HOUSING
FHA-MUTUAL MORTGAGE INSURANCE FUND
2019 Summary Statement and Initiatives
(Dollars in Thousands)

FHA--MUTUAL MORTGAGE & COOPERATIVE MGMT. HOUSING INSURANCE FUND	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2017 Appropriation	$130,000	$49,222[a]	...	$179,222	$132,592	$105,628
2018 Annualized CR	130,000	39,886[b]	-$883[c]	169,003	126,557	110,475
2019 Request	150,000[d]	44,000[e]	...	194,000	140,000	112,000
Change from 2018	+20,000	+4,114	+883	+24,997	+13,443	+1,525

a/ Carryover includes $47.74 million carried forward and $1.48 million recaptured during fiscal year 2017.

b/ Carryover includes an estimated $3 million of recaptures during fiscal year 2018 but does not include $9.74 million of unobligated balances that expired in fiscal year 2017.

c/ Public Law 115-56 requires a reduction from the fiscal year 2017 enacted budget authority of 0.6791 percent.

d/ The 2019 Budget proposes an Single Family Housing (SFH) IT fee estimated to produce $20 million in offsetting collections.

e/ Carryover includes $41 million carried forward and $3 million estimated to be recaptured during fiscal year 2019.

1. Program Purpose and Fiscal Year 2019 Budget Overview

The 2019 President's Budget request for the Mutual Mortgage Insurance (MMI) Fund includes $150 million for administrative expenses, which is offset by $20 million in collections from a new single family information technology fee on lenders; $400 billion in loan guarantee commitment authority; and $1 million in direct loan commitment authority. Since 1934, mortgage insurance provided by FHA has made financing available to individuals and families not adequately served by the conventional private mortgage market. Through the MMI Fund, the Department offers several types of single family forward (traditional) mortgage insurance products and Home Equity Conversion Mortgages (HECM) (reverse mortgages) for seniors. Activity for the Cooperative Management Housing Insurance (CMHI) Fund – which insures mortgages for multifamily cooperatives – is also reported together with the MMI Fund. FHA has served over 3.0 million families during the past three fiscal years with:

- Over 2.5 million forward purchase loans;
- Over 1.1 million refinances – resulting in reduced loan terms or monthly payments; and
- Over 162 thousand HECM loans, enabling seniors to stay in their homes.

Over the past 3 years, FHA has endorsed purchase loans for 2.1 million first-time buyers, or 82 percent of its total purchase loan endorsements during this period. Many of these families would otherwise not have been served by the conventional mortgage market, providing crucial access to homeownership for these families.

2. Request

The 2019 request for MMI includes four components:

- Commitment authority for up to $400 billion in new loan guarantees. The 2019 Budget requests $400 billion in loan guarantee commitment limitation, which is to remain available until September 30, 2020. This limitation includes sufficient authority for insurance of single family mortgages and mortgages under the HECM program. Total loan volume projected for all MMI programs for 2019 is $242 billion. Of that total, $230 billion is estimated for standard forward mortgages and $12 billion is for Home Equity Conversion Mortgages (HECM). The size of the request and 2-year availability for this commitment authority reduces the likelihood of program disruption under a continuing resolution or greater than expected volume.

- Negative Subsidy Receipts. The $242 billion in loan volume projected for the entire MMI portfolio in 2019 is expected to generate $7.4 billion in negative subsidy receipts, which are transferred to the MMI Capital Reserve account, where they are available to cover any projected cost increases for the MMI portfolio.

- Appropriations for Administrative Contracts. The Department requests an appropriation of $150 million, offset by estimated collections of $20 million from a proposed information technology fee assessed to lenders. These resources will allow FHA to modernize its outdated systems, become a more reliable partner to lenders, and ultimately serve its mission more effectively. The request asks for a transfer of up to $20 million from this account to the Information Technology Fund to be used for these purposes.

- Commitment authority for up to $1 million in direct loans to facilitate single family property disposition. The loan authority requested would provide short-term purchase money mortgages for non-profit and governmental agencies. It would enable these entities to make HUD-acquired single family properties available for resale to purchasers with household incomes at or below 115 percent of an area's median income. This program has been infrequently utilized in recent years due to the shortage of state/local government subsidies needed to offset participant's development costs associated with administering the program. Nonetheless, the program remains a valuable tool for HUD supporting affordable homeownership opportunities in distressed communities while responsibly managing its real estate owned (REO) inventory of properties.

3. Justification

FHA provides mortgage insurance on single family mortgage loans made by FHA-approved lenders throughout the United States and its territories. FHA remains active and viable in all markets during times of economic disruption, playing an important counter-cyclical role until private capital returns to its normal levels. Throughout the housing crisis that began in 2007, for example, FHA provided key support for the national mortgage market and helped mitigate the foreclosure crisis and the overall economic downturn.

FHA strives to meet the needs of many creditworthy first-time and minority homebuyers who, without the FHA guarantee, could find mortgage credit to be prohibitively expensive or unavailable. FHA mortgage insurance enhances a borrower's credit and provides banks and other lenders with better access to capital markets, most notably through Ginnie Mae securities.

In exchange for adherence to strict underwriting and application requirements established by HUD and the payment of insurance premiums, HUD-approved lenders can file claims with FHA when a borrower defaults. Mortgage insurance premiums and specific terms for claim payments vary by program. With a strong loss mitigation program, FHA insurance has played a key role in mitigating the effect of economic downturns on the real estate sector.

FHA has insured over 47.5 million home mortgages since 1934. As of September 30, 2017, the MMI insurance portfolio included 7.9 million loans with an unpaid principal balance exceeding $1.2 trillion.

For budgetary purposes, the programs of the MMI Fund are broken into two risk categories (Forward Mortgages and HECM), each are discussed below:

<u>Forward Mortgage Insurance and Guaranteed Loans</u>. Single family programs provide mortgage insurance for the purchase and refinance of homes with one to four units. Loan products under this category include single family forward mortgages (Section 203(b)), condominiums, homes purchased on Indian and Hawaiian lands, and rehabilitation loans (Section 203(k)). Maximum mortgage amounts insured by FHA are calculated annually by HUD and are generally tied to 115 percent of the median house price in each county.

With 90 percent of the total $268.7 billion in insurance endorsements for the MMI Fund under Section 203(b) during 2017, the single-family program is the largest FHA insurance program authorized under the National Housing Act.

HECM. FHA's HECM program provides senior homeowners age 62 and older access to FHA-insured reverse mortgages, which enable seniors to access equity in their homes to support their financial and housing needs as they age. The HECM program fills a special niche in the national mortgage market and offers critical opportunities for the nation's seniors to utilize their own assets and resources to preserve their quality of life. The HECM program provides options to seniors to access their equity through monthly payments, draws from a line of credit, a combination of these options, or one-time draws at closing. Unlike a forward mortgage, the HECM borrower does not make payments on the loan and the loan does not become due and payable until the last remaining mortgagor no longer occupies the property or fails to comply with other requirements of the loan such as payment of property taxes and insurance.

The HECM program was introduced as a "demonstration" program in 1987 and became a permanent HUD program in 1998. Eventually, in 2006, a statutory aggregate cap of 275,000 HECM loan guarantees was put in place. It has been necessary to lift this cap on an annual basis through the appropriations process. In addition to requesting commitment authority for HECM, the Budget will again propose permanently lifting the cap of 275,000 loan guarantees to provide further stability for the HECM program. This proposal reflects the significant improvements that have been made to the program to reduce risk to the MMI Fund and to ensure responsible lending to seniors.

During the housing crisis, seniors were significantly impacted by the recession and falling home prices and, as with Forward Mortgages, risk to the MMI Fund increased. Since the passage of the Reverse Mortgage Stabilization Act in 2013, FHA has implemented several changes to strengthen and enhance the HECM program; further changes are being evaluated for 2019. These changes have included limiting upfront draws, changes to the mortgage insurance premium structure to encourage lower initial draws and a shift to Adjustable Rate HECMs which encourage borrowers to access funds as they need them, preserving equity to support them over time. A Financial Assessment is now required for all HECM Mortgagors.

Administrative Contract Appropriations. The $150 million request for 2019 will provide funding for contracts necessary in the administration of FHA programs operating under MMI and GI/SRI. This request will fund activities including, but not limited to: insurance endorsement of Single Family mortgages, construction inspections on multifamily projects, the required annual FHA independent actuarial review and financial audit, management and oversight of asset disposition, risk analysis, accounting support, and assistance with claims and premium refund processing.

In the private market, the technological advances in the housing finance industry have enhanced loan origination, servicing and lender monitoring capabilities. Because of a constrained fiscal environment, FHA has not kept pace with these trends and continues to rely on antiquated technology and is forced to use a patchwork approach to insurance endorsement, claims payments and risk management. The systems in the origination component of FHA's Single-Family mortgage insurance operations have an average age approaching 20 years, and the age of one key system exceeds 40 years. Similarly, the systems supporting the servicing, default, claims and REO areas have an average age of 14 years and are extremely inflexible in their capabilities. This places the MMI Fund at significant risk, and hampers FHA's ability to effectively partner with the industry. There were 73 outages of FHA's origination systems during 2017, with durations lasting as long as five days. This has crippled the ability of FHA lenders to originate loans, harming their profitability and preventing FHA from efficiently serving its mission.

The requested $21 million increase over the 2018 annualized CR will be offset by a proposed IT fee on lenders that will generate an estimated $20 million in collections. This modest fee of no more than $25 per loan would apply on a prospective and calendar year basis and expire after four years. The higher requested appropriations facilitated by the fee will be used to modernize systems that the industry is currently using at no cost, and it will save the taxpayer a significant amount of money, as the antiquated systems are far beyond their useful lives and have become prohibitively expensive to maintain.

FHA requires systems that can capture and effectively process the extensive volumes of data now in use, enhanced storage and processing capabilities to handle the migration from paper forms to digital ones and the ability to analyze and manage insured loans comprehensively over the many phases of the mortgage life cycle in order to effectively manage risk and allow FHA to make data-driven decisions. This will allow FHA to more effectively manage risk to the MMI Fund and protect taxpayers.

The request asks for a transfer of up to $20 million from this account to the Information Technology Fund to be used for these purposes. The proposed SFH-IT Fee is not to exceed $25 per mortgage endorsed or submitted for endorsement by FHA-approved mortgagees during the calendar year. FHA proposes to exempt small lenders, which are anticipated to endorse 20 percent of the overall volume in 2019, from being assessed this fee.

General Provisions

The President's budget proposes the following General Provisions for the Mutual Mortgage Insurance Fund:

- CAP ON NUMBER OF HECM LOANS.— This provision removes the limitations placed on Home Equity Conversion Mortgages (HECMs) that can be insured by the FHA (Sec. 208).

- Eminent Domain. – This provision prohibits HUD from guaranteeing mortgages or mortgage-related securities that refinance or otherwise replace mortgages that have been subject to eminent domain (Sec. 216.)

- INFORMATION TECHNOLOGY FEE. — This provision provides authority to charge lenders an information technology fee. These funds will offset the cost of providing enhancements to single family information technology systems (Sec. 222).

- HECM SPOUSAL SURVIVAL. — This provision gives the Department discretion to make deferrals on HECM loans and provides program flexibility to exempt lenders who would otherwise be required to immediately foreclose upon a living spouse (Sec. 223).

- HECM REGIONAL LOAN LIMITS – This provision authorizes the Department to establish loan limits for HECM loans insured under section 255 of the National Housing Act based on the geographic area in which the property securing the HECM is located (Sec. 240).

HOUSING
FHA – MUTUAL MORTGAGE INSURANCE FUND
Summary of Resources by Program
(Dollars in Thousands)

Budget Activity	2017 Budget Authority	2016 Carryover Into 2017	2017 Total Resources	2017 Obligations	2018 Annualized CR	2017 Carryover Into 2018	2018 Total Resources	2019 Request
Administrative contract Expense	$130,000	$49,222	$179,222	$132,592	$129,117	$39,886	$169,003	$150,000
Total	130,000	49,222	179,222	132,592	129,117	39,886	169,003	150,000

HOUSING
FHA – MUTUAL MORTGAGE INSURANCE FUND
Appropriations Language

The fiscal year 2019 President's Budget includes the appropriation language listed below.

New commitments to guarantee single family loans insured under the Mutual Mortgage Insurance Fund shall not exceed $400,000,000,000, to remain available until September 30, 2020: Provided, That during fiscal year 2019, obligations to make direct loans to carry out the purposes of section 204(g) of the National Housing Act, as amended, shall not exceed $1,000,000: Provided further, That the foregoing amount in the previous proviso shall be for loans to nonprofit and governmental entities in connection with sales of single family real properties owned by the Secretary and formerly insured under the Mutual Mortgage Insurance Fund: Provided further, That for administrative contract expenses of the Federal Housing Administration, $150,000,000, to remain available until September 30, 2020, of which up to $20,000,000 may be used for necessary single family information technology systems of the Federal Housing Administration, and shall be in addition to amounts otherwise provided under this title for such purposes: Provided further, That any amounts to be used for single family information technology purposes pursuant to the previous proviso shall be transferred to the Information Technology Fund account under this title for such purposes: Provided further, That receipts from administrative support fees collected pursuant to section 222 of this title shall be credited as offsetting collections to this account.

Note.—A full-year 2018 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2018 (Division D of P.L. 115-56, as amended). The amounts included for 2018 reflect the annualized level provided by the continuing resolution.

HOUSING
GENERAL AND SPECIAL RISK INSURANCE FUND
2019 Summary Statement and Initiatives
(Dollars in Thousands)

FHA--GENERAL AND SPECIAL RISK INSURANCE FUND	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2017 Appropriation	...	$408	...	$408	...	...
2018 Annualized CR	...	805	...	805	...	...
2019 Request	...	...	...	...	...	...
Change from 2018	...	-805	...	-805	...	...

1. Program Purpose and Fiscal Year 2019 Budget Overview

The 2019 President's Budget requests no subsidy budget authority for the Federal Housing Administration (FHA) General Insurance and Special Risk Insurance (GISRI) Fund, $30 billion in loan guarantee commitment authority, the same level as 2018, and $1 million in direct loan authority (reduced from $5 million due to low projected take-up). The Budget estimates $629 million in offsetting negative credit subsidy receipts in 2019 from GI/SRI loan guarantees. GI/SRI's mortgage insurance programs are designed to operate without the need for subsidy appropriations, with fees set higher than anticipated losses.

Credit programs under the FHA GI/SRI Fund include:

- *Multifamily Rental Housing:* loan guarantees for the construction, rehabilitation, preservation, and refinancing of multifamily rental housing;
- *Healthcare Facilities:* loan guarantees for the construction, rehabilitation, and refinancing of hospitals, nursing homes and other healthcare facilities; and
- *Single family:* loan guarantees for Title I manufactured housing and property improvement loans.

GI/SRI programs are a critical component of the Department's efforts to meet the Nation's need for decent, safe and affordable housing. They provide the necessary liquidity so that communities can:

- Continue to provide quality affordable housing and assisted living/nursing home opportunities;
- Improve access to quality healthcare, reduce the cost of that care, and support the needs of aging populations in communities nationwide;

- Strengthen local economies by playing a countercyclical role in the market;
- Improve the availability and maintenance of rental housing for low- and moderate-income families; and
- Enable private lenders to make loans for important projects in underserved markets that might otherwise not be possible.

2. Request

At the requested level, GISRI is projected to issue approximately $21 billion in loan insurance commitments in 2019, including:

- Approximately $16 billion in loan guarantees to support 1,080 housing apartment projects including construction of more than 43,000 new affordable housing units and rehabilitation of more than 45,000 existing affordable housing units;
- $6 billion in loan guarantees for 400 healthcare facilities, including skilled nursing homes, assisted living facilities, board and care homes, and hospitals; and
- $100 million for 3,000 Title I manufactured housing and property improvement projects.

These loan activities cover construction, substantial rehabilitation, and refinancing of apartments and healthcare facilities, including hospitals, across the nation. Multifamily and healthcare loans constitute 99 percent of new insurance commitments in GI/SRI. Refinancing programs preserve financially healthy housing and healthcare facilities by helping them to reduce high current debt obligations. Refinancing offers long-term amortization periods and are a critical option for many conventionally financed projects facing large balloon payments.

3. Justification

The 2019 request supports mortgage insurance programs that are essential in achieving the Department's mission of providing decent, safe, and affordable housing as a safety net for those who need it the most. More specifically:

- GI/SRI mortgage insurance encourages private lenders to make loans for important projects that might otherwise not be possible. New workforce housing in high-demand markets, innovative energy technology renovations, nursing homes serving aging senior citizens, and critical access hospitals are among the types of projects made possible. In addition to providing better access to credit for new developments, GI/SRI supports refinance lending to preserve financially healthy housing and healthcare projects by helping them reduce high current debt obligations. The major refinancing programs for housing and nursing home facilities offer long-term amortization periods and are a critical option for many conventionally financed projects facing large balloon payments. GI/SRI refinancing may also enable properties to undertake needed renovation and rehabilitation.

- FHA mortgage insurance enhances a borrower's credit and provides banks with better access to capital markets, most notably through Ginnie Mae securities. In exchange for adherence to strict underwriting and application requirements established by

HUD and the payment of annual insurance premiums, HUD-certified lenders can file claims with FHA when a borrower defaults. Mortgage insurance premiums and specific terms for claim payments vary by program. GI/SRI mortgage insurance works in part by helping private lenders access liquidity otherwise not available to borrowers developing or maintaining rental housing for low- and moderate-income families. The credit enhancement provided by an FHA loan guarantee enables borrowers to obtain long-term, fully amortizing financing (up to 40 years in the case of new construction/substantial rehabilitation), which can result in substantial cost savings.

- FHA mortgage insurance facilitates fixed-rate loans with long-term amortization not found with conventional lending sources. This mitigates interest rate risk for owners because they do not necessarily have to refinance to maintain affordability of their payments. The long-term amortization period and guarantee of payment in the event of claim stabilizes interest rates and can also allow monthly mortgage payments to be less than payments required under non-insured financing. These savings in turn can reduce the overall costs of developing and maintaining housing, stabilizing housing markets and benefiting low- and moderate-income residents. Similarly, FHA financing of healthcare facilities contributes to lower healthcare costs for taxpayers and consumers.

Mortgage and Loan Insurance Programs-GI/SRI Account

GI/SRI Risk Categories and Estimated Volume:

GI/SRI PROGRAMS
(Dollars in Thousands)

	Fiscal Year 2019		
	Volume (projected)	Credit Subsidy Rate	Offsetting Receipts (projected)[1]
Direct Loans Levels			
FFB Risk Sharing[2]	...	-14.38%	$12,211
Guaranteed Loan Levels			
Apartments New Construction/Substantial Rehab (221d4)	$3,670,000	-0.20%	$18,274
Tax Credits	$3,140,000	-2.49%	$65,040
Apartment Refinances (223a7 & 223f)	$8,152,000	-3.27%	$255,664
Housing Finance Agency Risk Sharing (542c)	$370,000	-0.23%	$795
Qualified Participating Entity Risk Sharing (542b)	...	-0.32%	...
Other Rental (207MHP, 231 and 220)	$150,000	-0.89%	$2,157
Subtotal - Multifamily Programs[3]	***$15,482,000***	***-2.29%***	***$341,930***
Residential Care Facilities (232_nc)	$320,000	-5.81%	$17,820
Residential Care Facility Refinances (232_refi)	$4,350,000	-5.23%	$214,400
Hospitals (242)	$809,000	-5.59%	$40,286
Subtotal - Healthcare Programs[3]	***$5,479,000***	***-5.32%***	***$272,506***
Title 1 - Property Improvement	$40,000	-1.00%	$400
Title 1 - Manufactured Housing	$59,000	-3.87%	$2,284
Total - Guaranteed Loan Levels[3]	***$21,060,000***	***-3.08%***	***$617,120***
Total - GI/SRI Fund[3]	**$21,060,000**	**-3.08%**	**$629,331**

1 Receipts are recognized as the underlying loans are disbursed.

2 The FFB Risk Sharing program will begin to wind down in 2019. Existing firm commitments will be honored, generating a projected $12.2 million in offsetting receipts, but no new commitments are projected for 2019.

3 The subsidy rate is a weighted average.

Multifamily Risk Categories:

Section 221(d)(4) Mortgage Insurance for Rental and Cooperative Housing. The Section 221(d)(4) program is FHA's largest new construction/substantial rehabilitation for multifamily housing. The program insures loans for up to between 83.3 and 90 percent of the project replacement cost (as limited by debt service coverage and per-unit cost requirements). The program covers long-term mortgages of up to 40 years and, like all FHA new construction loan programs, provides for both construction and permanent financing.

Section 223(f) Mortgage Insurance for Refinancing or Purchase of Existing Multifamily Rental Housing. Section 223(f) allows for long-term mortgages of up to 35 years for refinance or purchase of existing multifamily rental housing. Refinances of current FHA-insured multifamily loans are also offered under Section 223(a)(7), but are grouped together with Section 223(f) for budgetary purposes.

Section 241(a) Mortgage Insurance for Supplemental Loans for Multifamily Housing Projects. Section 241(a) provides mortgage insurance for supplemental loans for multifamily housing projects already insured or held by HUD. This program is intended to keep projects competitive, extend their economic life, and finance the replacement of obsolete equipment. Section 241(a) mortgages finance repairs, additions, and other improvements. These loans take second position to the primary mortgage.

Section 542(b) Risk Sharing with Qualified Participating Entities (QPEs). Section 542(b) is one of two multifamily programs under which FHA insures only a portion of the losses by sharing the risk with Fannie Mae, Freddie Mac, and other qualified federal, state, and local public financial and housing institutions. If a loan insured under Section 542(b) defaults, the QPE will pay all costs associated with loan disposition and will seek reimbursement from HUD for 50 percent of the losses.

Section 542(c) Risk Sharing with Housing Finance Agencies (HFAs). Section 542(c) provides mortgage insurance of multifamily housing projects whose loans are underwritten, processed, serviced, and disposed of by state and local HFAs. FHA insurance enhances HFA bonds to investment grade and provides capital for affordable housing construction. HFAs may elect to share from 10 to 90 percent of the loss on a loan with HUD. Section 542(c) insured projects often include low-income housing tax-credits, in which case they are reported under GI/SRI's risk category for Tax Credit Projects.

Other Rental Programs. This risk category includes several relatively low-volume programs that have been grouped together for budgetary purposes, including: Section 220 loans in urban areas, Section 231 loans for elderly housing, and Section 207 loans for mobile home park development. Section 220 is a new construction program, distinct from 221(d)(4) in that it insures loans for multifamily housing projects in urban renewal areas, code enforcement areas, and other areas where local governments have undertaken designated revitalization activities. The program offers special underwriting allowances for greater mixed-use development. Section 231 is also a new construction/substantial rehabilitation program, but for projects specifically designed for senior citizens. For Section 231 projects with 90 percent or greater rental assistance, the maximum loan amount is 90 percent of the estimated replacement cost.

Tax Credit Projects. Projects assisted with Low-Income Housing Tax Credits (LIHTC) may be insured under several FHA multifamily programs, but are grouped together in a single budget risk category. These loans have a lower risk of default than similar projects without tax credits and require borrowers to pay lower FHA mortgage insurance premiums. Use of Section 221(d)(4) with LIHTC will likely be consistent with original estimates for 2014 given recent increased interest in FHA lending by state HFA's and other mission driven lenders for new construction and substantial rehabilitation transactions. Use of Section 223(f) with LIHTC has increased dramatically in 2014 and 2015 because of the Tax Credit Pilot introduced in spring 2012.

Healthcare Risk Categories:

Section 232 New Construction/Substantial Rehabilitation of Residential Care Facilities. Section 232 programs are split into two budget risk categories, the first of which includes new construction and substantial renovation projects. The program enables access to capital that may not otherwise be available for many quality providers in underserved areas, thereby providing access to needed healthcare and residences for seniors. These loans are offered for terms of up to 40 years, and provide both construction and permanent financing. This risk category also includes Section 241(a) supplemental loans made to projects with a primary FHA Section 232 mortgage.

Section 232/223(f) Refinancing and Purchase of Existing Residential Care Facilities. The Section 232/223(f) refinancing program, the second of the two budget risk categories of the section 232 program, has grown to be one of the highest volume insurance programs in GI/SRI, due in great part to mortgagors of existing facilities taking advantage of refinancing at low interest rates. This program offers loan terms of up to 35 years. For a refinance, maximum mortgage amounts are up to 85 percent of appraised value (90 percent if the borrower is a non-profit organization). For acquisitions, mortgages are insured up to 85 percent of the acquisition price plus transaction costs (90 percent of acquisition price if the borrower is a non-profit organization). Equity cash-out transactions are prohibited under this program. Section 223(a)(7) refinances of existing Section 232 loans are also reported under this risk category.

Section 242 Hospitals. The Section 242 program provides mortgage insurance for loans made to acute care hospitals. An FHA guarantee allows hospitals to lock in low interest rates and reduce borrowing costs for major renovation, expansion, replacement, and refinancing projects that help improve healthcare access and quality. Loans are up to 25 years in length, plus a construction period, if applicable. The risk category also includes Section 241(a) supplemental loans, and Section 223(a)(7) loans for refinancing current FHA-insured projects.

Single Family Risk Categories:

Title 1 Property Improvement. The Title I Property Improvement program insures loans for repairs and other improvements to residential and non- residential structures, as well as new construction of non-residential buildings.

Title 1, Manufactured Housing. Under Title I, HUD provides mortgage insurance for individuals to finance manufactured homes and lots on which to set the homes.

Multifamily and healthcare loans are large and complex. Prior to receiving a mortgage guarantee for any multifamily or healthcare loan, lenders and borrowers must complete a rigorous application process in which HUD staff review borrower credit worthiness, project cash flow projections, property appraisals, architectural design, environmental impact, requested loan size, quality of the property management, and other information that establishes a loan as an acceptable credit risk to HUD. Large multifamily housing projects and all healthcare facility loans receive secondary review and approval by a national loan committee, including the Deputy Assistant Secretary for Healthcare Programs (for Hospitals and Large Residential Care Facilities). Once insurance has been approved, progress on any new construction or renovation is closely monitored by HUD inspectors. HUD asset managers monitor project financial statements on an ongoing basis and periodic physical inspections are conducted by HUD's Real Estate Assessment Center. Loss mitigation measures, including partial payment of claims based on policy approved in 2010, are undertaken before a default and full claim on the loan occurs. When a borrower does default and a claim is filed, HUD will take possession of the mortgage note or property and seek to recover losses.

With each mortgage it insures, FHA carefully considers the benefits to the community along with financial risks to the government. Cognizant of the risks associated with FHA's role in the housing market, the Department has launched several new initiatives aimed at appropriately managing the risk involved with multifamily loans. Risk mitigation procedures for Multifamily Housing originations include a tiered loan approval structure requiring increasing levels of Loan Committee review based on program and dollar amount of each loan. In addition, HUD staff conduct a thorough underwriting review on each transaction and the Office of Risk Management conducts a sampling of post-commitment reviews. Loan origination and default data and trends are monitored by HUD and lenders are required to obtain third party quality control reviews on a sampling of loans, and for all early claims within four years of final endorsement.

Healthcare facilities are major economic engines and community anchors that are pivotal for economic growth and quality of life within communities nationwide.

The healthcare portfolio as of the end of 2017 includes 3,508 insured residential care facilities (assisted living facilities, nursing homes, and board and care homes) in all 50 states as well as the District of Columbia, and 77 hospitals within 33 states and territories including Puerto Rico. Through proactive risk management, HUD has maintained extremely low claim rates of under 2 percent in both programs.

FHA's effectiveness is demonstrated by the tangible result of its programs. Quality housing and healthcare facilities are made possible and/or more affordable throughout the country due to an FHA mortgage guarantee. For example, over the last 10 years, GI/SRI insurance has supported over 1.5 million multifamily housing units and nearly 500,000 residential care facility beds.

HOUSING
GENERAL AND SPECIAL RISK INSURANCE FUND
SUMMARY OF RESOURCES BY PROGRAM
(Dollars in Thousands)

Budget Activity	2017 Budget Authority	2016 Carryover Into 2017	2017 Total Resources	2017 Obligations	2018 Annualized CR	2017 Carryover Into 2018	2018 Total Resources	2019 Request
Positive Subsidy								
Appropriation	...	$408	$408	...	...	$805	$805	...
Total	...	408	408	...	...	805	805	...

HOUSING
FHA – GENERAL AND SPECIAL RISK INSURANCE FUND
Appropriations Language

The fiscal year 2019 President's Budget includes the appropriation language listed below.

New commitments to guarantee loans insured under the General and Special Risk Insurance Funds, as authorized by sections 238 and 519 of the National Housing Act (12 U.S.C. 1715z—3 and 1735c), shall not exceed $30,000,000,000 in total loan principal, any part of which is to be guaranteed, to remain available until September 30, 2020: Provided, That during fiscal year 2019, gross obligations for the principal amount of direct loans, as authorized by sections 204(g), 207(l), 238, and 519(a) of the National Housing Act, shall not exceed $1,000,000, which shall be for loans to nonprofit and governmental entities in connection with the sale of single family real properties owned by the Secretary and formerly insured under such Act.

Note.—A full-year 2018 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2018 (Division D of P.L. 115-56, as amended). The amounts included for 2018 reflect the annualized level provided by the continuing resolution.