Purchase and Refinance risk category and the MMI HECM risk category. The GI/SRI Fund provides insurance for more-risky home mortgages, for multifamily rental housing, and for an assortment of special-purpose loans such as hospitals and nursing homes.

The issues discussed in this section apply to the single-family loans insured under the MMI Fund. (For more information on the programs in the MMI Fund, see CRS Report RS20530, *FHA-Insured Home Loans: An Overview*, by (name redacted) and (name redacted); and CRS Report RL33843, *Reverse Mortgages: Background and Issues*, by (name redacted).)

Credit Subsidy and Offsetting Receipts

The Federal Credit Reform Act of 1990 (FCRA)[5] provided that the cost of federal loan insurance in a given fiscal year is the net present value of all expected cash flows from loans insured in that year. For the MMI fund, the cash inflows are mainly the insurance premiums paid by borrowers, and the cash outflows are mainly the payments to lenders for the cost of loan defaults.

The net value of these cash flows is expressed as a percentage of the volume of insured loans and is referred to as the subsidy rate. If the cash inflows exceed the cash outflows, the subsidy rate is expressed as a negative number because net income from business type activities is shown in the budget as negative outlays. If the cash outflows exceed the cash inflows, the subsidy rate is expressed as a positive number. When the subsidy rate is applied to the expected loan volume in a given year, the result is the amount of credit subsidy that a federal credit program needs over the life of the loans. The budget rules require an appropriation of this credit subsidy in the budget year that the loans are originated. However, actual cash flows over the life of the loans are likely to differ from those projected in the first year. Therefore, agencies are required to periodically revise the initial subsidy estimates to include actual experience on the loans.

[5] Title V of P.L. 101-508.

Historically, the MMI Fund has had a negative subsidy rate, which means that it generated negative credit subsidy that could be used to offset the funding needs of other programs in the HUD budget. (A negative credit subsidy means that the MMI Fund makes money for the government.) In other words, the MMI Fund has generally made more money in fees than it has paid out in claims, and therefore it has not historically needed an appropriation from Congress in order to operate, although it does traditionally receive a congressional appropriation for administrative expenses.

As described earlier, the MMI Fund is now divided into the MMI Purchase and Refinance risk category and the MMI HECM risk category. The Administration estimated that the Purchase and Refinance risk category of the MMI Fund would have a negative subsidy rate of -2.59% for FY2011, which is above the negative subsidy rate of -0.62% that was estimated for FY2010. The Administration further estimated that this means the Purchase and Refinance risk category of the MMI Fund would generate about $5.8 billion in negative credit subsidy in FY2011. Negative credit subsidy results in the availability of offsetting receipts. The estimated increase in negative credit subsidy would result partly from a series of FHA reforms that have been proposed by HUD (see "Proposed FHA Reforms" later in this report).

The Congressional Budget Office, in its re-estimate of the President's budget, estimated that the MMI Purchase and Refinance risk category would generate a smaller negative credit subsidy than the Administration projected. CBO projected that FHA's Purchase and Refinance risk category would generate around $1.9 billion in negative credit subsidy. This included $960 million without FHA's proposed changes, and an additional $902 million with HUD-proposed program reforms. Although these projections were lower than the Administration's, CBO still projected that this category of the MMI Fund would make more money than it loses in the upcoming year, and therefore would not require a positive credit subsidy in FY2011. The differences between the offsetting receipts in the President's FY2011 budget request and CBO's re-estimate are shown in **Table 3**.

Given that the full-year FY2011 appropriations law (P.L. 112-10) was not enacted until April 2011, FHA's estimates of FY2011 negative credit subsidy had been revised upward by the time the appropriations law was enacted. This was largely due to an increase in the annual premium that FHA charges that went into effect in April 2011, described later in this section. In the President's FY2012 budget request, FHA indicated that this change in the annual premium would result in a -3.92% subsidy rate for the Mutual Mortgage Insurance Fund's Purchase and Refinance risk category for the remainder of FY2011, or a weighted average of -3.25% for FY2011 as a whole.[6] Consequently, FHA's estimates of offsetting receipts for the Purchase and Refinance risk category in FY2011 increased to nearly $10 billion by the time the FY2012 budget was released, from an estimate of $5.8 billion when the FY2011 budget was released. CBO also increased its estimate of FHA receipts for FY2011 by over $1 billion from the beginning of the FY2011 appropriations process until final enactment.[7]

[6] See HUD's FY2012 Congressional Budget Justification, page B-17.

[7] For example, see Congressional Budget Office, CBO Estimate of H.R. 1363, the Department of Defense and Further Continuing Appropriations Act, as Posted on the Rules Website on April 4, 2011, April 5, 2011, http://www.cbo.gov/ftpdocs/121xx/doc12134/hr1363.pdf.

Positive Credit Subsidy (HECMs)

As described above, the Housing and Economic Recovery Act of 2008 (P.L. 110-289) moved the Home Equity Conversion Mortgage (HECM) program into the MMI fund, and it is accounted separately. While the MMI Purchase and Refinance risk category is estimated to have a negative credit subsidy of -2.59% (as described above), the MMI HECM risk category is estimated to have a positive credit subsidy of 0.83% and will require an appropriation of $250 million in positive credit subsidy.

In FY2010, HUD took steps to make changes to the HECM program so that it would not require a positive credit subsidy, but these did not prove to be sufficient. For FY2011, HUD proposed to increase the HECM borrowers' annual insurance premiums from the current 0.5% of the loan balance to 1.25% of the loan balance. HUD also planned to adjust the formula that determines the size of the initial loan that a HECM borrower may obtain. The formula changes would result in smaller loans for borrowers and would lessen and maybe eliminate the need for positive credit subsidies.

H.R. 5850 would have provided $140 million in credit subsidies for HECMs, $110 million less than the Administration's estimate, and S. 3644 would have provided $150 million in credit subsidies, $100 million less than the Administration's estimate. The final FY2012 appropriations law (P.L. 112-10) continued language from FY2010 directing the Secretary of HUD to make adjustments to the HECM program such that the program will result in a zero credit subsidy, meaning it will not require appropriations.

Table 3. FHA Mutual Mortgage Insurance Fund

(in billions of dollars)

	FY2011 President's Request	CBO Re-estimate of FY2011 Request
Estimated net offsetting receipts	-5.315	-1.401
Estimated offsetting receipts	-5.772	-1.862[a]
Administrative contract expenses	.207	.211
HECM positive credit subsidy	.250	.250

Source: Table prepared by CRS based on HUD's FY2011 Congressional Budget Justification and CBO's re-estimate of the President's FY2011budget request.

a. This amount includes an estimated $960 million in offsetting receipts without FHA's proposed program changes, and an additional estimated $902 million in offsetting receipts with FHA's proposed program changes.

Proposed FHA Reforms

As is generally the case when the private market tightens its lending standards, the demand for FHA-insured mortgages has been increasing in the past few years. FHA insured 18.7% of new single-family mortgages in FY2009, up from about 2% in FY2006.[8]

[8] See HUD's FY2011 Congressional Budget Justification, p. B-1.

The growing volume of new mortgages insured by FHA means a higher volume of mortgage insurance premiums paid into the MMI Fund. Given that the average credit score on FHA-insured loans has been in the 690s in recent months, compared to the 650s in late 2007, FHA believes that the newer mortgages it is insuring are of a better credit quality than past mortgages.[9] However, the default rate on past FHA-insured loans is still rising, and this puts some strain on the MMI Fund.

In the Omnibus Budget Reconciliation Act of 1990 (P.L. 101-508), Congress mandated that within 10 years after enactment, the MMI Fund must have a capital reserve ratio of at least 2%, and that it must maintain that ratio at all times going forward. The capital reserve ratio is a measure of the resources that FHA has on hand to cover unexpected losses, after accounting for expected losses based on its current book of business. During FY2009, the capital reserve ratio was estimated to be 0.53%. This was the first time since the requirement was put into effect that the capital reserve ratio had fallen below 2%.

In response to concerns over the financial stability of the MMI Fund, FHA has announced a number of proposed changes to its single-family mortgage insurance programs. FHA can implement some of these changes administratively, while others will require congressional action. FHA has proposed or implemented the following changes:

- **Increasing the annual mortgage insurance premium.** Congress sets a statutory cap on the annual mortgage insurance premium that FHA can charge. P.L. 111-229, signed by the President on August 11, 2010, sets the maximum annual insurance premium amounts at 1.5% for borrowers with downpayments greater than 5%, and 1.55% for borrowers with downpayments of 5% or less. At the time this law was enacted, FHA had been charging the maximum annual insurance premium allowed by law. After P.L. 111-229 was enacted, FHA increased the annual mortgage insurance premiums it charged to 0.9% of the loan balance if the loan-to-value ratio was 95% or higher, and 0.85% of the loan balance if the loan-to-value ratio was below 95%, beginning on October 4, 2010.[10] Beginning on April 18, 2011, FHA raised the annual insurance premiums again, to 1.15% of the loan balance if the downpayment is 5% or less, and to 1.10% of the loan balance if the downpayment is greater than 5%.[11]
- **Increasing the upfront mortgage insurance premium.** Congress also sets a statutory cap on the upfront premium that FHA can charge. The statutory cap is currently 3%. FHA raised the upfront premium it charged to 2.25% for loans endorsed on or after April 5, 2010,[12] because it had the flexibility to do so without reaching the statutory cap but could not raise the annual insurance premium at that time (because it was already charging the maximum annual insurance premium allowed by law). However, after P.L. 111-229 was enacted, raising the maximum annual premium that FHA could charge, FHA raised the annual mortgage insurance premium (as described above) and lowered the

[9] See, for example, *FHA Outlook*, March 2010, available at http://www.hud.gov/offices/hsg/comp/rpts/ooe/olcurr.pdf, and *FHA Outlook*, November 16-30, 2007, available at http://www.hud.gov/offices/hsg/comp/rpts/ooe/ol2008.pdf.

[10] FHA Mortgagee Letter 10-28.

[11] FHA Mortgagee Letter 11-10.

[12] FHA Mortgagee Letter 10-02.

upfront mortgage insurance premium to 1% for loans endorsed on or after October 1, 2010.

- **Changing downpayment and minimum credit score requirements**. FHA proposes to require borrowers with credit scores between 500 and 579 to provide a downpayment of at least 10%. Borrowers with credit scores of 580 or above would continue to be required to comply with the minimum downpayment requirement of 3.5%. These changes can be made administratively; FHA published a *Federal Register* notice on July 15, 2010, soliciting comments on these changes.[13]
- **Reducing the allowable amount of seller concessions from 6% to 3%.** FHA proposes reducing the maximum limit on seller concessions to 3% from its current level of 6%. FHA can also implement this change administratively, and solicited comments on this change through the same *Federal Register* notice, published on July 15, 2010, that detailed the changes in downpayment and minimum credit score requirements.
- **Increasing oversight and enforcement of requirements for FHA-approved lenders.** FHA intends to increase its oversight of FHA-approved lenders. FHA can make some changes to oversight and enforcement administratively, and has already taken some steps to do this.[14] FHA will need Congress to grant it authority to undertake certain additional enforcement actions. A bill that passed by the House, the FHA Reform Act of 2010 (H.R. 5072), would have given FHA the authority to require lenders to indemnify FHA for claims paid on mortgages that were not underwritten in conformance with FHA requirements, and on cases where there was fraud and misrepresentation involved in the origination of the mortgages. The bill would have given FHA broader authority to terminate the approval of lenders that have an excessive rate of early defaults and claims. The bill would also have established within FHA a Deputy Assistant Secretary for Risk Management and Regulatory Affairs. Upon confirmation of the deputy assistant secretary, the current position of FHA chief risk officer would have been abolished. FHA would also have been given authority to contract with outside credit risk analysis sources. For each of FY2010 through FY2014, there would have been authorized appropriations as necessary to provide full-time positions or contracts for staff to review lender performance.

Funding Levels for Housing for the Elderly and Persons with Disabilities

Through the Section 202 Supportive Housing for the Elderly program and the Section 811 Supportive Housing for Persons with Disabilities program, HUD provides capital grants and rental assistance to nonprofit developers to build or rehabilitate housing units for elderly residents

[13] Department of Housing and Urban Development, "Federal Housing Administration Risk Management Initiatives: Reduction of Seller Concessions and New Loan-to-Value and Credit Score Requirements," 75 *Federal Register* 41217-41225, July 15, 2010.

[14] For example, see Department of Housing and Urban Development, "Federal Housing Administration: Continuation of FHA Reform; Strengthening Risk Management Through Responsible FHA-Approved Lenders," 75 *Federal Register* 20718-20735, April 20, 2010.

and residents with disabilities.[15] In the Section 202 program, property owners may ensure that residents receive supportive services, though it is not required, while in the Section 811 program, supportive services must be available to residents. HUD capital grants have funded more than 106,000 units of Section 202 housing and more than 30,000 units of Section 811 housing.[16]

For FY2011, the President proposed that no new units of Section 202 or Section 811 housing be funded in order to give HUD time to "redesign" the programs.[17] (For more information about the proposal to redesign and modernize the Section 202 program, see CRS Report RL33508, *Section 202 and Other HUD Rental Housing Programs for Low-Income Elderly Residents*, by (name redacted).) This proposal would have resulted in reduced funding for both programs. Under the President's proposal, Section 202 and related programs (Service Coordinators and the Assisted Living Conversion program) would have been funded at $274 million, compared to $825 million in FY2010. The Section 811 program would have received $90 million in FY2011, compared to $300 million in FY2010.

Neither the House-passed appropriations bill (H.R. 5850) nor the Senate committee-passed bill (S. 3644) would have followed the President's recommendations to redesign the programs or to stop producing new units. Both bills would have maintained the same level of funding for Section 202 that was appropriated in FY2010—$825 million. For the Section 811 program, H.R. 5850 would have provided $300 million, the same amount that was appropriated in FY2010, while S. 3644 would have provided $200 million. The difference in proposed funding levels was based on the treatment of Section 811 vouchers. Both H.R. 5850 and S. 3644 would have moved funding for the renewal of Section 811 vouchers to the Section 8 tenant-based rental assistance account. In FY2010, $87 million of the Section 811 appropriation was allocated for the renewal of vouchers; according to HUD FY2011 budget documents, nearly $114 million would be used to renew the vouchers in FY2011.[18] The Senate Appropriations Committee report stated that, as a consequence of removing voucher renewals from the Section 811 account, it provided $100 million less in funding for the Section 811 account.

Ultimately Congress appropriated $400 million for Section 202 and related programs ($399 million after the 0.2% across-the-board rescission) and $150 million for the Section 811 program (P.L. 112-10). Funding to renew Section 811 vouchers was split between the Section 811 and Section 8 tenant-based accounts. Of the $150 million appropriated for Section 811, "up to" $32 million was made available to renew voucher contracts entered into prior to 2007. Another $35 million was made available through the Section 8 tenant-based account, for a total of $67 million for Section 811 voucher renewals. This is $20 million less than was used to renew Section 811

[15] For more information about the Section 202 program, see CRS Report RL33508, *Section 202 and Other HUD Rental Housing Programs for Low-Income Elderly Residents*, by (name redacted). For more information about the Section 811 program, see CRS Report RL34728, *Section 811 and Other HUD Housing Programs for Persons with Disabilities*, by (name redacted).

[16] U.S. Department of Housing and Urban Development, *FY2009 Performance and Accountability Report*, November 16, 2009, p. 349, http://hud.gov/offices/cfo/reports/hudfy2009par.pdf. Note that prior to the capital grants, which were instituted in 1992, the Section 202 program funded new units of housing through direct government loans. Approximately 216,000 units of housing were funded during the loan phase of the Section 202 program. See U.S. Department of Housing and Urban Development, *Section 202 Supportive Housing for the Elderly: Program Status and Performance Measure*, June 2008, p. 22, http://www.huduser.org/Publications/pdf/sec_202_1.pdf.

[17] U.S. Department of Housing and Urban Development, *FY2011 Budget Summary: Investing in People and Places*, pp. 20-21, http://hud.gov/budgetsummary2011/full-budget-2011.pdf.

[18] U.S. Department of Housing and Urban Development, *FY2011 Section 811 Budget Justification*, p. F-2, http://hud.gov/offices/cfo/reports/2011/cjs/Housing_For_Persons_Disabilities_2011.pdf.

voucher contracts in FY2010.[19] Within the funds appropriated for Section 202, approximately $89 million was provided for Service Coordinators and another $39 million was provided for the Assisted Living Conversion program.[20]

Section 8 Voucher Funding

The Section 8 Housing Choice Voucher program is funded through the tenant-based rental assistance account; it is both the largest assistance program administered by HUD as well as the largest account in HUD's budget. Most of the funding provided to the account each year funds the annual renewal funding for the almost 2.3 million vouchers that are currently authorized and being used by families to subsidize their housing. The account also provides funding for the administrative costs incurred by the Public Housing Authorities (PHAs) that administer the program. The account is funded using both current year appropriations and advance appropriations provided for use in the following fiscal year.[21] (For more information about the program, see CRS Report RL34002, *Section 8 Housing Choice Voucher Program: Issues and Reform Proposals*, by (name redacted).)

Table 4. Section 8 Tenant-Based Rental Assistance, FY2010-FY2011

(in billions of dollars)

	111th Congress				112th Congress	
Section 8 Tenant-Based Rental Assistance	**FY2010 Enacted**	**FY2011 Request**	**FY2011 H.R. 5850**	**FY2011 S. 3644**	**FY2011 H.R. 1**	**FY2011 Enacted (est.)[a]**
Total [b]	**18.184**	**19.551**	**19.396**	**19.496**	**18.080**	**18.379**
Current Year Budget Authority	14.184	15.551	15.396	15.496	14.080	14.379
Advance Appropriation provided for next FY	4.000	4.000	4.000	4.000	4.000	4.000
Advance Appropriation available for current FY	4.000	4.000	4.000	4.000	4.000	3.992
Details						
Budget Authority for Voucher Renewals[c]	16.239	17.114	16.980	17.065	16.702	16.569
Rental subsidy reserve	*0.150*	*0.150*	*0.150*	*0.150*	*0.150*	*0.150*
Administrative fees	1.635	1.851	1.851	1.851	1.207	1.447
Additional Fee Reserve	*0.050*	*0.050*	*0.050*	*0.050*	*0.050*	*0.050*
Family Self Sufficiency (FSS) Coordinators	*0.060*	*0.060*	*0.060*	*0.060*	0.060	0.060
Tenant Protection Vouchers	0.120	0.125	0.125	0.125	0.110	0.110

[19] U.S. Department of Housing and Urban Development, *FY2012 Section 811 Budget Justification*, p. D-4, http://portal.hud.gov/hudportal/documents/huddoc?id=Housing_w_Disa_2012.pdf.

[20] These estimates assume a 0.2% rescission from each program.

[21] For more information about advance appropriations, see CRS Report RS20441, *Advance Appropriations, Forward Funding, and Advance Funding*, by (name redacted).

Section 8 Tenant-Based Rental Assistance	111th Congress				112th Congress	
	FY2010 Enacted	FY2011 Request	FY2011 H.R. 5850	FY2011 S. 3644	FY2011 H.R. 1	FY2011 Enacted (est.)[a]
New Incremental Vouchers	0.090	0.085	0.160	0.175	0.000	0.050
Transformation Initiative Transfer	0.100	0.196	0.100	0.100	0.000	0.100
Section 811 Voucher Renewals	NA	0.114	0.114	0.114	0.000	0.035
Disaster Housing Assistance—Ike and Gustav	NA	0.066	0.066	0.066	0.000	0.000

Source: Table prepared by CRS based on information contained in HUD's FY2011 Congressional Budget Justifications, H.R. 5850, S. 3644, H.R. 1, P.L. 112-10, and information about the application of the across-the-board rescission provided to CRS by HUD.

Notes: Italicized numbers are included in the number above. Totals may not add due to rounding.

a. Figures for P.L. 112-10 assume the application of the 0.2% across-the-board rescission evenly across accounts, sub-accounts, and activities. The Administration has some flexibility in applying the across-the-board rescission, so these estimates may change.

b. The amount provided by the bill determines the relevant program level because the PHAs that administer the voucher program are funded, and therefore manage their programs, on a calendar year basis rather than a fiscal year basis. Since the current year appropriation plus the advance for the subsequent year are used by the program in the calendar year, it is the amount provided in a fiscal year that is actually used by the program for the calendar year (which is, effectively, the program year).

c. Amount shown reduced for maximum transfer to Transformation Initiative.

Renewal Funding Formula

Since FY2004, the level of funding for voucher renewals and how that funding will be allocated to the more than 2,000 PHAs that administer the voucher program have been among the primary sources of debate in the HUD appropriations process each year. Generally, the questions raised in these debates involve whether the proposed funding level is sufficient to fund all of the vouchers under lease and being used by families and whether the proposed funding will be allocated efficiently, allowing PHAs to serve as many families as possible, while containing future costs.

In FY2010, Congress provided over $16 billion for voucher renewals and directed HUD to allocate the funding to PHAs based on their voucher costs and utilization from the prior fiscal year. HUD then adjusted each PHA's prior year costs for inflation and other factors to determine how much funding each PHA was eligible to receive in FY2010. The amount provided by Congress in FY2010 was sufficient to fund over 99% of PHAs' formula eligibility.[22] However, PHAs were not using—or leasing—all of their vouchers in FY2009. HUD's Congressional Budget Justifications indicate that PHAs, in aggregate, had about 94% of their vouchers under lease in FY2009. Because CY2010 funding[23] was based on FY2009 utilization, PHAs were not provided enough funding in FY2010 to fund all of their vouchers, only those they had been using.

[22] HUD 2010 Appropriations Broadcast Slides, available at http://www.hud.gov/utilities/intercept.cfm?/offices/pih/programs/hcv/webcasts/approp10.pdf.

[23] PHAs are funded on a calendar year basis. For example, FY2010 renewal funding is used to fund CY2010 renewal needs.

As a result, only PHAs whose costs had decreased or who had extra reserve funding from prior years have been able to increase utilization in CY2010.

The President's FY2011 budget requested about $17 billion in new budget authority for voucher renewals. HUD's Congressional Budget Justifications indicated that the amount requested would be sufficient to fund all vouchers in use, which HUD estimates will be about 95% of all vouchers. The President's budget requested that the funding be allocated using a formula similar to that in use in FY2010 (based on prior year costs and utilization, plus inflation), but also that the Secretary be given the authority to reduce allocations to those PHAs with unspent reserve funding and to reallocate funding to PHAs with lower reserves. This would allow PHAs with little or no reserves to receive an increase in funding over those agencies with high reserves, potentially allowing them to increase their utilization and serve additional families. To facilitate additional increases in leasing, the President's budget also requested that Congress lift the ban on "over-leasing," which has been in place since FY2004. A PHA over-leases when it uses excess funding to fund additional vouchers above the number of vouchers it has been allocated by HUD. As in FY2010, the President's FY2011 budget documents purported that the amount requested would be sufficient to maintain existing vouchers in use, but not sufficient to fund the use of all 2.3 million vouchers authorized by Congress.

The House bill included about $150 million less for renewals than the amount requested in the President's budget. The committee report accompanying the bill (H.Rept. 111-564) indicated that less renewal funding would be needed because recent inflation estimates have been lower than those anticipated in the President's budget. The committee report indicated the amount included in H.R. 5850 would be sufficient to meet the renewal needs of the program and reiterated the committee's support for funding all vouchers in use.

The formula for allocating renewal funding included in H.R. 5850 largely followed the formula requested by the President (and used in the prior year); however, H.R. 5850 did not include the reallocation authority requested by the President. In discussing why the committee did not include the requested authority, the committee report states that the committee believes the program is due for major authorization changes outside of the jurisdiction of the Appropriations Committee. The bill would have maintained the prohibition on over-leasing, but would have changed the funding formula to base PHA funding on prior calendar year spending, rather than prior fiscal year spending. This change is meant to better reflect the program's needs, since the program is funded and managed on a calendar year cycle.

Like H.R. 5850, S. 3644 would have funded renewals at less than the President's request, citing revised estimates of need. It would have allocated funding using the same formula as H.R. 5850, including adjusting the formula to use calendar year spending rather than fiscal year spending. Like the House bill, the Senate bill did not include the reallocation authority requested by the President. The committee report accompanying the bill (S.Rept. 111-230) cites concern that such a policy could lead to rapid and significant increases in costs in the program. The committee report also notes concern about how costs are managed in the program, and directs HUD to report back to the committee on its plans for better monitoring of PHAs' financial management.

Neither H.R. 1 nor the final FY2011 appropriations law (P.L. 112-10) made any changes to the funding allocation formula from FY2010. Both included less for renewals than requested by the President, but more than was provided in FY2010.

Section 811 Vouchers

As noted previously (in the section "Funding Levels for Housing for the Elderly and Persons with Disabilities"), the President's budget requested that Congress begin funding the renewal of mainstream vouchers for persons with disabilities in the Section 8 account, rather than through the Housing for Persons with Disabilities account. HUD requested $114 million for this purpose in FY2011. Both the House and Senate bills proposed to adopt the President's request. H.R. 1 did not explicitly include funding in the tenant-based rental assistance account for renewing Section 811 vouchers. The final FY2011 appropriations law (P.L. 112-10) appropriated less than a third of the amount requested by the President for Section 811 renewals. The bill directed that the funds be used to renew vouchers issued since 2007. Renewal funding for vouchers issued prior to FY2007 was provided in the Section 811 account.

New Vouchers

Each PHA has a contract with HUD that identifies how many vouchers it is authorized to administer; in aggregate, there are around 2.3 million authorized vouchers allocated across the PHAs.[24] In some years, Congress creates additional vouchers, which increase that total. Some are replacement vouchers, called tenant protection vouchers, which are given to families who are being displaced from other HUD programs. Others are new, or "incremental," vouchers. In recent years, incremental vouchers have been set aside for specific special populations or purposes. In FY2010, Congress provided $15 million for vouchers for families in the child welfare system and $75 million for vouchers for homeless veterans.

For FY2011, the President's budget requested $85 million for new vouchers as part of a demonstration program involving supportive housing for families and individuals at risk of homelessness. The House bill from the 111th Congress included funding for the President's homelessness demonstration request, along with $75 million for vouchers for homeless veterans through the Veteran's Affairs Supportive Housing (VASH) program and $66 million for vouchers to continue assistance to certain families displaced by the 2005 hurricanes. Like the House bill, the Senate bill from the 111th Congress would have funded the President's homelessness demonstration, provide $75 million for VASH vouchers, and provide $66 million for families displaced by hurricanes. Additionally, the Senate bill would have provided $16 million for the Family Unification Program (FUP), which would provides vouchers to families involved in the child welfare system. H.R. 1 included no funding for new incremental vouchers, but the final FY2011 appropriations law (P.L. 112-10) provided about $50 million for VASH vouchers.

Project-Based Section 8 Renewal Funding

The project-based rental assistance account provides funding to administer and renew existing project-based Section 8 rental assistance contracts between HUD and private multifamily property owners. Under those contracts, HUD provides subsidies to the owners to make up the difference between what eligible low-income families pay to live in subsidized units (30% of their incomes) and a previously agreed-upon rent for the unit. No new contracts have been entered into under this program since the early 1980s. When the program was active, Congress

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[24] Data from HUD Resident Characteristics Report, as of March 31, 2010.

funded the contracts for 20- to 40-year periods, so the monthly payments for owners came from old appropriations. However, once those contracts expire, they require new annual appropriations if they are renewed. As more contracts expire, assuming the owners choose to renew, more new appropriations are needed to maintain the subsidies. Further, some old contracts do not have sufficient funding to finish their existing terms, so new funding is needed to complete the contract (referred to as amendment funding).

In FY2011, the President requested over $9 billion for the project-based rental assistance account, a 10% increase over the prior year. HUD contends that the funding level requested should be sufficient to provide a full-year's funding for all contracts that require funding and to renew any expiring contracts. Of the amount requested, HUD's Congressional Budget Justifications indicate that an estimated $662 million would be needed to meet amendment needs. Since FY2009, the account has been funded using both current year appropriations and advance appropriations provided for use in the following fiscal year;[25] the President requested that model be continued in FY2011. (Given the complexity of understanding total funding levels when different levels of advanced appropriations are used, **Table 5** is provided to display comparable funding levels.)

Both the House and Senate bills from the 111th Congress proposed to adopt the President's requested funding level. H.R. 1 included $100 million less than the President's request and the final FY2011 appropriations law (P.L. 112-10) provided just under $120 million less than the President's request.

Table 5. Section 8 Project-Based Rental Assistance, FY2010-FY2011

(in billions)

	111th Congress				112th Congress	
Section 8 Project-Based Rental Assistance	**FY2010 Enacted**	**FY2011 Request**	**FY2011 H.R. 5850**	**FY2011 S. 3644**	**FY2011 H.R. 1**	**FY2011 Enacted (est.)[a]**
Total, Section 8 Project-Based Rental Assistance (budget authority provided)	**8.551**	**9.382**	**9.382**	**9.292**	**9.282**	**9.264**
Total, Section 8 Project-Based Rental Assistance (budget authority available)	**8.557**	**9.376**	**9.376**	**9.286**	**9.276**	**9.258**
Regular Annual Appropriations	8.157	8.982	8.982	8.892	8.882	8.865
Advance Appropriation provided for next FY	0.394	0.400	0.400	0.400	0.400	0.400
Advance Appropriation available for current FY	0.400	0.394	0.394	0.394	0.394	0.393

Source: Table prepared by CRS based on information contained in HUD's FY2011 Congressional Budget Justifications, H.R. 5850, S. 3644, H.R. 1, P.L. 112-10, and information about the application of the across-the-board rescission provided to CRS by HUD.

[25] For more information about advance appropriations, see CRS Report RS20441, *Advance Appropriations, Forward Funding, and Advance Funding*, by (name redacted).

a. Figures for P.L. 112-10 assume the application of the 0.2% across-the-board rescission evenly across accounts, sub-accounts, and activities. The Administration has some flexibility in applying the across-the-board rescission, so these estimates may change.

New Initiative: Transforming Rental Assistance

President Obama's FY2011 budget requested $350 million for a new "Transforming Rental Assistance" initiative. According to the President's budget documents, the initiative is designed to streamline HUD's multiple rental assistance programs and increase residential mobility options for HUD-assisted tenants. Specifically, the funding would be used to transfer a variety of HUD-assisted housing units with project-based rental assistance from their existing subsidy types to a new form of project-based rental assistance. According to the President's budget documents, this new form of rental assistance will feature tenant mobility, meaning that families living in units receiving this new form of project-based rental assistance would have the option to take their subsidies with them if they choose to move to a new unit of private market housing. The new assistance is modeled after the Section 8 project-based voucher program, which also features tenant mobility.

The President's budget identifies three categories of properties as being targeted for transfer to this new form of assistance, with a goal of transferring 300,000 units:

1. Public housing properties owned by local PHAs that do not currently administer a Section 8 voucher program (150,000 units targeted);
2. Public and multifamily housing properties owned by PHAs that agree to combine their administrative activities with neighboring PHAs (130,000 units targeted); and
3. Multifamily properties with old forms of rental assistance through the Rent Supplement and Rental Assistance Payments (RAP) programs (20,000 units targeted).

Properties in the first and third categories would be selected by HUD for participation and properties in the second category would compete by submitting plans to HUD.

Most of the funding, $290 million of the $300 million requested, would be used to make up the difference between the cost of the current subsidy streams attached to each unit and the cost of the new, and presumably higher, subsidy level established under the new program. Another $50 million would be used to offset the cost of combining PHA activities (agencies in the second category listed above) and to fund landlord outreach and other efforts to promote tenant mobility. The final $10 million would be used for technical assistance and program evaluation.

The President's budget documents indicated that HUD would submit legislation to Congress to implement the proposal. The draft legislation has been referred to as the Preservation, Enhancement, and Transformation of Rental Assistance Act, and is available on HUD's website.[26]

Neither H.R. 5850 nor S. 3644 included the funding requested for the President's initiative. In rejecting the proposal, both committees (in H.Rept. 111-564 and S.Rept. 111-230) expressed

[26] http://portal.hud.gov/portal/page/portal/HUD/fy2011budget/signature_initiatives/transforming_rental_assistance/documents/PETRABillText%202010-05-11.pdf.

concern that the proposal was not fully developed and that the future costs are unknown and may be substantial.

Funding for the Transforming Rental Assistance initiative was not included in H.R. 1 or the final FY2011 appropriations law (P.L. 112-10).

Public Housing Funding, HOPE VI, and Choice Neighborhoods

The public housing program provides publicly owned and subsidized rental units for very low-income families. Created in 1937, it is HUD's oldest housing assistance program, and arguably HUD's most well-known assistance program. Although no new public housing developments have been built for many years, Congress continues to provide funds to the more than 3,100 PHAs that own and maintain the existing stock of more than 1.2 million units. Through the operating fund, HUD provides funding to PHAs to help fill the gap between tenants' contributions toward rent and the cost of ongoing maintenance, utilities, and administration of public housing. Through the capital fund, HUD provides funding to PHAs for large capital projects and modernization needs. HOPE VI is a competitive grant program that provides funding to help demolish and/or redevelop severely distressed public housing developments, with a focus on building mixed-income communities.

Table 6. Public Housing Funding, FY2010-FY2011

(in billions of dollars)

	111th Congress				112th Congress	
Account	**FY2010 Enacted**	**FY2011 Request**	**FY2011 H.R. 5850**	**FY2011 S. 3644**	**FY2011 H.R. 1**	**FY2011 Enacted (est.)[a]**
Public Housing Capital Fund	2.500	2.044	2.500	2.510	1.428	2.040
Amount Available for Formula Grants, after set-asides and transfers	*2.366*	*2.000*	*2.406*	*2.371*	*1.315*	*1.906*
Public Housing Operating Fund	4.775	4.829	4.829	4.829	4.626	4.617
Amount Available for Formula Grants, after set-asides and transfers	*4.760*	*4.781*	*4.781*	*4.829*	*4.626*	*4.617*
HOPE VI	0.200[b]	0.000	0.200	0.000	0.000	0.100[c]
Choice Neighborhoods	*0.065*[b]	0.250	0.000	0.250	0.000	[c]

Source: Table prepared by CRS based on information contained in HUD's FY2011 Congressional Budget Justifications, H.R. 5850, S. 3644, H.R. 1, P.L. 112-10, and information about the application of the across-the-board rescission provided to CRS by HUD.

Notes: Italicized numbers are included in the number above.

a. Figures for P.L. 112-10 assume the application of the 0.2% across-the-board rescission evenly across accounts, sub-accounts, and activities. The Administration has some flexibility in applying the across-the-board rescission, so these estimates may change.

b. In the FY2010 appropriations act, Congress provided $200 million to the HOPE VI account, $65 million of which was to be used for a Choice Neighborhoods demonstration.

c. The set-aside language from FY2010 was retained in FY2011, so it appears that $65 million of the amount provided for HOPE VI may be set-aside for Choice Neighborhoods.

Operating and Capital Funds

The President's FY2011 budget requested an increase in funding for the Public Housing operating fund and a decrease for the public housing capital fund. HUD's Congressional Budget Justifications contend that the amount requested for the operating fund would be sufficient to fund PHAs' full eligibility under the operating fund formula. The Justifications documents indicate that the requested decrease for the capital fund takes into account the nearly $4 billion PHAs received in capital funding from the American Recovery and Reinvestment Act of 2009 (P.L. 111-5), as well as the request for full funding of the operating fund. Since PHAs can transfer up to 20% of their capital funding to cover operating expenses, the Administration contends that fully funding the operating fund will allow more capital funds to be spent on capital needs.

Both H.R. 5850 and S. 3644 proposed to fund the operating fund at the President's request and included a $500 million increase over the President's request for the capital fund. The Senate bill included a $50 million set-aside from the capital fund for grants for PHAs to, according to the committee report, "construct, rehabilitate or acquire facilities to provide quality early childhood education and care to children living in and around public housing." It also would have required that at least $10 million be set aside for safety and security measures.

H.R. 1 proposed to cut the public housing capital fund by over $1 billion and to cut the operating fund by almost $150 million compared to FY2010. The final FY2011 funding law (P.L. 112-10) funded the capital fund higher than H.R. 1 but less than FY2010, and funded the operating fund at about $10 million less than H.R. 1. The reduced appropriations for the operating fund may be voluntarily offset by PHAs' use of program reserves; a mandatory offset of PHA reserves was proposed by the President as a part of his FY2012 budget request, which was released several months before enactment of the final FY2011 appropriations law.

HOPE VI and Choice Neighborhoods

As in FY2010, the President's budget requested no new funding for HOPE VI; instead, it requested $250 million for the Choice Neighborhoods Initiative. Choice Neighborhoods was a new Obama Administration proposal in the FY2010 budget. It is modeled after the HOPE VI program, which provides competitive grants to PHAs to revitalize severely distressed public housing. The Choice Neighborhood Initiative would broaden the scope of HOPE VI by offering competitive grants to revitalize severely distressed neighborhoods, not limited to public housing. In addition to PHAs, local governments, nonprofits, and for-profit developers would be eligible to compete for the funding. The funding is primarily aimed at the transformation, rehabilitation, and replacement of HUD public and assisted housing that cannot be funded through current annual formula or contract payments. In FY2010, Congress provided $200 million to the HOPE VI account, but set aside up to $65 million for a Choice Neighborhoods demonstration.

As they did in FY2010, the House and Senate in the 111th Congress took different positions in FY2011 on funding for HOPE VI and Choice Neighborhoods. H.R. 5850 would have provided $200 million for HOPE VI, but no funding for Choice Neighborhoods. S. 3644 would have provided no funding for HOPE VI, but $250 million for Choice Neighborhoods.

HUD circulated draft authorizing legislation for the Choice Neighborhoods Initiative and the House Financial Services Committee held a hearing in March 2010 on the topic.[27] On July 27, 2010, the House Financial Services Committee ordered reported the Public Housing Reinvestment and Tenant Protection Act of 2010 (H.R. 5814), which included authorization of the Choice Neighborhoods Initiative, although it was not enacted before the end of the 111th Congress.

H.R. 1 proposed no funding for either HOPE VI or Choice Neighborhoods. The final FY2011 funding law (P.L. 112-10) provided just under $100 million for HOPE VI and did not modify the $65 million set-aside from FY2010. As a result, the majority of HOPE VI funding may be used for Choice Neighborhoods in FY2011.

Funding the Housing Trust Fund

Congress authorized the creation of a national Housing Trust Fund in the Housing and Economic Recovery Act of 2008 (P.L. 110-289).[28] The Housing Trust Fund is intended to provide a permanent, dedicated source of funding for affordable housing that will not be subject to the annual appropriations process. Through the Housing Trust Fund, HUD would make grants to states to fund affordable housing activities, with a focus on providing rental housing for extremely low-income families.

P.L. 110-289 identified contributions from Fannie Mae and Freddie Mac as the dedicated funding source for the new Housing Trust Fund. However, Fannie's and Freddie's contributions to the Housing Trust Fund were indefinitely suspended in November 2008 by their conservator, the Federal Housing Finance Agency, due to Fannie's and Freddie's financial difficulties. The suspension of Fannie's and Freddie's contributions left the Housing Trust Fund without a source of funding. While P.L. 110-289 allowed funding other than the contributions from Fannie Mae and Freddie Mac to be appropriated, transferred, or credited to the Housing Trust Fund, no funding has yet been directed to the fund.

The President's FY2011 budget requested $1 billion in mandatory funding for the Housing Trust Fund. This funding is to be fully offset elsewhere in the budget, although the Administration did not identify a source for the proposed funding. The President's FY2010 budget request also included $1 billion for the Housing Trust Fund; however, Congress did not provide any funding in the FY2010 appropriations law (P.L. 111-117).

Neither H.R. 5850 nor the committee-passed version of S. 3644 included funding for the Housing Trust Fund. The final FY2011 appropriations law (P.L. 112-10) also did not include funding for the Housing Trust Fund.

Although Congress has not provided funding for the Housing Trust Fund to date, there were a number of legislative proposals in the 111th Congress that would have done so (although none were enacted before adjournment).

[27] House Financial Services Committee, Full Committee Hearing, The Administration's Proposal to Revitalize Severely Distressed Public and Assisted Housing: The Choice Neighborhoods Initiative, March 17, 2010.

[28] For more information on the Housing Trust Fund, see CRS Report R40781, *The Housing Trust Fund: Background and Issues*, by (name redacted).

The Transformation Initiative

The Transformation Initiative was first proposed in President Obama's FY2010 budget request. The goal of the initiative, according to the President's budget documents, is to strengthen and build HUD's research and technological capacities. The fund may be used for four purposes: (1) research, evaluation, and program metrics; (2) program demonstrations; (3) technical assistance and capacity building; and (4) information technology.

The funding request for the initiative involves both appropriations for an initiative targeted at reducing mortgage fraud as well as the authority for the Secretary to transfer up to 1% from most accounts in HUD's budget to a transformation fund.

In FY2010, Congress provided the President's requested $20 million appropriation for addressing mortgage fraud and authorized the requested 1% transfer authority, but not from all accounts. If the President's full transfer request had been provided in FY2010, the fund could have received up to about $435 million; because it was restricted, the fund received only $239 million.

In FY2011, the President again requested a $20 million appropriation for combating mortgage fraud as well as a broader 1% transfer authority. As shown in **Table 7**, under the requested authority the transformation fund could have received almost $470 million in FY2011.

Both H.R. 5850 and S. 3644 included the requested $20 million for combating mortgage fraud as well as a more limited version of the President's requested transfer authority. As shown in **Table 7**, the House- and Senate committee-passed bills would have limited the total funding available from transfers to well under half of what the President requested.

Both the House and Senate bills from the 111th Congress proposed limits on the department's discretion by giving the department directions regarding how funds should be allocated across the categories of eligible activities. The House report noted

> Transforming HUD, and thus the Transformation Initiative, must be envisioned more broadly than budgetary flexibility. Flexibility, or lack thereof, is not the primary challenge facing HUD. Therefore, the Committee has limited the use of the Transformation Initiative funds to the core needs of the Department.[29]

And the Senate report noted

> While the Committee supports making these investments, it also believes that oversight of TI funding is critical. Therefore, the Committee has once again limited the flexibility to use these funds requested by HUD. As it did when funding was provided last year, the Committee is recommending minimum funding levels for IT modernization and technical assistance.[30]

H.R. 1 did not include the authority to make transfers under the Transformation Initiative. Instead of providing the $20 million requested by the President for combating mortgage fraud, the bill included $71 million for modernizing FHA's systems and for updated computer programs for the Section 8 voucher program.

[29] H.Rept. 111-564, p. 158.

[30] S.Rept. 111-230, p. 179.

The final FY2011 appropriations law (P.L. 112-10), like H.R. 1, included $71 million for new FHA and Section 8 voucher computer systems. Unlike H.R. 1, the law permits HUD the requested transfer authority under the transformation initiative, but, as shown in **Table 7**, from a more limited number of accounts than requested by the President.

Table 7. Maximum Authorized Transfers to Transformation Initiative Fund

(in millions of dollars)

	111th Congress				112th Congress	
Maximum Transfers to Transformation Initiative	**FY2010 Enacted**	**FY2011 Request**	**FY2011 H.R. 5850**	**FY2011 S. 3644**	**FY2011 H.R. 1**	**FY2011 Enacted (est.)**
Tenant-Based Rental Assistance	100.00	195.51	100.00[a]	100.00[a]	—	100.00[a]
Public Housing Capital Fund	25.00	20.44	—	25.00[b]	—	—
Public Housing Operating Fund	15.00	48.29	48.29	—	—	—
Choice Neighborhoods	2.00	2.50	—	2.50	—	1.00
Native American Housing Block Grants	—	5.80	—	—	—	—
Indian Housing Loan Guarantee Fund	—	0.01	0.01	—	—	—
Native Hawaiian Housing Block Grants	—	0.10	0.10	—	—	—
Project-Based Rental Assistance	—	89.76	—	—	—	—
Housing Counseling	0.88	0.88	0.88	1.00	—	—
Housing for the Elderly (Sec. 202)	8.25	2.74	—	8.25	—	3.99
Housing, Persons with Disabilities (Sec. 811)	3.00	0.90	—	2.00	—	1.50
FHA	1.18	1.36	1.36	1.36	—	2.16
Manufactured Housing Standards Program	0.16	0.07	0.07	0.07	—	0.25
Rental Assistance Program (Sec. 236)	0.40	0.41	0.41	0.41	—	0.40
Community Development Fund	44.50	43.80	43.82	44.50	—	35.01
HOME Investment Partnerships Program	18.25	16.50	—	18.25	—	16.07
Capacity Building	0.82	0.60	—	—	—	0.82
Homeless Assistance Grants	12.65	20.55	—	—	—	—
Housing Opportunities, Persons with AIDS	3.35	3.40	3.50	3.40	—	0.01
Fair Housing Activities	0.72	0.61	—	0.72	—	0.71
Lead Hazard Reduction	1.40	1.40	1.40	1.40	—	1.20
Salaries and Expenses	—	13.79	—	—	—	—
Brownfields	0.18	—	—	—	—	—
Section 108 Loan Guarantees	0.06	—	—	—	—	0.06
Energy Innovation Fund	0.50	—	—	—	—	—
Research and Technology	0.48	—	—	—	—	0.48
GI/SRI	0.09	—	—	—	—	—
Total	**238.86**	**469.41**	**199.83**	**208.85**[c]	**0.00**	**163.64**

Source: Table prepared by CRS based on information contained in HUD's FY2011 Congressional Budget Justifications, H.R. 5850, S. 3644, H.R. 1, P.L. 112-10, and information about the application of the across-the-board rescission provided to CRS by HUD..

Note: Figures for P.L. 112-10 assume the application of the 0.2% across-the-board rescission evenly across accounts, sub-accounts, and activities. The Administration has some flexibility in applying the across-the-board rescission, so these estimates may change.

a. This transfer amount is less than 1% and is explicitly specified in the bill.

b. The transfer amount shown here is the amount shown in S.Rept. 111-230. It is $100,000 less than 1% of the account total.

c. The transfer total shown here does not match the transfer total shown in S.Rept. 111-230. The total shown in S.Rept. 111-230 is $120,000 lower than the amount shown here, although the transfers themselves match. The difference may be due to an error in S.Rept. 111-230.

Community and Economic Development Initiatives

The Administration's budget for FY2011 included several community development initiatives intended to transform or restructure the Community Development Block Grant (CDBG) and related programs. The Administration's budget request would have continued to fund CDBG at its FY2010 funding level and would eliminate funding for the Rural Innovation Fund and for two programs that are used for congressionally defined earmarks: the Neighborhood Initiative and the Economic Development Initiative. In addition, the Administration requested funding for two new initiatives—Catalytic Competition Grants and the Capacity Building Clearinghouse—and the Administration's Sustainable Communities Initiative, which was originally funded with the passage of the Consolidated Appropriations Act of FY2010. The budget also proposed revamping the University Community Fund, the Section 108 Loan Guarantee Program, and the Capacity Building for Community Development and Affordable Housing programs.

Community Development Fund[31]

The Administration's budget proposed an overall reduction in funding for Community Development Fund (CDF) activities from $4.450 billion in FY2010 to $4.380 billion in FY2011. The $70 million reduction in CDF activities would have been accomplished by defunding Neighborhood Initiative (NI) and Economic Development Initiative (EDI) grants, both of which are used exclusively for congressional earmarks. Savings from those accounts would have been used to fund the Administration's Sustainable Communities Initiative and University Community Fund, both initially funded in FY2010. The Administration also proposed a new initiative—Catalytic Investments Competition Grants—in support of economic development projects in distressed communities. Finally, the President's budget requested no new funding for a related account, the Brownfields Economic Development Initiative Account. The Administration's budget argued the program duplicates other federal programs, including the Environmental Protection Agency's brownfield program. In addition, activities funded under BEDI may also be funded under the regular CDBG program.

[31] For additional information on the funding history HUD's Community Development Fund, see CRS Report R41754, *Community Development Block Grants: Funding Issues in the 112th Congress and Recent Funding History*, by (name r edacted).

The House bill, H.R. 5850, recommended a $4.382 billion appropriation for CDF activities. Contrary to the Administration's budget request, this included $89.3 million for congressional earmarked funds for EDI ($76 million) and NI ($12 million) projects. The Senate Appropriations Committee bill, S. 3644, recommended a $4.450 billion appropriation for CDF activities. Like its House counterpart, S. 3644 included funding for EDI and NI congressional earmarked projects. Specifically, the Senate bill recommended $193 million in EDI ($171 million) and NI ($22 million) projects.

Both the House and Senate bills recommended continued funding of two Administration initiatives—the Sustainable Communities Initiative and University Community Fund—at their FY2010 funding levels of $148.5 million and $24.8 million, respectively. In addition, both the House and Senate bills did not include funding for the Administration's proposed new initiative—Catalytic Investments Competition Grants.

The final FY2011 appropriations law, P.L. 112-10, appropriated $3.501 billion for the CDF account, which is 21.2% less than the $4.450 billion appropriated for FY2010 activities and 20.1% less than requested by the Administration for FY2011. It reduced funding for CDBG formula grants by 16.4%, and for the Sustainable Communities Initiative (SCI), a competitively awarded grant program intended to support a coordinated approach to regional land use, housing, environmental, and transportation planning activities, by 33%. The act did not fund the Brownfield Economic Development Initiative (BEDI) program.

CDBG

The CDF account supports activities undertaken through the Community Development Block Grant (CDBG) program. In addition, the CDF has funded other community development-related programs in past years, including the Economic Development Initiatives (EDI) and Neighborhood Initiative (NI) programs. The CDBG program, which was first authorized under Title I of the Housing and Community Development Act of 1974 (P.L. 93-383, 42 U.S.C. 5301 *et seq.*), is the largest source of federal financial assistance in support of state and local neighborhood revitalization, housing rehabilitation, and economic development activities. For 2010, CDBG formula funds were awarded to approximately 1,151 entitlement communities, the 50 states, Puerto Rico, and the insular areas of Guam, the Virgin Islands, American Samoa, and the Mariana Islands. CDBG assistance may be used to fund eligible activities that meet one of three national objectives:

1. to principally benefit low- and moderate-income persons;
2. to aid in eliminating or preventing slums or blight; or
3. to address an imminent threat to the health and safety of the public.

For FY2011, the Administration proposed freezing funding for the CDBG formula-based component of the program at its FY2010 level of over $3.9 billion. In addition, the budget request included just under $149 million to fund the Administration's Sustainable Communities Initiatives, just under $149 million for Catalytic Competition Grants, and about $140 million for Indian tribes, insular areas, University Partnerships and the agency-wide Transformation Initiative.

Both H.R. 5850 and S. 3644 proposed funding the CDBG formula grant program modestly higher than the President's request and the program's FY2010 funding level of $3.943 billion. For a review of the Administration's budget request, House and Senate funding recommendations, and FY2010 funding levels, see **Table 8**.

On February 19, 2011, the House passed H.R. 1, the Full Year Continuing Appropriations Act for FY2011. As passed the House, H.R. 1 would have reduced the CDF account by 66.3% below the account's FY2010 funding level of $4.450 billion, and would have prohibited funds from being used for earmarks[32] and the Administration's Sustainable Communities Initiative (SCI). It did not include instructions on how funds were to be allocated among the components of the CDBG program: states and entitlement communities, insular areas, and Indian tribes. The program's governing statute[33] and previous appropriations acts required that 70% of funds be allocated to so-called entitlement communities[34] and 30% to states and Puerto Rico for distribution to nonentitlement communities after specific amounts were set aside for insular areas, Indian tribes, and other programs included in the account. Given the minimal instructions included in the House-passed version of H.R. 1, figures included in **Table 8** assume that funds would have been allocated among the CDBG components based on the same percentage distribution of funds allocated for FY2010, except where noted.

The final FY2011 appropriations law appropriated $3.508 billion for activities in the CDF account, including $3.343 billion for CDBG formula funds. The act also included a 0.2% mandatory across-the-board rescission of all appropriated funds[35] and a 1% discretionary transfer from designated HUD funds, including CDF activities to HUD's Transformation Initiative.[36] The mandatory across-the-board cut reduces the CDF account by $7 million to $3.501 billion, while the 1% discretionary transfer moves $35 million from the CDF account to the Department's Transformation Initiative. **Table 8** includes the adjusted appropriations for CDF activities taking into account both the 0.2% rescission and the 1% transfer.

Table 8. CDBG and Related Appropriations, FY2010-FY2011

(dollars in millions)

	111th Congress				112th Congress	
Program	**FY2010 Enacted**	**FY2011 Request**	**FY2011 H.R. 5850**	**FY2011 S. 3644**	**FY2011 H.R. 1**	**FY2011 Enacted**
CDF, Total	**4,450.0**	**4,380.1**	**4,382.1**[a]	**4,450.0**	**1,500.0**	**3,501.0**
CDBG Formula	3,950.1	3,950.2	3,957.8	3,950.0	1,485.0	3,294.3
Entitlement Communities	*2,760.2*	*2,760.3*	*2,765.6*	*2,760.1*	*1,034.6*	*2,306.0*
States	*1,183.0*	*1,183.0*	*1,185.3*	*1,183.0*	*443.4*	*988.3*

[32] In previous years, the CDF account included two earmarked subaccounts: the Economic Development Initiative (EDI) and the Neighborhood Initiative (NI). H.R. 1 explicitly prohibits funds being used for earmarks. See Section 1102 of H.R. 1.

[33] 42 U.S.C. 5301, *et seq*.

[34] Entitlement communities include principle cities of metropolitan areas, cities in metropolitan areas whose population exceeds 49,999 persons, and statutorily defined urban counties. In general, these are metropolitan-based counties whose population meets or exceeds 200,000 persons, excluding the population of entitlement cities within its boundaries.

[35] P.L. 112-10, Division B, Sec. 1119.

[36] P.L. 112-10, Division B, Sec. 2259.

	111th Congress				112th Congress	
Program	**FY2010 Enacted**	**FY2011 Request**	**FY2011 H.R. 5850**	**FY2011 S. 3644**	**FY2011 H.R. 1**	**FY2011 Enacted**
Insular areas	*6.9*	*6.9*	*6.9*	*6.9*	*7.0*	*6.9*
Indian Tribes CDBG	64.3	64.3	64.3	64.3	15.0	64.9
Sustainable Communities	148.5	148.5	148.5	148.5	0.0	99.8
Regional Integration Planning Grants	*99.0*	*99.0*	*99.0*	*99.0*	*0.0*	*69.9*
Community Challenge Grants	*39.6*	*39.6*	*39.6*	*39.6*	*0.0*	*29.9*
Capacity Building Clearinghouse	—	—	—	—	—	—
HUD-DOT Integration Research	*9.9*	*9.9*	*9.9*	*9.9*	*0.0*	*0.0*
Catalytic Competition Grants	—	148.5	0.0	0.0	0.0	0.0
Rural Innovation Fund[b]	24.8	—	24.8	24.8	0.0	0.0
University Community Fund[c]	24.8	24.8	34.8[d]	24.8	0.0	0.0
Neighborhood Initiative	21.9	—	12.1	21.8	0.0	0.0
Economic Development Initiative	171.1	—	76.3	171.3	0.0	0.0
Disaster Assistance	—	—	20.0[e]	—	—	—
Transfer to the Transformation Initiative[f]	44.5	43.8	43.5	44.5	0.0	35.0

Source: Table prepared by CRS based on information contained in HUD's FY2011 Congressional Budget Justifications, H.R. 5850, S. 3644, H.R. 1, P.L. 112-10, and information about the application of the across-the-board rescission provided to CRS by HUD.

Note: Figures for P.L. 112-10 assume the application of the 0.2% across-the-board rescission evenly across accounts, sub-accounts and activities. The Administration has some flexibility in applying the across-the-board rescission, so these estimates may change.

a. During floor consideration, $30 million was added to this account through amendments.

b. Prior to FY2007, CDBG-linked university activities were included in this account. For FY2009, program funds of $23 million were appropriated under a separate HUD account, Research and Technology.

c. Before FY2010, the program was funded under a separate account, Rural Housing and Economic Development.

d. During floor consideration, an amendment added $10 million for minority serving institutions.

e. During floor consideration, an amendment added $20 million for disaster relief for the midwest.

f. Subtotal for Transformation Initiative assumes transfer of 1% of amounts appropriated to programs included in the CDF account.

Catalytic Competition Grants

The Administration requested $148.5 million for a new initiative aimed at supporting economic development projects in distressed areas. The proposed Catalytic Competition Grants Program (CCGs) would have used the statutory framework of the CDBG program. Unlike CDBG funds, which are allocated to states and local governments by formula, the CCG program funds would have been awarded competitively to local governments, nonprofit entities, or consortia of public, nonprofit, and for-profit entities, including local governments, states, and community development corporations. Grant funds would have been used to

- reclaim vacant property for reuse in creating green infrastructure and other environmentally and economically sustainable projects;
- remove property-related obstacles to economic recovery;
- fund economic activities that support transit-oriented development;
- assist small- and medium-sized businesses in targeted neighborhoods; and
- cover administrative costs associated with program activities.

Neither the House-passed nor the Senate Committee-passed bills included funding for the program. Neither H.R. 1 nor the final FY2011 appropriations law (P.L. 112-10) appropriated funds for this proposal.

Sustainable Communities

The Administration requested $148.5 million to fund its multipronged Sustainable Communities Initiative (SCI). This is the same amount requested by the Administration and approved by Congress for FY2010, the first year of the SCI. The SCI appropriations are to be used to fund the program's four components:

1. **Regional Integrated Planning Grants.** In FY2011, $100 million was requested for competitive awards to regional organizations in metropolitan areas to support efforts to develop effective models that integrate the planning requirements of various disciplines critical to the development of sustainable communities. This component of SCI is done in collaboration with the Department of Transportation, the Environmental Protection Agency, and other federal agencies. According to its FY2011 budget justification, HUD anticipates awarding an average grant amount of $3 million to 25 of the nation's 100 metropolitan areas with populations exceeding 500,000 persons and an average grant amount of $500,000 to 25 of the nation's metropolitan areas with populations of fewer than 500,000 persons. Funds are to be used to support improvements in and coordination of metropolitan-wide housing, transportation, energy, and land use planning activities.
2. **Community Challenge Grants (CCGs).** As part of SCI, funds are competitively awarded to communities to reform existing building codes and zoning ordinances with the goal of promoting sustainable growth and discouraging inefficient land use patterns. HUD has proposed that the grant awards not exceed $2 million. HUD's budget justification for FY2011 did not identify the amount the Administration is requesting for CCG activities. For FY2010, Congress appropriated $40 million.
3. **Housing-Transportation Integration Research.** In FY2011 the Administration requested an unspecified amount to fund a joint HUD-Department of Transportation research initiative to quantify and evaluate the benefits and tradeoffs of various efforts. The proposal did specify that a portion of these funds ($2 million) would be used to evaluate the long-term benefits of Regional

Integrated Planning Grants and Community Challenge Grants. For FY2010, Congress appropriated $10 million in support of research efforts.

4. **Capacity Building Program and Tools Clearinghouse.** The administration proposed capacity building as a new component of the SCI. The proposal sought an unspecified amount in support of efforts to improve the technical capacity of regional organizations, local jurisdictions, community-based organizations, developers, and private sector lenders.

It should be noted that, as proposed by the Administration, these four initiatives are to be administered through the recently created Office of Sustainable Housing and Communities within HUD.[37]

Both H.R. 5850 and S. 3644 proposed continued funding of the Administration's SCI at its FY2010 funding level of $148.5 million. The bills also would have required that at least $25 million of the $40 million set-aside for the Regional Integrated Planning Grant component of the SCI be awarded to metropolitan areas with populations that are less than 500,000.

Also, both bills recommended $25 million in funding for the Rural Innovation Fund (RIF) to be used to assist state housing finance agencies, local rural nonprofit organizations, community development corporations, and state and local economic development agencies in addressing housing and poverty-related issues. The bills included provisions that would have set aside $5 million in RIF appropriations for rural Indian tribes to be used to capitalize revolving loan funds and provide technical assistance and business planning activities. The bills also would have provided support for HUD's Transformation Initiative, granting the Secretary the discretionary power to transfer up to 1% of CDF appropriations to the program.

H.R. 1 specially prohibited the use of Community Development Fund dollars for SCI activities. However, P.L. 112-10 appropriated $99.8 million for SCI activities, including $69.9 million for Regional Integration Planning Grants, and $29.9 million for Community Challenge Grants. The FY2011 funding level represents a 33% reduction below SCI's FY2010 funding level.

Section 108 Loan Guarantees

The Section 108 loan guarantee program allows states and entitlement communities to pledge their annual CDBG allocations as collateral in order to help finance redevelopment activities. CDBG entitlement communities and states are allowed to borrow, for a term of up to 20 years, an amount equal to as much as five times their annual CDBG allocations for qualifying activities. As security against default, states and entitlement communities must pledge their current and future CDBG allocations.

The Administration's budget proposed doubling the program's loan commitment ceiling from $250 million in FY2010 to $500 million in FY2011. The Administration's budget justifications noted that, given the continued difficulties in the credit markets, the proposed increase in funding will help local governments finance large-scale projects at a rate slightly above Treasury yields.

[37] HUD announced the creation of the Office of Sustainable Housing and Communities on February 4, 2010. See http://portal.hud.gov/portal/page/portal/HUD/press/press_releases_media_advisories/2010/HUDNo.10-028. Information on activities of the Office of Sustainable Housing and Communities is available at http://portal.hud.gov/portal/page/portal/HUD/program_offices/sustainable_housing_communities.

In addition to an increase in the loan commitment ceiling, the Administration proposed revamping the program by charging a fee-based assessment to borrowers accessing the program, which would eliminate the need for an appropriated credit subsidy. This proposal was first made by the Administration in its FY2010 budget, but it was rejected by Congress in favor of maintaining the status quo. Both the House-passed and Senate Committee-passed bills recommended continuing the program as currently structured. H.R. 5850 recommended a loan commitment ceiling of $427 million supported by a credit subsidy of $10 million. S. 3644 recommended a loan commitment ceiling of $275 million supported by a credit subsidy of $6.4 million.

P.L. 112-10 continued the program at FY2011 commitment level of $275 million supported by a credit subsidy of $5.988 million, excluding $59,880 transferred to the department's Transformation Initiative.

Capacity Building

The Administration's budget for FY2011 proposed to significantly redesign the Capacity Building for Community Development and Affordable Housing Program (capacity building). The capacity building program would have provided technical assistance and funds to local housing and community development organizations through three national intermediaries—the Local Initiative Support Corporation, the Enterprise Community Partners (formerly the Enterprise Foundation), and Habitat for Humanity. Currently a subaccount under the Self-Help and Assisted Homeownership Account, the capacity building program may be used to fund

- training and education activities that enhance the technical and administrative capabilities of community development corporations (CDCs) and community housing development organizations (CHDOs); or
- grants, loans, and other financial assistance to CDCs and CHDOs in support of community development and affordable housing activities benefitting low- and moderate-income persons.

The Administration's budget request would have increased funding for capacity building by $10 million, from $50 million to $60 million. The Administration's proposal would have established the capacity building program as a stand-alone account. Grant funds would have been competitively awarded to national and regional intermediaries with local affiliates and partnerships, or consortia of intermediaries with

- demonstrated expertise in housing and community development; and
- a successful history of administering technical assistance and capacity building programs.

Under the proposal, technical and financial assistance made available through the intermediaries would have been used to assist CDCs, CHDOs, and local governments in developing the capacity to undertake community development and affordable housing activities that benefit low- and moderate-income persons. Assistance would have been used to fund

- training and education activities that enhance the technical and administrative capabilities of CDCs, CHDOs, and local governments;
- loans, grants, or predevelopment assistance;
- market research and needs assessments;

- organizational assessments; and
- other activities as determined by HUD that further the purposes of the program.

Successful grantees would have been required to meet a 3:1 match from private sector sources.

The House-passed and Senate Committee-passed bills did not include funding for this new initiative. Both H.R. 5850 and S. 3644 recommended continuing funding of capacity building activities carried out by the Local Initiative Support Corporation, the Enterprise Community Partners, and Habitat for Humanity under a subaccount of the Self-Help and Assisted Homeownership Opportunity Program (SHOP) account. P.L. 112-10 also continued to fund capacity building through SHOP. (See the following section, "Self-Help and Assisted Homeownership Opportunity Program Account.")

Self-Help and Assisted Homeownership Opportunity Program Account

The Self-Help and Assisted Homeownership Opportunity Program account funds the Self-Help Homeownership Opportunity Program (SHOP) and two other set-asides. Through SHOP, HUD provides grants to national and regional organizations and consortia that have experience in providing or facilitating self-help homeownership opportunities. Prospective homebuyers, with the assistance of volunteers, provide "sweat equity" by contributing labor toward the construction of their homes. In addition, this account funds the Capacity Building for Community Development and Affordable Housing Program (capacity building) and the Housing Assistance Council (HAC). The capacity building program provides technical assistance and funds to local housing and community development organizations through selected national intermediaries. HAC activities are intended to address the housing needs of the rural poor. It supports local organizations involved in developing housing and homeownership opportunities in rural America through the provision of loans, research, and technical assistance.

The President's FY2011 budget did not include any funding for the SHOP account. Instead, it noted that all of the activities traditionally funded through SHOP are eligible uses of funds under the HOME Investment Partnerships Program block grant. (See CRS Report R40118, *An Overview of the HOME Investment Partnerships Program*, by (name redacted) for more information on HOME.) However, the President's budget did request $60 million for a new Capacity Building account that would have provided funding for a variety of capacity-building activities, including those previously funded through this account. (See the previous section, "Capacity Building.").

Both H.R. 5850 and S. 3644 included a total of $82 million for the SHOP account; this included $27 million for SHOP itself, as well as $50 million for capacity building (of which not less than $5 million was to be made available for rural capacity-building activities) and $5 million for HAC. These are the same levels of funding that these activities received in FY2010. The final FY2011 appropriations law (P.L. 112-10) continued funding for these activities at the FY2010 levels, less the 0.2% across-the-board rescission. Total FY2011 funding for account activities was $81.8 million, including $26.9 million for SHOP; $49.9 million for Section 4 Capacity Building for Community Development and Affordable Housing; and $4.9 million for the Housing Assistance Council. HUD anticipated transferring $818,360 to the department's Transformation Initiative account consistent with the provision that allows HUD, at its discretion, to transfer up to 1% of the account's appropriation to the department's Transformation Initiative..

HUD's Housing Counseling Assistance Program

Through its Housing Counseling Assistance Program, HUD annually provides competitive grants to HUD-approved housing counseling agencies. These housing counseling agencies provide a range of housing counseling services, including pre-purchase homeownership counseling, post-purchase homeownership counseling, mortgage delinquency counseling, and counseling for renters, the homeless, or seniors seeking reverse mortgages.[38]

Congress has increased its appropriation for HUD's Housing Counseling Assistance Program in each of the last few years. This increase in funding is due in part to concern about the sharp increase in mortgage default and foreclosure rates that much of the country has experienced since around the middle of 2006. Between FY2003 and FY2007, funding for this program was relatively steady at between $39 million and $42 million. This amount rose to $50 million in FY2008, $65 million in FY2009, and $87.5 million in FY2010. The President's FY2011 budget requested $88 million for the Housing Counseling Assistance Program, just slightly above the level of the FY2010 appropriation.

In the 111th Congress, H.R. 5850 included $88 million for HUD's Housing Counseling Assistance Program, which is the same amount requested in the President's budget. S. 3644 included $100 million for HUD housing counseling assistance, an increase of $12 million over both the President's request and the amount included in the House-passed bill. H.R. 1, which was passed by the House during the 112th Congress, did not include funding for HUD's housing counseling program for FY2011.

The final FY2011 appropriations law (P.L. 112-10) eliminated funding for this program for FY2011. This is an $87.5 million decrease from FY2010, and an $88 million decrease from the President's FY2011 budget request. Some have argued that HUD housing counseling funding is duplicative of the NeighborWorks National Foreclosure Mitigation Counseling Program funding (NFMCP, described below), although the HUD funding can be used for a wider variety of counseling types than the NFMCP funding. Furthermore, HUD has sometimes been criticized for not distributing housing counseling grants more quickly.[39]

The National Foreclosure Mitigation Counseling Program

In addition to appropriating funding for HUD's housing counseling program, Congress has also appropriated separate funding specifically for foreclosure mitigation counseling in each year since FY2008. Instead of appropriating this additional foreclosure mitigation funding to HUD, Congress has appropriated it to the Neighborhood Reinvestment Corporation, commonly known as NeighborWorks America. This funding is now known as the National Foreclosure Mitigation Counseling Program (NFMCP).[40]

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[38] For more information on HUD's housing counseling program, see CRS Report R41351, *Housing Counseling: Background and Federal Role*, by (name redacted).

[39] For example, see U.S. Congress, House Committee on Appropriations, *Departments of Transportation, and Housing and Urban Development, and Related Agencies Appropriations Bill, 2011*, 111th Cong., 2nd sess., July 26, 2010, H.Rept. 111-564, p. 149, http://www.gpo.gov/fdsys/pkg/CRPT-111hrpt564/pdf/CRPT-111hrpt564.pdf.

[40] For more information on the NFMCP, including funding announcements, grant awards, and reports to Congress, see the NFMCP homepage at http://www.nw.org/network/nfmcp/default.asp#info.

NeighborWorks is an independent, government-chartered nonprofit corporation that usually receives its own annual appropriation from Congress to use for a variety of community reinvestment activities. (NeighborWorks is not part of HUD and is therefore not funded through the HUD budget, but it is usually funded as a related agency in the Transportation-HUD funding bill.) In FY2008, NeighborWorks received a regular annual appropriation of just under $120 million. That was also the first year in which NeighborWorks received funding specifically for mortgage foreclosure counseling activities, for which it received $180 million—50% more than its regular base appropriation in that year. Congress appropriated an additional $180 million to the NFMCP in the Housing and Economic Recovery Act of 2008 (P.L. 110-289). Since then, appropriations to the NFMCP have continued, but at a lower amount.

The President's budget requested $113 million for the NFMCP in FY2011, which is well above its FY2010 appropriation and the President's FY2010 budget request, both of which were $65 million. H.R. 5850 included $113 million for the NFMCP, the same amount requested in the President's budget. S. 3644 included $125 million for the NFMCP, $12 million more than the President's request and the House-passed bill. In total, S. 3644 included $24 million more for housing activities than either the House-passed bill or the President's budget ($12 million more for HUD's housing counseling program and $12 million more for the NFMCP).

The final FY2011 appropriations law (P.L. 112-10) did not make any changes to the funding for the NFMCP, maintaining funding for this program at the FY2010 level of $65 million. **Table 9** shows funding levels for the NFMCP in each year since the program was established.

Table 9. National Foreclosure Mitigation Counseling Program

(dollars in millions)

Law	Date Enacted	Appropriation
Consolidated Appropriations Act, 2008 (P.L. 110-161)	December 26, 2007	$180
Housing and Economic Recovery Act of 2008 (P.L. 110-289)	July 30, 2008	$180
Omnibus Appropriations Act, 2009 (P.L. 111-8)	March 11, 2009	$50
Consolidated Appropriations Act, 2010 (P.L. 111-117)	December 16, 2009	$65
Department of Defense and Full-Year Continuing Appropriations Act, 2011 (P.L. 112-10)	April 15, 2011	$65

Source: Table prepared by CRS based on P.L. 110-161, P.L. 110-289, P.L. 111-8, P.L. 111-117, and P.L. 112-10.

Note: The monies appropriated in P.L. 110-289 included funding for legal assistance for homeowners facing foreclosure.

Many housing counseling agencies play a role in supporting the Administration's primary foreclosure prevention initiative, the Home Affordable Modification Program (HAMP). HAMP provides financial incentives to participating mortgage servicers to lower the monthly mortgage payments of eligible troubled borrowers to an affordable level. HAMP requires housing counseling for a certain subset of homeowners who have high overall debt-to-income ratios; recipients of funding through the NFMCP can use up to 30% of their grants to counsel these borrowers. However, all borrowers who think they may be eligible for HAMP are encouraged to contact housing counselors for assistance, and many housing counseling agencies that receive funding through the NFMCP and HUD's housing counseling program provide counseling to these borrowers. (For more information on HAMP and other federal foreclosure prevention initiatives, see CRS Report R40210, *Preserving Homeownership: Foreclosure Prevention Initiatives*, by (name redacted).)

Native American Housing Block Grants

Native American Housing Block Grants (NAHBGs) are formula-based grants for Indian tribes to provide housing assistance primarily to low-income American Indian and Alaskan Native households. In addition to the formula grants to Indian tribes, this account also includes several set-asides for technical assistance and loan guarantees. In FY2010, Congress provided $700 million for the NAHBG account. Of this amount, $4.25 million was set aside for general technical assistance; $3.5 million was set aside for the National American Indian Housing Council (NAIHC)[41] to provide training and technical assistance; and $2 million in credit subsidy was set aside to provide for loan guarantees through the Title VI Loan Guarantee Program.

The President's FY2011 budget request included $580 million for Native American Housing Block Grants, a decrease of $120 million from the FY2010 enacted level. Furthermore, the President's budget did not request any set-asides for technical assistance or for the National American Indian Housing Council. Both the House-passed H.R. 5850 and the Senate Committee-passed S. 3644 included $700 million for the NAHBG account, and included the same amounts for set-asides that were provided in FY2010.

H.R. 1 would have provided $500 million to the NAHBG account, $200 million below the FY2010 enacted level and $80 million below the President's FY2011 request.

The final FY2011 appropriations law (P.L. 112-10) provided nearly $650 million to this account, over $50 million below the FY2010 enacted level but nearly $70 million higher than the President's FY2011 budget request. The enacted FY2011 appropriations law also maintained the set-asides within this account at FY2010 levels, less the 0.2% across-the-board rescission.

[41] The legislative language that provides funding to the National American Indian Housing Council sets funding aside for "a national organization representing Native American housing interests for providing training and technical assistance" to Indian tribes. Historically, the National American Indian Housing Council has been the only organization that fits this description.

Appendix. Related Budget Actions and Funding Legislation

FY2011 Budget Resolution

The annual budget resolution acts as an agreement between the House and Senate establishing parameters within which Congress can consider legislation dealing with spending and revenue. In addition to setting forth enforceable levels of spending, revenue, and public debt, the budget resolution would have provided spending allocations to House and Senate committees. Once the House and the Senate Appropriations Committees receive a committee allocation in the budget resolution, they divide their allocation among their 12 subcommittees. Each subcommittee is responsible for one of the 12 regular appropriations bills.

The House and the Senate budget committees began their consideration of the FY2011 budget resolution when they received the President's budget. As part of the formulation process, the committees receive information from executive branch officials, Members of Congress, and the public, as well as "views and estimates" statements from authorizing committees with jurisdiction over spending and revenues. The target date for completion of the budget resolution is April 15.

On April 22, 2010, the Senate Budget Committee reported a budget resolution for FY2011 (S.Con.Res. 60). However, no further action was taken by the Senate. The House Budget Committee did not report an FY2011 budget resolution. In the absence of an agreement on a budget resolution, the House and Senate proceeded in different ways. On July 1, 2010, the House adopted a budget enforcement resolution (H.Res. 1493), which established enforceable FY2011 spending levels for the House Appropriations Committee. The Senate did not agree to enforceable spending allocations for the Senate Appropriations Committee, although the committee released "subcommittee spending guidance" and moved forward with consideration of FY2011 regular appropriations bills. For more information about the FY2011 budget, see CRS Report R41097, *The FY2011 Federal Budget*, by (name redacted).

Financial Reform and Funding for NSP-3 and EHLP

The Dodd-Frank Wall Street Reform and Consumer Protection Act, designed to reform federal financial regulations, included $1 billion in mandatory funding for the Community Development Fund for a third round of Neighborhood Stabilization Program (NSP) grants (Section 1497 of P.L. 111-203). The act was signed into law on July 21, 2010, but the funds will be made available beginning October 1, 2010, which means they will be considered FY2011 funds. For more information about the Neighborhood Stabilization Program, see CRS Report RS22919, *Community Development Block Grants: Neighborhood Stabilization Program; Assistance to Communities Affected by Foreclosures*, by (name redacted) and (name redacted).

The act also provided HUD with the authority to provide up to $1 billion worth of mortgage assistance to certain homeowners who are at risk of foreclosure as a result of a decrease in income due to unemployment, underemployment, or a medical emergency. HUD is using this $1 billion in mandatory budget authority for a program it has termed the Emergency Homeowners Loan Program (EHLP). For more information about this program, see CRS Report R40210, *Preserving Homeownership: Foreclosure Prevention Initiatives*, by (name redacted).

Supplemental Disaster Funding

The Supplemental Appropriations Act, 2010 was signed into law on July 29, 2010 (P.L. 111-212). It included an emergency appropriation of $100 million for the Community Development Fund to provide CDBG disaster relief funding for "areas affected by severe storms and flooding from March 2010 through May 2010 for which the President declared a major disaster covering an entire State or States with more than 20 counties declared major disasters under title IV of the Robert T. Stafford Disaster Relief and Emergency Assistance Act of 1974." This emergency funding was provided in FY2010, and is therefore considered emergency FY2010 funding. For additional information on the CDBG disaster recovery assistance, see CRS Report RL33330, *Community Development Block Grant Funds in Disaster Relief and Recovery*, by (name redacted).

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