

President's FY 2011 Budget Proposal Combines Economic Discipline With Vital Support for Affordable Housing in Communities Nationwide

Budget Focuses on HUD's Key Strategic Goals, Including Strengthening the Nation's Housing Market, and Meeting the Needs of Low- to Moderate-Income Families, Individuals, and the Homeless

Washington, DC (February 4, 2010) – This week the Obama Administration released its FY 2011 budget proposal, which combines economic discipline with vital support for affordable housing in communities nationwide. Specifically, priorities outlined in the proposal support the U.S. Department of Housing and Urban Development's (HUD) key goals, including strengthening the housing market, meeting affordable rental housing needs, improving quality of life, building vibrant and stable communities through the Choice Neighborhood's Initiative, and transforming the way HUD does business. The proposal provides HUD with a total budget of \$48.5 billion for existing core programs and new initiatives – meeting the agency's initial \$41.6 billion request and including a projected \$6.9 billion from Federal Housing Administration (FHA) and Ginnie Mae related revenue.

"In response to the most severe recession in generations, the Administration's budget proposal balances fiscal responsibility with the need to support many existing and new programs focused on providing decent, stable and affordable housing to families and individuals nationwide at a time when they need it most," said NHC President and CEO Conrad Egan.

Specifically, the FY 2011 budget proposal is designed to help achieve five key HUD goals:

1. Strengthening the Nation's Housing Market

The Administration has made great strides in strengthening the housing market in order to bolster the economy and protect consumers, in particular when it comes to the FHA. According to HUD, the FHA represented 30 percent of the housing market in the last quarter of 2009 – up from 1.9 in 2006 – and served 2.1 million households in 2009. Recent policy changes were designed to grow capital reserves and manage FHA risk. These changes included increasing the mortgage insurance premium for borrowers, as well as updating the combination of minimum FICO scores and down payments required for new FHA borrowers.

As a result, the FY 2011 budget proposal reflects an increase in revenue of more than \$3.5 billion when compared to FY 2010. The budget proposal also provides \$88 million for the Housing Counseling Assistance program and \$20 million for combating mortgage fraud in order to help continue to stabilize the housing market over the long-term.

2. Meeting the Need for Quality Affordable Rental Homes

The current housing and foreclosure crisis has resulted in rethinking the nation's housing policy by better balancing homeownership with the need for quality rental homes. The proposed FY 2011 budget increases investments in HUD's rental assistance programs, including proposing \$350 million for the first phase of a multi-year initiative called Transforming Rental Assistance

focused on regionalizing the Housing Choice Voucher program and converting public housing to project-based housing vouchers.

In addition, the budget proposal includes \$2.1 billion for HUD's Homeless Assistance Grants – up from \$1.9 million in FY 2010. This \$200 million increase includes initial funding for the effective implementation of the HEARTH Act, which will help in maintaining the Administration's progress in reducing chronic homelessness and meeting the growing needs among homeless families. The Act will provide important investments in homeless prevention and permanent supportive housing, shift local homeless assistance systems to a performance-based orientation, and help better meet the unique needs of rural communities.

3.Improving Quality of Life Through Housing

As part of the FY 2011 budget proposal, HUD is designating a total of \$85 million in new funding to the creation of 10,000 homeless and special needs housing vouchers as part of an innovative collaboration with the U.S. Department of Health and Human Services and the U.S. Department of Education. In addition, the budget proposal is centered on modernizing important programs, including the Housing for the Elderly (Section 202) and Housing for Persons with Disabilities (Section 811) programs. HUD has requested a suspension of new related projects for these programs in its FY 2011 budget in order to redesign them in a way that better targets resources and streamlines program operations.

As a result, funding for the two programs has been significantly reduced in the Administration's budget proposal – from \$825 million to \$274 million for the Section 202 program and from \$213 million to \$90 million for Section 811 in comparison to FY 2010 enacted levels.

The proposal also includes \$340 million in funding for the Housing Opportunities for Persons with AIDS program – representing a \$5 million increase from FY 2010.

4.Building Inclusive, Vibrant and Stable Communities

The proposed FY 2011 budget includes funding to support activities to create more transit-dense and all inclusive neighborhoods – requesting \$250 million for the Choice Neighborhoods Initiative, up from \$65 million in 2010, as well \$150 million for the Sustainable Communities Initiative. The Administration is also fully-funding Community Development Block Grants through this request.

5.Transforming the Way HUD Does Business

Additionally, in 2009 HUD acknowledged a pressing need to change. Through the FY 2011 budget proposal HUD is allocating \$476 million – \$217 million more than FY 2010 levels – for the related Transformation Initiative Fund. The budget proposal also provides \$87 million for Policy Development and Research (PD&R) for research and technology – \$39 million over FY 2010 enacted levels – to increase necessary resources and for the implementation of rigorous evaluations.

