

CRS Report for Congress

The Department of Housing and Urban Development: FY2008 Appropriations

May 29, 2007

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**Prepared for Members and
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Summary

On February 5, 2007, President Bush released his FY2008 budget request, ten days before the Congress finished work on the FY2007 spending bills by approving a revised year-long continuing resolution (P.L. 110-5). The FY2007 CR funded most Department of Housing and Urban Development (HUD) programs at their FY2006 level, but with decreases for some programs, and increases for other programs. The CR provided HUD with over \$36.6 billion for FY2007.

The President's FY2008 budget requests about a billion dollar decrease in funding for HUD. It proposes to provide no new funding for several programs that have been targeted for elimination in recent years, but that Congress has continued to fund (HOPE VI, Rural Housing and Economic Development, Brownfields Redevelopment, and Section 108 Loan Guarantees). The President's FY2008 budget also requests decreased funding for several programs, including Section 202 Housing for the Elderly, Section 811 Housing for the Disabled, the Community Development Block Grant program, Lead Hazard Reduction, Fair Housing programs, and the Public Housing Capital Fund. Each of these programs has been targeted for decreases in past budget requests, but Congress did not approve the requested decreases. The President's budget requests funding increases for several programs, including programs for the homeless, persons with AIDS, and first-time homebuyers.

The FY2008 funding debate will also be shaped by the ongoing decline in receipts from the Federal Housing Administration available to offset the cost of the budget. For FY2007, it was estimated that FHA would generate a net surplus of over \$650 million that could offset the cost of the HUD budget; for FY2008, that amount is estimated to be about \$250 million, although Congress may consider legislative proposals that could increase that amount.

This report, which will be updated, tracks congressional appropriations for HUD and provides a detailed discussion of the funding and issues related to the majority of accounts in the Department's budget.

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The Department of Housing and Urban Development: FY2008 Appropriations

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

Most of the appropriations for the Department of Housing and Urban Development (HUD) are designed to address housing problems faced by households with very low incomes or other special housing needs. These include programs of rental assistance for the poor, elderly, or disabled, housing assistance for persons with AIDS, and shelter for those who are homeless. The two large HUD block grant programs, HOME and Community Development Block Grants (CDBG), also help communities finance a variety of activities to address the housing and community development needs of disadvantaged populations. In recent years, HUD has focused more attention on efforts to increase the homeownership rates for lower-income and minority households. HUD's Federal Housing Administration (FHA) insures mortgages made by lenders to lower-income home buyers, many with below-average credit records, and to developers of multifamily rental buildings containing relatively affordable units.

Table 1. Department of Housing and Urban Development Appropriations, FY2003-FY2007
(net budget authority in billions)

FY2003	FY2004	FY2005	FY2006	FY2007
\$31.01	\$31.20	\$31.92	\$50.68 ^a	\$36.63

Source: Figures are from the House Appropriations Committee estimate tables. Final appropriations levels for any fiscal year include all supplemental appropriations or rescissions. They do not reflect revised estimates of offsetting receipts.

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 2005 Hurricanes. Regular FY2006 HUD appropriations totaled just under \$33.6 billion.

FY2007 Appropriations

Congress did not complete most FY2007 appropriations bills before the beginning of the fiscal year, or before the close of the 109th Congress, when the party control of Congress changed. In order to keep the government running, Congress approved a series of stop gap funding measures, called continuing resolutions, that maintained government funding at the lower of the FY2006 enacted, House-passed,

or Senate-passed level. On February 15, 2007, the 110th Congress approved a revised continuing resolution covering the remainder of FY2007 (P.L. 110-5). It funded most programs at their FY2006 level, although it specified higher or lower funding levels for some programs, including several HUD programs. Specifically, the CR funded six HUD accounts above their FY2006 level —

- Tenant Based Rental Assistance: \$15,920 million for FY2007;
- Project-Based Rental Assistance: \$5,976 million for FY2007;
- Public Housing Operating Fund: \$3,864 million for FY2007;
- Indian Housing Loan Guarantee: \$6 million for FY2007;
- Homeless Assistance Grants: \$1,442 million for FY2007; and
- Salaries and Expenses: the FY2006 levels, plus such sums as necessary to meet 50% of the need for cost-of-living increases for federal employees for FY2007.

The CR funded three HUD accounts below their FY2006 level —

- Self Help and Assisted Homeownership: \$49 million for FY2007;
- Research and Technology: \$50 million for FY2007; and
- Community Development Fund: \$3,772 million for FY2007.

The 110th Congress approved an FY2007 supplemental funding bill that proposes to make several changes to the FY2007 CR. The U.S. Troop Readiness, Veterans' Care, Katrina Recovery, and Iraq Accountability Act (H.R. 2206) was introduced on May 8, 2007. The bill, which was in conference as of the date of this report, contains identical housing-related provisions. Specifically, H.R. 2206 provides additional funding for HUD's Inspector General in order to oversee Hurricane Katrina funding, additional funding for the Office of Federal Housing Enterprise Oversight, language clarifying how the Department should distribute FY2007 Section 8 voucher funding, language extending the availability of Katrina voucher funds, and language clarifying how HUD should treat the renewal of certain project-based voucher contracts. (For more details on the FY2007 budget for HUD, see CRS Report RL33344, *The Department of Housing and Urban Development (HUD): FY2007 Budget*, by Maggie McCarty et al.)

The FY2008 Budget

Table 2 presents the President's FY2008 HUD budget request compared to the prior year's appropriations.

Table 2. Appropriations: Housing and Urban Development, FY2007-FY2008

(budget authority in billions of dollars)

Program	FY2007 Enacted ^a	FY2008 Request
Appropriations		
Tenant Based Rental Assistance (includes advanced appropriation) (Sec. 8 vouchers)	\$15.920	\$16.007
Project Based Rental Assistance (Sec.8)	5.976	5.813
Public housing capital fund	2.439	2.024
Public housing operating fund	3.864	4.000
HOPE VI	0.099	0.000 ^f
Native American housing block grants	0.624	0.627
Indian housing loan guarantee	0.006	0.007
Native Hawaiian Block Grant	0.009	0.006
Native Hawaiian loan guarantee	0.001	0.001
Housing, persons with AIDS (HOPWA)	0.286	0.300
Rural Housing Economic Development	0.017	0.000
Community Development Fund (Including CDBG)	3.772	3.037
CDBG Sec.108 loan guarantee; subsidy	0.004	0.000
Brownfields Economic Development	0.010	0.000
HOME Investment Partnerships	1.757 ^b	1.967 ^b
Homeless Assistance Grants	1.442	1.586
Self-help and Assisted Homeownership	0.049	0.070
Housing for the elderly	0.735	0.575
Housing for the disabled	0.237	0.125
Housing Counseling Assistance ^b	b	0.050 ^b
Rental Housing Assistance	0.026	0.000
Research and technology	0.050	0.065
Fair housing activities	0.046	0.045
Office, lead hazard control	0.150	0.116
Salaries and expenses	0.581 ^c	0.654
Working capital fund	0.195	0.220
Manufactured Housing Fees Trust Fund ^d	0.013	0.016
Office of Federal Housing Enterprise Oversight ^d	0.060	0.066
FHA Expenses ^d	0.722	0.767
GNMA Expenses ^d	0.011	0.011

Program	FY2007 Enacted ^a	FY2008 Request
Inspector General	0.082	0.088
Appropriations Subtotal	39.182	38.242
Rescissions		
Housing Certificate Fund (Section 8) rescission	-1.650	-1.300
HOPE VI rescission	0.000	-0.099 ^f
Neighborhood Initiatives (NI) rescission	0.000	-0.050 ^g
Economic Developments Initiative (EDI) rescission	0.000	-0.307 ^g
Rescissions Subtotal	-1.650	-1.755
Offsetting Receipts/Program Savings^e		
Manufactured Housing Fees Trust Fund	-0.013	-0.016
Office of Federal Housing Enterprise Oversight	-0.060	-0.066
Federal Housing Administration (FHA)	-0.652	-0.250
GNMA	-0.181	-0.185
Legislative Proposals	NA	-0.366 ^h
Offsets Subtotal	-0.906	-0.883
Total	\$36.626	\$35.604

Source: Prepared by CRS based on tables provided by the Appropriations Committee, the President's FY2008 Budget documents and HUD Congressional Budget Justifications.

- a. The FY2007 year-long continuing resolution funded most accounts at their FY2006 enacted level; however, the CR specified higher or lower funding levels for some HUD accounts.
- b. Housing Counseling Assistance is typically funded as a set-aside in the HOME account. In FY2007, it was funded at \$42 million within HOME. In recent years, including FY2008, the President's budget has requested that the program be funded in a separate account.
- c. The CR appropriated such sums as may be necessary to fund 50% of the cost of the statutory cost-of-living increase approved for FY2007. The amount shown here may change if estimates of the cost of this provision change.
- d. The cost of these accounts is generally covered (partially, if not fully) by offsetting receipts that are listed further down in **Table 2**.
- e. Estimates of offsetting receipts are subject to change.
- f. The President has requested that Congress rescind the amount provided in FY2007 for HOPE VI.
- g. The President's budget requests a rescission of FY2007 EDI and NI funds, but no EDI or NI funds were provided in FY2007.
- h. The President has proposed a series of cost-saving FHA modernization proposals, which are discussed later in this report in the discussion of the Federal Housing Administration.

Accounts

The following section of the report provides a detailed discussion of the majority of accounts included in **Table 2**. Note that the unit of funding used for tables may vary between millions and thousands.

Tenant-Based Rental Assistance (Section 8 Vouchers). The tenant-based rental assistance account funds the Section 8 Housing Choice Voucher program. (See CRS Report RL32284, *An Overview of the Section 8 Housing Program*, by Maggie McCarty.) Section 8 vouchers are portable rent subsidies that low-income families use to reduce their housing costs in the private market. HUD currently funds more than 2 million Section 8 vouchers, which are administered at the local level by quasi-governmental Public Housing Authorities (PHAs). This account funds the cost of those vouchers and the cost of administering the program.

Table 3. Section 8 Tenant-Based Rental Assistance (Vouchers), FY2007-FY2008
(in millions of dollars)

	FY2007 Enacted ^a	FY2008 Request
Section 8 Tenant-Based Rental Assistance (vouchers)	\$15,920^{b,c}	\$16,007^d
Voucher renewals	14,436 ^c	14,445
<i>Rental subsidy reserve</i>	<i>100^c</i>	<i>100</i>
Administrative costs	1,238	1,351
Family Self Sufficiency	47	48
Tenant Protection	178	150
Working Capital Fund	6	7

Source: See **Table 2**.

Note: Totals may not add due to rounding.

- Unless noted otherwise, amounts shown for FY2007 were not specified in the CR and are therefore assumed to be the same as provided in the FY2006 appropriations law.
- Not all subaccount amounts for the tenant-based rental assistance account were specified in the year-long CR. Only the total amount, the voucher renewal amount, and the rental subsidy reserve amount were specified. The remainder of the subaccounts are presumably funded at their FY2006 level. However, if funded at the FY2006 level, the sum of the set-asides would not equal the total provided to the account (\$15,905 million compared to \$15,920 million). It is unclear how the additional \$15 million would be spent. The FY2007 supplemental appropriations bill (H.R. 2206) would amend the FY2007 CR to provide \$1,282 million for administrative fees and \$149 million for tenant-protection vouchers.
- The FY2007 CR specified an amount for this account.
- The subaccount amounts do not total to the account total owing to the FY2007 advance appropriation. Each year, the tenant-based rental assistance account is funded in part by an advance appropriation provided in the previous year, and, each year, Congress funds advance appropriations for the subsequent year. Most years, the amount is \$4.2 billion. In FY2007, the amount provided in advance appropriations for the subsequent year. Most years, the amount is \$4.2 billion. In FY2007, the amount provided in advance appropriations for FY2008 was \$4.193 billion. For FY2008, the President has asked for \$4.2 in advance appropriations for FY2009. That net difference, \$7 million, appears in the account total shown here but is not shown in the President's budget request.

Voucher Renewals. The majority of tenant-based rental assistance funding is dedicated to voucher renewals. Congress has authorized the creation of more than 2 million vouchers over the history of the program, and the funding for virtually all of them expires every year. If a family is using a voucher to lease an apartment but funding is not sufficient to renew it, then the family will lose its assistance. Since FY2004, Congress has made changes each year in the way that HUD distributes voucher renewal funding to PHAs. (For more information, see CRS Report RL33929, *Recent Changes to Section 8 Housing Voucher Renewal Funding*, by Maggie McCarty.) Several voucher reform proposals have been considered that would alter the statutory formula for distributing voucher funds, although any language included in appropriations bills could override such statutory changes. (For more information, see CRS Report RL34002, *Section 8 Housing Choice Voucher Program: Issues and Reform Proposals in the 110th Congress*, by Maggie McCarty.)

The FY2007 CR did not adopt the same allocation formula that was in place in FY2006. In FY2006, PHAs were funded *based on what they had received* in FY2005, with some adjustments (including for inflation and some first-time voucher renewals), and prorated to fit within the amount appropriated. For FY2007, Congress directed HUD to fund PHAs *based on their actual leasing and costs* from the previous 12 months, adjusted for inflation and for the cost of the first-time renewal of tenant-protection vouchers and vouchers set-aside for project-based use, and prorated to fit within the amount appropriated. Moving to Work (MTW) demonstration agencies were funded based on their agreements, subject to proration. Of the amount provided for renewals, \$100 million was set-aside to adjust the budgets of agencies that (1) had experienced an increase in voucher costs due to unforeseen circumstances or portability and (2) were adversely affected by the formula change and risked losing vouchers.

In his FY2008 budget, the President requested that PHAs receive renewal funding using a formula similar to the one in place in FY2006. Specifically, the President requested that agencies be funded based on what they received in FY2007; adjusted for inflation, the costs of deposits to escrow accounts, and the first time renewal of tenant protection vouchers; and prorated to fit within the amount appropriated. MTW agencies would be funded pursuant to their agreements, subject to proration. The President's budget also requests that \$100 million be set aside for additional rental subsidy needs resulting from unforeseen circumstances and to make portability adjustments.

Administrative Fees. Prior to FY2004, PHAs were paid a fixed fee per voucher administered. Beginning in FY2004, at Congress' direction, HUD changed the way it distributed administrative fees, providing agencies with a pro-rata share of the amount appropriated for administrative fees, based on what they had received in the previous year. The change was designed to contain the cost of administrative fees, which were estimated to have grown to account for 10% of the cost of a voucher.

The FY2007 CR did not specify an amount for administrative fees, so they were funded at their FY2006 level (\$1,238 million). The FY2007 supplemental appropriations bill approved by both the House and the Senate (H.R. 2206) would amend the CR to increase funding for administrative fees to the amount requested by

the President for FY2007 (\$1,281 million). For FY2008, the President has requested \$1,351 million for administrative fees and has asked that \$5 million be set aside for incentive bonuses for PHAs that voluntarily consolidate. The President's budget also requests the authority to allocate administrative fee funding based on the number of families assisted by PHAs, as opposed to the pro-rata allocation that has been in place in recent years.

Tenant Protection Vouchers. Tenant protection vouchers are provided to families in a variety of circumstances, including families who are threatened with displacement because the contract on their assisted unit is ending (project-based Section 8, for example), families who are displaced from public housing (due to demolition or disposition), families in the witness protection program, and families in the child welfare system (through the Family Unification Program).

The FY2007 CR did not specify an amount for tenant protection vouchers, so they were funded at their FY2006 level (\$178 million). The FY2007 supplemental appropriations bill that has passed the House and Senate (H.R. 2206) proposes to amend the CR to reduce the amount for tenant protection vouchers to \$149 million. For FY2008, the President has requested \$150 million for tenant protection vouchers and has requested the authority to supplement the appropriated funds with funds recaptured from unobligated balances.

Section 8 Project-Based Rental Assistance. This account provides funding to administer and renew existing project-based Section 8 rental assistance contracts between HUD and private landlords. Under those contracts, HUD provides subsidies to units owned by private landlords that allow eligible low-income families to live in the units but pay only 30% of their incomes toward rent. No new contracts have been entered into under this program since the early 1980s; the funding provided is used only to renew existing contracts and pay administrative costs.

Table 4. Section 8 Project-Based Rental Assistance, FY2007-FY2008
(in millions of dollars)

	FY2007 Enacted^a	FY2008 Request
Section 8 Project-Based Rental Assistance	\$5,976^b	\$5,813
Project-Based Renewals	5,829 ^b	5,522
Contract Administrators	146	286
Working Capital Fund	1	4

Source: See **Table 2**.

- a. Unless noted otherwise, amounts shown for FY2007 were not specified in the CR and are therefore assumed to be the same as provided in the FY2006 appropriations law.
b. The FY2007 CR specified an amount for this account.

Contract Administrators. Contract administrators are subcontracted by HUD to manage the contracts between landlords and the Department. HUD formerly administered all of the contracts directly, but has set a goal to transfer all contract administration to subcontractors.

The President's FY2008 budget requests a 96% increase in appropriations for contract administrators. HUD's Congressional Budget Justifications indicate that this funding increase is necessary in order to maintain the same level of service provided in FY2005 and FY2006, when the appropriations were supplemented by recaptured funds. The justifications note that HUD obligated almost \$265 million for contract administrators in FY2006, even though only \$146 million was provided in appropriations. For FY2008, the justifications indicate that additional funding is not available from recaptured funds, so all of the account needs would have to be met through new appropriations.

Housing Certificate Fund Rescission. The two Section 8 programs — tenant-based rental assistance and project-based rental assistance — were previously funded under a joint account called the Housing Certificate Fund (HCF). The HCF was split by the FY2005 appropriations law, although the account still retains funding from prior years' appropriations. Each year, the Administration makes available for rescission an amount it estimates will be available from unobligated or recaptured Section 8 funds within the HCF. In recent years, there has been some controversy surrounding whether or not there are sufficient unobligated balances in the HCF to meet the rescission. If HUD cannot meet the rescission from the HCF, it has the authority to take the funds from other accounts. The FY2007 CR rescinded \$1.65 billion from the HCF. The President's FY2008 budget requests that Congress rescind \$1.3 billion.

Public Housing. The public housing program provides publicly owned and subsidized rental units for very low-income families. Although no new public housing developments have been built for many years, Congress continues to provide funds to the more than 3,100 public housing authorities (PHAs) that maintain the existing stock of more than 1.2 million units. Through the Operating Fund, HUD provides funds to PHAs to help fill the gap between tenants' contributions toward rent and the cost of ongoing maintenance, utilities, and administration. 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 funds to help demolish and/or redevelop severely distressed public housing developments, with a focus on building mixed-income communities.

Table 5. Public Housing, FY2007-FY2008
(in millions of dollars)

	FY2007 Enacted^a	FY2008 Request
Public Housing Operating Fund	\$3,864^b	\$4,000
Operating Subsidies	3,864	3,994
Transition to asset-based management/new formula	0	6
Public Housing Capital Fund	\$2,439	\$2,024
Formula Grants	NS	1,966
Technical assistance/remediation	11	15
Administrative receivership	9	10
Emergency reserve	17	0
Service coordinators and supportive services (ROSS)	38	0
Financial and physical assessments	0	15
Neighborhood Networks	7	0
Working Capital Fund	11	17
HOPE VI	\$99	-\$0^c

Source: See Table 2.

- a. Unless noted otherwise, amounts shown for FY2007 were not specified in the CR and are therefore assumed to be the same as provided in the FY2006 appropriations law. Amounts not specified in the FY2006 law (even if specified in conference report) are denoted by an "NS."
- b. The FY2007 CR specified an amount for this account.
- c. The President has requested that Congress rescind the amount provided in FY2007 for HOPE VI.

Operating Fund. The President's FY2008 budget requests a \$130 million increase in funding for the public housing Operating Fund. In recent years, HUD has not requested, and Congress has not provided, sufficient appropriations to fund all PHAs at 100% of their Operating Fund formula eligibility. Instead, PHAs generally receive some percentage of their eligible budgets, referred to as the proration level. The FY2007 CR provided \$3.86 billion for the Operating Fund, which resulted in a proration of 83%. For FY2008, the President has requested \$4 billion (\$3.99 billion for formula grants), which is estimated to result in a proration level of just over 80%. (For more information, see CRS Report RS22557, *Public Housing: Fact Sheet on the New Operating Fund Formula*, by Maggie McCarty).

Capital Fund. For FY2008, the President is proposing a \$400 million reduction in funding for the Capital Fund. About \$35 million of that reduction comes from changes in the amount requested for set-asides within the account. The budget proposes to eliminate funding for Resident Opportunities for Supportive Services grants, Neighborhood Networks technology grants, and emergency reserve funding. It also proposes an increase for technical assistance and physical and financial assessments. The majority of the reduction would come from the formula grants that

HUD provides to PHAs to use to modernize their public housing. The Department's Congressional Budget Justifications indicate that one of HUD's priorities is to support alternative financing of public housing (for example, using federal public housing funding to leverage private investment). The justifications also note that the Department is undertaking a modernization needs study and will develop a protocol to measure the performance of PHAs in meeting modernization needs, including incentives for PHAs that excel in modernizing the stock with limited Capital Fund resources.

HOPE VI. Each year since FY2004, the President has requested that Congress provide no new funds for the HOPE VI program, although each year the Congress has continued to fund the program. The Department argues that the program has largely met its goal of eliminating the worst public housing and that it has a backlog of unspent funds that need to be addressed. Since FY2005, the President has also requested that Congress rescind the funds it provided for the program in previous years, before they are awarded to grantees, although Congress has not approved such a rescission. The FY2008 budget requests that Congress rescind the funds it provided to the program in FY2007. (For more information, see CRS Report RL32236, *HOPE VI Public Housing Revitalization Program: Background, Funding, and Issues*, by Maggie McCarty.)

Native American Block Grants. The Native American Housing Assistance and Self-Determination Act of 1996 (NAHASDA) reorganized the system of federal housing assistance to Native Americans by eliminating several separate programs of assistance and replacing them with a single block grant program. In addition to simplifying the process of providing housing assistance, the purpose of NAHASDA was to provide federal assistance for Indian tribes in a manner that recognizes the right of Indian self-determination and tribal self-governance. NAHASDA provides block grants to Indian tribes or their tribally designated housing entities (TDHE) for affordable housing activities. Affordable housing activities include any programs currently authorized in law, as well as model activities as approved by HUD.

Table 6. Native American Block Grants, FY2007-FY2008
(in thousands of dollars)

	FY2007 Enacted^a	FY2008 Request
Native American housing block grants	\$623,700	\$626,965
Formula Grants	616,275	620,735
Loan Guarantee (Title VI Credit Subsidy)	1,831	1,831
Administrative Expenses	149	149
Technical Assistance	4,455	4,250
National American Indian Housing Council	990	0

Source: See **Table 2**.

a. Amounts shown for FY2007 were not specified in the CR and are therefore assumed to be the same as provided in the FY2006 appropriations law.

For FY2008 the Administration is requesting \$627 million in appropriations for the Native American Block Grant (NABG) program. No set-aside is proposed for the National American Indian Housing Council (NAIHC). In past years NAIHC used these funds to perform training and technical assistance for Indian tribes and TDHEs. The Administration argues that sufficient funding has already been provided to NAIHC for these purposes.

The Administration's budget is proposing a bond financing program for NABG recipients. The recipients would sell tax-exempt bonds to private investors and the bonds would be backed by current and future NABG funds. The bond proceeds would be used to finance eligible housing activities.

Housing for Persons with AIDS (HOPWA). HOPWA provides housing assistance and related supportive services for low-income persons with HIV/AIDS and their families. Funding is distributed both by formula allocation and competitive grants to states, localities, and nonprofit organizations. (For background, see CRS Report RS20704, *Housing Opportunities for Persons with AIDS (HOPWA)*, by Libby Perl.)

Table 7. HOPWA, FY2007-FY2008
(in thousands of dollars)

	FY2007 Enacted^a	FY2008 Request
Housing for Persons with AIDS (HOPWA)	\$286,110	\$300,100

Source: See Table 2.

a. Amounts shown for FY2007 were not specified in the CR and are therefore assumed to be the same as provided in the FY2006 appropriations law.

The President's budget for FY2008 would provide \$300 million for the HOPWA program, an increase of \$14 million over the FY2007 appropriation. According to HUD, the requested funding would support approximately 67,000 housing units. In addition, the Administration proposes to change the method of allocating formula grants. The current formula uses the cumulative number of AIDS cases in a jurisdiction (including those individuals who have died) in determining how funds are distributed. The new method would use the number of persons living with AIDS, as well as take into account the cost of housing in each jurisdiction.

Rural Housing and Economic Development. This program provides competitive grants to states and localities to fund capacity building and innovative housing and economic development activities in rural areas. As in previous years, the Administration is proposing no funding for the program for FY2008.

**Table 8. Rural Housing and Economic Development,
FY2007-FY2008**

(in thousands of dollars)

	FY2007 Enacted^a	FY2008 Request
Rural Housing and Economic Development	\$16,830	\$0

Source: See Table 2.

a. Amounts shown for FY2007 were not specified in the CR and are therefore assumed to be the same as provided in the FY2006 appropriations law.

Community Development Fund/Block Grants. The Community Development Fund account funds the Community Development Block Grant program, and, in past years, has funded various other community development-related programs.

The CDBG program is the largest source of federal assistance in support of the housing, community, and economic development activities of states and local governments. The President's FY2008 budget recommendation for the formula portion of the CDBG is \$736 million or 20% less than the \$3.711 billion appropriated for distribution to entitlement communities and states in FY2007. In addition, the President's budget states that the Administration will "re-propose" the CDBG Reform Act during the 110th Congress, but as of May 2007, no formal legislative proposal has been introduced in the House or the Senate. During the 109th Congress the Administration unveiled a proposal that would have restructured the CDBG distribution formula. The legislative proposal, the Community Development Block Grant Reform Act of 2006, which was not formally introduced during the 109th Congress, would have

- eliminated the dual CDBG formula and replaced it with a single weighted formula that targeted assistance based on a community's or state's relative share of households living in poverty (excluding college students), female-headed households with minor children, overcrowded housing, housing 50 years or older occupied by low-income families, and per capita income;
- no longer allocated funds to entitlement communities and states using a 70%/30% formula allocation split; instead, states and entitlement community allocations would have been drawn from a single pool of funds;
- required entitlement communities to meet a minimum grant threshold in order to receive a direct annual allocation — communities that failed to meet the minimum grant amount could have joined with their urban county, creating a new combined entitlement community, or could have had their data included in the state totals;
- established a two-year transition for communities that no longer met the minimum grant threshold amount;

- directed HUD to establish a set of performance measures and accountability standards; and
- created a \$200 million bonus grant program dubbed the Economic Development and Revitalization Challenge Grant, which would have rewarded entitlement communities that had programs resulting in improved living conditions in distressed neighborhoods.

In addition to reduced funding for CDBG formula grants, the Administration's budget proposes eliminating funding for several other community development related programs, including Rural Housing and Economic Development Grants, Community Development Block Grant Section 108 loan guarantees, and Brownfields Economic Development Initiatives. The budget characterizes these programs as duplicative of the activities funded by the CDBG formula grant program.

Economic Development Initiatives (EDIs) and Neighborhood Initiatives (NIs). During the past few budget cycles, Congress used both the EDI and NI accounts to fund hundreds of congressionally earmarked projects. For FY2006, Congress approved \$307 million in EDI funds for 1,126 earmarked projects and \$49 million in NI funds for 50 projects identified in the conference report (H.Rept. 109-307) accompanying the FY2006 TTHUD Appropriations Act, P.L. 109-115. The FY2007 CR, included language specifying that none of the funds appropriated under the CDF account were to be used to fund EDI or NI activities for FY2007. The Administration's FY2008 budget proposal requests no new funding for EDI or NI activities and proposes to rescind any unobligated balances remaining from EDI and NI funds appropriated in FY2007. Because no new EDI or NI funds were provided in FY2007, it is unclear how the rescission would be met if it was enacted.

**Table 9. Community Development Fund (CDF):
Community Development Block Grants (CDBG)
and Related Set-Asides, FY2007-FY2008**
(in thousands of dollars)

Program	FY2007 Enacted ^a	FY2008 Request
CDF	\$3,771,900^b	\$3,036,570
CDBG (Formula-based grants) ^c	3,710,916 ^b	2,974,580 ^c
Set-asides (see below for details):	60,984 ^b	61,990
Indian Tribes	59,400	57,420
Sec. 107 technical assistance	0	3,000
Working Capital Fund transfer	1,584	1,570
Neighborhood Initiative demonstration	0	0
Economic Development Initiatives	0	0

Source: See Table 2.

Note: Totals may not add due to rounding.

- Unless noted otherwise, amounts shown for FY2007 were not specified in the CR and are therefore assumed to be the same as provided in the FY2006 appropriations law.
- The FY2007 CR specified an amount for this account.
- Includes \$7 million for distribution to insular areas.

CDBG Section 108 Loan Guarantees. The Section 108 loan guarantee program allows states and entitlement communities to leverage their annual CDBG allocation in order to help finance brownfield redevelopment, large scale economic development, and housing projects. CDBG entitlement communities and states are allowed to borrow up to five times their annual CDBG allocation for qualifying activities. As security against default, states and entitlement communities must pledge their current and future CDBG allocation. The President’s FY2008 budget proposal does not include funding for the program.

Table 10. CDBG Section 108 Loan Guarantees, FY2007-FY2008
(in thousands of dollars)

	FY2007 Enacted ^a	FY2008 Request
Sec. 108 loan guarantee	\$3,713	\$0

Source: See Table 2.

a. Amounts shown for FY2007 were not specified in the CR and are therefore assumed to be the same as provided in the FY2006 appropriations law.

Brownfields Economic Development Initiative. The Brownfields Economic Development Initiative program is a competitive grant program that provides funds to assist cities with the redevelopment of abandoned, idled, and underused industrial and commercial facilities where expansion and redevelopment are burdened by real or potential environmental contamination. The President’s budget recommends termination of the program.

Table 11. Brownfields Redevelopment, FY2007-FY2008
(in thousands of dollars)

	FY2007 Enacted ^a	FY2008 Request
Brownfields Redevelopment	\$9,900	\$0

Source: See Table 2.

a. Amounts shown for FY2007 were not specified in the CR and are therefore assumed to be the same as provided in the FY2006 appropriations law.

The HOME Investment Partnership Program. Created in 1990, the HOME Investment Partnership Program provides formula-based block grant funding to states, units of local government, Indian tribes, and insular areas to fund affordable housing initiatives. Eligible activities include acquisition, rehabilitation, and new construction of affordable housing, as well as rental assistance for eligible families. The HOME program account has also been used to fund related programs. The American Dream Downpayment Initiative (ADDI), created in 2003 (P.L. 108-186), funds HOME grantees to provide downpayment, closing cost, and rehabilitation assistance to first-time home buyers. Housing counseling assistance is authorized

under Section 106 of the Housing and Urban Development Act of 1968 (P.L. 90-448). HUD provides competitive grants to local housing counseling agencies, intermediaries, and state Housing Finance Agencies to provide several categories of housing counseling, including comprehensive counseling, counseling services that address predatory lending, counseling in conjunction with HUD's Homeownership Voucher Program, counseling services that specifically target colonias (rural communities on the U.S.-Mexico border), and Home Equity Conversion Mortgage counseling.

Table 12. The HOME Investment Partnership Program, FY2007-FY2008
(in millions of dollars)

	FY2007 Enacted ^a	FY2008 Request
HOME (total)	\$1,757	\$1,967
Formula grants ^b	NS	1,903
American Dream Downpayment Initiative	25	50
HOME/CHDO technical assistance	NS	10
Housing counseling assistance	42	^c
Working capital fund transfer	1	4

Source: See **Table 2**.

- a. Amounts shown for FY2007 were not specified in the CR and are therefore assumed to be the same as provided in the FY2006 appropriations law. Amounts not specified in the FY2006 law (even if specified in conference report) are denoted by an "NS." Totals may not add due to rounding.
- b. Includes funding for insular areas.
- c. The FY2008 budget would fund Housing Counseling at \$50 million in a separate account; see line item in **Table 2**.

Formula Grants. The bulk of the funding increase requested for FY2008 would go to formula grants. The Department notes that HOME has consistently received high ratings from the Office of Management and Budget's Program Assessment Rating Tool (PART) analysis.

American Dream Downpayment Initiative (ADDI). For FY2008, the President requests a doubling of ADDI funding. At an average assistance level of \$7,500 per family (according to HUD's Congressional Budget Justifications), the \$50 million requested would be sufficient to serve over 6,600 households.

Housing Counseling Assistance. Since FY2003, the President has requested that Congress provide funding for housing counseling assistance in a separate account, rather than as a set-aside within the HOME program. Each year, Congress has rejected that proposal and funded the program as a set-aside within HOME. The FY2007 CR funded Housing Counseling Assistance at the FY2006 level, which was a \$42 million set-aside in the HOME program. In the FY2008

budget, the President requests that Congress fund the program at \$50 million in a separate account.

Homeless Programs. Homeless Assistance Grants is the blanket title given to the four homeless programs authorized by the McKinney-Vento Homeless Assistance Act (P.L. 100-77) and administered by HUD. Three of the four programs are competitive grants: the Supportive Housing Program (SHP), the Shelter Plus Care program (S+C), and the Section 8 Moderate Rehabilitation Assistance for Single Room Occupancy program (SRO). Funding for the fourth HUD program, the Emergency Shelter Grants program (ESG), is distributed via a formula allocation to states and local communities.

Table 13. HUD Homeless Programs, FY2007-FY2008
(in thousands of dollars)

	FY2007 Enacted ^a	FY2008 Request
Homeless Assistance Grants	\$1,441,600^b	1,585,990
Formula and Competitive Grants	NS	1,550,515 ^c
Technical Assistance/Data	11,557	8,000
Working Capital Fund	990	2,475
Prisoner Re-entry Initiative	0	25,000

Source: See **Table 2**.

Note: Totals may not add due to rounding.

- a. Unless noted otherwise, amounts shown for FY2007 were not specified in the CR and are therefore assumed to be the same as provided in the FY2006 appropriations law. Amounts not specified in the FY2006 law (even if specified in conference report) are denoted by an "NS."
- b. The FY2007 CR specified a funding amount for this account.
- c. Includes up to \$50 million for a Samaritan bonus for the chronically homeless.

The President's budget for FY2008 would increase funding for the Homeless Assistance Grants by \$144 million above the FY2007 level, to \$1.586 billion. Note, however, that \$25 million of the FY2008 requested appropriation would be transferred to the Department of Labor to fund a Prisoner Re-Entry Initiative. In each year since FY2005, the Administration has proposed funding for a Prisoner Re-Entry Initiative, but Congress has not yet appropriated the requested funds. For the sixth year in a row, the Administration's budget also proposes to consolidate the three competitive Homeless Assistance Grants — SHP, S+C, and SRO — into one competitive grant. The new consolidated grant would also include up to \$50 million for a Samaritan Housing Initiative, which would provide permanent supportive housing for the chronically homeless. This proposal is similar to an incentive currently provided in the Homeless Assistance Grants application process. (For more information about the distribution of the Homeless Assistance Grants see CRS Report RL33764, *The HUD Homeless Assistance Grants: Distribution of Funds*, by Libby Perl.)

Self-Help and Assisted Homeownership. Under the Self-Help Homeownership Opportunity Program (SHOP), HUD makes grants to national and regional organizations and consortia that have experience in providing or facilitating self-help homeownership opportunities. Prospective home buyers and volunteers provide “sweat equity” by contributing labor toward the construction of their homes.

For FY2008, the Administration is proposing \$40 million for the SHOP program and \$30 million for the National Community Development Initiative (NCDI), which seeks to develop the capacity of nonprofit community development corporations to undertake community development and affordable housing projects. No funding is requested for the other organizations that have received funding in the past.

**Table 14. Self Help and Assisted Homeownership,
FY2007-FY2008**
(in thousands of dollars)

	FY2007 Enacted^a	FY2008 Request
Self Help and Assisted Homeownership	\$49,390^b	69,700
Self Help Homeownership (SHOP)	19,800 ^b	39,700
National Community Development Initiative	29,590 ^b	30,000
Housing Assistance Council	0 ^c	0
National Housing Development Corp.	0 ^c	0
Technical Assistance	0 ^c	0
National American Indian Housing Council	0 ^c	0
Special Olympics	0 ^c	0
National Council of La Raza	0 ^c	0

Source: See Table 2.

- a. Unless noted otherwise, amounts shown for FY2007 were not specified in the CR and are therefore assumed to be the same as provided in the FY2006 appropriations law.
- b. The FY2007 CR specified an amount for this account.
- c. The amount specified for the Self Help and Assisted Homeownership account in the CR is not sufficient to fund these accounts, so presumably, they will receive no funding in FY2007.

Housing Programs for the Elderly and the Disabled. Formerly known together as Housing for Special Populations, the Section 202 housing for the elderly program and the Section 811 housing for the disabled program provide capital grants and ongoing project rental assistance contracts (PRAC) to developers of new subsidized housing for these populations. In addition, the Section 811 program provides vouchers for tenants with disabilities to use in the private housing market. (For more information on Section 202, see CRS Report RL33508, *Section 202 and other HUD Rental Housing Programs for the Low-Income Elderly*, by Libby Perl.)

Table 15. Sections 202 and 811, FY2007-FY2008
(in thousands of dollars)

	FY2007 Enacted^a	FY2008 Request
Housing for the Elderly (202)	\$734,580	\$575,000
New Capital Grants and PRAC	NS	390,450
PRAC Renewals and Amendments	NS	62,400
Service coordinators	51,084	71,000
Grants for conversion to assisted living	24,552	24,750
Pre-development grants	19,800	0
Working Capital Fund	396	1,400
Leveraging Financing Demonstration	—	25,000
Intergenerational Housing Demonstration	0	0
Housing for the Disabled (811)	\$236,610	\$125,000
New Capital Grants and PRAC	NS	14,500
PRAC Renewal and Amendments	NS	20,155
New Mainstream Vouchers	4,950	0
Mainstream Voucher Renewal	77,517	74,745
Working Capital Fund	396	600
Leveraging Financing Demonstration	—	15,000

Source: See **Table 2**.

Note: Totals may not add due to rounding.

- a. Amounts shown for FY2007 were not specified in the CR and are therefore assumed to be the same as provided in the FY2006 appropriations law. Amounts not specified in the FY2006 law (even if specified in conference report) are denoted by an “NS.”

The President’s FY2008 budget proposal for the Housing for the Elderly program would reduce funding by almost \$160 million (nearly 29%) from the FY2007 level, to \$575 million. Funding for Service Coordinators would increase by approximately \$20 million, from \$51 million in FY2007 to \$71 million in FY2008, while funding for the Assisted Living Conversion program would remain approximately the same. Reduced funding would affect new capital grants and project rental assistance; HUD estimates that funds for FY2008 would support 3,100 new units of Section 202 housing, down from the estimated 4,994 units for FY2007. The Administration’s budget also proposes to allocate \$25 million to a Leveraging Financing Demonstration program. Through the program, HUD would work with private sector professionals to increase the use of mixed financing arrangements, such as the Low-Income Housing Tax Credit, to develop Section 202 housing. HUD’s goal is that the program would leverage one dollar of outside financing for every dollar of Section 202 funding.

The President's budget for FY2008, like that for FY2007, proposes to cut funding for the Section 811 Housing for the Disabled program nearly in half. In FY2007, the program was funded at just under \$237 million. In FY2008, the Administration would provide \$125 million for Section 811. The proposal would not provide any funds for new housing vouchers, and the estimated number of new units supported by capital grants and project rental assistance would fall from 980 in FY2007 to 103 in FY2008. Like its proposal for the Section 202 program, the Administration's budget for Section 811 would provide funds (\$15 million) for a Leveraging Financing Demonstration program. Under the proposal, HUD would work with professionals in the private sector to develop mixed financing arrangements for Section 811 projects, using the Low-Income Housing Tax Credit, as well as other funding sources.

Research and Technology. The Office of Policy Development and Research (PD&R) at HUD is responsible for maintaining current information on housing needs, market conditions, and existing programs, as well as conducting research on priority housing and community development issues. The Research and Technology account funds PD&R's core research. Beginning in FY2006, the account was expanded to fund the Section 107 University Partnerships, which were previously funded as set-asides within the CDF account. Section 107 grants are awarded to institutions of higher education to assist them in building partnerships with the communities in which they are located to foster and achieve neighborhood development and revitalization. The President requested just over \$65 million for Research and Technology for FY2008.

Table 16. Research and Technology, FY2007-FY2008
(in thousands of dollars)

	FY2007 Enacted ^a	FY2008 Request
Research and Technology	\$50,087^b	\$65,040
Core Research and Technology	NS	39,700
PATH	0 ^b	^c
Section 107 Grants	20,394	25,340
<i>Historically Black Colleges & Universities</i>	8,910	8,476
<i>Hispanic-Serving Institutions</i>	5,940	5,650
<i>Community Development Work Study</i>	0	0
<i>Alaskan Native and Native Hawaiian-Serving Institutions</i>	2,970	2,825
<i>Tribal Colleges and Universities</i>	2,574	2,449
<i>Community outreach partnership</i>	0	5,940

Source: See **Table 2**.

- Unless noted otherwise, amounts shown for FY2007 were not specified in the CR and are therefore assumed to be the same as provided in the FY2006 appropriations law. Amounts not specified in the FY2006 law (even if specified in conference report) are denoted by an "NS."
- The FY2007 CR specified an amount for this account.
- The President did not request a set-aside amount of funding for PATH, but noted that it remains an eligible activity under Core Research and Technology.

Fair Housing. The Office of Fair Housing and Equal Opportunity enforces the Fair Housing Act and other civil rights laws that make it illegal to discriminate in the sale, rental, or financing of housing based on race, color, religion, sex, national origin, disability, or family status. This is accomplished through the Fair Housing Assistance Program (FHAP) and the Fair Housing Initiatives Program (FHIP). FHAP provides grants to state and local agencies to enforce laws that are substantially equivalent to the federal Fair Housing Act. It provides grants on a non-competitive basis. FHIP provides funds for public and private fair housing groups, as well as state and local agencies, for activities that educate the public and housing industry about the fair housing laws.

The Administration requests \$45 million for the Fair Housing programs during FY2008. This includes \$24.8 million for the Fair Housing Assistance program and \$20.2 million for the Fair Housing Initiatives program.

Table 17. Fair Housing Programs, FY2007-FY2008
(in thousands of dollars)

	FY2007 Enacted^a	FY2008 Request
Fair Housing	\$45,540	\$45,000
Fair Housing Assistance	25,750	24,820
Fair Housing Initiatives	18,800	20,180

Source: See **Table 2**.

a. Amounts shown for FY2007 were not specified in the CR and are therefore assumed to be the same as provided in the FY2006 appropriations law.

Lead-Based Paint Hazard Reduction. The Office of Lead Hazard Control at HUD administers both the Lead-Based Paint Hazard Control Grant Program and the Healthy Homes Initiative (HHI), designed to reduce the hazards of lead-based paint in homes.

The Budget requests a total of \$116 million for the programs under the Office of Lead Hazard Control. This is a reduction of \$34 million from the FY2007 appropriation.

Table 18. Lead-Based Paint Hazard Control, FY2007-FY2008
(in thousands of dollars)

	FY2007 Enacted^a	FY2008 Request
Office of Lead Hazard Control	\$150,000	\$116,000

Source: See **Table 2**.

a. Amounts shown for FY2007 were not specified in the CR and are therefore assumed to be the same as provided in the FY2006 appropriations law.

Federal Housing Administration (FHA). The FHA administers a variety of mortgage insurance programs that insure lenders against loss from loan defaults by borrowers. Through FHA insurance, lenders make loans that otherwise may not be available, and enable borrowers to obtain loans for home purchase and home improvement, as well as for the purchase, repair, or construction of apartments, hospitals, and nursing homes. The programs are administered through two program accounts: the Mutual Mortgage Insurance/Cooperative Management Housing Insurance fund account (MMI/CMHI) and the General Insurance/Special Risk Insurance fund account (GI/SRI). The MMI/CMHI fund provides insurance for home mortgages. 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. (For more information, see CRS Report RS20530, *FHA Loan Insurance Program: An Overview*, by Bruce Foote and Meredith Peterson.)

Table 19. Federal Housing Administration, FY2007-FY2008
(in thousands of dollars)

	FY2007 Enacted^a	FY2008 Request
Net Total FHA Appropriations	\$70,403	\$516,647
Net Appropriations — MMI	237,424	428,850
Total Expenses	413,424	428,850
Offsetting receipts	(176,000)	0
Net Appropriations — GI/SRI	(167,021)	87,797
Total Expenses	300,267	307,197
Offsetting receipts	(476,000)	(250,000)
Move programs to MMI	n/a	22,000
Credit Subsidy	8,712	8,600

Source: See **Table 2**.

a. Amounts for FHA were not specified in the FY2007 CR. These figures come from tables provided by the House Appropriations Committee.

For FY2008, the difference between the total FHA administrative expenses and the total FHA offsetting receipts is estimated at a positive \$517 million. This is a significant change from a few years ago when the income to the insurance funds exceeded the costs and resulted in negative appropriations for FHA. The President's budget proposes to move several accounts from the GI/SRI fund to the MMI fund.

The President's FY2008 budget proposes comprehensive reform of the FHA single family insurance program to enable FHA to be more flexible in responding to changes in the mortgage market, and to provide a lower cost alternative to borrowers who might otherwise choose subprime mortgage products or even become the victims of predatory lending. The President's FY2008 budget includes three legislative proposals that are estimated to generate budget savings. The aggregate

limit on the number of Home Equity Conversion Mortgages (HECMs) would be removed, and the loan limit for HECMs would be set at 100% of the conforming loan limits rather than vary by area. The National Housing Act would be amended to permit HUD to increase the loan limits on the various multifamily housing programs by up to 170% on an area-by-area basis and by up to 215% on a project-by-project basis. The Ginnie Mae fee for guaranteeing mortgage-backed securities would be increased by six basis points. These three proposals are estimated to generate \$362 million in budget savings; they are not shown in this table, but are shown as legislative savings in **Table 2** under “Offsetting Receipts/Program Savings.”

Most of these proposals are also included in H.R. 1852 as reported in the House. The bill would raise the FHA loan limit to the lesser of 100% of the median home price in an area or 100% of the Freddie Mac/Fannie Mae conforming loan limit. Certain first-time homebuyers would be able to obtain FHA-insured loans with no downpayment. FHA would be permitted to charge borrowers a mortgage insurance premium based upon the risk that the borrowers would pose to the insurance fund. The aggregate limit on the number of Home Equity Conversion Mortgages would be removed and the national mortgage limit for such mortgages would be equal to 100% of the conforming loan limit.

Government National Mortgage Association (Ginnie Mae). Ginnie Mae is the entity within HUD that guarantees the timely payment of principal and interest on securities backed by mortgages insured or guaranteed by FHA, the Department of Veterans Affairs (VA), or the Rural Housing Service.

**Table 20. Government National Mortgage Association,
FY2007-FY2008**

(in thousands of dollars)

	FY2007 Enacted^a	FY2008 Request
Net Appropriations	(170,000)	(174,000)
Total Expenses	10,700	11,000
Offsetting Receipts	(181,000)	(185,000) ^b

Source: See **Table 2**.

- a. Amounts for GNMA were not specified in the FY2007 CR. These figures come from tables provided by the House Appropriations Committee.
- b. Assumes \$22 million in receipts from a legislative proposal to move several single-family programs from the GI/SRI fund to the MMI fund (see **Table 16**).

For FY2008, the President’s budget requests \$11 million for the administrative expenses of carrying out the mortgage-backed securities program as well as a legislative change that would convert a portion of the GNMA administrative fees that are currently classified as mandatory funding to discretionary funding. The budget

also proposed that issuers of Ginnie Mae securities be charged an upfront fee to offset the administrative expense of the program.

Office of Federal Housing Enterprise Oversight (OFHEO). OFHEO is the office within HUD that is responsible for regulating the safety and soundness of Fannie Mae's and Freddie Mac's operations. The appropriations for OFHEO are completely offset by fees collected from Fannie Mae and Freddie Mac.