U.S. Department of Housing and Urban Development, Washington, DC

HUD's Fiscal Years 2016 and 2015 (Restated) Consolidated Financial Statements Audit (Reissued)

Office of Audit, Financial Audits Division
Washington, DC

Audit Report Number: 2017-FO-0005
March 1, 2017

To:	Courtney Timberlake, Deputy Chief Financial Officer, F
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From:	Thomas R. McEnanly, Director, Financial Audits Division, Washington DC, GAF
Subject:	HUD's Fiscal Years 2016 and 2015 (Restated) Consolidated Financial Statements Audit (Reissued)

Attached is the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) independent auditor's report on HUD's consolidated financial statements and reports on internal controls over financial reporting and compliance with laws and regulations.

HUD Handbook 2000.06, REV-4, sets specific timeframes for management decisions on recommended corrective actions. For each recommendation without a management decision, please respond and provide status reports in accordance with the HUD Handbook. Please furnish us copies of any correspondence or directives issued because of the audit.

The Inspector General Act, Title 5 United States Code, section 8M, requires that OIG post its publicly available reports on the OIG Web site. Accordingly, this report will be posted at http://www.hudoig.gov.

If you have any questions or comments about this report, please do not hesitate to call me at 202-402-8216.

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Highlights

What We Audited and Why

In accordance with the Chief Financial Officers Act of 1990, as amended, we are required to annually audit the consolidated financial statements of the U.S. Department of Housing and Urban Development (HUD). HUD reissued its fiscal years 2016 and 2015 (restated) consolidated financial statements due to pervasive material errors that we identified. Our objective was to express an opinion on the fairness of HUD's consolidated financial statements in accordance with U.S. generally accepted accounting principles (GAAP) applicable to the Federal Government. This report presents our reissued independent auditor's report on HUD's fiscal years 2016 and 2015 (restated) consolidated financial statements, including an update to our report on HUD's internal controls.

What We Found

The total amounts of errors corrected in HUD's notes and consolidated financial statements were $516.4 billion and $3.4 billion, respectively. There were several other unresolved audit matters, which restricted our ability to obtain sufficient, appropriate evidence to express an opinion. These unresolved audit matters relate to (1) the Office of General Counsel's refusal to sign the management representation letter, (2) HUD's improper use of cumulative and first-in, first-out budgetary accounting methods of disbursing community planning and development program funds, (3) the $4.2 billion in nonpooled loan assets from Ginnie Mae's stand-alone financial statements that we could not audit due to inadequate support, (4) the improper accounting for certain HUD assets and liabilities, and (5) material differences between HUD's subledger and general ledger accounts. This audit report contains 11 material weaknesses, 7 significant deficiencies, and 5 instances of noncompliance with applicable laws and regulations.

What We Recommend

In addition to recommendations made in audit reports 2017-FO-0001, 2017-FO-0002, and 2017-FO-0003, we recommend that HUD (1) reassess its current consolidated financial statement and notes review process to ensure that sufficient internal controls are in place to prevent and detect errors, (2) evaluate the current content of HUD's consolidated note disclosures to ensure compliance with regulations and GAAP, and (3) develop a plan to ensure that restatements are properly reflected in all notes impacted.

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Background and Objective

We are required by the Chief Financial Officers Act of 1990, as amended by the Government Management Reform Act of 1994 and implemented by Office of Management and Budget (OMB) Bulletin 15-02, Audit Requirements for Federal Financial Statements, to audit the U.S. Department of Housing and Urban Development's (HUD) principal financial statements or select an independent auditor to do so. The objective of our audit was to express an opinion on the fair presentation of these principal financial statements.

In planning our audit of HUD's principal financial statements, we considered internal controls over financial reporting and tested compliance with selected provisions of applicable laws, regulations, and government policies that may materially affect the consolidated principal financial statements. Providing an opinion on internal controls or compliance with selected provisions of laws, regulations, and government policies was not an objective, and, accordingly, we do not express such an opinion.

On November 15, 2016, we issued an independent auditor's report[1] stating that the U.S. Department of Housing and Urban Development (HUD) was unable to provide final fiscal years 2016 and 2015 consolidated financial statements and accompanying notes in a timeframe that would allow us to obtain sufficient, appropriate evidence to determine whether they were free from material misstatement. We also reported on the delays encountered in the material weakness, Weak Internal Controls Over Financial Reporting Led to Errors and Delays in the Preparation of Financial Statements and Notes.[2]

The delays were due to insufficiently designed and implemented financial reporting processes and internal controls that were put into place because of HUD's transition of its core financial system to a Federal shared service provider (FSSP). HUD inadequately planned and tested the changes to HUD's financial reporting process before the transition. Additionally, late restatements performed by HUD's component entities, the Government National Mortgage Association (Ginnie Mae) and Federal Housing Administration (FHA), contributed to the delay in providing final consolidated financial statements.[3] As a result, we were unable to provide an opinion on HUD's fiscal years 2016 and 2015 financial statements. While there were other material matters that supported our basis for disclaimer, this was the primary reason for our disclaimer of opinion. HUD published its consolidated financial statements and our disclaimer of opinion in HUD's 2016 agency financial report (AFR).

[1] Office of Inspector General (OIG) Audit Report 2017-FO-0004, Independent Auditor's Report, issued November 15, 2016

[2] OIG Audit Report 2017-FO-0003, Additional Details To Supplement Our Independent Auditor's Report, issued November 15, 2016

[3] OIG Audit Report 2017-FO-0004, Independent Auditor's Report on HUD's Financial Statements, issued November 18, 2016

Despite having to disclaim on HUD's fiscal years 2016 and 2015 financial statements and notes, we continued our review of the financial statements. Our review identified material errors and misstatements in the financial statements and notes. The results of that review are contained in this report (see Material Weaknesses section) and update the material weakness, Weak Internal Controls Over Financial Reporting Led to Errors and Delays in the Preparation of Financial Statements and Notes, reported in Office of Inspector General (OIG) audit reports 2017-FO-0003 and 2017-FO-0004.

We notified HUD management in early December 2016 and requested that it perform its own review. HUD concluded its review and agreed with us that the pervasiveness and scope of the errors contained in the financial statements justified the need to reissue the statements to correct the errors. HUD withdrew its AFR, and on December 28, 2016, HUD's Acting Chief Financial Officer notified the Inspector General that HUD had requested from the Office of Management and Budget (OMB) an extension for submitting its AFR from November 15, 2016, to March 1, 2017.

Our review of the reissued fiscal years 2016 and 2015 consolidated financial statements entailed reviewing the revised consolidated financial statements to (1) validate that appropriate revisions were made to the financial statements and notes to correct all errors that were identified and (2) confirm that the financial statements and notes are presented in conformity with OMB Circular A-136 and United States generally accepted accounting principles (GAAP).

Management is responsible for

- Preparing the financial statements in conformity with accounting principles generally accepted in the United States of America;
- Establishing, maintaining, and evaluating internal controls and systems to provide reasonable assurance that the broad objectives of the Federal Financial Management Improvement Act of 1996 (FFMIA) are met; and
- Complying with applicable laws and regulations.

In auditing HUD's principal financial statements, we were required by Government Auditing Standards to obtain reasonable assurance about whether HUD's principal financial statements were presented fairly, in accordance with GAAP, in all material respects. We believe that our audit provides a reasonable basis for our disclaimer of opinion.

This report is intended solely for the use of HUD management, OMB, and Congress. However, this report is a matter of public record, and its distribution is not limited.

U.S. DEPARTMENT OF

HOUSING AND URBAN DEVELOPMENT
OFFICE OF INSPECTOR GENERAL

Independent Auditor's Report[4]

To the Secretary,
U.S. Department of Housing and Urban Development:

Report on the Financial Statements

Introduction

The Chief Financial Officers Act of 1990 requires HUD to prepare the accompanying consolidated balance sheets as of September 30, 2016 and 2015 (restated); the related consolidated statements of net cost, changes in net position, and combined statement of budgetary resources for the fiscal years then ended; and the related notes to the financial statements. We were engaged to audit those financial statements in accordance with generally accepted government auditing standards accepted in the United States of America and OMB Bulletin 15-02.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, which include the design, implementation, and maintenance of internal controls relevant to the

[4] This report is supplemented by four separate reports issued by HUD OIG to provide a more detailed discussion of the internal control and compliance issues and to provide specific recommendations to HUD management. The findings have been included in the Internal Control and Compliance With Laws and Regulations sections of the independent auditor's report. The supplemental reports are available on the HUD OIG Internet site at https://www.hudoig.gov and are entitled (1) Additional Details To Supplement Our Fiscal Years 2016 and 2015 (Restated) U.S. Department of Housing and Urban Development Financial Statement Audit (audit report 2017-FO-0003, issued November 15, 2016); (2) Audit of Federal Housing Administration Financial Statements for Fiscal Years 2016 and 2015 (Restated) (audit report 2017-FO-0002, issued November 14, 2016); (3) Audit of the Government National Mortgage Association's Financial Statements for Fiscal Years 2016 and 2015 (Restated) (audit report 2017-FO-0001, issued November 14, 2016); and (4) HUD's Fiscal Years 2016 and 2015 (Restated) Consolidated Financial Statements Audit (Reissued) (audit report 2017-FO-0005, issued March 1, 2017).

preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

We are required by the Chief Financial Officers Act of 1990, as amended by the Government Management Reform Act of 1994 and implemented by OMB Bulletin 15-02, Audit Requirements for Federal Financial Statements, to audit HUD's principal financial statements or select an independent auditor to do so.

Our responsibility is to express an opinion on the fair presentation of these principal financial statements in all material respects, in conformity with accounting principles generally accepted in the United States of America. Because of the matters described in the Basis for Disclaimer of Opinion section, however, we were not able to obtain sufficient, appropriate audit evidence to provide a basis for an audit opinion. The audit was conducted in accordance with government auditing standards generally accepted in the United States of America, which require the auditor to plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Basis for Disclaimer of Opinion

During our fiscal year 2016 audit, HUD's acting general counsel refused to sign off on certain matters included in the management representation letter concerning all known actual or possible litigation, claims, and assessments related to HUD, including its component entities. We believe that HUD's acting general counsel is responsible for and knowledgeable about those matters that should be considered in Office of the Chief Financial Officer (OCFO) management's preparation and fair presentation of the financial statements. Due to HUD's acting general counsel's refusal to sign off on these matters, which is a scope limitation, we lacked assurance that all known actual or possible litigation, claims, and assessments had been properly accounted for or disclosed in the consolidated financial statements in accordance with GAAP.

We identified several other matters for which we were unable to obtain adequate audit evidence to provide a basis of opinion on the fiscal years 2016 and 2015 (restated) financial statements. When evaluating these areas and their impacts on the financial statements as a whole, we determined that multiple material financial statement line items were impacted and the issues identified were pervasive and material to the fiscal years 2016 and 2015 consolidated financial statements. There were no other satisfactory audit procedures that we could adopt to obtain sufficient, appropriate evidence with respect to these unresolved matters. Readers are cautioned that amounts reported in the financial statements and related notes may not be reliable.

The other matters that we identified related to (1) improper budgetary accounting, (2) a disclaimer of opinion on Ginnie Mae's financial statements, (3) unvalidated grant accrual estimates, (4) improper and unreliable accounting for assets and liabilities, and (5) significant unreconciled subledger to general ledger differences. Additional details are discussed below.

Improper budgetary accounting. HUD continued to use budgetary accounting for its Office of Community Planning and Development (CPD) programs that was not performed in accordance with Federal GAAP, which resulted in misstatements in HUD's combined statement of budgetary resources. Therefore, we could not assess whether the balances reported were reasonable.

HUD used a cumulative and first-in first-out (FIFO) method[5] to disburse and commit CPD program funds that was not in accordance with GAAP for Federal grants. These methods were used to determine the amount of uncommitted HOME Investment Partnerships Program grant funds that would be subject to reallocation and recapture under section 218(g) of the HOME Investment Partnership Act and to process disbursements for CPD formula programs, respectively. The effects of these methodologies were considered pervasive because of the dollar risk exposure and volume of CPD grant activities from several thousand grantees (as of September 30, 2016, approximately $2.7 billion in disbursements and $2.4 billion in undisbursed obligations were impacted that were related to the HOME program, Community Development Block Grant, Housing for Persons with AIDS, and Emergency Shelter Grant) and the system limitations of HUD's grant management and mixed accounting system to properly account for these grant transactions in accordance with the statutory requirements and GAAP.

Due to these issues, we determined that financial transactions related to CPD's formula-based programs that entered HUD's accounting system had been processed incorrectly. Although FIFO has been removed for disbursements made from fiscal year 2015 and forward grants, this method will not be removed retroactively from prior-year grants. Thus, based on the pervasiveness of their effects, in our opinion, the obligated and unobligated balance brought forward and obligated and unobligated balances reported in HUD's combined statement of budgetary resources for fiscal year 2015 and in prior years were materially misstated. The related amount of material misstatements for these CPD programs in the accompanying combined statement of budgetary resources could not be readily determined to reliably support the budgetary balances reported by HUD at yearend due to the inadequacy of evidence available from HUD's mixed accounting and grants management system.

Disclaimer of opinion on Ginnie Mae financial statements. In fiscal year 2016, for the third consecutive year, Ginnie Mae could not bring its material asset balances related to its nonpooled loan assets into an auditable state. Specifically, we were unable to obtain sufficient, appropriate evidence to express an opinion on the fairness of the $4.2 billion (net

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[5] The Federal Accounting Standards Advisory Board (FASAB) Handbook defines FIFO as a cost flow assumption. The first goods purchased or produced are assumed to be the first goods sold (FASAB Handbook, Version 13, appendix E, page 30, dated June 2014). In addition, the Financial Audit Manual states that the use of "first-in, first-out" or other arbitrary means to liquidate obligations based on outlays is not generally acceptable (GAO-PCIE (U.S. Government Accountability Office-President's Council on Integrity and Efficiency) Financial Audit Manual, Internal Control Phase, Budget Control Objectives, page 395, F-3). In the context of HUD's use of this method, the first funds appropriated and allocated to the grantee are the first funds committed and disbursed, regardless of the source year in which grant funds were committed for the activity.

of allowance) in nonpooled loan assets from Ginnie Mae's defaulted issuers' portfolio, and Ginnie Mae continued to improperly account for FHA reimbursable costs as an expense instead of capitalizing the costs as an asset.

A number of Ginnie Mae balance sheet line items made up the $4.2 billion in nonpooled loan assets,[6] which were consolidated into the other non-credit-reform loans reported on HUD's consolidated balance sheet. This condition occurred because Ginnie Mae lacked financial management systems capable of handling its loan-level transaction accounting requirements. Therefore, we were again unable to perform all of the audit procedures needed to obtain sufficient, appropriate evidence. As a result, we determined that our audit scope was insufficient to express an opinion on Ginnie Mae's $4.2 billion in nonpooled loan assets as of September 30, 2016.

Ginnie Mae continued to improperly account for FHA reimbursable costs as an expense instead of capitalizing the costs as an asset in fiscal year 2016. This practice caused Ginnie Mae's asset and net income line items to be misstated, resulting in misstatements in HUD's consolidated assets, expenses, and net position. Due to multiple years of incorrect accounting, we believe the cumulative effect of the errors identified was material. However, we were unable to determine with sufficient accuracy a proposed adjustment to correct the errors due to insufficient available data.

Unvalidated grant accrual estimates. In reporting on HUD's liabilities, HUD's principal financial statements were not prepared in accordance with the requirements of the Federal Government and Federal Accounting Standards Advisory Board (FASAB) Technical Release (TR) 12. FASAB TR 12 provides guidance to agencies on developing reasonable estimates of accrued grant liabilities to report on their financial statements. We were unable to obtain sufficient, appropriate audit evidence that the fiscal years 2015 and 2016 estimates were reasonable. This lack of evidence was due to (1) CPD's not validating its accrued grant liability estimates, (2) CPD's inability to provide adequate supporting documentation for grant disbursements in a timely manner, and (3) insufficient time to perform all of the audit procedures we deemed necessary to obtain sufficient, appropriate audit evidence to form an opinion on the estimate in lieu of adequate validation procedures by CPD. There were no other compensating audit procedures that could be performed to obtain reasonable assurance regarding CPD's accrued grant liability estimates. Therefore, we could not form an opinion on CPD's accrued grant liability estimates for fiscal years 2016 and 2015. CPD's estimated accrued grant liabilities were $2.3 billion and $2 billion for fiscal years 2016 and 2015, respectively. These amounts accounted for 85 percent of HUD's total $2.7 billion accrued grant liabilities in fiscal year 2016 and 84 percent of HUD's total $2.4 billion accrued grant liabilities in fiscal year 2015.

[6] These are (1) mortgage loans held for investment, net ($3.47 billion); (2) claims receivable, net ($709 million); (3) accrued interest receivable, net ($19 million); and (4) acquired property, net ($41 million).

Improper and unreliable accounting for assets and liabilities. HUD did not properly account for several types of assets and liabilities reported on its balance sheet, causing misstatements or unreliable balances. Specifically, (1) balances reported for non-FHA loan guarantees and property, plant, and equipment balances could not be relied upon; (2) payments advanced to Indian Housing Block Grant (IHBG) grantees for investment purposes were not recorded as advances; and (3) loans receivable related to the Emergency Homeowners' Loan Program (EHLP) could not be audited.

During fiscal year 2016, HUD was undergoing a reconciliation and cleanup effort for balances related to its non-FHA loan guarantee programs. Many discrepancies had been identified, and adjustments had been processed during the fiscal year to address some of the discrepancies identified totaling $17.3 billion. However, as of September 30, 2016, HUD was in the process of researching and resolving additional discrepancies identified, and the review was ongoing. As a result, we could not rely on HUD's non-FHA loan guarantee balances, including its loan guarantee liability ($303 million), foreclosed property ($36 million), unpaid obligations ($22.4 million), and memorandum accounts used to track the status of loan guarantee authority. There were no other compensating audit procedures that could be performed to obtain reasonable assurance regarding these balances.

HUD's accounting for its property, plant, and equipment did not comply with Federal GAAP. Specifically, HUD could not support balances related to internal use software totaling $254.3 million. In addition, HUD did not adequately record property, plant, and equipment balances related to furniture and equipment and leasehold improvements. Therefore, the total HUD proper property, plant, and equipment balance of $297 million could not be relied upon.

HUD authorized recipients of Federal funds to retain funding advanced to them before incurring eligible expenses; however, HUD did not recognize these funds as advances on its financial statements in accordance with Statements on Federal Financial Accounting Standards 1. As of June 30, 2016, as much as $260.1 million was being held in investment accounts with IHBG grantees, which represented an advance in accordance with the standards. HUD elected to present these as expenses on its statement of net cost once they were disbursed. Therefore, we believe the Office of Public and Indian Housing (PIH) prepayment reported on HUD's consolidated balance sheet and expenses reported on HUD's consolidated statement of net cost were likely misstated as of September 30, 2016.

Lastly, weaknesses in the accounting for the EHLP loans receivable portfolio continued, which limited our ability to audit during the fiscal year. A data review was performed during the fiscal year as a result of serious deficiencies in the accuracy of the loan balances identified in our prior-year audit report.[7] However, adjustments to correct the loan data were being made as of the end of our fieldwork. Therefore, we were unable to obtain sufficient, appropriate evidence to express an opinion on the fairness of the balances reported in the direct loan and loan guarantees line item reported on HUD's consolidated

[7] OIG Audit Report 2015-DP-0004, Loan Accounting System, issued December 9, 2014

balance sheet as of September 30, 2016, related to EHLP. The total loan principal issued under this program was $246 million; however, we were unable to determine whether the current balance recognized on the consolidated balance sheet of $103.2 million was an accurate net realizable value of the portfolio.

Significant unreconciled subledger to general ledger differences. During the fiscal year, HUD initiated a subledger review and identified material differences between its subledgers and general ledger accounts. As of September 30, 2016, its subledger review was ongoing, and there was an unreconciled balance of $29.4 billion. These differences remained unresolved mainly because HUD could not identify and locate sufficient documentation to support material United States Standard General Ledger (USSGL) accounts. The reconciling differences were material and pervasive and impacted several USSGL accounts and financial statement line items. A total of $27.9 billion represented differences in unpaid obligation balances. The remaining $1.5 billion difference impacted the PIH prepayments (advances), liability for nonentity assets not reported on its statement of custodial activity (other liabilities), loan guarantee liability, and account receivable balances reported on HUD's consolidated balance sheet. While progress had been made in the resolution of differences since September 30, 2016, differences remained that, combined, were material to the financial statements. Due to HUD's inability to support the balances recorded in the USSGL with sufficient, adequate documentation, we were unable to rely on the balances presented in HUD's consolidated balance sheet and the combined statement of budgetary resources.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion section above, we were not able to obtain sufficient, appropriate audit evidence to provide an audit opinion on HUD's principal financial statements and accompanying notes as of September 30, 2016 and 2015 (restated), and its net costs, changes in net position, and budgetary resources for the fiscal year then ended. Accordingly, we do not express an opinion on the financial statements.

Emphasis of Matter

Reissued Fiscal Year 2016 and 2015 Consolidated Financial Statements

In our audit opinion,[8] issued November 15, 2016, one basis for our disclaimer was that HUD was unable to provide final consolidated financial statements and accompanying notes in a timeframe that would allow us to obtain sufficient, appropriate evidence to determine whether they were free from material misstatement. After we issued our disclaimer of opinion, we continued our review of HUD's financial statement presentation and notes and identified material pervasive errors throughout 19 of HUD's 31 notes[9] with an absolute value totaling $278.5 billion and an error in the classification between budgetary and nonbudgetary credit program financing

[8] OIG Audit Report 2017-FO-0004, Independent Auditor's Report

[9] During HUD's reissuance of its consolidated financial statements, it determined to remove a note that was not required per OMB Circular A-136 and GAAP. Therefore, there are 30 notes in HUD's reissued consolidated financial statements.

accounts on HUD's statement of budgetary resources with an absolute value totaling $557 million. In early December 2016, we brought these errors to the attention of HUD management, and HUD determined that reissuance was necessary. Therefore, HUD reissued its fiscal years 2016 and 2015 (restated) consolidated financial statements.

Through its correction process, HUD identified additional note errors and found an error in its presentation of FHA's fiscal year 2015 restatement. FHA's restatement included a $1.4 billion adjustment to its cumulative results of operations beginning balance on the statement of changes in net position. HUD made this adjustment to its consolidated statement of changes in net position but presented the change in the beginning balance, not as a correction of error,[10] as reported correctly by FHA. In total, the absolute values of corrections to HUD's notes and principle financial statements were approximately $516.4 billion and $3.4 billion, respectively. The notes that were impacted by the corrections were Note 1-Entity and Mission; Note 2-Summary of Significant Accounting Policies; Note 3-Entity and Non-Entity Assets; Note 4-Fund Balance With the U.S Treasury; Note 6-Investments; Note 7-Accounts Receivable (Net); Note 8-Direct Loans and Loan Guarantees, Non-Federal Borrowers; Note 12-Other Assets; Note 13-Liabilities Covered and Not Covered by Budgetary; Note 14-Debt; Note 16-MBS [mortgage-backed securities] Liability; Note 17-Other Liabilities; Note 18-Financial Instruments with Off-Balance Sheet Risk; Note 20-Funds from Dedicated Collections; Note 24-Net Costs of HUD's Cross-Cutting Programs; Note 26-Commitments Under HUD's Grant, Subsidy, and Loan Programs; Note 27-Apportionment Categories of Obligations Incurred; Note 28-Explanation of Differences between the Statement of Budgetary Resources and the Budget of the United States Government; Note 29-Reconciliation of Net Cost of Operations to Budget; and Note 30-Restatement of the Department's Fiscal Year 2015 Financial Statements. Additional detail regarding the errors identified and corrected is further disclosed in note 30 of HUD's consolidated financial statements.

We attributed these errors to pervasive weaknesses in all elements of HUD OCFO internal controls: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring. These weaknesses are further explained in the material weakness, Weak Internal Controls Over Financial Reporting Led to Errors and Delays in the Preparation of Financial Statements and Notes, described further in this audit report. This material weakness updated the financial reporting material weakness we reported in our fiscal year 2016 internal control audit report.[11]

As a result of what is described above, we are withdrawing our previously issued independent auditor's report, dated November 15, 2016, and replacing it with this report, which removes the basis for disclaimer regarding our inability to review the final consolidated financial statements due to management-imposed delays in completing the statements. However, while we audited

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[10] The beginning balance, as adjusted, was not impacted (beginning balance + correction of error = beginning balance, as adjusted on the statement of net position).
[11] OIG Audit Report 2017-FO-0003, Additional Details To Supplement Our Independent Auditor's Report, issued November 15, 2016, material weakness, Weak Internal Controls Over Financial Reporting Led to Errors and Delays in the Preparation of Financial Statements and Notes

the reissued consolidated financial statements and notes, our previous audit opinion of a disclaimer of opinion remains unchanged due to other material matters identified in our audit, which continue to support our disclaimer of opinion.

Restatement of Fiscal Year 2015 Financial Statements

At the time of issuance of this auditor's report and as discussed in note 30 to the financial statements, the 2015 financial statements have been restated for the correction of errors related to (1) Ginnie Mae's improper budgetary closing process and (2) FHA's improper use of the raw data used to establish FHA's maintenance and operating expense rate management assumption. Our opinion was not modified with respect to these matters.

However, there were other material misstatements in the fiscal year 2016 financial statements in which no adjustments had been made. Specifically, (1) regarding the use of the FIFO method to liquidate obligations under CPD's formula grant programs, no adjustments had been made because the specific amounts of misstatements and their related effects were unknown and (2) regarding advanced funds held by grantees for IHBG grantees, which totaled as much as $260 million as of June 30, 2016, an amount could not be reasonably determined as of September 30, 2016, because HUD could not provide the information needed to quantify the amount. These amounts were not included in the financial statements due to HUD's disagreement regarding the presentation of these advances. Additional details on these items can be found in note 30 to the financial statements.

Prior-Period Financial Statements

In our report, dated November 18, 2015, we reported that FHA's financial statements for fiscal years 2015 and 2014, respectively, fairly presented the financial position of FHA's financial statements as of September 30, 2015 and 2014, and its net costs, changes in net position, and budgetary resources for the years then ended in accordance with GAAP. However, in fiscal year 2016, new information concerning material errors affecting the 2015 and 2014 FHA financial statements were identified. For this reason, the opinion expressed in FHA's 2015 and 2014 audited financial statements was no longer appropriate because the financial statements as published at that time contained material misstatements. Accordingly, our opinion on FHA's audited financial statements for 2015 and 2014 is withdrawn because the statements can no longer be relied upon and is replaced by the auditor's report on the restated financial statements. As a result, the basis for disclaimer expressed on HUD's consolidated 2015 and 2014 audited financial statements is expanded to include the material errors that affected those financial statements, which are further described in note 30.

FHA's Loan Guarantee Liability

FHA's loan guarantee liability is an actuarially determined estimate of the net present value of future claims, net of future premiums, and future recoveries from loans insured as of the end of the fiscal year. This estimate is developed using econometric models that integrate historical loan-level program and economic data with regional house price appreciation forecasts to develop assumptions about future portfolio performance. This year's estimate is the mean value from a series of projections using many economic scenarios, and FHA's single-family liability for loan guarantee estimates reported as of September 30, 2016, could change depending on which economic outcome prevails. This forecast method helps project how the estimate will be affected by different economic scenarios but does not address the risk that the models may not accurately reflect current borrower behavior or may contain technical errors. Our opinion was not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. GAAP requires that certain information be presented to supplement the basic general-purpose financial statements. Such information, although not a part of the basic general-purpose financial statements, is required by FASAB, which considers it to be an essential part of financial reporting for placing the basic general-purpose financial statements into an appropriate operational, economic, or historical context. We did not audit and do not express an opinion or provide any assurance on this information; however, we applied certain limited procedures in accordance with auditing standards generally accepted in the United States of America, which consisted principally of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to the auditor's inquiries, the basic financial statements, and other knowledge the auditor obtained during the audit of the basic financial statements. These limited procedures do not provide sufficient evidence to express an opinion or provide assurance on the information.

In its fiscal year 2016 AFR, HUD presents "required supplemental stewardship information" and "required supplementary information." The required supplemental stewardship information presents information on investments in non-Federal physical property and human capital and investments in research and development. In the required supplementary information, HUD presents a "management discussion and analysis of operations" and combining statements of budgetary resources. HUD also elected to present consolidating balance sheets and related consolidating statements of changes in net position as required supplementary information. The consolidating information is presented for additional analysis of the financial statements rather than to present the financial position and changes in net position of HUD's major activities. This information is not a required part of the basic financial statements but is supplementary information required by FASAB and OMB Circular A-136.

Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. HUD's agency financial report contains other information that is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the principal financial statements, and, accordingly, we do not express an opinion or provide assurance on it.

Report on Internal Control

Additional details on our findings regarding HUD's, FHA's, and Ginnie Mae's internal controls are summarized below and were provided in separate audit reports to HUD management.[12] These additional details also augment the discussions of instances in which HUD had not complied with applicable laws and regulations; the information regarding our audit objectives, scope, and methodology; and recommendations to HUD management resulting from our audit.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A **significant deficiency** is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance. A **material weakness** is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we noted in our reports the following eleven material weaknesses and seven significant deficiencies.

Material Weaknesses

A **material weakness** is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We noted that the following deficiencies met the definition of a material weakness.

Weak Internal Controls Over Financial Reporting Led to Errors and Delays in the Preparation of Financial Statements and Notes

Internal controls over HUD's financial reporting process were weak, causing HUD to be unable to provide yearend financial statements and accompanying notes in a timeframe that would allow for sufficient OIG audit review by the required date of November 15, 2016. After the issuance of HUD's fiscal years 2016 and 2015 consolidated financial statements in its AFR, we identified pervasive material errors in the financial statements and notes totaling $557 million and $278.5 billion, respectively. We also identified $19.5 billion in changes that were made to the financial statements provided for audit and the financial statements published in HUD's AFR, which were not communicated to us. Additionally, Ginnie Mae closed material accounts prematurely, causing material misstatements. Finally, HUD performed 2,868 journal vouchers to adjust transactional data in its general ledger, primarily due to data quality issues.

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[12] Audit Report 2017-FO-0003, Additional Details To Supplement Our Fiscal Years 2016 and 2015 (Restated) U.S. Department of Housing and Urban Development Financial Statements, issued November 15, 2016; Audit Report 2016-FO-0002, Federal Housing Administration Fiscal Year 2016 and 2015 (Restated) Financial Statements Audit, issued November 14, 2016; Audit Report 2017-FO-0001, Audit of the Government National Mortgage Association's Fiscal Years 2016 and 2015 (Restated) Financial Statements, issued November 14, 2016

Ineffective governance over HUD's transition to an FSSP, Treasury's Administrative Resource Center (ARC), and Ginnie Mae's budgetary accounting created an ineffective financial reporting environment that could not prevent and detect errors in a timely manner. As a result, (1) we could not audit HUD's yearend financial statements and accompanying notes by the required date, (2) HUD had to withdraw its fiscal year 2016 AFR and state that the published report could not be relied upon, (3) HUD's fiscal year 2016 third quarter financial statement notes contained unsupported balances and errors totaling $477 million, and (4) HUD had to restate its fiscal year 2015 statement of budgetary resources due to an error with an absolute value of $2 billion. Further, HUD's extensive reliance on manual journal vouchers increased the risk of error in its general ledger and financial statements.

HUD Assets and Liabilities Were Misstated and Not Adequately Supported
HUD did not properly account for, have internal controls over, or have adequate support for all of its assets and liabilities. Specifically, (1) CPD did not validate its accrued grant liabilities estimates; (2) HUD's accounting for its cash management process did not include the recognition of receivables and payables when incurred and understated its prepayment balance; (3) HUD did not recognize a prepayment for funds advanced to its IHBG grantees that were used for investment; (4) EHLP could not be audited; (5) balances related to HUD's loan guarantee programs were not reliable; and (6) HUD did not properly account for its property, plant, and equipment. These problems occurred because of continued weaknesses in HUD's internal controls and a lack of communication between OCFO and the program offices. As a result, several financial statement line items were misstated or could not be audited as of September 30, 2016. Specifically, (1) CPD's accrued grant liabilities estimates could not be audited; (2) HUD's PIH prepayments and accounts receivable balances contained errors with an absolute value of approximately $476.2 million and $201.2 million, respectively, and accounts payable were understated by an unknown amount; (3) HUD's expenses on its statement of net costs were overstated by $293.2 million; (4) loans receivable balances for EHLP could not be audited and were potentially misstated; (5) balances related to HUD's loan guarantee programs were misstated by unknown amounts; and (6) HUD's $297 million balance for property, plant, and equipment was not supported.

Significant Reconciliations Were Not Completed in a Timely Manner
Material differences between subsidiary ledgers and the general ledger were not resolved, and sufficient evidence to support financial statement line items was not maintained. Further, OCFO did not complete required cash reconciliations or intragovernmental reconciliations in a timely manner. In fiscal year 2016, HUD began using an FSSP for financial reporting but failed to define (1) roles and responsibilities between HUD and the FSSP and (2) policies and procedures for completing key reconciliations of material financial statement line items. HUD's policies and procedures were not effective. The lack of these internal controls increased the risk of a material misstatement occurring in the financial statements and the potential for material misstatements to be undetected by management.

CPD's Formula Grant Accounting Did Not Comply With GAAP, Resulting in Misstatements on the Financial Statements

CPD's formula grant program accounting continued to depart from GAAP because of its use of the FIFO method[13] for committing and disbursing obligations. Since 2013, we have reported that the information system used, the Integrated Disbursement Information System (IDIS) Online, a grants management system, was not designed to comply with Federal financial management system requirements. Further, HUD's plan to eliminate FIFO from IDIS Online was applied only to fiscal year 2015 and future grants and not to fiscal years 2014 and earlier. As a result, budget year grant obligation balances continued to be misstated, and disbursements made using an incorrect USSGL attribute resulted in additional misstatements. Although FIFO has been removed from fiscal year 2015 and forward grants, modifications to IDIS are necessary for the system to comply with FFMIA and USSGL transaction records. The inability of IDIS Online to provide an audit trail of all financial events affected by the FIFO method prevented the financial effects of FIFO on HUD's consolidated financial statements from being quantified. Further, because of the amount and pervasiveness of the funds susceptible to the FIFO method and the noncompliant internal control structure in IDIS Online, the combined statement of budgetary resources and the consolidated balance sheet were materially misstated. The effects of not removing the FIFO method retroactively will continue to have implications on future years' financial statement audit opinions until the impact is assessed to be immaterial.

HUD's Financial Management System Weaknesses Continued in 2016

HUD's financial system weaknesses remained a material weakness in fiscal year 2016 due to the combined impact of many deficiencies and limitations. While HUD took steps to modernize its financial management system through the transition of key financial management functions to an FSSP in 2016, it encountered significant challenges after implementation that had not been resolved as of September 30, 2016. HUD's inability to modernize its legacy financial systems and the lack of an integrated financial management system resulted in a continued reliance on different, legacy financial systems with various limitations. Program offices compensated for system limitations by using less reliable manual processes to meet financial management needs. These system issues and limitations inhibited HUD's ability to produce reliable, useful, and timely financial information.

Material Asset Balances Related to Nonpooled Loans Were Not Auditable

In fiscal year 2016, for the third consecutive year, Ginnie Mae could not bring its material asset balances related to its nonpooled loan assets into an auditable state. Therefore, we were unable to audit the $4.2 billion (net of allowance) in nonpooled loan assets reported in Ginnie Mae's

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[13] The FASAB Handbook defines FIFO as a cost flow assumption. The first goods purchased or produced are assumed to be the first goods sold (FASAB Handbook, Version 13, appendix E, page 30, dated June 2014). In addition, the Financial Audit Manual states that the use of "first-in, first-out" or other arbitrary means to liquidate obligations based on outlays is not generally acceptable (GAO-PCIE Financial Audit Manual, Internal Control Phase, Budget Control Objectives, page 395, F-3). In the context of HUD's use of this method, the first funds appropriated and allocated to the grantee are the first funds committed and disbursed, regardless of the source year in which grant funds were committed for the activity.

financial statements as of September 30, 2016. These assets related to (1) claims receivable, net ($709 million); (2) mortgage loans held for investment, net ($3.47 billion); (3) accrued interest receivable, net ($19 million); and (4) acquired property, net ($41 million). This condition occurred because Ginnie Mae lacked financial management systems capable of handling its loan-level transaction accounting requirements. Therefore, we were again unable to perform all of the audit procedures needed to obtain sufficient, appropriate evidence. As a result, we determined that our audit scope was insufficient to express an opinion on Ginnie Mae's $4.2 billion in nonpooled loan assets as of September 30, 2016.

Ginnie Mae's Internal Controls Over Financial Reporting Continued To Have Weaknesses
In fiscal year 2015, we reported that Ginnie Mae's internal controls over financial reporting were not effective. This condition continued, and some new issues were identified in fiscal year 2016. These material weaknesses in internal controls were issues related to the (1) improper accounting for FHA's reimbursable costs and accrued interest earned on nonpooled loans; (2) accounting for cash in transit; (3) revenue accrual accounting; and (4) several other accounting issues, such as advances, fixed assets, and financial statement note disclosures. The first three issues were repeat findings from prior years, and the last one was new in fiscal year 2016. These conditions occurred because of Ginnie Mae's failure to ensure that (1) adequate monitoring and oversight of its accounting and reporting functions were in place and operating effectively and (2) accounting policies and procedures were developed, finalized, and appropriately implemented. As a result, the risk that material misstatements in Ginnie Mae's financial statements would not be prevented or detected increased.

The Allowance for Loan Loss Account Balances Were Unreliable
In fiscal year 2016, we identified accounting issues related to Ginnie Mae's allowance for loan loss accounts. Specifically, we noted that Ginnie Mae improperly (1) accounted for certain nonpooled loan accounting transactions in its allowance for loan loss accounts and (2) booked a provision for loan loss against a nonexisting asset account. Factors that contributed to these issues included (1) the delayed implementation of accounting policies and procedures related to the allowance accounts and (2) the lack of financial management systems capable of handling loan-level transactions. Due to a combination of all of these accounting issues, we determined the balance of the allowance for loan loss accounts reported in Ginnie Mae's financial statements to be unreliable.

HUD's and Ginnie Mae's Financial Management Governance Was Ineffective[14]
Overall, we determined that HUD's financial management governance remained ineffective. Weaknesses in program and component internal control that impacted financial reporting were able to develop in part due to a lack of financial management governance processes that could detect or prevent significant program- and component-level internal control weaknesses.

[14] This was classified as a material weakness, based on the findings on financial management governance reported in Audit Report 2017-FO-0003, Additional Details To Supplement Our Fiscal Years 2016 and 2015 (Restated) U.S. Department of Housing and Urban Development Financial Statement Audit, and Audit Report 2017-FO-0001, Audit of the Government National Mortgage Association's Fiscal Years 2016 and 2015 (Restated) Financial Statements.

In fiscal year 2016, Ginnie Mae's executive management began to address the financial management governance problems cited in our fiscal years 2015 and 2014 audit reports. While significant progress was made this year, more work is needed to fully address the issues cited in our report. Specifically, these problems included issues in (1) keeping Ginnie Mae OCFO's operations fully functional; (2) ensuring that emerging risks affecting its financial management operations were identified, analyzed, and responded to appropriately and in a timely manner; (3) establishing adequate and appropriate accounting policies and procedures and accounting systems; and (4) implementing an effective entitywide governance of the models used to generate accounting estimates for financial reporting. Some of these conditions continued because the implementation of the corrective action plans took longer than anticipated. This issue again contributed to Ginnie Mae's inability to produce auditable financial statements for the third consecutive fiscal year.

HUD's financial management governance remained ineffective during 2016. HUD's transition to an FSSP for financial management services was punctuated by operational issues that were made worse by a lack of mature financial management governance practices. Additionally, as we have reported in prior-year audits, HUD did not have reliable financial information for reporting and continued using its outdated legacy financial systems. Weaknesses in program and component internal control that impacted financial reporting were able to develop in part due to a lack of financial management governance processes. As a result, there were multiple deficiencies in HUD's internal controls over financial reporting, resulting in misstatements on the financial statements and noncompliance with laws and regulations.

Cash Flow Modeling Errors Were Not Detected

In fiscal years 2014 and 2015, FHA home equity conversion mortgage net loans receivable and liability for loan guarantee were not reported in accordance with GAAP. Specifically, FHA did not estimate its property maintenance and operating management assumption expense rate based on actual historical payments. This condition occurred because FHA failed to isolate the accrued expenses in its input data in modeling its maintenance and operating expense rate management assumption. Additionally, FHA failed to adequately review significant changes observed in its maintenance and operating expense input data until 2016. This failure caused an overstatement of FHA's loan guaranty liability and an understatement of net loans receivable and related foreclosed property line items in fiscal years 2014 and 2015. According to FHA, the overstatement of the liability account and understatement of the asset account were $833 million and $540 million, respectively, in fiscal year 2015, and the overstatement of the liability account and understatement of the asset account were $830 million and $542 million, respectively, in fiscal year 2014.

FHA's Controls Over Financial Reporting Related to Budgetary Resources Had Weaknesses

In fiscal year 2016, we identified financial reporting control deficiencies related to FHA's monitoring of its budgetary resources. Specifically, we found that errors were not prevented or detected in a timely manner. These errors were related to the (1) discrepancies identified between proprietary and budgetary accounts and (2) system-generated accounting report used for financial reporting. Additionally, FHA's monitoring of its unliquidated obligation balances was not effective. We attributed these conditions to FHA's ineffective monitoring and processing controls. As a result, errors with an absolute amount totaling $680.2 million were not prevented or detected in a timely manner. Finally, FHA missed the opportunity to recapture $276.5 million in invalid obligations.

Significant Deficiencies

A **significant deficiency** is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance. We determined that the following deficiencies met the definition of a significant deficiency.

Weaknesses in HUD's Administrative Control of Funds System Continued

We have reported on HUD's administrative control of funds in our audit reports and management letters since fiscal year 2005. HUD continued to not have a fully implemented and complete administrative control of funds system that provided oversight of both obligations and disbursements. Our review noted instances in which (1) the Office of Multifamily Housing Programs did not follow HUD's administrative control of funds; (2) funds control plans were out of date or did not reflect the controls and procedures in place with the transition to an FSSP; (3) program codes were not included in funds control plans and funds control documentation; and (4) OCFO staff processed accounting changes without proper review, approval, and sufficient supporting documentation. These conditions existed because of (1) decisions made by HUD OCFO, (2) failures by HUD's allotment holders to update their funds control plans and notify OCFO of changes in their obligation process before implementation, (3) a lack of compliance reviews in the current year, and (4) a lack of policies and procedures requiring documentation of system accounting changes. As a result, HUD could not ensure that its obligations and disbursements were within authorized budget limits and complied with the Antideficiency Act.

HUD Continued To Report Significant Amounts of Invalid Obligations

Deficiencies in HUD's process for monitoring its unliquidated obligations and deobligating balances tied to invalid obligations continued. Specifically, some program offices did not complete their obligation reviews in a timely manner, and we discovered $204.4 million in invalid obligations not previously identified by HUD. We discovered another $93.4 million in inactive obligations, indicating potentially additional invalid obligations. We also discovered $34.6 million in obligations that HUD determined needed to be closed out and deobligated during the fiscal year that remained on the books as of September 30, 2016. We attributed these deficiencies to ineffective monitoring efforts and the inability to promptly process contract closeouts. Lastly, we noted that, as of September 30, 2016, HUD had not implemented prior-year recommendations to deobligate $100.5 million in funds. As a result, HUD's unpaid obligation balances on the statement of budgetary resources were potentially overstated by $432.9 million.

HUD's Computing Environment Controls Had Weaknesses

HUD's computing environment, data centers, networks, and servers provide critical support to all facets of its programs, mortgage insurance, financial management, and administrative operations. In fiscal year 2016, we audited application controls over the New Core Interface Solution, which exchanges data between the financial systems at ARC (Oracle Financials) and

HUD. We found that some access controls within the New Core Interface Solution were not effective and some of the application security documentation was inaccurate. These weaknesses occurred because of limited resources to perform the required tasks. As a result, some contractors had inappropriate access to sensitive budget and general ledger financial transactions. Further, inaccurate security documentation could lead to inappropriate decisions. In addition, although HUD had taken action to address information system control weaknesses reported in prior years, several of those weaknesses remained. Without adequate general and application controls, there was no assurance that financial management applications and the data within them were adequately protected.

Ginnie Mae Did Not Provide Adequate Oversight To Ensure Compliance With Federal Regulations and Guidance

Ginnie Mae did not provide adequate oversight of its pool processing agent for the Integrated Pool Management System (IPMS) to ensure that adequate controls over business processes complied with Federal regulations and guidance. Specifically, (1) IPMS does not have adequate controls that automatically track overrides in the system, (2) IPMS does not have automated controls to prevent a pool processor from making changes to the master data without prior approval, and (3) Ginnie Mae lacked policies and procedures for data management. These conditions occurred because Ginnie Mae did not have policies for monitoring overrides and IPMS does not sufficiently track the use of overrides or generate a report that captures changes. As a result, Ginnie Mae's data were susceptible to an increased risk of improper use of authority, which could cause financial harm to Ginnie Mae by attaching its guarantee to mortgage-backed securities.

FHA's Controls Related to Claims Had Weaknesses

In fiscal year 2016, we found that (1) the designation of two A43C (Claims) system edits, which are used in processing claims, was inappropriate and (2) FHA continued to have a significant delay in billing noncompliant lenders for partial claims for which the promissory note was not provided within 60 days. The system edit issue occurred because FHA lacked periodic monitoring to ensure that the designation of the error codes was appropriate. The lack of alignment between FHA's policy and the regulatory requirements and persistent delays in initiating the collection process for noncompliant mortgages contributed to FHA's not claiming amounts due in a timely manner. The system edit issue creates a significant vulnerability in FHA's systems application controls, and its risk of improper payments is increased because FHA relied heavily on system edits to ensure that hundreds of thousands of single-family claim requests worth more than $15 billion in fiscal year 2016 were processed correctly. Additionally, delays in implementing the collection process for noncompliant mortgagees with unsupported partial claims caused unsupported partial claims to remain in the loans receivable inventory longer, which is neither a good cash management practice nor a good strategy to help improve the health of the Mutual Mortgage Insurance fund.

Weaknesses in FHA's Controls Over Model Governance

FHA had not fully implemented an effective model risk management governance framework. Specifically, it had not finalized or implemented policies and procedures relating to (1) model documentation, (2) model assumption sensitivity analysis testing, and (3) data management and validation. This condition occurred because FHA had not made establishing a model governance framework a priority. FHA's failure to fully implement a control mechanism, such as the model risk management governance framework, increased the risk of inconsistencies and errors in financial reporting occurring without being detected or prevented.

Weaknesses Were Identified in Selected FHA Information Technology Systems

Our review of the general and application controls over FHA's Single Family Premium Collection System – Periodic (SFPCS-P) and Single Family Acquired Asset Management System (SAMS) found (1) weaknesses in SFPCS-P, which included the system's being incorrectly classified as a low-impact system instead of a moderate-impact system; (2) that software products used by SFPCS-P were outdated; (3) that the interface reconciliation from HUD's Single Family Insurance System (SFIS) to SFPCS-P was not sufficiently performed; (4) that SFPCS-P had not participated in HUD's disaster recovery exercise for more than 4 years; (5) that segregation of duties for SFPCS-P developers was not effectively implemented; and (6) that SFPCS-P security documents contained inaccurate information. Additionally, we found (1) weaknesses in SAMS, which included that the interface reconciliations from SFIS to SAMS were not sufficiently performed and (2) least privilege and segregation of duties requirements were not fully implemented for SAMS users.

We completed an additional review of the general and application controls over SFIS and the Claims system and determined that the information system control weaknesses previously identified in SFIS and Claims were being addressed. However, we found (1) weaknesses in Claims, which included inconsistencies in error code, and (2) that the configuration information and the history of system changes were not retained for more than 5 years. Further, we found (1) weaknesses in both SFIS and Claims systems, which included that application and user access controls were not effectively implemented or adequately managed, and (2) that management did not adequately implement effective application configuration management. We also found that HUD Application Release Tracking System documents for FHA applications were not processed and maintained properly. These conditions occurred because some application controls were not sufficient. As a result, the appropriate confidentiality, integrity, and availability of critical information may have been negatively impacted. In addition, the information used to provide input to the FHA financial statements could have been adversely affected.

Report on Compliance With Laws and Regulations

In connection with our audit, we performed tests of HUD's compliance with certain provisions of laws and regulations. The results of our tests disclosed five instances of noncompliance that are required to be reported in accordance with Government Auditing Standards, issued by the Comptroller General of the United States, or OMB Bulletin No. 15-02, Audit Requirements for Federal Financial Statements. However, the objective of our audit was not to provide an opinion on compliance with laws and regulations. Accordingly, we do not express such an opinion.

HUD's Financial Management Systems Did Not Comply With the Federal Financial Management Improvement Act

In fiscal year 2016, we noted a number of instances of FFMIA noncompliance[15] within HUD's financial management system. HUD's continued noncompliance was due to New Core implementation challenges and a reliance on a number of legacy financial systems.

HUD Continued To Not Comply With the HOME Investment Partnership Act

HUD continued to not comply with section 218(g) of the HOME Investment Partnership Act (also known as the HOME Statute) regarding grant commitment requirements. HUD's misinterpretation of the plain language in the Act, the implementation of the cumulative method and the FIFO technique, and the current recapture policies continued to result in HUD's noncompliance with HOME Statute requirements. As a result, HUD continued to incorrectly permit some jurisdictions to retain, commit, and disburse HOME Investment Partnerships Program grant funds beyond the statutory deadline. HUD will continue to be noncompliant with related laws and regulations until the cumulative method is no longer used to determine whether grantees meet commitment deadlines required by the HOME Statute. Allowing grantees to disburse funds from commitments made outside the 24-month statutory period may have caused HUD to incur improper payments.

HUD Did Not Comply With Treasury Financial Manual's Rules on Cash Management or 2 CFR Part 200

Since the implementation of its cash management policies in fiscal year 2013, PIH has made significant progress toward compliance with Treasury Financial Manual rules on cash management.[16] However, despite considerable efforts by HUD's Office of Housing Voucher Programs, public housing agencies (PHA) maintained Federal cash in excess of their immediate disbursement need for extended periods. Specifically, Moving To Work program PHAs held between $432.4 million and $466.5 million for the majority of the fiscal year and even after offsets performed in August and September 2016, held $212 million in excess of their immediate disbursement needs. Further, PHAs accumulated $168.3 million from January to June 2016 and most likely accumulated additional excess funds from July through September, none of which had been offset as of September 30, 2016. These conditions occurred because HUD lacked an automated system and real-time expense data needed to fully implement its cash management policies. Since PHAs maintained these funds in excess of immediate disbursement needs for extended periods and were unable to quickly offset the funds against future disbursements, HUD

[15] Compliance with section 803(a) elements of FFMIA include (1) system requirements, (2) accounting standards, and (3) USSGL at the transaction level.

[16] Before fiscal year 2013, HUD provided housing assistance payments to its PHAs that far exceeded their need and did not have a process in place to offset excess funding. To address this problem, PIH implemented the following cash management polices: (1) determine future disbursement based on previous need, (2) perform quarterly cash reconciliations and offset excess funding as it is identified, and (3) offset amounts that accumulated before the implementation of these new processes.

did not comply with Treasury's cash management regulations[17] or 2 CFR (Code of Federal Regulations) Part 200,[18] increasing the risk of funds being susceptible to fraud, waste, and abuse.

HUD Did Not Comply With the Improper Payments Elimination and Recovery Act of 2010
Our Improper Payments Elimination and Recovery Act (IPERA) audit[19] found that HUD did not comply with IPERA in fiscal year 2015 because it did not conduct its annual risk assessment in accordance with OMB guidance or meet its annual improper payment reduction target. Specifically, HUD did not assess all low-risk programs on a 3-year cycle or consider all nine required risk factors, making the review incomplete and noncompliant with section 3(a)(3)(B) of IPERA. HUD also failed to meet or exceed the annual improper payment reduction targets for its high-priority program, Rental Housing Assistance Programs (RHAP), causing noncompliance with section 3(a)(3)(E) of IPERA. This is the third year in a row that HUD did not comply with IPERA. Additionally, we found that information published in the AFR did not meet the reporting requirements of OMB Circular A-136, significant improper payments in HUD's RHAP continued, and HUD's improper payment estimate and methodology for RHAP continued to have deficiencies during fiscal year 2015.

Ginnie Mae Did Not Comply With the Debt Collection Improvement Act of 1996
In fiscal year 2016, Ginnie Mae's noncompliance with the Debt Collection Improvement Act (DCIA) of 1996 continued. Specifically, as reported in fiscal year 2015, Ginnie Mae had not remediated its practice of ensuring that all debt collection tools allowed by law had been considered before deciding to discharge certain uninsured mortgage debts owed to Ginnie Mae. This condition occurred because Ginnie Mae's management continued to take the position that DCIA did not apply to Ginnie Mae; therefore, it did not need to comply with DCIA requirements. As a result, Ginnie Mae may have missed opportunities to collect tens of millions of dollars in debts related to losses on its mortgage-backed securities program.

Results of the Audit of FHA's Financial Statements

We performed a separate audit of FHA's fiscal years 2016 and 2015 (restated) financial statements. Our report on FHA's financial statements[20] includes a qualified opinion on FHA's

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[17] Treasury Financial Manual, Vol. 1, Part 4A, Section 2045.10, Cash Advances Establishing Procedure for Cash Advances, section 3, states, "It is the responsibility of grantor agencies to monitor the cash management practices of their recipient organizations to ensure that Federal cash is not maintained by them in excess of immediate disbursing needs. Agencies must establish systems and procedures to assure that balances are maintained commensurate with immediate disbursing needs, excess balances are promptly returned to the Treasury; and advance funding arrangements with recipient organizations unwilling or unable to comply are terminated."
[18] Regulations at 2 CFR 200.305 state, "For non-Federal entities other than States, payments methods must minimize the time elapsing between the transfer of funds from the United States Treasury or the pass-through entity and the disbursement by the non-Federal entity." The regulations further state, "Advance payments to a non-Federal entity must be limited to the minimum amounts needed and be timed to be in accordance with the actual, immediate cash requirements of the non-Federal entity in carrying out the purpose of the approved program or project."
[19] Audit Report 2016-FO-0005, Compliance With the Improper Payments Elimination and Recovery Act, issued May 13, 2016
[20] Audit Report 2017-FO-0002, Audit of Federal Housing Administration Fiscal Years 2016 and 2015 (Restated) Financial Statements Audit, issued November 14, 2016, was incorporated into this report.

financial statements, along with discussion of two material weaknesses and three significant deficiencies in internal controls.

Results of the Audit of Ginnie Mae's Financial Statements

We performed a separate audit of Ginnie Mae's fiscal years 2016 and 2015 (restated) financial statements. Our report on Ginnie Mae's financial statements[21] includes a disclaimer of opinion on these financial statements, along with discussion of four material weaknesses, one significant deficiency in internal control, and one instance of noncompliance with laws and regulations.

Objectives, Scope, and Methodology

As part of our audit, we considered HUD's internal controls over financial reporting. We are not providing assurance on those internal controls. Therefore, we do not provide an opinion on internal controls. We conducted our audit in accordance with Government Auditing Standards and the requirements of OMB Bulletin 15-02. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

We also tested HUD's compliance with laws, regulations, governmentwide policies, and provisions of contract and grant agreements that could have a direct and material effect on the financial statements. However, our consideration of HUD's internal controls and our testing of its compliance with laws, regulations, governmentwide policies, and provisions of contract and grant agreements were not designed to and did not provide sufficient evidence to allow us to express an opinion on such matters and would not necessarily disclose all matters that might be material weaknesses; significant deficiencies; or noncompliance with laws, regulations, governmentwide policies, and provisions of contract and grant agreements. Accordingly, we do not express an opinion on HUD's internal controls or its compliance with laws, regulations, governmentwide policies, and provisions of contract and grant agreements.

Our review of the reissued fiscal years 2016 and 2015 consolidated financial statements entailed reviewing the revised consolidated financial statements to (1) validate that appropriate revisions were made to the financial statements and notes to correct all errors that were identified and (2) confirm that the financial statements and notes are presented in conformity with OMB Circular A-136 and United States GAAP.

With respect to information presented in HUD's "required supplementary stewardship information" and "required supplementary information" and management's discussion and analysis presented in HUD's fiscal year 2015 AFR, we performed limited testing procedures as required by the American Institute of Certified Public Accountants Clarified Statements on Auditing Standards, AU-C 730, Required Supplementary Information. Our procedures were not designed to provide assurance, and, accordingly, we do not provide an opinion on such information.

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[21] Audit Report 2017-FO-0001, Audit of the Government National Mortgage Association's Fiscal Years 2016 and 2015 (Restated) Financial Statements, issued November 14, 2016, was incorporated into this report.

Because of the matters described in the Basis for Disclaimer of Opinion section above, we were not able to obtain sufficient, appropriate audit evidence to provide a basis for an audit opinion.

Agency Comments and Our Evaluation

We reviewed management's response to the reissued draft independent auditor's report, which can be found in its entirety in appendix A. We noted that HUD is generally in agreement with our report. HUD states that it does not fully agree with our assessment of the issues, conclusions, or resulting recommendations; however, it does not provide specific points of disagreement. Further, HUD appears to agree with the basis of our report because it agrees that "there needed to be greater internal controls and stronger oversight." While we generally agree with most of HUD's comments, we do not agree with the following.

In regard to the FSSP implementation, HUD states, "The successful transition puts HUD in a place to make significant strides toward strong financial management and data-driven decisions." However, we reported that the implementation failed to meet expectations. The audit report[22] stated, "A year after the transition, HUD had inaccurate data resulting from the conversions and continued to execute 97 percent of programmatic transactions in its legacy applications. In addition, HUD did not decommission all of the applications it wanted to, including its core financial system, nor did it achieve the planned cost savings." Further, the lack of planning for this transition compromised HUD's financial reporting and made it unable to provide financial statements in time for audit, and the statements it did provide contained pervasive material errors. Instead of being a "successful transition" and making "significant strides toward strong financial management" as stated in the comments, the new financial reporting process is more complex, which makes it increasingly more difficult to incorporate late financial reporting changes from its component entities.

HUD states that the "presentation of the financial information was inaccurate" and describes the errors in its financial statements and notes as "inconsistencies." Since the financial information reported was not correct, these statements are misleading because they imply that the information reported was correct but was merely presented inconsistently. Further, HUD states, "Overall, the combined adjustments to the consolidated financial statements resulted in a net adjustment of $3 million, but no changes in HUD's financial position or impact to our programs." HUD management is downplaying the severity of the condition and impact of the errors identified, which were significant enough to cause it to recall its published AFR and reissue its fiscal year 2016 consolidated financial statements and notes. While the errors identified may not have changed HUD's financial position, as HUD states at the bottom of its financial statements, "The accompanying notes are an integral part of these statements." These notes contained errors of $516.4 billion.

While we have audited HUD's reissued statements, we have not fully evaluated any of the new process improvements HUD discussed in its response. We look forward to evaluating these processes as part of our fiscal year 2017 audit.

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[22] Audit report 2017-DP-0001, New Core Project: Shared Service Implementation Failed To Meet Expectations, issued February 1, 2017

This report is intended for the information and use of the management of HUD, OMB, the U.S. Government Accountability Office, and Congress and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited. In addition to a separate report detailing the internal control and compliance issues included in this report and providing specific recommendations to HUD management, we noted other matters involving internal control over financial reporting and HUD's operations that we are reporting to HUD management in a separate management letter.

Randy W. McGinnis
Assistant Inspector General for Audit

March 1, 2017

Results of Audit

Material Weakness: Weak Internal Controls Over Financial Reporting Led to Errors and Delays in the Preparation of Financial Statements and Notes[23]

Before the issuance of HUD’s 2016 and 2015 (restated) consolidated financial statements, we reviewed what was submitted to us for audit and noted pervasive material errors in the financial statements and accompanying notes totaling $557 million and $278.5 billion, respectively.[24] We also identified differences of $19.5 billion in amounts presented in three note disclosures between what was submitted to us for audit and what was published in HUD’s AFR. We found that the errors in the statements and notes and discrepancies between what was provided for audit and what was published occurred due to extensive weaknesses in HUD’s internal controls over financial reporting. As a result, HUD withdrew its AFR to correct the material errors and notify users that the fiscal years 2016 and 2015 consolidated financial statements could not be relied upon.

Subsequent Review of HUD’s Fiscal Years 2016 and 2015 (Restated) Consolidated Financial Statements

Our subsequent review of HUD’s fiscal years 2016 and 2015 (restated) consolidated financial statements found an extensive number of material errors. Specifically, we found errors in (1) HUD’s notes to the financial statements and (2) the statement of budgetary resources. We also identified discrepancies between the final financial statements submitted to us for review and the financial statements presented and published in HUD’s AFR.

> *Errors in financial statement note disclosures.* We found that 19 of 31 financial statement notes (61 percent) contained errors with an approximate absolute value totaling $278.5 billion. Of the $278.5 billion in errors, $159.4 billion in errors was due primarily to (1) incorrect data entry, (2) omission of restated balances, or (3) incorrect data provided by HUD’s component entities (FHA and Ginnie Mae). The remaining $119.1 billion in errors was due to inappropriate rounding adjustments. We found several instances in which rounding was performed to the nearest billion and hundred billion,

[23] This updates the material weakness, Weak Internal Controls Over Financial Reporting Led to Errors and Delays in the Preparation of Financial Statements and Notes, reported in OIG audit report 2017-FO-0003. All other material weaknesses and significant deficiencies found during this audit are contained in OIG audit report 2017-FO-0003. See the Background and Objectives section for more information.

[24] HUD’s fiscal years 2016 and 2015 (restated) consolidated financial statements were not provided in time for audit. Refer to the Background and Objectives section and the Emphasis of Matter paragraph in our independent auditor’s report.

while OMB Circular A-136 requires the highest level of rounding to be at the nearest million. This practice caused amounts to not agree with supporting files or underlying Ginnie Mae and FHA information. Some of the errors identified flowed through to other note line items or note columns and caused errors in the totals presented. The absolute value of these additional errors was not included in our total.

Errors in the consolidated statement of budgetary resources. We identified errors in the split between budgetary and nonbudgetary columns on HUD's statement of budgetary resources with an absolute value totaling $557 million.

Discrepancies in consolidated financial statements presented in AFR. We identified differences in amounts presented between what was submitted to us on November 10, 2016, and certified as final consolidated financial statements and what was published in HUD's AFR in the following three note disclosures: Note 20-Funds from Dedicated Collections; Note 26-Commitments Under HUD's Grant, Subsidy, and Loan Programs; and Note 14-Debt. The total absolute value of the differences was $19.5 billion. While two of these changes corrected errors in the original submission to us, the other change was for inappropriate rounding. OCFO did not inform us of these changes after it submitted final financial statements for our review. By submitting to us a final version of the consolidated financial statements for audit that was different from the version presented in its AFR, HUD OCFO misrepresented that we had audited its published consolidated financial statements. This misrepresentation may have led the reader to believe that we had audited the three changed notes, when we had not.

We communicated these errors to HUD management in early December 2016 and advised it to review its fiscal years 2016 and 2015 consolidated financial statements to determine whether it agreed that they contained material misstatements and would need to be revised and reissued.

Extensive Weaknesses in HUD's Internal Controls Over Financial Reporting

The errors described above occurred because HUD OCFO failed to design and implement an adequate system of internal controls over financial reporting necessary to mitigate the challenges and risks in its complex financial reporting process. These challenges and risks were exacerbated with the transition of HUD's legacy general ledger application to an enterprise resource management application housed in an FSSP. This move replaced known processes with poor or undefined and untested processes. The transition also increased the workload on HUD's financial reporting division, and to remedy the issue, HUD's management outsourced some of its roles to staff and contractors, which were unfamiliar with HUD's financial reporting process and did not receive adequate training. HUD's management was more focused on completing the transition to an FSSP on schedule than adequately setting defined requirements and testing systems to ensure appropriate internal controls over financial reporting.

Specifically, we noted weaknesses in each element of internal controls: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring.

- **Information and communication**: HUD OCFO management did not fully understand how the FHA and Ginnie Mae restatements would impact the notes. Information was not clearly communicated internally within OCFO or between HUD and its component entities (FHA and Ginnie Mae) to explain the full impact of restatements or changes that occurred in the presentation of the statements from the prior year to the current year. As a result, information was incorporated into HUD's final financial statements incorrectly.
- **Control activities and monitoring**: HUD's financial reporting process did not provide enough time for a thorough review by staff that had adequate experience preparing and reviewing HUD's financial statements and notes. Late in the fiscal year, HUD management decided to allocate additional resources to the financial reporting process and assigned contractors to work on key elements of the financial statements and notes. However, the contractors were not familiar with HUD's financial information or its financial reporting process and did not have access to necessary financial systems. Due to this fundamental lack of understanding, the contractors transferred information from the supporting files to the notes incorrectly, which went undetected by HUD management due to inadequate monitoring and review of the process.
- **Control activities, risk assessment, and monitoring**: The consolidation of FHA and Ginnie Mae information into HUD's consolidated financial statements is inherently risky because it involves several complex manual steps. Yet there were no controls in place to mitigate this risk. As a result, information was incorporated into HUD's final financial statements incorrectly, which went undetected by HUD management.
- **Risk assessment and control activities**: The addition of an FSSP greatly complicated HUD's already complex reporting process. HUD decided not to test the new process until the third quarter, allowing errors or problems with the new process to go unidentified for more than 9 months of the fiscal year before attempting to address them. This delay did not allow sufficient time to resolve problems and errors identified for yearend reporting.
- **Control environment, control activities, and information and communication:** HUD OCFO management appeared not to understand the note preparation process or the level of expertise and training required to prepare and review HUD's notes due to a lack of policies and procedures.

As a result of these serious internal control weaknesses, HUD published final consolidated financial statements in its AFR that contained pervasive material errors. Therefore, users of HUD's financial statements could not rely upon them, and HUD had to recall its fiscal year 2016 AFR.

HUD management revised its fiscal years 2016 and 2015 consolidated financial statements to (1) correct the errors that we identified, (2) correct other balances that were impacted by the errors, and (3) correct other errors identified by OCFO during its review. The revised statements were provided to us for audit, and we audited them in their entirety to determine whether they were consolidated and presented in accordance with OMB Circular A-136 and GAAP. We found that all of the errors we identified had been corrected. We also noted additional changes made by OCFO and determined that they were properly supported.

Conclusion

We identified material, pervasive errors in HUD's fiscal years 2016 and 2015 (restated) consolidated financial statements published in its AFR and communicated those errors to HUD management. HUD concurred and withdrew and reissued its consolidated financial statements to address the errors we identified and other needed corrections. These errors occurred because of pervasive weaknesses in OCFO's internal controls over financial reporting, primarily attributed to the transition of its general ledger system to an FSSP without adequate requirements for gathering and testing of the financial reporting process. Our analysis of the fiscal years 2016 and 2015 consolidated financial statements determined that this failure resulted in (1) more than $278.5 billion in misstatements in the notes to the financial statements, (2) a $557 million error in HUD's statement of budgetary resources, and (3) $19.5 billion in line item amounts presented in HUD's AFR that differed from those that were presented for audit. Most importantly, HUD had to recall its fiscal year 2016 AFR because of the material misstatements contained in the consolidated financial statements and state that the published report should not be relied on.

HUD was able to make revisions to correct the errors identified and make other corrections that were later identified by OCFO. OCFO reissued its financial statements, which included corrections totaling $516.4 billion to its notes and $3.4 billion to its financial statements. We reissued our audit opinion in our independent auditor's report upon completion of our audit of HUD's reissued fiscal years 2016 and 2015 consolidated financial statements. While HUD had corrected the material errors and reissued its statements, our opinion remained unchanged from a disclaimer of opinion due to other material matters identified during the previous audit of HUD's fiscal years 2016 and 2015 consolidated financial statements, which are further discussed in our independent auditor's report and OIG audit report 2017-FO-0003.

Recommendations[25]

We recommend that the Acting Chief Financial Officer

1A. Evaluate the current content of HUD's financial statement note disclosures to identify outdated or irrelevant information that may not be needed, while maintaining compliance with OMB Circular A-136 and presenting the reader with the information necessary to understand HUD's financial statements.

1B. Work with FHA and Ginnie Mae to reevaluate the note consolidation process to determine changes that can be made to the process to ensure compliance with financial reporting requirements.

1C. Reassess HUD's current consolidated financial statement and notes review process to ensure that (1) all reviewers have sufficient financial reporting experience; (2) it includes steps to verify that the notes match HUD's financial statements, are sufficiently supported, and accurately include FHA and Ginnie Mae information; and

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[25] The recommendations listed here are in addition to recommendations made in OIG Audit Report 2017-FO-0003, Additional Details To Supplement Our Fiscal Years 2016 and 2015 (Restated) U.S. Department of Housing and Urban Development Financial Statement Audit.

(3) the review can be completed within the required timeframe needed to allow for audit.

1D. Develop a plan to ensure that restatements to HUD's consolidated financial statements are properly reflected in all notes impacted by the restatement.

Appendixes

Appendix A

Auditee Comments to Reissued Independent Auditor's Report

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-3000

CHIEF FINANICIAL OFFICER

FEB 24 2017

MEMORANDUM FOR: Thomas R. McEnanly, Director of Financial Audits Division, GAH

FROM: Courtney B. Timberlake, Deputy Chief Financial Officer, F

SUBJECT: Response to OIG Draft Audit Report on Fiscal Years 2016 and 2015 (Restated) Re-issued Consolidated Financial Statements (Reissued)

Thank you for the opportunity to review and comment on the subject report. We have worked diligently to correct and re-issue the financial statements. In this process, we focused on improvements to address the sources of our challenges by putting in place a stronger governance structure and additional expertise, with more robust internal and monitoring controls, quality control reviews, certification of component and consolidated work products, greater communication, and more in-depth management reviews throughout the process.

After release of the consolidated financial statements on November 15, 2016, OIG continued its audit and identified material inconsistencies in the financial information. This resulted in the re-issuance of the 2016 Agency Financial Report and the re-audit of the financial statements and notes. The inconsistencies in the financial statements and notes had compounding consequences, which inflated the absolute value of errors, as a given error would flow through different AFR documents. Overall, the combined adjustments to the consolidated financial statements resulted in a net adjustment of $3 million, but no change in HUD's financial position or impact to our programs. In other words, while the presentation of the financial information was inaccurate, the correction of these inaccuracies did not represent a change in cash balances, any improper payments, or misallocation of HUD resources.

During fiscal 2016, the Department underwent a major change with the implementation of a federal shared service provider (FSSP). The successful transition puts HUD in a place to make significant strides toward strong financial management and data-driven decisions. However, the implementation required complex integration with our legacy systems, which support our program functions. Typical with any financial operations transition, implementing and realizing the benefits takes time and patience as we learn how to perform our functions with new tools. Transition expanded our understanding, brought control weaknesses to light, highlighted the need for stronger mitigation plans, and tested our communications. Implementation provides us the opportunity to improve the way we perform, to continue applying what we have learned, and adjust and refine our financial operations and reporting processes. This will allow us to more fully realize the benefits of a FSSP solution and strengthen financial management across the Department.

The re-issuance of the 2016 AFR stemmed from multiple circumstances. First, the timetable for shared service implementation and ongoing operations impacted staff planning and training including adaptation of our complex reporting process. Second, last-minute material changes at the component level were not fully incorporated throughout the consolidated financial statement package. Third, knowledge transfer and training on the reporting process within HUD was hindered by key staff retirements and departures in the Accounting Office. Lastly, our year-end risk mitigation planning did not sufficiently account for the multiple risks and complexity of our operations.

We had implemented additional internal controls over the financial statement preparation process and brought in additional resources for the November issuance. However, the fast-shifting conditions imposed substantial limitations on our ability to respond and adjust to the changing circumstances despite the additional resources. Last-minute material changes that cascaded through various documents at both the component and the consolidated level greatly compressed our preparation schedule, resulting in a truncated timetable to prepare and review the final materials and for the OIG to complete its audit.

In summary, while we do not fully agree with OIG's assessment of the issues, conclusions, or resulting recommendations, we agree that there needed to be greater internal controls and stronger oversight, and we incorporated several changes into the reissuance process as a result. Further, we will apply the knowledge gained through the re-issuance process to further refine our financial statement preparation and review process, grow our in-house expertise, and continue to establish stronger controls. Our remediation plan is underway to address our long-standing material weaknesses. We have begun by prioritizing the findings and strategizing our approaches for addressing the overarching issues underpinning audit findings through corrective action plans that ultimately resolve not only material weaknesses and historical issues, and also institute lasting financial management improvements across HUD. We look forward to a productive and fruitful year as we address the varied and complex issues raised by OIG.

Appendix B

Schedule of Questioned Costs and Funds To Be Put to Better Use

Audit report number	Unsupported 1/	Funds to be put to better use 2/
2017-FO-0001		$248,016,624
2017-FO-0002	$55,350,830	276,567,940
2017-FO-0003		500,689,142
Totals	**55,350,830**	**1,025,273,706**

1/ Unsupported costs are those costs charged to a HUD-financed or HUD-insured program or activity when we cannot determine eligibility at the time of the audit. Unsupported costs require a decision by HUD program officials. This decision, in addition to obtaining supporting documentation, might involve a legal interpretation or clarification of departmental policies and procedures.

2/ Recommendations that funds be put to better use are estimates of amounts that could be used more efficiently if an OIG recommendation is implemented. These amounts include reductions in outlays, deobligation of funds, withdrawal of interest, costs not incurred by implementing recommended improvements, avoidance of unnecessary expenditures noted in preaward reviews, and any other savings that are specifically identified.

Appendix C

HUD's Fiscal Years 2016 and 2015 (Restated) Consolidated Financial Statements and Notes

Financial Statements

Introduction

The principal financial statements have been prepared to report the financial position and results of operations of HUD, pursuant to the requirements of 31 U.S.C. 3515(b). While the statements have been prepared from HUD's books and records in accordance with GAAP for Federal entities and the formats prescribed by OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records. The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity.

The following financial statements are presented:

The **Consolidated Balance Sheet**, as of September 30, 2016, and 2015, which presents those resources owned or managed by HUD that are available to provide future economic benefits (assets), amounts owed by HUD that will require payments from those resources or future resources (liabilities), and residual amounts retained by HUD comprising the difference (net position).

The **Consolidated Statement of Net Cost**, which presents the net cost of HUD operations for the years ended September 30, 2016, and 2015. HUD's net cost of operations includes the gross costs incurred by HUD less any exchange revenue earned from HUD activities.

The **Consolidated Statement of Changes in Net Position**, which presents the change in HUD's net position resulting from the net cost of HUD operations, budgetary financing sources other than exchange revenues, and other financing sources for the years ended September 30, 2016, and 2015.

The **Combined Statement of Budgetary Resources**, which presents the budgetary resources available to HUD during FY 2016 and 2015, the status of these resources at September 30, 2016, and 2015, and the outlay of budgetary resources for the years ended September 30, 2016, and 2015.

The **Notes to the Financial Statements** provide important disclosures and details related to information reported on the statements.

U.S. Department Of Housing And Urban Development
Consolidated Balance Sheet
For the Periods Ending September 2016 and September 2015
(Dollars in Millions)

	2016	2015 (Restated)
Assets:		
Intragovernmental:		
Fund balance with Treasury (Note 4)	$ 73,198	$ 94,691
Short-Term Investments (Note 6)	15,954	12,923
Long-Term Investments held to matuirty (Note 6)	36,398	14,754
Accounts Receivable, Net (Note 7)	1	-
Other Assets (Note 12)	43	9
Total Intragovernmental Assets	$ 125,594	$ 122,377
Cash (Note 5)	$ 60	$ 45
Investments (Note 6)	31	31
Accounts Receivable, Net (Note 7)	611	780
Direct Loan and Loan Guarantees, Net (Note 8)	19,476	14,965
Other Non-Credit Reform Loans (Note 9)	2,680	3,227
General Property, Plant, and Equipment (Note 10)	381	329
PIH Prepayments (Note 11)	380	672
Other Assets (Note 12)	53	45
Total Assets	$ 149,266	$ 142,471
Liabilities:		
Intragovernmental		
Accounts payable (Note 13)	$ 24	$ 16
Debt (Note 14)	31,002	27,150
Other Intragovernmental Liabilities (Note 17)	3,024	3,148
Total Intragovernmental Liabilities	$ 34,050	$ 30,314
Accounts payable (Note 13)	$ 1,006	$ 966
Accrued Grant Liabilities (Note 13)	2,663	2,388
Loan Guarantees (Note 8)	(2,057)	13,473
Debt Held by the Public (Note 14)	8	8
Federal Employee and Veterans Benefits (Note 15)	64	69
Loss Reserves (Note 16)	3	-
Other Governmental Liabilities (Note 17)	1,367	1,239
Total Liabilities	$ 37,104	$ 48,457
Commitments and Contingencies (Note 19)	$ 55	$ 55
Net Position:		
Unexpended appropriations - earmarked funds (Note 20)	$ (342)	$ (305)
Unexpended appropriations - other funds	47,257	51,420
Cumulative results of operations - earmarked funds (Note 20)	22,655	21,417
Cumulative results of operations - other funds	42,592	21,482
Total Net Position	$ 112,162	$ 94,014
Total Liabilities and Net Position	$ 149,266	$ 142,471

The accompanying notes are an integral part of these statements

U.S. Department Of Housing And Urban Development
Consolidated Statement Of Net Cost
For the Periods Ending September 2016 and September 2015
(Dollars in Millions)

		2016		2015 (Restated)
COSTS				
Federal Housing Administration				
Gross Costs (Note 21)	$	(17,758)	$	(16,203)
Less: Earned Revenues		(1,218)		(1,849)
Net Program Costs		(18,976)		(18,052)
(Gain)/Loss on pension, ORB or OPEB Assumption Changes		-		-
Net program costs including Assumption Changes		(18,976)		(18,052)
Government National Mortgage Association				
Gross Costs (Note 21)	$	432	$	(234)
Less: Earned Revenues		(1,646)		(1,555)
Net Program Costs		(1,214)		(1,789)
(Gain)/Loss on pension, ORB or OPEB Assumption Changes		-		-
Net program costs including Assumption Changes		(1,214)		(1,789)
Section 8 Rental Assistance				
Gross Costs (Note 21)	$	30,653	$	29,482
Less: Earned Revenues		-		-
Net Program Costs		30,653		29,482
(Gain)/Loss on pension, ORB or OPEB Assumption Changes		-		-
Net program costs including Assumption Changes		30,653		29,482
Public and Indian Housing Loans and Grants (PIH)				
Gross Costs (Note 21)	$	2,995	$	2,835
Less: Earned Revenues		-		-
Net Program Costs		2,995		2,835
(Gain)/Loss on pension, ORB or OPEB Assumption Changes		-		-
Net program costs including Assumption Changes		2,995		2,835
Homeless Assistance Grants				
Gross Costs (Note 21)	$	1,957	$	1,894
Less: Earned Revenues		5		(4)
Net Program Costs		1,962		1,890
(Gain)/Loss on pension, ORB or OPEB Assumption Changes		-		-
Net program costs including Assumption Changes		1,962		1,890
Housing for the Elderly and Disabled				
Gross Costs (Note 21)	$	974	$	1,037
Less: Earned Revenues		(109)		(136)
Net Program Costs		865		901
(Gain)/Loss on pension, ORB or OPEB Assumption Changes		-		-
Net program costs including Assumption Changes		865		901
Community Development Block Grants (CDBG)				
Gross Costs (Note 21)	$	6,286	$	7,567
Less: Earned Revenues		-		-
Net Program Costs		6,286		7,567
(Gain)/Loss on pension, ORB or OPEB Assumption Changes		-		-
Net program costs including Assumption Changes		6,286		7,567
HOME				
Gross Costs (Note 21)	$	1,167	$	1,241
Less: Earned Revenues		-		-
Net Program Costs		1,167		1,241
(Gain)/Loss on pension, ORB or OPEB Assumption Changes		-		-
Net program costs including Assumption Changes		1,167		1,241
Other				
Gross Costs (Note 21)	$	6,351	$	6,071
Less: Earned Revenues		(37)		(29)
Net Program Costs		6,314		6,042
(Gain)/Loss on pension, ORB or OPEB Assumption Changes		-		-
Net program costs including Assumption Changes		6,314		6,042
Costs Not Assigned to Programs		262		218
Less: Earned Revenues Not Attributed to Programs		-		-
Consolidated				
Gross Costs (Note 21)	$	33,319	$	33,908
Less: Earned Revenues		(3,005)		(3,573)
Net Cost of Operations	$	30,314	$	30,335

The accompanying notes are an integral part of these statements

Figures may not add to totals because of rounding.

U.S. Department Of Housing And Urban Development
Consolidated Statement Of Changes In Net Position
For the Periods Ending September 2016 and September 2015
(Dollars in Millions)

	2016			2015 (Restated)		
	Funds From Dedicated Collections	All Other Funds	Total	Funds From Dedicated Collections	All Other Funds	Total
CUMULATIVE RESULTS OF OPERATIONS:						
Beginning of Period	$ 21,417	$ 20,646	$ 42,063	$ 19,621	$ 4,063	$ 23,684
Adjustments:						
Changes in Accounting Principles	-	-	-	-	-	-
Corrections and Errors	(5)	835	830	(3)	1,371	1,368
Beginning Balance, As Adjusted	$ 21,412	$ 21,481	$ 42,893	$ 19,618	$ 5,434	$ 25,052
BUDGETARY FINANCING SOURCES:						
Other Adjustments (Rescissions, etc.)	$ (1)	$ -	$ (1)	$ -	$ -	$ -
Appropriations Used	89	54,372	54,461	115	52,878	52,993
Non-Exchange Revenue	5	201	206	3	-	3
Donations and Forfeitures of Cash/Equivalents	-	-	-	-	-	-
Transfers In/Out Without Reimbursement	-	-	-	-	-	-
Other Budgetary Financing Sources	-	-	-	-	-	-
OTHER FINANCING SOURCES (NON-EXCHANGE):						
Donations and Forfeitures of Property	$ -	$ -	$ -	$ -	$ -	$ -
Transfers-In/Out Without Reimbursement	-	-	-	-	-	-
Imputed Financing	1	158	159	1	64	65
Other	13	(2,170)	(2,157)	-	(4,879)	(4,879)
Total Financing Sources	107	52,561	52,668	119	48,063	48,182
Net Cost of Operations	1,136	(31,450)	(30,314)	1,680	(32,015)	(30,335)
Net Change	1,243	21,111	22,354	1,799	16,048	17,847
CUMULATIVE RESULTS OF OPERATIONS	**$ 22,655**	**$ 42,592**	**$ 65,247**	**$ 21,417**	**$ 21,482**	**$ 42,899**
UNEXPENDED APPROPRIATIONS:						
Beginning of Period	$ (320)	$ 51,435	$ 51,115	$ (221)	$ 56,442	$ 56,221
Adjustments:	-	-	-	-	-	-
Changes in Accounting Principles	-	-	-	-	-	-
Corrections and Errors	14	(15)	(1)	-	574	574
Beginning Balance, As Adjusted	$ (306)	$ 51,420	$ 51,114	$ (221)	$ 57,016	$ 56,795
BUDGETARY FINANCING SOURCES:						
Appropriations Received	$ -	$ 51,088	$ 51,088	$ -	$ 47,639	$ 47,639
Appropriations Transferred-In/Out	80	(80)	-	55	(56)	(1)
Other Adjustments (Rescissions, etc.)	(27)	(799)	(826)	(24)	(301)	(325)
Appropriations Used	(89)	(54,372)	(54,461)	(115)	(52,878)	(52,993)
Total Budgetary Financing Sources	$ (36)	$ (4,163)	$ (4,199)	$ (84)	$ (5,596)	$ (5,680)
TOTAL UNEXPENDED APPROPRIATIONS	**$ (342)**	**$ 47,257**	**$ 46,915**	**$ (305)**	**$ 51,420**	**$ 51,115**
NET POSITION	**$ 22,313**	**$ 89,849**	**$ 112,162**	**$ 21,112**	**$ 72,902**	**$ 94,014**

The accompanying notes are an integral part of these statements

Figures may not add to totals because of rounding.

U.S. Department Of Housing And Urban Development
Combined Statement Of Budgetary Resources
For The Periods Ending September 2016 and September 2015
(Dollars in Millions)

	2016		2015 (Restated)	
	Budgetary	**Non Budgetary Credit Program Financing Accounts**	**Budgetary**	**Non Budgetary Credit Program Financing Accounts**
Budgetary Resources:				
Unobligated Balance Brought Forward, October 1	$ 44,388	$ 35,488	$ 34,729	$ 49,760
Adjustments to Unobligated Balance Brought Forward, October 1	7	(3)	(13)	-
Unobligated Balance Brought Forward, Oct 1, As Adjusted	44,395	35,485	34,716	49,760
Recoveries of Prior Year Unpaid Obligations	1,039	463	716	397
Other Changes in Unobligated Balance	(1,089)	-	(710)	3
Unobligated Balance From Prior Year Budget Authority, Net	44,345	35,948	34,722	50,160
Appropriations (discretionary and mandatory)	51,256	-	47,457	-
Borrowing Authority (discretionary and mandatory)	-	13,078	-	12,146
Contract Authority (discretionary and mandatory)	-	-	-	-
Spending Authority From Offsetting Collections	28,704	22,658	26,158	28,452
Total Budgetary Resources	**$ 124,305**	**$ 71,684**	**$ 108,337**	**$ 90,758**
Status of Budgetary Resources:				
Obligations Incurred				
Direct	$ 55,328	$ 51,020	$ 63,700	$ 49,732
Reimbursable	214	3,613	249	5,538
Subtotal	$ 55,542	$ 54,633	$ 63,949	$ 55,270
Unobligated Balances, End of Year				
Apportioned	$ 12,247	$ 5,677	$ 13,115	$ 4,478
Exempt From Apportionment	-	-	-	-
Unapportioned	55,667	11,374	31,273	31,010
Unexpired unobligated balance, end of year	**$ 67,914**	**$ 17,051**	**$ 44,388**	**$ 35,488**
Expired unobligated balance, end of year	849	-	-	-
Total Unobligated Balance, End of Year	$ 68,763	$ 17,051	$ 44,388	$ 35,488
Total Status of Budgetary Resources	**$ 124,305**	**$ 71,684**	**$ 108,337**	**$ 90,758**
Change in Obligated Balance				
Unpaid Obligations:				
Unpaid Obligations, Brought Forward, October 1	$ 39,326	$ 2,758	$ 41,087	$ 2,511
Adjustment to Unpaid Obligations, Start of Year	(8)	3	15	-
Obligations Incurred	55,542	54,633	63,949	55,270
Outlays (gross)	(57,520)	(54,048)	(65,009)	(54,626)
Actual Transfers, Unpaid Obligations	-	-	-	-
Recoveries of Prior Year Unpaid Obligations	(1,039)	(463)	(716)	(397)
Unpaid Obligations, End of Year (gross)	$ 36,301	$ 2,883	$ 39,326	$ 2,758
Uncollected Payments:				
Uncollected Payments, Fed Sources, Brought Forward, Oct 1	$ (18)	$ (56)	$ (12)	$ (57)
Adjustment to Uncollected Payments, Fed Sources, Start of Year	-	-	-	-
Change in Uncollected Customer Payments, Fed Sources	(23)	5	(6)	1
Actual Transfers, Uncollected Payments, Fed sources	-	-	-	-
Uncollected Payments, Fed sources, End of Year	$ (41)	$ (51)	$ (18)	$ (56)
Memorandum (non-add) Entries:				
Obligated Balance, Start of Year	**$ 39,300**	**$ 2,705**	**$ 41,090**	**$ 2,454**
Obligated Balance, End of Year	**$ 36,260**	**$ 2,832**	**$ 39,308**	**$ 2,702**
Budget Authority and Outlays, Net:				
Budget Authority, Gross (discretionary and mandatory)	$ 79,960	$ 35,736	$ 73,615	$ 40,598
Actual Offsetting Collections (discretionary and mandatory)	(28,826)	(31,888)	(26,639)	(41,108)
Change in Uncollected Customer Payments from Fed sources (discretionary a	(23)	5	(6)	1
Recoveries of prior year paid obligations (discretionary and mandatory)	28	-	-	-
Anticipated Offsetting Collections (discretionary and mandatory)	-	-	-	-
Budget Authority, Net (discretionary and mandatory)	**$ 51,139**	**$ 3,853**	**$ 46,970**	**$ (509)**
Outlays, Gross (discretionary and mandatory)	$ 57,520	$ 54,048	$ 65,009	$ 54,626
Actual Offsetting Collections (discretionary and mandatory)	(28,826)	(31,888)	(26,639)	(41,108)
Outlays, Net (discretionary and mandatory)	$ 28,694	$ 22,160	$ 38,370	$ 13,518
Distributed Offsetting Receipts	(2,302)	-	(2,844)	-
Agency Outlays, Net (discretionary and mandatory)	**$ 26,392**	**$ 22,160**	**$ 35,526**	**$ 13,518**

The accompanying notes are an integral part of these statements

Figures may not add to totals because of rounding.

Notes to Financial Statements

September 30, 2016 and 2015

Note 1: Entity and Mission

HUD was created in 1965 to (1) provide housing subsidies for low and moderate income families, (2) provide grants to states and communities for community development activities, (3) provide direct loans and capital advances for construction and rehabilitation of housing projects for the elderly and persons with disabilities, and (4) promote and enforce fair housing and equal housing opportunity. In addition, HUD insures mortgages for single family and multifamily dwellings; insures loans for home improvements and manufactured homes; and facilitates financing for the purchase or refinancing of millions of American homes.

HUD's major programs are as follows:

The Federal Housing Administration (FHA) administers active mortgage insurance programs which are designed to make mortgage financing more accessible to the home-buying public and thereby to develop affordable housing. FHA insures private lenders against loss on mortgages which finance single family homes, multifamily projects, health care facilities, property improvements, and manufactured homes.

The Government National Mortgage Association (Ginnie Mae) guarantees the timely payment of principal and interest on Mortgage-Backed Securities (MBS) issued by approved private mortgage institutions and backed by pools of mortgages insured or guaranteed by FHA, the Department of Agriculture (USDA), the Department of Veterans Affairs (VA), and the HUD Office of Public and Indian Housing (PIH).

The Section 8 Rental Assistance programs assist low- and very low-income families in obtaining decent and safe rental housing. HUD makes up the difference between what a low- and very low-income family can afford and the approved rent for an adequate housing unit funded by the Housing Choice Voucher (HCV) Program.

The Low Rent Public Housing Grants program provides grants to Public Housing Authorities (PHAs) and Tribally Designated Housing Entities (TDHEs) for construction and rehabilitation of low-rent housing. This program is a continuation of the Low Rent Public Housing Loan program which pays principal and interest on long-term loans made to PHAs and TDHEs for construction and rehabilitation of low-rent housing.

The Homeless Assistance Grants program provides grants to localities to implement innovative approaches to address the diverse facets of homelessness. The grants provide funds for the Emergency Solutions Grant and Continuum of Care which award funds through formula and competitive processes.

The Section 202/811 Supportive Housing for the Elderly and Persons with Disabilities programs provided 40-year loans to nonprofit organizations sponsoring rental housing for the elderly or disabled. During FY 1992, the program was converted to a grant program. The grant program provides capital for long-term supportive housing for the elderly (Section 202) and the disabled (Section 811).

The Community Development Block Grant (CDBG) programs provide funds for metropolitan cities, urban counties, and other communities to use for neighborhood revitalization, economic development, and improved community facilities and services. The United States Congress appropriated funds of $17,500 million between FY 2005 through FY 2012 and $150 million in emergency supplemental appropriations in FY 2005 for the "Community Development Fund" for emergency expenses to respond to various disasters such as Hurricanes Katrina, Rita, Wilma and Ike. Funds of $3,011 million were disbursed as of September 30, 2016. Any remaining unobligated balances remain available until expended.

The Home Investments Partnerships program provides grants to states, local governments, and Indian tribes to implement local housing strategies designed to increase home ownership and affordable housing opportunities for low- and very low-income families.

Other Programs not included above consist of other smaller programs which provide grant, subsidy funding, and direct loans to support other HUD objectives such as fair housing and equal opportunity, energy conservation, rehabilitation of housing units, removal of lead hazards, and for maintenance costs of PHAs and TDHEs housing projects. The programs provided 13 percent of HUD's consolidated revenues and financing sources as of September 30, 2016.

Note 2: Summary of Significant Accounting Policies

A. Basis of Consolidation

The accompanying principal financial statements include all Treasury Account Fund Symbols (TAFSs) designated to the Department of Housing and Urban Development, which consist of principal program funds, revolving funds, general funds and deposit funds. All inter-fund accounts receivable, accounts payable, transfers in and transfers out within these TAFSs have been eliminated to prepare the consolidated balance sheet, statement of net cost, and statement of changes in net position. The SBR is prepared on a combined basis as required by OMB Circular A-136, Financial Reporting Requirements.

The Department's FY 2016 financial statements do not include the accounts and transactions of one transfer appropriation, the Appalachian Regional Commission. Some laws require departments (parent) to allocate budget authority to another department (child). Allocation means a delegation, authorized by law, by one department of its authority to obligate and outlay funds to another department. HUD, the child account, receives budget authority and then obligates and outlays sums of up to the amount included in the allocation. As required by OMB Circular A-136, financial activity is in the parent account which is also accountable for and maintains the responsibility for reporting while the child performs on behalf of the parent and controls how the funds are expended. Consequently, these balances are not included in HUD's consolidated financial statements as specified by OMB Circular A-136.

B. Basis of Accounting

The Department's FY 2016 financial statements include the accounts and transactions of FHA, Ginnie Mae, and its grant, subsidy and loan programs.

The financial statements are presented in accordance with the OMB Circular No. A-136, Financial Reporting Requirements, and in conformance with the Federal Accounting Standards Advisory Board's (FASAB) Statements of Federal Financial Accounting Standards (SFFAS).

The financial statements are presented on the accrual and budgetary bases of accounting. Under the accrual method, HUD recognizes revenues when earned, and expenses when a liability is incurred, without regard to receipt or payment of cash. Generally, procedures for HUD's major grant and subsidy programs require recipients to request periodic disbursement concurrent with incurring eligible costs. Budgetary accounting facilitates compliance with legal requirements on the use of Federal funds.

The Department's disbursement policy permits grantees/recipients to request funds to meet immediate cash needs to reimburse themselves for eligible incurred expenses and eligible expenses expected to be received and paid within three days or as subsidies payable in accordance with the Cash Management Improvement Act of 1990. Except for PIH programs, HUD's disbursement of funds for these purposes are not considered advance payments but are viewed as sound cash management between the Department and the grantees. In the event it is determined that the grantee/recipient did not disburse the funds within the three-day time frame, interest earned must be returned to HUD and deposited into one of Treasury's miscellaneous receipt accounts.

C. Use of Estimates

The preparation of the principal financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Amounts reported for net loans receivable and related foreclosed property and the loan guarantee liability represent the Department's best estimates based on pertinent information available.

To estimate the Allowance for Subsidy (AFS) associated with loans receivable and related foreclosed property and the Liability for Loan Guarantees (LLG), the Department uses cash flow model assumptions associated with the loan guarantees subject to the Federal Credit Reform Act of 1990 (FCRA), as described in Note 8, to estimate the cash flows associated with future loan performance. To make reasonable projections of future loan performance, the Department develops assumptions based on historical data, current and forecasted program and economic assumptions.

Certain programs have higher risks due to increased chances of fraudulent activities perpetrated against the Department. The Department accounts for these risks through the assumptions used in the liabilities for loan guarantee estimates. HUD develops the assumptions based on historical performance and management's judgments about future loan performance.

The Department relies on estimates by PIH to determine the amount of funding needs for PHAs and Indian Housing Authorities (IHAs) under the PIH Housing Choice Voucher Program. Under the Department's cash management program, PIH evaluates the program needs of PHAs/IHAs to minimize excess cash balances maintained by these entities. The Department implemented a cash management policy in calendar year 2012 over the voucher program given its significant funding levels and the excess cash balances which PHAs/IHAs had accumulated over the years. The cash reserves, referred to as restricted net position (RNP) are monitored by the Department and estimated by HUD on a recurring basis. The RNP balances are the basis for PIH prepayments recorded by the Department in its comparative financial statements for FY 2016 and FY 2015.

In response to the OIG finding, HUD implemented a grant accrual policy on September 4, 2014, and restated its FY 2013 financial statements. The Department continues to refine its methodologies and the underlying assumptions used by program offices to develop the estimates. Described below are the methodologies used by our major program offices which are Community Planning and Development (CPD), PIH and the Office of Housing.

- CPD developed a statistical model for its grant programs based on recent historical data in the Integrated Disbursement Information System (IDIS). Utilizing activity type, funding and disbursement information in IDIS, CPD was able to extrapolate the relationship between accrued expenses over a specified period of time and when the services are generally billed to the government by the grantees.
- PIH administrative programs use disbursement data from the Department's Electronic Line of Credit Control Systems (ELOCCS) and evaluated it for reasonableness based on unaudited data using the Financial Subsystem for Public Housing (FASS-PIH).
- The Office of Housing, similar to the PIH administered programs, utilizes disbursement data recorded in ELOCCS over a 12-month period and assumes a 30-day processing time from when the entity incurs eligible expenses and the associated drawdown of funds by the grantee occurs.

D. Credit Reform Accounting

The primary purpose of the Federal Credit Reform Act of 1990 (FCRA), which became effective on October 1, 1991, is to more accurately measure the cost of Federal credit programs and to place the cost of such credit programs on a basis equivalent with other Federal spending. OMB Circular A-11, Preparation, Execution, and Submission of the Budget, Part 5, Federal Credit Programs defines loan guarantee as any guarantee, insurance or other pledge with respect to the payment of all or a part of the principal or interest on any debt obligation of a non-Federal borrower (Issuer) to a non-Federal lender (Investor). FHA practices Credit Reform accounting.

The FCRA establishes the use of the program, financing, and general fund receipt accounts for loan guarantees committed and direct loans obligated after September 30, 1991, (Credit Reform). It also establishes the liquidating account for activity relating to any loan guarantees committed and direct loans obligated before October 1, 1991, (pre-Credit Reform). These accounts are classified as either budgetary or non-budgetary in the Combined Statements of Budgetary Resources. The budgetary accounts include the program, capital reserve and liquidating accounts. The non-budgetary accounts consist of the credit reform financing accounts.

The program account is a budget account that receives and obligates appropriations to cover the subsidy cost of a direct loan or loan guarantee and disburses the subsidy cost to the financing account. The program account also receives appropriations for administrative expenses. The financing account is a non-budgetary account that records all of the cash flows resulting from Credit Reform direct loans or loan guarantees. It disburses loans, collects repayments and fees, makes claim payments, holds balances, borrows from U.S. Treasury, earns or pays interest, and receives the subsidy cost payment from the program account.

The general fund receipt account is a budget account used for the receipt of amounts paid from the financing account when there are negative subsidies from the original estimate or a downward re-estimate. In most cases, the receipt account is a general fund receipt account and amounts are not earmarked for the credit program. They are available for appropriations only in the sense that all general fund receipts are available for appropriations. Any assets in this account are non-entity assets and are offset by intragovernmental liabilities. At the end of the fiscal year, the fund balance in the general fund receipt account is transferred to the U.S. Treasury General Fund. The FHA general fund receipt accounts for the General Insurance (GI) and Special Risk Insurance (SRI) funds are in this category.

In order to resolve the different requirements between the FCRA and the National Affordable Housing Act of 1990 (NAHA), OMB instructed FHA to create the capital reserve account to retain the Mutual Mortgage Insurance/Cooperative Management Housing Insurance (MMI/CMHI) negative subsidy and subsequent downward re-estimates. Specifically, the NAHA requires that FHA maintain a 2 percent Capital Ratio in the MMI Fund. The Capital Ratio is defined as the ratio of economic net worth (current cash plus the present value of all future net cash flows) of the MMI fund to unamortized insurance in force (the unpaid balance of insured mortgages). Therefore, to ensure that the calculated capital ratio reflects the actual strength of the MMI fund, the resources of the capital reserve account, which are considered FHA assets, are included in the calculation of the MMI fund’s economic net worth.

The liquidating account is a budget account that records all cash flows to and from FHA resulting from pre-Credit Reform direct loans or loan guarantees. Liquidating account collections in any year are available only for obligations incurred during that year or to repay debt. Unobligated balances remaining in the GI and SRI liquidating funds at year-end are transferred to the U.S. Treasury's General Fund. Consequently, in the event that resources in the GI/SRI liquidating account are otherwise insufficient to cover the payments for obligations or commitments, the FCRA provides the GI/SRI liquidating account with permanent indefinite authority to cover any resource shortages.

E. Operating Revenue and Financing Sources

HUD finances operations principally through appropriations, collection of premiums and fees on its FHA and Ginnie Mae programs, and interest income on its mortgage notes, loans, and investments portfolio.

Appropriations for Grant and Subsidy Programs

HUD receives both annual and multi-year appropriations and recognizes those appropriations as revenue when related program expenses are incurred. Accordingly, HUD recognizes grant-related revenue and related expenses as recipients perform under the contracts. HUD recognizes subsidy-related revenue and related expenses when the underlying assistance (e.g., provision of a Section 8 rental unit by a housing owner) is provided or upon disbursal of funds to PHAs.

Ginnie Mae Fees

Fees received for Ginnie Mae's guaranty of MBS are recognized as earned. Commitment fees represent income that Ginnie Mae earns for providing approved issuers with authority to pool mortgages into Ginnie Mae MBS. The authority Ginnie Mae provides issuers expires 12 months from issuance for single family issuers and 24 months from issuance for multifamily issuers. Ginnie Mae receives commitment fees as issuers request commitment authority and recognizes the commitment fees as earned as issuers use their commitment authority, with the balance deferred until earned or expired, whichever occurs first. Fees from expired commitment authority are not returned to issuers.

F. Appropriations and Moneys Received from Other HUD Programs

The National Housing Act of 1990, as amended, provides for appropriations from Congress to finance the operations of GI and SRI funds. For Credit Reform loan guarantees, appropriations to the GI and SRI funds are provided at the beginning of each fiscal year to cover estimated losses on insured loans during the year. For pre-Credit Reform loan guarantees, FHA has permanent indefinite appropriation authority to finance any shortages of resources needed for operations.

Monies received from other HUD programs, such as interest subsidies and rent supplements, are recorded as revenue for the liquidating accounts when services are rendered. Monies received for the financing accounts are recorded as additions to the Liability for Loan Guarantee or the Allowance for Subsidy when collected.

G. Investments

HUD limits its investments, principally comprised of investments by FHA's MMI/CMHI Fund and by Ginnie Mae, to non-marketable market-based Treasury interest-bearing obligations (i.e., investments not sold in public markets). The market value and interest rates established for such investments are the same as those for similar Treasury issues, which are publicly marketed.

HUD's investment decisions are limited to Treasury policy which: (1) only allows investment in Treasury notes, bills, and bonds; and (2) prohibits HUD from engaging in practices that result in "windfall" gains and profits, such as security trading and full scale restructuring of portfolios in order to take advantage of interest rate fluctuations.

FHA's normal policy is to hold investments in U.S. Government securities to maturity. However, in certain circumstances, FHA may have to liquidate its U.S. Government securities before maturity.

HUD reports investments in U.S. Government securities at amortized cost. Premiums or discounts are amortized into interest income over the term of the investment. HUD intends to hold investments to maturity, unless needed for operations. No provision is made to record unrealized gains or losses on these securities because, in the majority of cases, they are held to maturity.

Multifamily Risk Sharing Debentures [Section 542(c)] is a program available to lenders where the lender shares the risk in a property by issuing debentures for the claim amount paid by FHA on defaulted insured loans.

H. Credit Program Receivables and Related Foreclosed Property

HUD finances mortgages and provides loans to support construction and rehabilitation of low rent housing, principally for the elderly and disabled under the Section 202/811 program. FHA's loans receivable includes Mortgage Notes Assigned (MNAs), also described as Secretary-held notes, Purchase Money Mortgages (PMM) and notes related to partial claims. Under the requirements of the FCRA, PMM notes are considered to be direct loans while MNA notes are considered to be defaulted guaranteed loans. The PMM loans are generated from the sales on credit of FHA's foreclosed properties to qualified non-profit organizations. The MNA notes are created when FHA pays the lenders for claims on defaulted guaranteed loans and takes assignment of the defaulted loans for direct collections. In addition, multifamily mortgages are assigned to FHA when lenders file mortgage insurance claims for defaulted notes.

Credit program receivables for direct loan programs and defaulted guaranteed loans assigned for direct collection are valued differently based on the direct loan obligation or loan guarantee commitment date. These valuations are in accordance with the FCRA and SFFAS No. 2, "Accounting for Direct Loans and Loan Guarantees," as amended by SFFAS No. 18. Those obligated or committed on or after October 1, 1991, (post-Credit Reform) are valued at the net present value of expected cash flows from the related receivables.

Credit program receivables resulting from obligations or commitments prior to October 1, 1991, (pre-Credit Reform) are recorded at the lower of cost or fair value (net realizable value). Fair value is estimated based on the prevailing market interest rates at the date of mortgage assignment. When fair value is less than cost, discounts are recorded and amortized to interest income over the remaining terms of the mortgages or upon sale of the mortgages. Interest is recognized as income when earned. However, when full collection of principal is considered doubtful, the accrual of interest income is suspended and receipts (both interest and principal) are recorded as collections of principal. Pre-Credit Reform loans are reported net of allowance for loss and any unamortized discount. The estimate for the allowance on credit program receivables is based on historical loss rates and recovery rates resulting from asset sales and property recovery rates, and net of cost of sales.

Foreclosed property acquired as a result of defaults of loans obligated or loan guarantees committed on or after October 1, 1991, is valued at the net present value of the projected cash flows associated with the property. Foreclosed property acquired as a result in defaulted loans obligated or loan guarantees committed prior to 1992 is valued at net realizable value. The estimate for the allowance for loss related to the net realizable value of foreclosed property is based on historical loss rates and recovery rates resulting from property sales, and net of cost of sales.

I. Borrowings

As further discussed in Note 14, several of HUD's programs have the authority to borrow funds from the U.S. Treasury for program operations. These borrowings, representing unpaid principal balances and future accrued interest, are reported as debt in HUD's consolidated financial statements. The PIH Low Rent Public Housing Loan Program and the Housing for the Elderly or Handicapped fund were financed through borrowings from the Federal Financing Bank or the U.S. Treasury prior to the Department's conversion of these programs to grant programs. The Department also borrowed funds from the private sector to assist in the construction and rehabilitation of low rent housing projects under the PIH Low Rent Public Housing Loan Program. Repayments of these long-term borrowings have terms up to 40 years.

In accordance with Credit Reform accounting, FHA also borrows from the U.S. Treasury when cash is needed in its financing accounts. Usually, the need for cash arises when FHA has to transfer the negative credit subsidy amount related to new loan disbursements, and existing loan modifications from the financing accounts to the general fund receipts account (for cases in GI/SRI funds) or the capital reserve account (for cases in MMI/CMHI funds). In some instances, borrowings are also needed to transfer the credit subsidy related to downward re-estimates from the GI/SRI financing account to the GI/SRI receipt account or when available cash is less than claim payments due.

J. Liability for Loan Guarantees

The net potential future losses related to FHA's central business of providing mortgage insurance are accounted for as Loan Guarantee Liability in the consolidated balance sheets. As required by SFFAS No. 2, the Loan Guarantee Liability includes the Credit Reform related Liabilities for Loan Guarantees (LLG) and the pre-Credit Reform Loan Loss Reserve (LLR).

The LLG is calculated as the net present value of anticipated cash outflows for defaults, such as claim payments, premium refunds, property costs to maintain foreclosed properties less anticipated cash inflows such as premium receipts, proceeds from asset sales and principal and interest on Secretary-held notes.

HUD records loss estimates for its single family LLR and multifamily LLR mortgage insurance programs operated through FHA. FHA records loss estimates for its single family programs to provide for anticipated losses incurred (e.g., claims on insured mortgages where defaults have taken place but claims have not yet been filed). FHA values its Pre-Credit Reform related notes and properties in inventory at net realizable value, determined on the basis of net cash flows. To value these items, FHA uses historical claim data, revenues from premiums and recoveries, and expenses of selling and maintaining properties.

Ginnie Mae also establishes loss reserves to the extent management believes issuer defaults are probable and FHA, USDA, and PIH insurance or guarantees are insufficient to recoup Ginnie Mae expenditures.

K. Full Cost Reporting

Beginning in FY 1998, SFFAS No. 4, Managerial Cost Accounting Concepts and Standards for the Federal Government, required that full costing of program outputs be included in Federal agency financial statements. Full cost reporting includes direct, indirect, and inter-entity costs. For purposes of the consolidated department financial statements, HUD identified each responsible segment's share of the program costs or resources provided by HUD or other Federal agencies.

L. Accrued Unfunded Leave and Federal Employees Compensation Act (FECA) Liabilities

Annual leave and compensatory time are accrued as earned and the liability is reduced as leave is taken. The liability at year-end reflects cumulative leave earned but not taken, priced at current wage rates. Earned leave deferred to future periods is to be funded by future appropriations. To the extent that current or prior year appropriations are not available to fund annual leave earned but not taken, funding will be obtained from future financing sources. Sick leave and other types of leave are expensed as taken.

M. Retirement Plans

The majority of HUD's employees participate in either the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS). FERS went into effect pursuant to Public Law 99-335 on January 1, 1987. Most employees hired after December 31, 1983, are automatically covered by FERS and Social Security. Employees hired before January 1, 1984, can elect to either join FERS and Social Security or remain in CSRS. HUD expenses its contributions to the retirement plans.

A primary feature of FERS is that it offers a savings plan whereby HUD automatically contributes one percent of pay and matches any employee contribution up to five percent of an individual's basic pay. Under CSRS, employees can contribute up to $18,000 of their pay to the savings plan, but there is no corresponding matching by HUD. Although HUD funds a portion of the benefits under FERS relating to its employees and makes the necessary withholdings from them, it has no liability for future payments to employees under these plans, nor does it report CSRS or FERS assets, accumulated plan benefits, or unfunded liabilities applicable to its employees' retirement plans.

N. Fiduciary Funds

Ginnie Mae has immaterial fiduciary activities which involve the collection or receipt and subsequent disposition of cash in which non-Federal entities have an ownership interest. Fiduciary assets are not assets of Ginnie Mae or the Federal Government. The fiduciary assets held by Ginnie Mae include unclaimed MBS Certificate Holders payments and escrow funds held in trust. The amount of escrows reported by Ginnie Mae for FY 2016 and FY 2015 were $49 million and $103 million, respectively.

O. Indian Housing Block Grant Program (IHBG)

The Indian Housing Block Grant Program (IHBG) program is authorized under the Native American Housing Assistance and Self Determination Act of 1996 (NAHASDA). The IHBG is a highly unusual dual-purpose grant program. Its primary purpose is to provide formula grants for a range of eligible affordable housing activities (section 202 of such Act) on Indian reservations and in other Indian areas. Under section 204(b) of such Act and implementing regulations, recipients are authorized to invest its IHBG block grant funds for up to five years "for the purposes of carrying out affordable housing activities in investment securities and other obligations as approved by the Secretary." The investments are to be made only in securities guaranteed or insured by the United States, and income from these investments remain with the recipients for use on housing related activities. By the five-year deadline, recipients must either spend the funds on eligible affordable housing activities or return the funds to HUD. The control and ownership of the funds during the investment period resides with the grantees.

IHBG recipients must meet certain criteria to be eligible to invest IHBG funds. Total invested IHBG funds were approximately $260 million as of September 30, 2016, and $273 million as of September 30, 2015.

Note 3: Entity and Non-Entity Assets

Non-entity assets consist of assets that belong to other entities but are included in the Department's consolidated financial statements and are offset by various liabilities to accurately reflect HUD's net position. The Department's non-entity assets principally consist of:
(1) escrow monies collected by FHA that are either deposited at the U.S. Treasury or in minority-owned banks or invested in U.S. Treasury securities and (2) cash remittances from Section 8 bond refunding deposited in the General Fund of the Treasury.

HUD's assets as of September 30, 2016 and 2015, were as follows (dollars in millions):

Description	2016			2015		
	Entity	Non-Entity	Total	Entity	Non-Entity	Total
Intragovernmental						
Fund Balance with Treasury (Note 4)	$ 73,145	$ 53	$ 73,198	$ 94,651	$ 40	$ 94,691
Short-Term Investments (Note 6)	15,954	-	15,954	12,923	-	12,923
Long-Term Investments Held-To-Maturity (Note 6)	36,398	-	36,398	14,754	-	14,754
Accounts Receivable, Net (Note 7)	1	-	1	-	-	-
Other Assets (Note 12)	43	-	43	9	-	9
Total Intragovernmental Assets	$ 125,541	$ 53	$ 125,594	$ 122,337	$ 40	$ 122,377
Cash and Other Monetary Assets (Note 5)	-	60	60	-	45	45
Investments (Note 6)	31	-	31	31	-	31
Accounts Receivable, Net (Note 7)	493	118	611	686	94	780
Loan Receivables and Related Foreclosed Property, Net (Note 8)	19,372	104	19,476	14,832	133	14,965
Other Non-Credit Reform Loans Receivable, Net (Note 9)	2,680	-	2,680	3,227	-	3,227
General Property, Plant and Equipment, Net (Note 10)	381	-	381	329	-	329
PIH Prepayments (Note 11)	380	-	380	672	-	672
Other Assets (Note 12)	24	29	53	8	37	45
Total Assets	**$ 148,902**	**$ 364**	**$ 149,266**	**$ 142,122**	**$ 349**	**$ 142,471**

Note 4: Fund Balance with the U.S. Treasury

The U.S. Treasury, which, in effect, maintains HUD's bank accounts, processes substantially all of HUD's receipts and disbursements. HUD's fund balances with the U.S. Treasury as of September 30, 2016 and 2015, were as follows (dollars in millions):

Description	2016	2015
Revolving Funds	$ 22,311	$ 40,170
Appropriated Funds	49,794	53,241
Trust Funds	200	14
Other	893	1,266
Total - Fund Balance	**$ 73,198**	**$ 94,691**

The Department's Fund Balance with Treasury includes receipt accounts established under current Federal Credit Reform legislation and cash collections deposited in restricted accounts that cannot be used by HUD for its programmatic needs. These designated funds established by the Department of Treasury are classified as suspense and/or deposit funds and consist of accounts receivable balances due from the public. A Statement of Budgetary Resources is not prepared for these funds since any cash remittances received by the Department are not defined as a budgetary resource.

In addition to fund balance, contract and investment authority are also a part of HUD's funding sources. Contract authority permits an agency to incur obligations in advance of an appropriation, offsetting collections, or receipts to make outlays to liquidate the obligations. HUD has permanent indefinite contract authority. Since Federal securities are considered the equivalent of cash for budget purposes, investments in them are treated as a change in the mix of assets held, rather than as a purchase of assets.

HUD's fund balances with the U.S. Treasury as reflected in the entity's general ledger as of September 30, 2016 and 2015, were as follows (dollars in millions):

Status of Resources - 2016

Description	Unobligated Available	Unobligated Unavailable	Obligated Not Yet Disbursed	Unfilled Customer Orders	Status of Total Resources	Fund Balance	Other Authority	Total Resources
FHA	$ 5,643	$ 48,526	$ 2,997	$ (35)	$ 57,131	$ 20,820	$ 36,311	$ 57,131
Ginnie Mae	195	16,053	562	-	16,810	856	15,954	16,810
Section 8 Rental Assistance	763	166	8,902	-	9,831	9,831	-	9,831
PIH Loans and Grants	88	20	4,411	-	4,519	4,519	-	4,519
Homeless Assistance Grants	2,216	756	2,391	-	5,363	5,363	-	5,363
Section 202/811	226	412	1,642	(1)	2,279	2,279	-	2,279
CDBG	7,442	579	11,337	-	19,358	19,358	-	19,358
Home	231	34	2,965	-	3,230	3,230	-	3,230
Section 235/236	10	37	742	-	789	789	-	789
All Other	1,108	1,335	3,235	(57)	5,621	5,609	12	5,621
Total	**$ 17,922**	**$ 67,918**	**$ 39,184**	**$ (93)**	**$ 124,931**	**$ 72,654**	**$ 52,277**	**$ 124,931**

Status of Resources Covered by Fund Balance

Description	Unobligated Available	Unobligated Unavailable	Obligated Not Yet Disbursed	Unfilled Customer Orders	Fund Balance	Non-Budgetary: Suspense, Deposit and Receipt Accounts	Total Fund Balance
FHA	$ 5,643	$ 12,215	$ 2,997	$ (35)	20,820	$ -	$ 20,820
Ginnie Mae	195	99	562	-	856	523	1,379
Section 8 Rental Assistance	763	166	8,902	-	9,831	-	9,831
PIH Loans and Grants	88	20	4,411	-	4,519	-	4,519
Homeless Assistance Grants	2,216	756	2,391	-	5,363	-	5,363
Section 202/811	226	411	1,642	(1)	2,278	-	2,278
CDBG	7,442	580	11,337	-	19,359	-	19,359
Home	231	34	2,965	-	3,230	-	3,230
Section 235/236	10	37	742	-	789	-	789
All Other	1,108	1,323	3,235	(57)	5,609	21	5,630
Total	**$ 17,922**	**$ 15,641**	**$ 39,184**	**$ (93)**	**$ 72,654**	**$ 544**	**$ 73,198**

Status of Resources Covered by Other Authority

Description	Unobligated Available	Unobligated Unavailable	Obligated Not Yet Disbursed	Unfilled Customer Orders	Permanent Indefinite Authority	Investment Authority	Borrowing Authority
FHA	$ -	$ 36,311	$ -	$ -	$ -	$ 36,311	$ -
Ginnie Mae	-	15,954	-	-	-	15,954	-
Section 8 Rental Assistance	-	-	-	-	-	-	-
PIH Loans and Grants	-	-	-	-	-	-	-
Section 202/811	-	-	-	-	-	-	-
Section 235/236	-	-	-	-	-	-	-
All Other	-	12	-	-	-	-	12
Total	**$ -**	**$ 52,277**	**$ -**	**$ -**	**$ -**	**$ 52,265**	**$ 12**

Status of Receipt Account Balances

Description	Fund Balance
FHA	$ -
Ginnie Mae	523
Section 8 Rental Assistance	-
All Other	21
Total	**$ 544**

Breakdown of All Other

Description	Fund Balance
All Other HUD suspense/deposit funds	$ 21
	-
Total	**$ 21**

Status of Resources - 2015

Description	Unobligated Available	Unobligated Unavailable	Obligated Not Yet Disbursed	Unfilled Customer Orders	Status of Total Resources	Fund Balance	Other Authority	Total Resources
FHA	$ 3,565	$ 47,154	$ 3,050	$ (15)	$ 53,754	$ 39,057	$ 14,697	$ 53,754
Ginnie Mae	994	13,038	624	-	14,656	1,733	12,923	14,656
Section 8 Rental Assistance	698	92	8,902	-	9,692	9,692	-	9,692
PIH Loans and Grants	113	43	4,711	-	4,867	4,867	-	4,867
Homeless Assistance Grants	2,086	539	2,536	-	5,161	5,161	-	5,161
Section 202/811	253	188	1,964	-	2,405	2,405	-	2,405
CDBG	9,021	8	12,495	-	21,524	21,524	-	21,524
Home	237	27	3,184	-	3,448	3,448	-	3,448
Section 235/236	31	32	951	-	1,014	1,014	-	1,014
All Other	594	1,175	3,665	(56)	5,378	5,366	12	5,378
Total	**$ 17,592**	**$ 62,296**	**$ 42,082**	**$ (71)**	**$ 121,899**	**$ 94,267**	**$ 27,632**	**$ 121,899**

Status of Resources Covered by Fund Balance

Description	Unobligated Available	Unobligated Unavailable	Obligated Not Yet Disbursed	Unfilled Customer Orders	Fund Balance	Non-Budgetary: Suspense, Deposit and Receipt Accounts	Total Fund Balance
FHA	$ 3,565	$ 32,457	$ 3,050	$ (15)	$ 39,057	$ -	$ 39,057
Ginnie Mae	994	115	624	-	1,733	409	2,142
Section 8 Rental Assistance	698	92	8,902	-	9,692	-	9,692
PIH Loans and Grants	113	43	4,711	-	4,867	-	4,867
Homeless Assistance Grants	2,086	539	2,536	-	5,161	-	5,161
Section 202/811	253	188	1,964	-	2,405	-	2,405
CDBG	9,021	8	12,495	-	21,524	-	21,524
Home	237	27	3,184	-	3,448	-	3,448
Section 235/236	31	32	951	-	1,014	-	1,014
All Other	594	1,163	3,665	(56)	5,366	15	5,381
Total	**$ 17,592**	**$ 34,664**	**$ 42,082**	**$ (71)**	**$ 94,267**	**$ 424**	**$ 94,691**

Status of Resources Covered by Other Authority

Description	Unobligated Available	Unobligated Unavailable	Obligated Not Yet Disbursed	Unfilled Customer Orders	Permanent Indefinite Authority	Investment Authority	Borrowing Authority
FHA	$ -	$ 14,697	$ -	$ -	$ -	$ 14,697	$ -
Ginnie Mae	-	12,923	-	-	-	12,923	-
Section 8 Rental Assistance	-	-	-	-	-	-	-
PIH Loans and Grants	-	-	-	-	-	-	-
Section 202/811	-	-	-	-	-	-	-
Section 235/236	-	-	-	-	-	-	-
All Other	-	12	-	-	-	-	12
Total	**$ -**	**$ 27,632**	**$ -**	**$ -**	**$ -**	**$ 27,620**	**$ 12**

Status of Receipt Account Balances

Description	Fund Balance
FHA	$ -
Ginnie Mae	409
Section 8 Rental Assistance	-
All Other	15
Total	**$ 424**

Breakdown of All Other

Description	Fund Balance
All Other HUD suspense/deposit funds	$ 15
	-
Total	**$ 15**

An immaterial difference exists between HUD's recorded Fund Balances with the U.S. Treasury and the U.S. Department of Treasury's records. It is the Department's practice to adjust its records to agree with Treasury's balances at the end of the fiscal year. The adjustments are reversed at the beginning of the following fiscal year.

As the result of one our new internal controls, HUD initiated a project which quickly identified weaknesses in the validation of the general ledger and sub-ledger balances. Although a number of historical items have been resolved, efforts were still underway on September 30, 2016, to research, analyze, and resolve the remaining historical items. HUD has assessed the available information for the remaining items and determined there are no supportable financial statement impacts to record.

Note 5: Cash and Other Monetary Assets

Cash and other monetary assets consist of cash that is received by the Ginnie Mae's Master Subservicers, but has not yet been transmitted to Ginnie Mae. As of September 30, 2016 and 2015, deposits in transit were $60 million and $45 million, respectively.

Note 6: Investments

The U.S. Government short-term securities are non-marketable intra-governmental securities. These are U.S. Treasury securities issued with a maturity date of three months or less consisting primarily of one-day overnight certificates that are issued with a stated rate of interest to be applied to their par amount with a maturity date on the next business day. These overnight certificates are measured at amortized cost which approximates fair value. Interest rates established by the U.S. Treasury as of September 30, 2016, were 0.11 percent. During FY 2015, interest rate was 0.00 percent. The amortized cost and estimated market value of investments in debt securities as of September 30, 2016 and 2015, were as follows (dollars in millions):

Short-Term	Cost	Amortized	Accrued	Net	Market
FY 2016	$ 15,954	$ -	$ -	$ 15,954	$ 15,802
FY 2015	$ 12,923	$ -	$ -	$ 12,923	$ 12,923

The U.S. Government long-term securities are non-marketable intra-governmental securities. Interest rates established by the U.S. Treasury as of September 30, 2016, were 0.52 percent. The amortized cost and estimated market value of investments in debt securities as of September 30, 2016 and 2015, were as follows (dollars in millions):

Long-Term	Cost	Amortized (Premium)/ Discount, Net	Accrued Interest	Net Investments	Market Value
FY 2016	$ 36,311	$ 54	$ 33	$ 36,398	$ 36,423
FY 2015	$ 14,731	$ 10	$ 13	$ 14,754	$ 14,764

Investments in Private-Sector Entities

These investments in private-sector entities are the result of FHA's Risk Sharing Debentures as discussed in Note 2G.

The following table presents financial data on FHA's investments in Risk Sharing Debentures as of September 30, 2016 and 2015 (dollars in millions):

	Beginning Balance	Net Acquisition	Share of Earnings or Losses	Return of Investment	Redeemed	Ending Balance
2016						
601 Program	$ -	$ -	$ -	$ -	$ -	$ -
Risk Sharing Debentures	31	-	-	-	-	31
Total	**$ 31**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 31**
2015						
601 Program	$ -	$ -	$ -	$ -	$ -	$ -
Risk Sharing Debentures	41	19	-	-	(29)	31
Total	**$ 41**	**$ 19**	**$ -**	**$ -**	**$ (29)**	**$ 31**

Note 7: Accounts Receivable (Net)

The Department's accounts receivable represent Section 8 year-end settlements, claims to cash from the public, state and local authorities for bond refunding, Section 236 excess rental income, sustained audit findings, refunds of overpayment, FHA insurance premiums, and foreclosed property proceeds.

A 100 percent allowance for loss is established for all delinquent accounts 90 days and over for bond refunding. The allowance for loss methodology adjusts the total delinquencies greater than 90 days by the effects of economic stress factors, which include likely payoffs, foreclosures, bankruptcies, and hardships of the project. Adjustments to the bond refunding allowance for loss account are done every quarter to ensure they are deemed to be necessary.

For Section 236 excess rental income, the allowance for loss consists of 10 percent of the receivables with a repayment plan plus 95 percent of the receivables without a repayment plan. Adjustments to the excess rental income allowance for loss account are done biannually to ensure they are deemed necessary.

Section 8 Settlements

Prior to January 1, 2005, the Housing Choice Voucher (HCV) Program's Section 8 subsidies were disbursed based on estimated amounts due under the contracts. At the end of each year, the actual amount due under the contracts was determined. The excess of subsidies paid to PHAs during the year over the actual amount due was reflected as an accounts receivable in the balance sheet. These receivable amounts were "collected" by offsetting such amounts with subsidies due to the PHAs in subsequent periods. On January 1, 2005, Congress changed the basis of the program funding from a "unit-based" process with program variables that affected the total annual Federal funding need, to a "budget-based" process that limits the Federal funding to PHAs to a fixed amount. Under this "budget-based" process, a year-end settlement process to determine actual amounts due is no longer applicable. Effective January 1, 2012, PIH reinstated the year-end settlement process for the HCV Program in accordance with its cash management policies. However, as reported by the OIG's Internal Control Report, the results of PIH's cash reconciliation reviews are not reflected in the Department's financial statements. The PIH reviews have not been completed on a timely basis and the required standard general ledger transactions have not been recorded in the Department's accounting systems.

Bond Refunding

Many of the Section 8 projects constructed in the late 1970s and early 1980s were financed with tax exempt bonds with maturities ranging from 20 to 40 years. The related Section 8 contracts provided that the subsidies would be based on the difference between what tenants could pay pursuant to a formula and the total operating costs of the Section 8 project, including debt service. The high interest rates during the construction period resulted in high subsidies. When interest rates came down in the 1980s, HUD was interested in getting the bonds refunded. One method used to account for the savings when bonds are refunded (PHAs sell a new series of bonds at a lower interest rate, to liquidate the original bonds), is to continue to pay the original amount of the bond debt service to a trustee. The amounts paid in excess of the lower "refunded" debt service and any related financing costs, are considered savings. One-half of these savings are provided to the PHA, the remaining one-half is returned to HUD. As of September 30, 2016 and 2015, HUD was due $10 million and $13 million, respectively.

Section 236 Excess Rental Income

The Excess Rental Income receivable account represents the difference between the amounts that projects reported to HUD's lockbox as owing (in use prior to August 2008) and the actual amount collected. On a monthly basis, projects financed under Section 236 of the National Housing Act must report the amount of rent collected in excess of basic rents and remit those funds to the Department. Unless written authorization is given by the Department to retain the excess rental income, the difference must be remitted to HUD. Generally, the individual amounts owing under Excess Rental Income receivables represent monthly reports remitted without payment. After 2008, any remittances owed by individuals are collected through PAY.GOV as well as the required HUD documents.

Other Receivables

Sustained audit costs include sustained audit findings, refunds of overpayment, and FHA partial claims, settlements receivable and foreclosed property proceeds due from the public.

The following shows accounts receivable as reflected in the Balance Sheet as of September 30, 2016 and 2015 (dollars in millions):

	2016			2015		
Description	**Gross Accounts Receivable**	**Allowance for Loss**	**Total, Net**	**Gross Accounts Receivable**	**Allowance for Loss**	**Total, Net**
Intragovernmental	$ 1	$ -	$ 1	$ -	$ -	$ -
Public						
Sustained Audit Costs	$ 146	$ -	$ 146	$ 158	$ -	$ 158
Bond Refundings	10	-	10	13	-	13
Section 8 Settlements	6	-	6	4	-	4
Section 236 Excess Rental Income	5	(1)	4	5	(1)	4
Other Receivables:	-					
FHA	531	(288)	243	649	(241)	408
Ginnie Mae	294	(189)	105	453	(322)	131
Other Receivables	99	(2)	97	64	(2)	62
Total Accounts Receivable	**$ 1,092**	**$ (480)**	**$ 612**	**$ 1,346**	**$ (566)**	**$ 780**

Note 8: Direct Loans and Loan Guarantees, Non-Federal Borrowers

HUD reports direct loan obligations or loan guarantee commitments made prior to FY 1992 and the resulting direct loans or defaulted guaranteed loans, net of allowance for estimated uncollectible loans or estimated losses.

FHA encourages homeownership through its Single Family Forward programs (Section 203(b), which is the largest program, and Section 234) by making loans readily available with its mortgage insurance programs. These programs insure mortgage lenders against losses from default, enabling those lenders to provide mortgage financing on favorable terms to homebuyers. Multifamily Housing Programs (Section 213, Section 221(d)(4), Section 207/223(f), and Section223(a)(7)) provide FHA insurance to approved lenders to facilitate the construction, rehabilitation, repair, refinancing, and purchase of multifamily housing projects such as apartment rentals, and cooperatives. Healthcare programs (Section 232 and Section 242) enable low cost financing of health care facility projects and improve access to quality healthcare by reducing the cost of capital.

The FHA also insures Home Equity Conversion Mortgages (HECM), also known as reverse mortgages. These loans are used by senior homeowners age 62 and older to convert the equity in their home into monthly streams of income and/or a line of credit to be repaid when they no longer occupy the home. Unlike ordinary home equity loans, a HUD reverse mortgage does not require repayment as long as the home is the borrower’s principal residence.

The FHA also administers the HOPE for Homeowners (H4H) program. The program was established by Congress to help those at risk of default and foreclosure refinance into more affordable, sustainable loans.

The allowance for loan losses for the Flexible Subsidy Fund and the Housing for the Elderly and Disabled Program is determined as follows:

Flexible Subsidy Fund

There are four parts to the calculation of allowance for loss: (1) loss rate for loans written-off, (2) loss rate for restructured loans, (3) loss rate for loans paid-off, and (4) loss rate for loans delinquent or without repayment activity for 30 years. Loss rates for parts 1 and 3 are based on actual historical data derived from the previous three years. The loss rates for parts 2 and 4 are provided by or agreed to by the Housing Office of Evaluation.

Housing for the Elderly and Disabled Program

There are three parts to the calculation of allowance for loss: (1) loss rate for loans issued a Foreclosure Hearing Letter, (2) loss rate for the estimated number of foreclosures in the current year, and (3) loss rate for loans delinquent for more than 180 days. Loss rates for parts 1 and 2 are determined by actual historical data from the previous five years. Loss rate for part 3 is determined or approved by the Housing Office of Evaluation.

Direct loan obligations or loan guarantee commitments made after FY 1991, and the resulting direct loans or defaulted guaranteed loans, are governed by the FCRA and are recorded as the net present value of the associated cash flows (i.e., interest rate differential, interest subsidies, estimated delinquencies and defaults, fee offsets, and other cash flows).

The subsidy rates disclosed pertain only to the current year's cohorts. These rates cannot be applied to the direct loans and guarantees of loans disbursed during the current reporting year to yield the subsidy expense. The subsidy expense for new loans and loan guarantees reported in the current year result from disbursement of loans from both current year cohorts and prior year(s) cohorts. The subsidy expense reported in the current year also includes modifications and re-estimates.

The following is an analysis of loan receivables, loan guarantees, liability for loan guarantees, and the nature and amounts of the subsidy costs associated with the loans and loan guarantees for FY 2016 and FY 2015:

A. List of HUD's Direct Loan and/or Guarantee Programs:

1. FHA
    a) MMI/CMHI Direct Loan Program
    b) GI/SRI Direct Loan Program
    c) MMI/CMHI Loan Guarantee Program
    d) GI/SRI Loan Guarantee Program
    e) H4H Loan Guarantee Program

   f) HECM Loan Guarantee Program

2. Housing for the Elderly and Disabled

3. All Other

   a) CPD Revolving Fund

   b) Flexible Subsidy Fund

   c) Section 108 Loan Guarantees

   d) Indian Housing Loan Guarantee Fund

   e) Loan Guarantee Recovery Fund

   f) Native Hawaiian Housing Loan Guarantee Fund

   g) Title VI Indian Housing Loan Guarantee Fund

   h) Green Retrofit Direct Loan Program

   i) Emergency Homeowners' Loan Program

B. Direct Loans Obligated Pre-1992 (Allowance for Loss Method)

(dollars in millions):

	2016				
Direct Loan Programs	**Loans Receivable, Gross**	**Interest Receivable**	**Allowance for Loan Losses**	**Foreclosed Property**	**Value of Assets Related to Direct Loans, Net**
FHA					
a) MMI/CHMI Direct Loan Program	$ -	$ -	$ -	$ -	$ -
b) GI/SRI Direct Loan Program	8	13	(4)	-	17
Housing for the Elderly and Disabled	1,167	14	(10)	-	1,171
All Other			-		
a) CPD Revolving Fund	5	-	(5)	1	1
b) Flexible Subsidy Fund	405	57	(45)	-	417
Total	**$ 1,585**	**$ 84**	**$ (64)**	**$ 1**	**$ 1,606**

	2015				
Direct Loan Programs	**Loans Receivable, Gross**	**Interest Receivable**	**Allowance for Loan Losses**	**Foreclosed Property**	**Value of Assets Related to Direct Loans, Net**
FHA					
a) MMI/CHMI Direct Loan Program	$ -	$ -	$ -	$ -	$ -
b) GI/SRI Direct Loan Program	14	12	(6)	-	20
Housing for the Elderly and Disabled	1,412	15	(11)	-	1,416
All Other			-		
a) CPD Revolving Fund	5	-	(5)	2	2
b) Flexible Subsidy Fund	428	72	(39)	-	461
Total	**$ 1,859**	**$ 99**	**$ (61)**	**$ 2**	**$ 1,899**

C. Direct Loans Obligated Post-1991 (dollars in millions):

2016

Direct Loan Programs	Loans Receivable, Gross	Interest Receivable	Allowance for Loan Losses	Foreclosed Property	Value of Assets Related to Direct Loans
FHA					
a) MMI/CHMI Direct Loan Program	$ -	$ -	$ (3)	$ -	$ (3)
b) GI/SRI Direct Loan Program	554	1	27	-	582
All Other					
a) Green Retrofit Program	$ 57	$ 1	$ (53)	$ -	$ 5
b) Emergency Homeowners' Loan Program	34	-	$ (35)	-	(1)
c) EHLP Receipt Account	104	-	-	-	104
Total	**$ 749**	**$ 2**	**$ (64)**	**$ -**	**$ 687**

2015

Direct Loan Programs	Loans Receivable, Gross	Interest Receivable	Allowance for Loan Losses	Foreclosed Property	Value of Assets Related to Direct Loans
FHA					
a) MMI/CHMI Direct Loan Program	$ -	$ -	$ (3)	$ -	$ (3)
b) GI/SRI Direct Loan Program	103	-	34	-	137
All Other					
a) Green Retrofit Program	$ 63	$ 1	$ (66)	$ -	$ (2)
b) Emergency Homeowners' Loan Program	50	-	(50)	-	-
c) EHLP Receipt Account	133	-	-	-	133
Total	**$ 349**	**$ 1**	**$ (85)**	**$ -**	**$ 265**

D. Total Amount of Direct Loans Disbursed (Post-1991) (dollars in millions):

Direct Loan Programs	Current Year	Prior Year
FHA Risk Sharing Program	$ 452	$ 103
All Other		
a) Green Retrofit Program	$ -	$ -
b) Emergency Homeowners' Loan Program	-	-
Total	**$ 452**	**$ 103**

E. Subsidy Expense for Direct Loans by Program and Component (dollars in millions):

E1. Subsidy Expense for New Direct Loans Disbursed (dollars in millions):

Direct Loan Programs	2016 Interest Differential	2016 Defaults	2016 Fees and Other Collections	2016 Other	2016 Total
FHA Risk Sharing Program	$ (68)	$ 4	$ (9)	$ 21	$ (52)
All Other					
a) Green Retrofit Program	$ -	$ -	$ -	$ -	$ -
b) Emergency Homeowners' Loan Program	-	-	-	-	-
Total	**$ (68)**	**$ 4**	**$ (9)**	**$ 21**	**$ (52)**

Direct Loan Programs	2015 Interest Differential	2015 Defaults	2015 Fees and Other Collections	2015 Other	2015 Total
FHA Risk Sharing Program	$ (5)	$ -	$ (3)	$ (1)	$ (9)
All Other					
a) Green Retrofit Program	$ -	$ -	$ -	$ -	$ -
b) Emergency Homeowners' Loan Program	-	-	-	-	-
Total	**$ (5)**	**$ -**	**$ (3)**	**$ (1)**	**$ (9)**

E2. Modifications and Re-estimates (dollars in millions):

Direct Loan Programs	2016 Total Modification	2016 Interest Rate Re-estimates	2016 Technical Re-estimates	2016 Total Re-estimates
FHA Risk Sharing Program	$ -	$ -	$ -	$ -
All Other				
a) Green Retrofit Program	$ -	$ -	$ (13)	$ (13)
b) Emergency Homeowners' Loan Program	-	-	-	-
Total	**$ -**	**$ -**	**$ (13)**	**$ (13)**

Direct Loan Programs	2015 Total Modification	2015 Interest Rate Re-estimates	2015 Technical Re-estimates	2015 Total Re-estimates
FHA Risk Sharing Program	$ -	$ -	$ -	$ -
All Other				
a) Green Retrofit Program	$ -	$ -	$ -	$ -
b) Emergency Homeowners' Loan Program	-	-	-	-
Total	**$ -**	**$ -**	**$ -**	**$ -**

E3. Total Direct Loan Subsidy Expense (dollars in millions):

Direct Loan Programs	Current Year	Prior Year
FHA Risk Sharing Program	$ (52)	$ (9)
All Other		
a) Green Retrofit Program	$ (13)	$ -
b) Emergency Homeowners' Loan Program	-	-
Total	**$ (65)**	**$ (9)**

F. Subsidy Rates for Direct Loans by Program and Component:

Budget Subsidy Rates for Direct Loans

	2016				
Direct Loan Programs	**Interest Differential**	**Defaults**	**Fees and Other Collections**	**Other**	**Total**
FHA Risk Sharing Program	0.0%	2.6%	(7.1%)	0.0%	(4.5%)
All Other					
a) Green Retrofit Program	41.0%	42.6%	0.0%	(1.3%)	82.3%
b) Emergency Homeowners' Loan Program	0.0%	0.0%	0.0%	97.7%	97.7%

	2015				
Direct Loan Programs	**Interest Differential**	**Defaults**	**Fees and Other Collections**	**Other**	**Total**
FHA Risk Sharing Program	(6.1%)	0.5%	(3.9%)	(1.3%)	(10.8%)
All Other					
a) Green Retrofit Program	41.0%	42.7%	0.0%	(1.3%)	82.3%
b) Emergency Homeowners' Loan Program	0.0%	0.0%	0.0%	97.7%	97.7%

G. Schedule for Reconciling Subsidy Cost Allowance Balances (Post-1991 Direct Loans) (dollars in millions):

Beginning Balance, Changes, and Ending Balance	FY 2016	FY 2015
Beginning balance of the subsidy cost allowance	$ 85	$ 152
Add: subsidy expense for direct loans disbursed during the reporting years by component:	-	-
a) Interest rate differential costs	(68)	(5)
b) Default costs (net of recoveries)	4	-
c) Fees and other collections	(9)	(3)
d) Other subsidy costs	21	(1)
Total of the above subsidy expense components	(52)	(9)
Adjustments:		
a) Loan modifications	-	-
b) Fees received	1	-
c) Foreclosed properties acquired	-	-
d) Loans written off	(15)	(31)
e) Subsidy allowance amortization	29	1
f) Other	-	(4)
Ending balance of the subsidy cost allowance before re-estimates	48	109
Add or subtract subsidy re-estimates by component:		
a) Interest rate re-estimate	2	-
b) Technical/default re-estimate	33	(24)
Adjustment prior years' credit subsidy reestimates	(19)	-
Total of the above re-estimate components	16	(24)
Ending balance of the subsidy cost allowance	**$ 64**	**$ 85**

H. Defaulted Guaranteed Loans from Pre-1992 Guarantees (Allowance for Loss Method) (dollars in millions):

2016	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Allowance for Loan and Interest Losses	Foreclosed Property, Net	Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net
FHA					
MMI/CMHI					
a) Single Family	$ 21	$ -	$ (5)	$ 7	$ 23
b) Multi Family	-	-	-	-	-
c) HECM	-	-	-	-	-
GI/SRI					
a) Single Family	$ -	$ -	$ (3)	$ 9	$ 6
b) Multi Family	1,780	230	(817)	1	1,194
c) HECM	4	2	(5)	(2)	(1)
Total	**$ 1,805**	**$ 232**	**$ (830)**	**$ 15**	**$ 1,222**

2015	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Allowance for Loan and Interest Losses	Foreclosed Property, Net	Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net
FHA					
MMI/CMHI					
a) Single Family	$ 22	$ -	$ (7)	$ 7	$ 22
b) Multi Family	-	-	-	-	-
c) HECM	-	-	-	-	-
GI/SRI					
a) Single Family	$ -	$ -	$ (4)	$ 9	$ 5
b) Multi Family	1,946	234	(808)	1	1,373
c) HECM	4	2	(5)	(2)	(1)
Total	**$ 1,972**	**$ 236**	**$ (824)**	**$ 15**	**$ 1,399**

I. Defaulted Guaranteed Loans from Post-1991 Guarantees (dollars in millions):

2016

	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Allowance for Subsidy Cost (Present Value)	Foreclosed Property, Gross	Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net
FHA					
MMI/CMHI					
a) Single Family	$ 10,320	$ 5	$ (7,327)	$ 2,817	$ 5,815
b) Multi Family	-	-	-	-	-
c) HECM	4,472	2,350	(1,580)	36	5,278
GI/SRI					
a) Single Family	$ 350	$ -	$ (241)	$ 73	$ 182
b) Multi Family	735	-	(365)	1	371
c) HECM	3,595	1,830	(1,279)	132	4,278
H4H					
a) Single Family	$ 5	$ -	$ (5)	$ 1	$ 1
All Other					
a) Indian Housing Loan Guarantee	-	-	-	37	37
b) Native Hawaiian Housing Loan Guarantee	-	-	-	(1)	(1)
Total	**$ 19,477**	**$ 4,185**	**$ (10,797)**	**$ 3,096**	**$ 15,961**

2015

	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Allowance for Subsidy Cost (Present Value)	Foreclosed Property, Gross	Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net
FHA					
MMI/CMHI					
a) Single Family	$ 8,802	$ -	$ (7,053)	$ 3,130	$ 4,879
b) Multi Family	-	-	-	-	-
c) HECM	2,182	992	(790)	10	2,394
GI/SRI					
a) Single Family	$ 292	$ 1	$ (233)	$ 94	$ 154
b) Multi Family	655	-	(272)	1	384
c) HECM	3,106	1,517	(1,172)	101	3,552
H4H					
a) Single Family	$ 4	$ -	$ 2	$ 1	$ 7
All Other					
a) Indian Housing Loan Guarantee	-	-	-	31	31
b) Native Hawaiian Housing Loan Guarantee	-	-	-	(1)	(1)
Total	**$ 15,041**	**$ 2,510**	**$ (9,518)**	**$ 3,367**	**$ 11,400**

	2016	**2015**
Total Credit Program Receivables and Related Foreclosed Property, Net	$19,476	$14,965

J. Guaranteed Loans Outstanding (dollars in millions):

J1. Guaranteed Loans Outstanding (dollars in millions):

Loan Guarantee Programs	2016 Outstanding Principal, Guaranteed Loans, Face Value	2016 Amount of Outstanding Principal Guaranteed
FHA Programs		
a) MMI/CMHI Funds	$ 1,207,833	$ 1,097,974
b) GI/SRI Funds	127,737	115,318
c) H4H Progam	91	83
All Other	7,862	7,856
Total	**$ 1,343,523**	**$ 1,221,231**

Loan Guarantee Programs	2015 Outstanding Principal, Guaranteed Loans, Face Value	2015 Amount of Outstanding Principal Guaranteed
FHA Programs		
a) MMI/CMHI Funds	$ 1,168,560	$ 1,065,896
b) GI/SRI Funds	123,399	112,063
c) H4H Progam	98	92
All Other	7,321	7,317
Total	**$ 1,299,378**	**$ 1,185,368**

J2. Home Equity Conversion Mortgage Loans Outstanding (dollars in millions):

Loan Guarantee Programs	2016 Current Year Endorsements	Cumulative Current Outstanding Balance	Cumulative Maximun Potential Liability
FHA Programs	$ 14,612	$ 104,648	$ 148,097

Loan Guarantee Programs	2015 Current Year Endorsements	Cumulative Current Outstanding Balance	Cumulative Maximun Potential Liability
FHA Programs	$ 15,890	$ 105,471	$ 149,645

J3. New Guaranteed Loans Disbursed (dollars in millions):

2016

Loan Guarantee Programs	Outstanding Principal, Guaranteed Loans, Face Value		Amount of Outstanding Principal Guaranteed	
FHA Programs				
a) MMI/CMHI Funds	$	221,841	$	219,866
b) GI/SRI Funds		12,224		12,168
c) H4H Program		-		-
All Other		980		979
Total	**$**	**235,045**	**$**	**233,013**

2015

Loan Guarantee Programs	Outstanding Principal, Guaranteed Loans, Face Value		Amount of Outstanding Principal Guaranteed	
FHA Programs				
a) MMI/CMHI Funds	$	213,125	$	211,322
b) GI/SRI Funds		11,366		11,311
c) H4H Program		-		-
All Other		1,008		1,008
Total	**$**	**225,499**	**$**	**223,641**

K. Liability for Loan Guarantees (Estimated Future Default Claims, Pre-1992) (dollars in millions):

2016

Loan Guarantee Programs	Liabilities for Losses on Pre-1992 Guarantees, Estimated Future Default Claims		Liabilities for Loan Guarantees for Post-1991 Guarantees (Present Value)		Total Liabilities For Loan Guarantees	
FHA Programs	$	-	$	(2,360)	$	(2,360)
All Other		-		303		303
Total	**$**	**-**	**$**	**(2,057)**	**$**	**(2,057)**

2015

Loan Guarantee Programs	Liabilities for Losses on Pre-1992 Guarantees, Estimated Future Default Claims		Liabilities for Loan Guarantees for Post-1991 Guarantees (Present Value)		Total Liabilities For Loan Guarantees	
FHA Programs	$	7	$	13,177	$	13,184
All Other		-		289		289
Total	**$**	**7**	**$**	**13,466**	**$**	**13,473**

L. Subsidy Expense for Post-1991 Guarantees:

L1. Subsidy Expense for Loan Guarantees (dollars in millions):

2016

Loan Guarantee Programs	Endorsement Amount	Default Component	Fees Component	Other Component	Subsidy Amount
FHA					
a) MMI/CMHI Funds, Excluding HECM	$ 221,841	$ 5,586	$ (16,461)	$ 1,791	$ (9,084)
b) MMI/CMHI Funds, HECM	14,612	844	(945)	-	(101)
c) GI/SRI Funds	12,224	181	(661)	-	(480)
d) H4H Program	-	-	-	-	-
All Other	-	12	-	-	12
Total	**$ 248,677**	**$ 6,623**	**$ (18,067)**	**$ 1,791**	**$ (9,653)**

2015

Loan Guarantee Programs	Endorsement Amount	Default Component	Fees Component	Other Component	Subsidy Amount
FHA					
a) MMI/CMHI Funds, Excluding HECM	$ 213,125	$ 5,685	$ (18,707)	$ -	$ (13,022)
b) MMI/CMHI Funds, HECM	15,890	991	(1,055)	-	(64)
c) GI/SRI Funds	11,366	191	(703)	-	(512)
d) H4H Program	-	-	-	-	-
All Other	-	8	-	-	8
Total	**$ 240,381**	**$ 6,875**	**$ (20,465)**	**$ -**	**$ (13,590)**

L2. Modification and Re-estimates (dollars in millions):

2016

Loan Guarantee Programs	Total Modifications	Interest Rate Re-estimates	Technical Re-estimates	Total Re-estimates
FHA				
a) MMI/CMHI Funds	$ -	$ -	$ (7,897)	$ (7,897)
b) GI/SRI Funds	-	-	(225)	(225)
All Other	-	-	(28)	(28)
Total	**$ -**	**$ -**	**$ (8,150)**	**$ (8,150)**

2015

Loan Guarantee Programs	Total Modifications	Interest Rate Re-estimates	Technical Re-estimates	Total Re-estimates
FHA				
a) MMI/CMHI Funds	$ -	$ -	$ (2,247)	$ (2,247)
b) GI/SRI Funds	-	-	(1,618)	(1,618)
All Other	-	-	(12)	(12)
Total	**$ -**	**$ -**	**$ (3,877)**	**$ (3,877)**

L3. Total Loan Guarantee Subsidy Expense (dollars in millions):

Loan Guarantee Programs	Current Year	Prior Year
FHA		
a) MMI/CMHI Funds	$ (17,082)	$ (15,333)
b) GI/SRI Funds	(704)	(2,130)
c) H4H Program	-	-
All Other	$ (17)	$ (4)
Total	**$ (17,803)**	**$ (17,467)**

M. Subsidy Rates for Loan Guarantees by Programs and Component:

Budget Subsidy Rates for Loan Guarantees for FY 2016 Cohorts

Loan Guarantee Program	Default	Fees and Other Collections	Total
FHA Programs			
MMI/CMHI			
Single Family - Forward	2.3%	(6.1%)	(3.8%)
Single Family - HECM	5.8%	(6.5%)	(0.7%)
Single Family - Refinancing	10.0%	(10.0%)	0.0%
Multi Family - Section 213	0.0%	0.0%	0.0%
GI/SRI Funds			
Apartments - NC/SC	2.4%	(5.2%)	(2.7%)
Apartments - NC/SC04/01/2016	1.9%	(4.3%)	(2.4%)
Apartments - Refinance	0.3%	(5.0%)	(4.7%)
Apartments Refinance - 04/01/16	0.3%	(3.9%)	(3.6%)
Healthcare			
MM - FHA Full Insurance - Health Care	4.0%	(7.4%)	(3.4%)
MF- - Hospitals	3.2%	(6.5%)	(3.2%)
H4H Programs			
Single Family - Section 257	0.0%	0.0%	0.0%
All Other Programs			
CDBG, Section 108(b)	0.0%	0.0%	0.0%
Loan Guarantee Recovery	50.0%	0.0%	50.0%
Indian Housing (weighted average)	0.6%	0.0%	0.6%
Native Hawaiian Housing	0.5%	0.0%	0.5%
Title VI Indian Housing	11.5%	0.0%	11.5%

Budget Subsidy Rates for Loan Guarantees for FY 2015 Cohorts

Loan Guarantee Program	Default	Fees and Other Collections	Total
FHA Programs			
MMI/CMHI			
Single Family - Forward	2.7%	(9.9%)	(7.2%)
Single Family - HECM	6.2%	(6.6%)	(0.4%)
Single Family - Refinancing	10.1%	(10.1%)	0.0%
Multi Family - Section 213	0.0%	0.0%	0.0%
GI/SRI			
Multifamily			
Apartments	2.5%	(6.2%)	(3.7%)
Apartments Refinance	0.3%	(5.0%)	(4.7%)
Healthcare			
Residential Care	3.8%	(8.0%)	(4.2%)
Hospitals	2.6%	(7.1%)	(4.5%)
H4H			
Single Family - Section 257	0.0%	0.0%	0.0%
All Other Programs			
CDBG, Section 108(b)	2.4%	0.0%	2.4%
Loan Guarantee Recovery	50.0%	0.0%	50.0%
Indian Housing (weighted average)	1.3%	0.0%	1.3%
Native Hawaiian Housing	0.6%	0.0%	0.6%
Title VI Indian Housing	11.2%	0.0%	11.2%

N. Schedule for Reconciling Loan Guarantee Liability Balances (Post-1991 Loan Guarantees) (dollars in millions):

Beginning Balance, Changes, and Ending Balance	2016	2015
Beginning balance of the loan guarantee liability	$ 15,571	$ 32,919
Add: subsidy expense for guaranteed loans disbursed during the reporting years by component:		
(a) Interest supplement costs	-	-
(b) Default costs (net of recoveries)	6,623	6,875
(c) Fees and other collections	(18,067)	(20,465)
(d) Othe subsidy costs	1,791	-
Total of the above subsidy expense components	$ (9,653)	$ (13,590)
Adjustments:		
(a) Loan guarantee modifications	-	-
(b) Fees Received	14,029	13,288
(c) Interest supplemental paid	-	-
(d) Foreclosed property and loans acquired	11,165	13,561
(e) Claim payments to lenders	(22,445)	(26,642)
(f) Interest accumulation on the liability balance	(177)	580
(g) Other	828	364
Ending balance of the loan guarantee liability	$ 9,318	$ 20,480
Add or Subtract subsidy re-estimates by component:		
(a) Interest rate re-estimate	-	-
(b) Technical/default re-estimate	(3,549)	(3,877)
(c) Adjustment of prior years credit subsidy re-estimates	(6,272)	(1,032)
Total of the above re-estimate components	(9,821)	(4,909)
Ending balance of the loan guarantee liability	**$ (503)**	**$ 15,571**
Less: unrealized Ginnie Mae claims from defaulted loans	$ (1,554)	$ (2,098)
Ending balance of the loan guarantee liability	**$ (2,057)**	**$ 13,473**

O. Administrative Expenses (dollars in millions):

Loan Guarantee Program	2016	2015
FHA	$ 586	$ 557
All Other		-
Total	**$ 586**	**$ 557**

Note 9: Other Non-Credit Reform Loans

The following shows HUD's Other Non-Credit Reform Loans Receivable as of September 30, 2016 and 2015 (dollars in millions):

	2016		
Description	Ginnie Mae Reported Balances	Allowance for Loan Losess Due to Payment of Probable Claims by FHA	Value of Assets Related to Loans
Mortgage Loans Held for Investment	$ 3,470	$ (1,243)	$ 2,227
Advances Against Defaulted Mortgage-Backed Security Pools, net	21	-	21
Properties Held for Sale, net	41	-	41
Foreclosed Property	595	(217)	378
Short Sale Claims Receivable	107	(94)	13
Total	**$ 4,234**	**$ (1,554)**	**$ 2,680**

	2015		
Description	Ginnie Mae Reported Balances	Allowance for Loan Losess Due to Payment of Probable Claims by FHA	Value of Assets Related to Loans
Mortgage Loans Held for Investment	$ 4,362	$ (1,334)	$ 3,028
Advances Against Defaulted Mortgage-Backed Security Pools, net	119	-	119
Properties Held for Sale, net	30	-	30
Foreclosed Property	769	(719)	50
Short Sale Claims Receivable	45	(45)	-
Total	**$ 5,325**	**$ (2,098)**	**$ 3,227**

Other Non-Credit Reform Loans consists of Ginnie Mae Advances Against Defaulted Mortgage-Backed Security Pools, Mortgage Loans Held for Investment, Short Sale Claims Receivable, and Foreclosed Property. Below is a description of each type of asset recorded by Ginnie Mae.

Mortgage Loans Held for Investment (HFI)

When a Ginnie Mae issuer defaults, Ginnie Mae is required to step into the role of the issuer and make the timely pass-through payments to investors, and subsequently, assumes the servicing rights and obligations of the issuer's entire Ginnie Mae guaranteed, pooled loan portfolio of the defaulted issuer. Ginnie Mae utilizes the MSSs to service these portfolios. There are currently two MSSs for Single Family and one MSS for Manufactured Housing defaulted issuers. These MSSs currently service 100 percent of all non-pooled loans.

In its role as servicer, Ginnie Mae assesses individual loans within its pooled portfolio to determine whether the loan must be purchased out of the pool as required by the Ginnie Mae MBS Guide. Ginnie Mae purchases mortgage loans out of the MBS pool when:

A. Mortgage loans are uninsured by the FHA, USDA, VA or PIH, or

B. Mortgage loans were previously insured but insurance is currently denied (collectively with A, referred to as uninsured mortgage loans).

Ginnie Mae has the option to purchase mortgage loans out of the MBS pool when:

C. Mortgage loans are insured but are delinquent for more than 90 and 120 days based on management discretion for manufactured housing and single family loans, respectively.

For the years ended September 30, 2016 and 2015, the majority of purchased mortgage loans were bought out of the pool due to borrower delinquency of more than three months.

Ginnie Mae has the ability and the intent to hold these acquired loans for the foreseeable future or until maturity. Therefore, Ginnie Mae classifies the mortgage loans as HFI. The mortgage loans HFI are reported net of allowance for loan losses.

Ginnie Mae evaluates the collectability of all purchased loans and assesses whether there is evidence of credit deterioration subsequent to the loan's origination and if it is probable, at acquisition, that Ginnie Mae will be unable to collect all contractually required payments receivable. Ginnie Mae considers guarantees and insurance from FHA, USDA, VA, and PIH in determining whether it is probable that Ginnie Mae will collect all amounts due according to the contractual terms.

For FHA insured loans, Ginnie Mae expects to collect the full amount of the unpaid principal balance and debenture rate interest (only for months allowed in the insuring agency's timeline), when the insurer reimburses Ginnie Mae subsequent to filing a claim. As a result, these loans are accounted for under ASC Subtopic 310-20, *Receivables – Nonrefundable Fees and Other Costs.* In accordance with ASC 310-20-30-5, these loans are recorded at the unpaid principal balance which is the amount Ginnie Mae pays to repurchase these loans. Accordingly, Ginnie Mae recognizes interest income on these loans on an accrual basis at the debenture rate for the number of months allowed under the insuring agency's timeline.

Ginnie Mae performs periodic and systematic reviews of its loan portfolios to identify credit risks and assess the overall collectability of the portfolios for the estimated uncollectible portion of the principal balance of the loan. As a part of this assessment, Ginnie Mae incorporates the probable recovery amount from mortgage insurance (e.g., FHA, USDA, VA, or PIH) based on established insurance rates. Additionally, Ginnie Mae reviews the delinquency of mortgage loans, industry benchmarks, as well as the established rates of insurance recoveries from insurers. Ginnie Mae records an allowance for the estimated uncollectible amount. The allowance for loss on mortgage loans HFI represents management's estimate of probable credit losses inherent in Ginnie Mae's mortgage loan portfolio. The allowance for loss on mortgage loans HFI is netted against the balance of mortgage loans HFI.

Ginnie Mae records a charge-off as a reduction to the allowance for loan losses when losses are confirmed through the receipt of assets in full satisfaction of a loan, such as the receipt of claims proceeds from an insuring agency or underlying collateral upon foreclosure.

The fair value option was not elected by Ginnie Mae for any recognized loans on its balance sheet in 2016 and 2015. The fair value option allows certain financial assets, such as acquired loans, to be reported at fair value (with unrealized gains and losses reported in the Statement of Revenues and Expenses). Ginnie Mae reserves the right to elect the fair value option for newly acquired loans in future periods. As the fair value option was not elected and Ginnie Mae has the ability and the intent to hold these acquired loans for the foreseeable future or until maturity, the mortgage loans were classified as loans HFI and reported at amortized cost (net of allowance for loan losses).

Management is currently pursuing marketing activities to potentially sell loans currently recognized on Ginnie Mae's balance sheet. Once a plan of sale is developed and loans are clearly identified for sale, Ginnie Mae will reclassify the applicable loans from HFI to HFS (held for sale). For loans which Ginnie Mae initially classifies as held for investment and subsequently transfers to HFS, those loans should be recognized at the lower of cost or fair value until sold. As of the year ended September 30, 2016 and 2015, Ginnie Mae has no loans classified as HFS.

Please note that management is currently assessing current and historic loan accounting for potential restatement.

Mortgage loans HFI, net as of September 30, 2016 and 2015, was $3,470 million and $4,362 million, respectively, based on probable claims paid by FHA and recognized as an elimination in the Department's financial statements.

Advances against Defaulted Mortgage-Backed Security Pools

Advances represent loan pass-through payments made to fulfill Ginnie Mae's guaranty of timely principal and interest payments to MBS security holders. Per U.S. GAAP, Ginnie Mae is required to report advances net of an allowance to the extent that management believes that they will not be collected. The allowance is estimated based on historical loss experience of future collections from the borrowers, proceeds from the sale of the property, or recoveries from third-party insurers such as FHA, USDA, VA, and PIH.

Once Ginnie Mae purchases the loans from the pools, the associated advances are reclassified to the appropriate asset class. The advances balance is $21 million in FY 2016 and $119 million in FY 2015.

Properties Held for Sale, Net

Properties held for sale represent assets for which Ginnie Mae has received the title of the underlying collateral (e.g. completely foreclosed upon and repossessed) and intends to sell the collateral. For instances in which Ginnie Mae does not convey the property to the insuring agency, Ginnie Mae holds the title until the property is sold. As the properties are available for immediate sale in their current condition and are actively marketed for sale, they are to be recorded at the fair value of the asset less the estimated cost to sell with subsequent declines in the fair value below the initial acquired property cost basis recorded through the use of a valuation allowance. The Properties Held for Sale balance is one of the line items for which

Ginnie Mae Management is currently performing an assessment related to the recognition and measurement as compared to US GAAP requirements. Currently, Ginnie Mae does not have access to broker price opinions or other fair value data for acquired properties. A further assessment of data availability is currently being performed. Properties Held for Sale, net, as of September 30, 2016 and 2015, was $41 million and $30 million, respectively.

Foreclosed Property

Ginnie Mae records foreclosed property when a MSS receives marketable title to a property which has completed the foreclosure process in the respective state. The asset is measured as the principal and interest of a loan which is in the process of being conveyed to an insuring agency, net of an allowance. These assets are conveyed to the appropriate insuring agency within six months. Foreclosed property has previously been placed on nonaccrual status after the loan was repurchased from a pool. These properties differ from properties held for sale because they will be conveyed to an insuring agency, and not sold by the MSS.

The allowance for foreclosed property is estimated based on actual and expected recovery experience including expected recoveries from FHA, USDA, VA, and PIH. The aggregate of the foreclosed property and the allowance for foreclosed property is the amount that Ginnie Mae determines to be collectible. Ginnie Mae records a charge-off as a reduction to the allowance for loan losses when losses are confirmed through the receipt of assets in full satisfaction of a loan, such as the receipt of claims proceeds from an insuring agency. Management is currently assessing current and historic accounting practices for potential restatement. Foreclosed Property, net as of September 30, 2016, was $596 million, and, net as of September 30, 2015, was $769 million.

Short Sale Claims Receivable

As an alternative to foreclosure, a property may be sold for its appraised value even if the sale results in a short sale where the proceeds are not sufficient to pay off the mortgage. Ginnie Mae's MSSs analyze mortgage loans HFI for factors such as delinquency, appraised value of the loan, and market in locale of the loan to identify loans that may be short sale eligible. These transactions are analyzed and approved by Ginnie Mae's MBS program office.

For FHA insured loans, for which the underlying property was sold in a short sale, the FHA typically pays Ginnie Mae the difference between the proceeds received from the sale and the total contractual amount of the mortgage loan and interest at the debenture rate. Hence, Ginnie Mae does not incur any losses as a result of the short sale of an FHA insured loan. Ginnie Mae records a short sale claims receivable while it awaits repayment of this amount from the insurer. For short sales claims receivable for which Ginnie Mae believes that collection is not probable, Ginnie Mae records an allowance for short sales claims receivable. The allowance for short sales claims receivable is estimated based on actual and expected recovery experience including expected recoveries from FHA, USDA, VA, and PIH. The aggregate of the short sales receivable and the allowance for short sales receivable is the amount that Ginnie Mae determines to be collectible. Ginnie Mae records a charge-off as a reduction to the allowance for loan losses when losses are confirmed through the receipt of claims in full satisfaction of a loan from an insuring agency. Management is currently assessing current and historic accounting practices for potential restatement. Short Sale Claims Receivable, net as of September 30, 2016 and 2015, was $107 and $45 million, respectively.

Note 10: General Property, Plant, and Equipment (Net)

General property, plant, and equipment consists of furniture, fixtures, equipment and data processing software used in providing goods and services that have an estimated useful life of two or more years. Purchases of $100,000 or more are recorded as an asset and depreciated over their estimated useful life on a straight-line basis with no salvage value. Capitalized replacement and improvement costs are depreciated over the remaining useful life of the replaced or improved asset. Generally, the Department's assets are depreciated over a four-year period, unless it can be demonstrated that the estimated useful life is significantly greater than four years.

The following shows general property, plant, and equipment as of September 30, 2016, and September 30, 2015 (dollars in millions):

Description	2016			2015		
	Cost	Accumulated Depreciation and Amortization	Book Value	Cost	Accumulated Depreciation and Amortization	Book Value
Equipment	$ 9	$ (3)	$ 6	$ 7	$ -	$ 7
Leasehold Improvements	-	-	-	-	-	-
Internal Use Software	217	(172)	45	186	(152)	34
Internal Use Software in Development	330	-	330	288	-	288
Total	**$ 556**	**$ (175)**	**$ 381**	**$ 481**	**$ (152)**	**$ 329**

Note 11: PIH Prepayments

HUD's assets include the Department's estimates for restricted net position (RNP) balances maintained by Public Housing Authorities (PHAs) under the Housing Choice Voucher Program. RNP balances represent disbursements to PHAs that are in excess of their expenses. PHAs can use RNP to cover any valid housing assistance program (HAP) expenses. PIH has estimated RNP balances of $209 million and $171 million for FY 2016 related to the Housing Choice Voucher and Moving to Work Programs, respectively.

Note 12: Other Assets

The following shows HUD's Other Assets as of September 30, 2016 and 2015 (dollars in millions):

Description	2016 FHA	2016 Ginnie Mae	2016 Section 8	2016 Other	2016 Total
Intragovernmental Assets:					
Other Assets	$ -	$ -	$ 5	$ 38	$ 43
Total Intragovernmental Assets	-	-	**5**	**38**	**43**
Public:					
Escrow Monies Deposited at Minority-Owned Banks	$ 29	$ -	$ -	$ -	$ 29
Other Assets	24	-	-	-	24
Total	**$ 53**	**$ -**	**$ 5**	**$ 38**	**$ 96**

Description	2015 FHA	2015 Ginnie Mae	2015 Section 8	2015 Other	2015 Total
Intragovernmental Assets:					
Other Assets	$ 1	$ -	$ 4	$ 4	$ 9
Total Intragovernmental Assets	**1**	-	**4**	**4**	**9**
Public:					
Escrow Monies Deposited at Minority-Owned Banks	$ 37	$ -	$ -	$ -	$ 37
Other Assets	8	-	-	-	8
Total	**$ 46**	**$ -**	**$ 4**	**$ 4**	**$ 54**

Intragovernmental Other Assets primarily represent the Department's Policy, Development and Research program. Other Assets with the public represent FHA's (1) escrow monies collected that are deposited in minority-owned banks, (2) deposits in transit, and (3) advances and prepayments.

Note 13: Liabilities Covered and Not Covered by Budgetary Resources

The following shows HUD's liabilities as of September 30, 2016 and 2015 (dollars in millions):

Description	2016 Covered	2016 Not-Covered	2016 Total	2015 Covered	2015 Not-Covered	2015 Total
Intragovernmental						
Accounts Payable	$ 24	$ -	$ 24	$ 16	$ -	$ 16
Debt	31,002	-	31,002	27,150	-	27,150
Other Intragovernmental Liabilities	2,788	236	3,024	3,132	16	3,148
Total Intragovernmental Liabilities	$ 33,814	$ 236	$ 34,050	$ 30,298	$ 16	$ 30,314
Accounts Payable	1,006	-	1,006	966	-	966
Accrued Grant Liabilities	2,663	-	2,663	2,388	-	2,388
Liabilities for Loan Guarantees	(2,057)	-	(2,057)	13,473	-	13,473
Debt	8	-	8	8	-	8
Federal Employee and Veterans' Benefits	-	64	64	-	69	69
Loss Liability	3	-	3	-	-	-
Other Liabilities	1,235	132	1,367	1,105	134	1,239
Total Liabilities	**$ 36,672**	**$ 432**	**$ 37,104**	**$ 48,238**	**$ 219**	**$ 48,457**

HUD's other governmental liabilities principally consist of Ginnie Mae's deferred revenue, FHA's special receipt account, and the Department's payroll costs. Further disclosures of HUD's other liabilities are also found in Note 17.

Note 14: Debt

Several HUD programs have the authority to borrow funds from the U.S. Treasury for program operations. Additionally, the National Housing Act authorizes FHA, in certain cases, to issue debentures in lieu of cash to pay claims. Also, PHAs and TDHEs borrowed funds from the private sector and from the Federal Financing Bank (FFB) to finance construction and rehabilitation of low rent housing. HUD is repaying these borrowings on behalf of the PHAs and TDHEs.

The following shows HUD borrowings, and borrowings by PHAs/TDHEs for which HUD is responsible for repayment, as of September 30, 2016 (dollars in millions):

Description	Beginning Balance	Net Borrowings	Ending Balance
Debt to the Federal Financing Bank	$ 103	$ 452	$ 555
Debt to the U.S. Treasury	27,047	3,400	30,447
Held by the Public	8	-	8
Total	$ 27,158	$ 3,852	$ 31,010
Classification of Debt:			
Intragovernmental Debt			$ 31,002
Debt held by the Public			8
Total			**$ 31,010**

The following shows HUD borrowings, and borrowings by PHAs/TDHEs for which HUD is responsible for repayment, as of September 30, 2015 (dollars in millions):

Description	Beginning Balance	Net Borrowings	Ending Balance
Debt to the Federal Financing Bank	$ -	$ 122	$ 122
Debt to the U.S. Treasury	27,661	(633)	27,028
Held by the Public	9	(1)	8
Total	$ 27,670	$ (512)	$ 27,158
Classification of Debt:			
Intragovernmental Debt			$ 27,150
Debt held by the Public			8
Total			**$ 27,158**

FHA's overall Debt for U.S. Borrowings from Treasury did not change from FY 2015 to FY 2016; however, FHA did alter the presentation of borrowings from both from Treasury and from FFB due to a reclassification amount of $19 million from the borrowings from FFB (decreased borrowings from $122 million to $103 million), to our borrowings from Treasury (increased from $26,901 million to $26,921 million). The reclassification was a correction of an error in the first year of our FFB reporting in FY 2015.

Interest paid on borrowings as of September 30, 2016 and 2015, was $1,221 million and $1,191 million, respectively. The purpose of these borrowings is discussed in the following paragraphs.

Borrowings from the U.S. Treasury

In FY 2016 and FY 2015, FHA had outstanding borrowings of $30,319 million and $26,901 million, respectively, from the U.S. Treasury. In accordance with Credit Reform accounting, FHA borrows from the U.S. Treasury when cash is needed in its financing accounts. Usually, the need for cash arises when FHA has to transfer the negative credit subsidy amounts related to new loan disbursements and existing loan modifications from the financing accounts to the general fund receipt account (for cases in GI/SRI funds) or to the capital reserve account (for cases in MMI/CMHI funds). In some instances, borrowings are also needed to transfer the credit subsidy related to downward re-estimates and when available cash is less than claim payments due. These borrowings carried interest rates ranging from 1.02 percent to 7.59 percent during FY 2016.

HUD's Other Programs had outstanding borrowings in FY 2016 and FY 2015 of $128 million and $127 million, respectively. These borrowings were for the Indian Housing Loan Guarantee Program, the Native Hawaiian Housing Block Grant Program, the Emergency Homeowner's Loan Program and the Green Retrofit Program from the U.S. Treasury.

Borrowings from the Federal Financing Bank (FFB) and the Public

In FY 2016 and FY 2015, FHA had outstanding borrowings of $555 million and $122 million, respectively, from the FFB.

During the 1960s, 1970s, and 1980s, PHAs obtained loans from the private sector and from the FFB to finance development and rehabilitation of low rent housing projects. HUD is repaying these borrowings on behalf of the PHAs, through the Low Rent Public Housing program. For borrowings from the public, interest is payable throughout the year.

Before July 1, 1986, the FFB purchased notes issued by units of general local government and guaranteed by HUD under Section 108. These notes had various maturities and carried interest rates that were one-eighth of one percent above rates on comparable Treasury obligations. The FFB held substantially all outstanding notes, and no note purchased by the FFB has ever been declared in default. In March of FY 2010, HUD repaid all FFB borrowings for the Low Rent Public Housing program.

Starting in FY 2015, FHA began a Federal Financing Bank (FFB) Risk Share program, an inter-agency partnership between HUD, FFB and the Housing Finance Authorities (HFAs). The FFB Risk Share program provides funding for multifamily mortgage loans insured by FHA. Under this program, FHA records a direct loan from the public and borrowing from FFB. The program does not change the basic structure of Risk Sharing; it only substitutes FFB as the funding source. The HFAs would originate and service the loans, and share in any losses.

Note 15: Federal Employee and Veterans' Benefits

HUD is a non-administering agency; therefore, it relies on cost factors and other actuarial projections provided by the Department of Labor (DOL) and Office of Personnel Management (OPM). HUD's imputed costs consist of two components, pension and health care benefits. During FY 2016, HUD recorded imputed costs of $67 million which consisted of $23 million for pension and $44 million for health care benefits. During FY 2015, HUD recorded imputed costs of $65 million which consisted of $27 million for pension and $38 million for health care benefits. These amounts are reported by OPM and charged to expense with a corresponding amount considered as an imputed financing source in the Statement of Changes in Net Position.

HUD also accrues the portion of the estimated liability for disability benefits assigned to the agency under the Federal Employee Compensation Act (FECA), administered and determined by the DOL. The liability, based on the net present value of estimated future payments based on a study conducted by DOL, was $64 million as of September 30, 2016, and $69 million as of September 30, 2015. Future payments on this liability are to be funded by future financing sources.

In addition to the imputed costs of $67 million noted above, HUD recorded net benefit expenses totaling $49 million for FY 2016 and $179 million for FY 2015.

Note 16: MBS Loss Liability

Liability for loss on MBS program guaranty (MBS loss liability) represents the loss contingency that arises from the guaranty obligation that Ginnie Mae has to the MBS holders as a result of a probable issuer default. In FY2016, Ginnie Mae recorded $1 million in loss reserves. The issuers have the obligation to make timely principal and interest payments to investors, however, in the event whereby the issuer defaults, Ginnie Mae steps in and continues to make the contractual payments to investors. The contingent aspect of the guarantee is measured under ASC Subtopic 450-20, *Contingencies – Loss Contingencies*.

Ginnie Mae's Office of Enterprise Risk (ERO) utilizes Corporate Watch to assist in the analysis of potential defaults. Corporate Watch assigns each issuer an internal risk grade using an internally developed proprietary risk-rating methodology. The objective of the methodology is to identify those Ginnie Mae issuers that display an elevated likelihood of default relative to their peers. To this end, the methodology assigns each active Issuer a risk grade ranging from 1-8, with 1 representing a low probability of default and 8 representing an elevated probability of default. A higher probability of default would arise from an observed weakness in an entity's financial health. Those Issuers with an elevated probability of default are assigned an internal risk grade of 7 or 8 and are automatically included in Risk Category I of the Watch List. ERO prepares written financial reviews on all Issuers appearing in Risk Category I of Watch List to assess the level of on-going monitoring needed to ensure that these Issuers remain viable Ginnie Mae counterparties or to take other mitigation actions.

Note 17: Other Liabilities

The following shows HUD's Other Liabilities as of September 30, 2016 (dollars in millions):

Description	Non-Current	Current	Total
Intragovernmental Liabilities			
FHA Special Receipt Account Liability	$ -	$ 2,765	$ 2,765
Unfunded FECA Liability	15	-	15
Employer Contributions and Payroll Taxes	-	9	9
Miscellaneous Receipts Payable to Treasury	-	221	221
Advances to Federal Agencies	-	14	14
Total Intragovernmental Liabilities	$ 15	$ 3,009	$ 3,024
Other Liabilities			
FHA Other Liabilities	$ -	$ 543	$ 543
FHA Escrow Funds Related to Mortgage Notes	-	311	311
Ginnie Mae Deferred Income	292	20	312
Deferred Credits	-	4	4
Deposit Funds	-	9	9
Accrued Unfunded Annual Leave	77	-	77
Accrued Funded Payroll Benefits	-	32	32
Contingent Liability	55	-	55
Other	7	17	24
Total Other Liabilities	**$ 446**	**$ 3,945**	**$ 4,391**

The following shows HUD's Other Liabilities as of September 30, 2015 (dollars in millions):

Description	Non-Current	Current	Total
Intragovernmental Liabilities			
FHA Special Receipt Account Liability	$ -	$ 2,888	$ 2,888
Unfunded FECA Liability	16	-	16
Employer Contributions and Payroll Taxes	-	5	5
Miscellaneous Receipts Payable to Treasury	-	228	228
Advances to Federal Agencies	-	11	11
Total Intragovernmental Liabilities	$ 16	$ 3,132	$ 3,148
Other Liabilities			
FHA Other Liabilities	$ -	$ 412	$ 412
FHA Escrow Funds Related to Mortgage Notes	-	314	314
Ginnie Mae Deferred Income	272	34	306
Deferred Credits	-	18	18
Deposit Funds	-	13	13
Accrued Unfunded Annual Leave	79	-	79
Accrued Funded Payroll Benefits	-	33	33
Contingent Liability	55	-	55
Other	7	2	9
Total Other Liabilities	**$ 429**	**$ 3,958**	**$ 4,387**

Special Receipt Account Liability

The special receipt account liability is created from negative subsidy endorsements and downward credit subsidy in the GI/SRI special receipt account.

Other Liabilities

In FY 2016, FHA Other Liabilities consist of liabilities for premiums collected on unendorsed cases of $345 million and miscellaneous liabilities of $198 million which include disbursements in transit and unearned premium revenue. In FY 2015, premiums collected on unendorsed cases were $326 million and miscellaneous liabilities were $86 million. Premiums collected for unendorsed cases represent liabilities associated with premiums collections for cases that have yet to be endorsed.

Other liabilities current consist mostly of suspense funds, receipt accruals and payroll-related costs. Other liabilities non-current of $7 million is Ginnie Mae's Bank Popular liability for potential loan portfolio representation and warranty issues.

Note 18: Financial Instruments with Off-Balance Sheet Risk

Some of HUD's programs, principally those operated through FHA and Ginnie Mae, enter into financial arrangements with off-balance sheet risk in the normal course of their operations.

A. FHA Mortgage Insurance

The outstanding principal of FHA's guaranteed loans (face value) as of September 30, 2016 and 2015, was $1,335,660 million and $1,292,056 million, respectively. The amount of outstanding principal guaranteed (insurance-in-force) as of September 30, 2016 and 2015, was

$1,213,376 million and $1,178,052 million, respectively, as disclosed in Note 8J. The maximum claim amount (MCA) outstanding for FHA's reverse mortgage insurance program (HECM) as of September 30, 2016 and 2015, was $148,097 million and $149,645 million, respectively. As of September 30, 2016 and 2015, the insurance-in-force (the outstanding balance of active loans) was $104,648 million and $105,471 million, respectively, as disclosed in Note 8J. The HECM insurance in force includes balances drawn by the mortgagee, interest accrued on the balances drawn, service charges, and mortgage insurance premiums. The maximum claim amount is the dollar ceiling to which the outstanding loan balance can grow before being assigned to FHA.

B. Ginnie Mae Mortgage-Backed Securities

Ginnie Mae financial instruments with off-balance sheet risk include guarantees of MBS and commitments to guarantee MBS. The securities are backed by pools of FHA, USDA, VA, and PIH mortgage loans. Ginnie Mae is exposed to credit loss in the event of non-performance by other parties to the financial instruments. The total amount of Ginnie Mae guaranteed securities outstanding at September 30, 2016 and 2015, was approximately $1,728,091 million and $1,608,790 million, respectively. However, Ginnie Mae's potential loss is considerably less because of the financial strength of the Department's issuers. Additionally, in the event of default, the underlying mortgages serve as primary collateral and FHA, USDA, VA, and PIH insurance or guarantee indemnifies Ginnie Mae for most losses.

During the mortgage closing period and prior to granting its guaranty, Ginnie Mae enters into commitments to guarantee MBS. The commitment ends when the MBS are issued or when the commitment period expires. Ginnie Mae's risks related to outstanding commitments are much less than for outstanding securities due, in part, to Ginnie Mae's ability to limit commitment authority granted to individual issuers of MBS. Outstanding commitments as of September 30, 2016 and 2015, were $95,578 million and $159,568 million, respectively. Generally, Ginnie Mae's MBS pools are diversified among issuers and geographic areas. No significant geographic concentrations of credit risk exist; however, to a limited extent, securities are concentrated among issuers.

In FY 2016 and FY 2015, Ginnie Mae issued a total of $102,529 million and $93,092 million, respectively, in its multi-class securities program. The estimated outstanding balance for the complete multi-class securities program (REMICs, Platinum's, etc.) at September 30, 2016 and 2015, were $473,217 million and $472,677 million, respectively. These guaranteed securities do not subject Ginnie Mae to additional credit risk beyond that assumed under the MBS program.

C. Section 108 Loan Guarantees

Under HUD's Loan Guarantee (Section 108) program, recipients of the CDBG Entitlement Grant program funds may pledge future grant funds as collateral for loans guaranteed by HUD (these loans were provided from private lenders since July 1, 1986). Section 108 provides entitlement communities with a source of financing for projects that are too large to be financed from annual grants. The amount of loan guarantees outstanding as of September 30, 2016 and 2015, was $1,708 million and $2,012 million, respectively. HUD's management believes its exposure in providing these loan guarantees is limited, since loan repayments can be offset from future CDBG Entitlement Program Funds and, if necessary, other funds provided to the recipient by HUD. HUD has never had a loss under this program since its inception in 1974.

Note 19: Contingencies

Lawsuits and Other

The general counsel has reviewed FHA's legal actions and claims for FY 2016 and determined as of September 30, 2016, that the ultimate resolution of legal actions would not affect FHA's consolidated financial statements. As a result, no contingent liability has been recorded.

HUD is party to a number of claims and tort actions related to lawsuits brought against it concerning the implementation or operation of its various programs. A union grievance case, *Fair and Equitable Arbitration Remedy,* FMCS No. 03-07743, 66 FLRA 867, was filed based on alleged violations of articles of the parties' Collective Bargaining Agreement. The grievance alleged that HUD failed to treat employees fairly and equitably based upon the manner in which the Agency posted and subsequently selected candidates from job advertisements and vacancy announcements. Although the litigation is not final, the estimated potential loss is probable at this time and as a result, the Department has recorded a contingent liability of $55 million in its financial statements. Pending litigation on this case will likely take one or many years to resolve. The Union's version of compliance could cost up to $665 million, including attorney's fees, if the parties do not resolve this matter, and if the Union gets all of its requested relief. Other ongoing suits cannot be reasonably determined at this time and in the opinion of management and general counsel, the ultimate resolution of the other pending litigation will not have a material effect on the Department's financial statements.

Note 20: Funds from Dedicated Collections

Funds from dedicated collections are financed by specifically identified revenues and are required by statute to be used for designated activities or purposes.

Ginnie Mae

Ginnie Mae is a self-financed government corporation, whose program operations are financed by a variety of fees, such as guaranty, commitment, new issuer, handling, and transfer servicing fees, which are to be used only for Ginnie Mae's legislatively authorized mission. In FY 2016, Ginnie Mae was authorized to use $23 million for payroll and payroll related expense, funded by commitment fees.

Rental Assistance Demonstration (RAD) Conversion Program

The Rental Assistance Demonstration (RAD) conversion program was created in order to give public housing authorities (PHAs) a powerful tool to preserve and improve public housing properties and address a nationwide backlog of deferred maintenance. RAD also gives program owners the opportunity to enter into long-term contracts that facilitate the financing of improvements.

Rental Housing Assistance Fund

The Housing and Urban Development Act of 1968 authorized the Secretary to establish a revolving fund into which rental collections in excess of the established basic rents for units in Section 236 subsidized projects would be deposited. The Housing and Community Development Amendment of 1978 authorized the Secretary, subject to approval in appropriation acts, to transfer excess rent collections received after 1978 to the Troubled Projects Operating Subsidy program, renamed the Flexible Subsidy Fund. Prior to that time, collections were used for paying tax and utility increases in Section 236 projects. The Housing and Community Development Act of 1980 amended the 1978 Amendment by authorizing the transfer of excess rent collections regardless of when collected.

Flexible Subsidy

The Flexible Subsidy Fund assists financially troubled subsidized projects under certain FHA authorities. The subsidies are intended to prevent potential losses to the FHA fund resulting from project insolvency and to preserve these projects as a viable source of housing for low and moderate-income tenants. Priority was given with Federal insurance-in-force and then to those with mortgages that had been assigned to the Department.

American Recovery and Reinvestment Act Programs (Recovery Act)

The Recovery Act includes $13,625 million for 17 programs at HUD which are distributed across three themes that align with the broader Recovery goals. A further discussion of HUD's accomplishments under the Recovery Act program can be found at www.hud.gov/recovery.

Manufactured Housing Fees Trust Fund

The National Manufactured Housing Construction and Safety Standards Act of 1974, as amended by the Manufactured Housing Improvement Act of 2000, authorizes development and enforcement of appropriate standards for the construction, design, and performance of manufactured homes to assure their quality, durability, affordability, and safety.

Fees are charged to the manufacturers for each manufactured home transportable section produced and will be used to fund the costs of all authorized activities necessary for the consensus committee (HUD) and its agents to carry out all aspects of the manufactured housing legislation. The fee receipts are permanently appropriated and have helped finance a portion of the direct administrative expenses incurred in program operations. Activities are initially financed via transfer from the Manufactured Housing General Fund.

The following shows funds from dedicated collections as of September 30, 2016 (dollars in millions):

	Ginnie Mae	Tenant Based Rental Assistance	Project Based Rental Assistance	Rental Housing Assistance	Flexible Subsidy	Manufactued Housing Fees Trust Fund	Recovery Act Funds	Other	Eliminations	Total Earmarked Funds
Balance Sheet										
Fund Balance w/Treasury	$ 1,379	$ 12	$ 18	$ 9	$ 433	$ 14	$ 9	$ -	$ 13	$ 1,887
Cash and Other Monetary Assets	60	-	-	-	-	-	-	-	-	60
Investments	15,954	-	-	-	-	-	-	-	-	15,954
Accounts Receivable	113	-	-	4	-	-	-	-	-	117
Loans Receivable	-	-	-	-	417	-	6	-	-	423
Other Non-Credit Reform Loans Receivable	4,233	-	-	-	-	-	-	-	-	4,233
General Property, Plant and Equipment	83	-	-	-	-	-	-	-	-	83
Other	-	-	-	-	-	-	-	-	-	-
Total Assets	**$ 21,822**	**$ 12**	**$ 18**	**$ 13**	**$ 850**	**$ 14**	**$ 15**	**$ -**	**$ 13**	**$ 22,757**
Debt - Intragovernmental	$ -	$ -	$ -	$ -	$ -	$ -	$ 5	$ -	$ -	$ 5
Accounts Payable - Intragovernmental		-	-	-	-	-	-	-	-	-
Accounts Payable - Public	113	-	-	-	-	3	-	-	-	116
Loan Guarantees	-	-	-	-	-	-	-	-	-	-
Loss Liability	2	-	-	-	-	-	-	-	-	2
Other Liabilities - Intragovernmental	-	-	-	-	-	-	-	-	-	-
Other Liabilities - Public	321	-	-	-	-	-	-	-	-	321
Total Liabilities	$ 436	$ -	$ -	$ -	$ -	$ 3	$ 5	$ -	$ -	$ 444
Unexpended Appropriations	$ -	$ 12	$ 18	$ (5)	$ (377)	$ -	$ 10	$ -	$ -	$ (342)
Cumulative Results of Operations	21,386	-	-	18	1,227	11	-	-	13	22,655
Total Net Position	$ 21,386	$ 12	$ 18	$ 13	$ 850	$ 11	$ 10	$ -	$ 13	$ 22,313
Total Liabilities and Net Position	**$ 21,822**	**$ 12**	**$ 18**	**$ 13**	**$ 850**	**$ 14**	**$ 15**	**$ -**	**$ 13**	**$ 22,757**
Statement of Net Cost For the Period Ended										
Gross Costs	$ 432	$ 33	$ 34	$ -	$ (4)	$ 15	$ 16	$ -	$ -	$ 526
Less Earned Revenues	(1,646)	-	-	-	(4)	(12)	-	-	-	(1,662)
Net Costs	**$ (1,214)**	**$ 33**	**$ 34**	**$ -**	**$ (8)**	**$ 3**	**$ 16**	**$ -**	**$ -**	**$ (1,136)**
Statement of Changes in Net Position for the Period Ended										
Net Position Beginning of Period	$ 20,175	$ 8	$ 9	$ 12	$ 839	$ 14	$ 55	$ -	$ -	$ 21,112
Correction of Errors	(6)	-	-	-	-	-	-	-	-	(6)
Appropriations Received	-	-	-	-	-	-	-	-	-	-
Transfers In/Out Without Reimbursement	-	37	43	-	-	-	(13)	-	13	80
Imputed Costs	1	-	-	-	-	-	-	-	-	1
Donations and Forfeitures of Cash & Cash Equivalen	-	-	-	-	-	-	-	-	-	-
Penalties, Fines, and Administrative Fees Revenue	2	-	-	-	-	-	-	-	-	2
Other Adjustments	-	-	-	1	3	-	(16)	-	-	(12)
Net Cost of Operations	1,214	(33)	(34)	-	8	(3)	(16)	-	-	1,136
Change in Net Position	$ 1,217	$ 4	$ 9	$ 1	$ 11	$ (3)	$ (45)	$ -	$ 13	$ 1,207
Net Position End of Period	**$ 21,386**	**$ 12**	**$ 18**	**$ 13**	**$ 850**	**$ 11**	**$ 10**	**$ -**	**$ 13**	**$ 22,313**

The following shows funds from dedicated collections as of September 30, 2015 (dollars in millions):

	Ginnie Mae	Tenant Based Rental Assistance	Project Based Rental Assistance	Rental Housing Assistance	Flexible Subsidy	Manufactued Housing Fees Trust Fund	Recovery Act Funds	Other	Total Earmarked Funds
Balance Sheet									
Fund Balance w/Treasury	$ 2,142	$ 8	$ 9	$ 8	$ 380	$ 14	$ 42	$ -	$ 2,603
Cash and Other Monetary Assets	45	-	-	-	-	-	-	-	45
Investments	12,923	-	-	-	-	-	-	-	12,923
Accounts Receivable	131	-	-	4	-	-	18	-	153
Loans Receivable	-	-	-	-	459	-	(2)	-	457
Other Non-Credit Reform Loans Receivable	5,325	-	-	-	-	-	-	-	5,325
General Property, Plant and Equipment	58	-	-	-	-	-	-	-	58
Other	-	-	-	-	-	-	-	-	-
Total Assets	**$ 20,624**	**$ 8**	**$ 9**	**$ 12**	**$ 839**	**$ 14**	**$ 58**	**$ -**	**$ 21,564**
Debt - Intragovernmental	$ -	$ -	$ -	$ -	$ -	$ -	$ 3	$ -	$ 3
Accounts Payable - Intragovernmental		-	-	-	-	-	-	-	-
Accounts Payable - Public	135	-	-	-	-	-	-	-	135
Loan Guarantees	-	-	-	-	-	-	-	-	-
Loss Liability	-	-	-	-	-	-	-	-	-
Other Liabilities - Intragovernmental	-	-	-	-	-	-	-	-	-
Other Liabilities - Public	314	-	-	-	-	-	-	-	314
Total Liabilities	$ 449	$ -	$ -	$ -	$ -	$ -	$ 3	$ -	$ 452
Unexpended Appropriations	$ 1	$ 8	$ 9	$ -	$ (376)	$ -	$ 55	$ -	$ (303)
Cumulative Results of Operations	20,174	-	-	12	1,215	14	-	-	21,415
Total Net Position	$ 20,175	$ 8	$ 9	$ 12	$ 839	$ 14	$ 55	$ -	$ 21,112
Total Liabilities and Net Position	**$ 20,624**	**$ 8**	**$ 9**	**$ 12**	**$ 839**	**$ 14**	**$ 58**	**$ -**	**$ 21,564**
Statement of Net Cost For the Period Ended									
Gross Costs	$ (234)	$ 23	$ 16	$ (3)	$ 3	$ 9	$ 79	$ -	$ (107)
Less Earned Revenues	(1,551)	-	-	(2)	(3)	(11)	-	-	(1,567)
Net Costs	**$ (1,785)**	**$ 23**	**$ 16**	**$ (5)**	**$ -**	**$ (2)**	**$ 79**	**$ -**	**$ (1,674)**
Statement of Changes in Net Position for the Period Ended									
Net Position Beginning of Period	$ 18,390	$ 31	$ 25	$ 10	$ 838	$ 12	$ 157	$ -	$ 19,463
Correction of Errors	-	-	-	(3)	-	-	-	-	(3)
Appropriations Received	-	-	-	-	-	-	-	-	-
Transfers In/Out Without Reimbursement	-	-	-	-	-	-	-	-	-
Imputed Costs	1	-	-	-	-	-	-	-	1
Donations and Forfeitures of Cash & Cash Equivalen	-	-	-	-	-	-	-	-	-
Penalties, Fines, and Administrative Fees Revenue	-	-	-	-	1	-	-	-	1
Other Adjustments	(1)	-	-	-	-	-	(23)	-	(24)
Net Cost of Operations	1,785	(23)	(16)	5	-	2	(79)	-	1,674
Change in Net Position	$ 1,785	$ (23)	$ (16)	$ 5	$ 1	$ 2	$ (102)	$ -	$ 1,652
Net Position End of Period	**$ 20,175**	**$ 8**	**$ 9**	**$ 12**	**$ 839**	**$ 14**	**$ 55**	**$ -**	**$ 21,112**

Note 21: Intragovernmental Costs and Exchange Revenue

The data below shows HUD's intragovernmental costs and earned revenue separately from activity with the public. Intragovernmental transactions are exchange transactions made between two reporting entities within the Federal government. Intragovernmental costs are identified by the source of the goods and services; both the buyer and seller are Federal entities. Revenues recognized by the Department may also be reported as non-Federal if the goods or services are subsequently sold to the public. Public activity involves exchange transactions between the reporting entity and a non-Federal entity.

The following shows HUD’s intragovernmental costs and exchange revenue (dollars in millions):

2016	Federal Housing Administration	Ginnie Mae	Section 8 Rental Assistance	Low Rent Public Housing Loans and Grants	Homeless Assistance Grants	Housing for the Elderly and Disabled	Community Development Block Grants	HOME	All Other	Consolidating
Intragovernmental Costs	$ 1,239	$ 4	$ 49	$ 29	$ 6	$ 17	$ 18	$ 4	$ 513	$ 1,879
Public Costs	(18,997)	428	30,604	2,966	1,951	957	6,268	1,163	5,838	31,178
Subtotal Costs	$ (17,758)	$ 432	$ 30,653	$ 2,995	$ 1,957	$ 974	$ 6,286	$ 1,167	$ 6,351	$ 33,057
Unassigned Costs									$ 262	$ 262
Total Costs										$ 33,319
Intragovernmental Earned Revenue	$ (1,151)	$ (84)	$ -	$ -	$ -	$ -	$ -	$ -	$ (20)	$ (1,255)
Public Earned Revenue	(67)	(1,562)	-	-	5	(109)	-	-	(17)	(1,750)
Total Earned Revenue	(1,218)	(1,646)	-	-	5	(109)	-	-	(37)	(3,005)
Net Cost of Operations	**$ (18,976)**	**$ (1,214)**	**$ 30,653**	**$ 2,995**	**$ 1,962**	**$ 865**	**$ 6,286**	**$ 1,167**	**$ 6,576**	**$ 30,314**

2015	Federal Housing Administration	Ginnie Mae	Section 8 Rental Assistance	Low Rent Public Housing Loans and Grants	Homeless Assistance Grants	Housing for the Elderly and Disabled	Community Development Block Grants	HOME	All Other	Consolidating
Intragovernmental Costs	$ 1,206	$ 4	$ 70	$ 37	$ 13	$ 47	$ 20	$ 8	$ 316	$ 1,721
Public Costs	(17,409)	(238)	29,412	2,798	1,881	990	7,547	1,233	5,755	31,969
Subtotal Costs	$ (16,203)	$ (234)	$ 29,482	$ 2,835	$ 1,894	$ 1,037	$ 7,567	$ 1,241	$ 6,071	$ 33,690
Unassigned Costs									$ 218	$ 218
Total Costs										$ 33,908
Intragovernmental Earned Revenue	$ (1,791)	$ (128)	$ -	$ -	$ (4)	$ -	$ -	$ -	$ (12)	$ (1,935)
Public Earned Revenue	(58)	(1,427)	-	-	-	(136)	-	-	(17)	(1,638)
Total Earned Revenue	(1,849)	(1,555)	-	-	(4)	(136)	-	-	(29)	(3,573)
Net Cost of Operations	**$ (18,052)**	**$ (1,789)**	**$ 29,482**	**$ 2,835**	**$ 1,890**	**$ 901**	**$ 7,567**	**$ 1,241**	**$ 6,260**	**$ 30,335**

Note 22: Total Cost and Earned Revenue by Budget Functional Classification

The following shows HUD's total cost and earned revenue by budget functional classification for FY 2016 (dollars in millions):

Budget Functional Classification	**Gross Cost**	**Earned Revenue**	**Net Cost**
Intragovernmental:			
Commerce and Housing Credit	$ 1,246	$ (1,236)	$ 10
Community and Regional Development	70	(6)	64
Income Security	350	(12)	338
Administration of Justice	4		4
Other Multiple Functions	209	(1)	208
Total Intragovernmental	1,879	(1,255)	624
With the Public:			
Commerce and Housing Credit	$ (18,487)	$ (1,749)	$ (20,236)
Community and Regional Development	6,393	-	6,393
Income Security	43,145	-	43,145
Administration of Justice	74	(1)	73
Other Multiple Functions	53	-	53
Total with the Public	$ 31,178	$ (1,750)	$ 29,428
Not Assigned to Programs:			
Income Security	262	-	262
Total with the Public	$ 262	$ -	$ 262
TOTAL:			
Commerce and Housing Credit	$ (17,241)	$ (2,985)	$ (20,226)
Community and Regional Development	6,463	(6)	6,457
Income Security	43,757	(12)	43,745
Administration of Justice	78	(1)	77
Other Multiple Functions	262	(1)	261
TOTAL:	**$ 33,319**	**$ (3,005)**	**$ 30,314**

The following shows HUD's total cost and earned revenue by budget functional classification for FY 2015 (dollars in millions):

Budget Functional Classification	Gross Cost	Earned Revenue	Net Cost
Intragovernmental:			
Commerce and Housing Credit	$ 1,212	$ (1,920)	$ (708)
Community and Regional Development	86	-	86
Income Security	424	(15)	409
Other Multiple Functions	(1)	-	(1)
Total Intragovernmental	1,721	(1,935)	(214)
With the Public:			
Commerce and Housing Credit	$ (17,734)	$ (1,629)	$ (19,363)
Community and Regional Development	7,659	-	7,659
Income Security	41,676	(7)	41,669
Administration of Justice	61	(1)	60
Other Multiple Functions	307	(1)	306
Total with the Public	$ 31,969	$ (1,638)	$ 30,331
Not Assigned to Programs:			
Income Security	218	-	218
Total with the Public	$ 218	$ -	$ 218
TOTAL:			
Commerce and Housing Credit	$ (16,522)	$ (3,549)	$ (20,071)
Community and Regional Development	7,745	-	7,745
Income Security	42,318	(22)	42,296
Administration of Justice	61	(1)	60
Other Multiple Functions	306	(1)	305
TOTAL:	**$ 33,908**	**$ (3,573)**	**$ 30,335**

Note 23: Expenditures by Strategic Goals

As HUD updated its Strategic Plan to address the economic and community development issues the nation is facing, four Strategic Goals were identified. This note presents the expenditures incurred by HUD's various programs in achieving these goals. A description of each Strategic Goal is presented below and additional information is found in the Strategic Plan section of the AFR.

Goal 1: Strengthen the nation's housing market to bolster the economy and protect consumers

Goal 2: Meet the need for quality affordable rental homes

Goal 3: Utilize housing as a platform to improve quality of life

Goal 4: Build strong, resilient and inclusive communities

In addition to the four Strategic Goals, HUD has additional eight management objectives establishing strategies and metrics for acquisitions, departmental clearance, equal employment opportunity, financial management, grants management, human capital, information management, and organizational structure.

The following table shows the expenditures allocated to HUD's Strategic Goals for FY 2016 (dollars in millions):

Programs	Goal 1	Goal 2	Goal 3	Goal 4	Management Objectives	Total
FHA	$ (12,335)	$ (2,846)	$ (759)	$ (3,036)	$ -	$ (18,976)
Ginnie Mae	(910)	(304)	-	-	-	(1,214)
Section 8 Rental Assistance	-	25,066	200	5,387	-	30,653
Low Rent Public Housing Loans and Grants	419	2,197	75	304	-	2,995
Homeless Assistance Grants	-	1,373	589	-	-	1,962
Housing for the Elderly and Disabled	-	538	76	251	-	865
Community Development Block Grants	1,257	314	943	3,772	-	6,286
HOME	315	630	-	222	-	1,167
All Other Programs	365	3,696	805	1,365	83	6,314
Total	(10,889)	30,664	1,929	8,265	83	30,052
Costs Not Assigned To Programs						$ 262
Total						30,314

The following table shows the expenditures allocated to HUD's Strategic Goals for FY 2015 (dollars in millions):

Programs	Goal 1	Goal 2	Goal 3	Goal 4	Management Objectives	Total
FHA	$ (11,734)	$ (2,708)	$ (722)	$ (2,888)	$ -	$ (18,052)
Ginnie Mae	(1,342)	(447)	-	-	-	(1,789)
Section 8 Rental Assistance	-	24,109	192	5,181	-	29,482
Low Rent Public Housing Loans and Grants	396	2,080	71	288	-	2,835
Homeless Assistance Grants	-	1,323	567	-	-	1,890
Housing for the Elderly and Disabled	-	561	79	261	-	901
Community Development Block Grants	1,513	379	1,135	4,540	-	7,567
HOME	335	670	-	236	-	1,241
All Other Programs	206	3,793	769	1,242	32	6,042
Total	(10,626)	29,760	2,091	8,860	32	30,117
Costs Not Assigned To Programs						$ 218
Total						30,335

Note 24: Net Costs of HUD's Cross-Cutting Programs

This note provides a categorization of net costs for several major program areas whose costs were incurred among HUD's principal organizations previously discussed under Section 1 of the report. Costs incurred under HUD's other programs represent activities which support the Department's strategic goal to develop and preserve quality, healthy, and affordable homes.

The following table shows the cross-cutting of HUD's major program areas that incur costs that cross multiple program areas for FY 2016 (dollars in millions):

HUD's Cross-Cutting Programs	Public and Indian Housing	Housing	Community Planning and Development	Other	Consolidated
Section 8					
Intragovernmental Gross Costs	$ 36	$ 13	$ -	$ -	$ 49
Intragovernmental Earned Revenues	-	-	-	-	-
Intragovernmental Net Costs	$ 36	$ 13	$ -	$ -	$ 49
Gross Costs with the Public	$ 19,869	$ 10,652	$ 83	$ -	$ 30,604
Earned Revenues	-	-	-	-	-
Net Costs with the Public	$ 19,869	$ 10,652	$ 83	$ -	30,604
Net Program Costs	**$ 19,905**	**$ 10,665**	**$ 83**	**$ -**	**$ 30,653**
Low Rent Public Housing Loans & Grants					
Intragovernmental Gross Costs	$ 29	$ -	$ -	$ -	$ 29
Intragovernmental Earned Revenues	-	-	-	-	$ -
Intragovernmental Net Costs	$ 29	$ -	$ -	$ -	$ 29
Gross Costs with the Public	$ 2,957	$ -	$ -	$ 9	$ 2,966
Earned Revenues	-	-	-	-	$ -
Net Costs with the Public	$ 2,957	$ -	$ -	$ 9	$ 2,966
Net Program Costs	**$ 2,986**	**$ -**	**$ -**	**$ 9**	**$ 2,995**
Homeless Assistance Grants					
Intragovernmental Gross Costs	$ -	$ -	$ -	$ 6	$ 6
Intragovernmental Earned Revenues	-	-	-	-	-
Intragovernmental Net Costs	$ -	$ -	$ -	$ 6	$ 6
Gross Costs with the Public	$ -	$ -	$ 1,914	$ 37	$ 1,951
Earned Revenues	-	-	-	5	5
Net Costs with the Public	$ -	$ -	$ 1,914	$ 42	$ 1,956
Net Program Costs	**$ -**	**$ -**	**$ 1,914**	**$ 48**	**$ 1,962**
Housing for the Elderly and Disabled					
Intragovernmental Gross Costs	$ -	$ 17	$ -	$ -	$ 17
Intragovernmental Earned Revenues	-	-	-	-	-
Intragovernmental Net Costs	$ -	$ 17	$ -	$ -	$ 17
Gross Costs with the Public	$ 2	$ 955	$ -	$ -	$ 957
Earned Revenues	-	-	-	(109)	(109)
Net Costs with the Public	$ 2	$ 955	$ -	$ (109)	$ 848
Net Program Costs	**$ 2**	**$ 972**	**$ -**	**$ (109)**	**$ 865**
Community Development Block Grants					
Intragovernmental Gross Costs	$ -	$ -	$ 18	$ -	$ 18
Intragovernmental Earned Revenues	-	-	-	-	-
Intragovernmental Net Costs	$ -	$ -	$ 18	$ -	$ 18
Gross Costs with the Public	$ 59	$ -	$ 6,202	$ 7	$ 6,268
Earned Revenues	-	-	-	-	-
Net Costs with the Public	$ 59	$ -	$ 6,202	$ 7	$ 6,268
Net Program Costs	**$ 59**	**$ -**	**$ 6,220**	**$ 7**	**$ 6,286**
All Other					
Intragovernmental Gross Costs	$ 128	$ 109	$ 38	$ 238	$ 513
Intragovernmental Earned Revenues	-	-	-	(20)	(20)
Intragovernmental Net Costs	$ 128	$ 109	$ 38	$ 218	$ 493
Gross Costs with the Public	$ 4,812	$ 214	$ 550	$ 262	$ 5,838
Earned Revenues	-	-	-	(17)	(17)
Net Costs with the Public	$ 4,812	$ 214	$ 550	$ 245	$ 5,821
Net Program Costs	**$ 4,940**	**$ 323**	**$ 588**	**$ 463**	**$ 6,314**
Costs Not Assigned to Programs	$ 89	$ 104	$ 69	$ -	$ 262
Net Program Costs (including indirect costs)	**$ 5,029**	**$ 427**	**$ 657**	**$ 463**	**$ 6,576**

The following table shows the Department's cross-cutting costs among its major program areas for FY 2015 (dollars in millions):

HUD's Cross-Cutting Programs	Public and Indian Housing	Housing	Community Planning and Development	Other	Consolidated
Section 8					
Intragovernmental Gross Costs	$ 37	$ 32	$ -	$ -	$ 69
Intragovernmental Earned Revenues	-	-	-	-	-
Intragovernmental Net Costs	$ 37	$ 32	$ -	$ -	$ 69
Gross Costs with the Public	$ 19,053	$ 10,281	$ 80	$ (2)	$ 29,412
Earned Revenues	-	-	-	-	-
Net Costs with the Public	$ 19,053	$ 10,281	$ 80	$ (2)	29,412
Net Program Costs	**$ 19,090**	**$ 10,313**	**$ 80**	**$ (2)**	**$ 29,481**
Homeless Assistance Grants					
Intragovernmental Gross Costs	$ -	$ -	$ -	$ 13	$ 13
Intragovernmental Earned Revenues	-	-	(4)	-	(4)
Intragovernmental Net Costs	$ -	$ -	$ (4)	$ 13	$ 9
Gross Costs with the Public	$ -	$ -	$ 1,850	$ 31	$ 1,881
Earned Revenues	-	-	-	-	-
Net Costs with the Public	$ -	$ -	$ 1,850	$ 31	$ 1,881
Net Program Costs	**$ -**	**$ -**	**$ 1,846**	**$ 44**	**$ 1,890**
CDBG					
Intragovernmental Gross Costs	$ -	$ -	$ 20	$ -	$ 20
Intragovernmental Earned Revenues	-	-	-	-	-
Intragovernmental Net Costs	$ -	$ -	$ 20	$ -	$ 20
Gross Costs with the Public	$ 55	$ -	$ 7,456	$ 36	$ 7,547
Earned Revenues	-	-	-	-	-
Net Costs with the Public	$ 55	$ -	$ 7,456	$ 36	$ 7,547
Net Program Costs	**$ 55**	**$ -**	**$ 7,476**	**$ 36**	**$ 7,567**
All Other					
Intragovernmental Gross Costs	$ 86	$ 153	$ 50	$ 27	$ 316
Intragovernmental Earned Revenues	7	(1)	4	(23)	(13)
Intragovernmental Net Costs	$ 93	$ 152	$ 54	$ 4	$ 303
Gross Costs with the Public	$ 4,886	$ 353	$ 550	$ (34)	$ 5,755
Earned Revenues	-	(15)	-	(1)	(16)
Net Costs with the Public	$ 4,886	$ 338	$ 550	$ (35)	$ 5,739
Net Program Costs	**$ 4,979**	**$ 490**	**$ 604**	**$ (31)**	**$ 6,042**
Costs Not Assigned to Programs	$ 63	$ 102	$ 53	$ -	$ 218
Net Program Costs (including indirect costs)	**$ 5,042**	**$ 592**	**$ 657**	**$ (31)**	**$ 6,260**

Note 25: FHA Net Costs

FHA reports its insurance operations in three overall program areas: Single Family Forward Mortgages, Multifamily/Healthcare Mortgages, and Home Equity Conversion Mortgages (HECM). FHA operates these programs primarily through four insurance funds: Mutual

Mortgage Insurance (MMI), General Insurance (GI), Special Risk Insurance (SRI), and Cooperative Management Housing Insurance (CMHI), with the MMI fund being the largest. There is a fifth fund, Hope for Homeowners (H4H), which became operational in FY 2009 and which contains minimal activity.

The following table shows Net Cost detail for the FHA (dollars in millions):

Fiscal Year 2016	Single Family Forward Program	HECM Program	Multifamily/Healthcare Program	Administrative Costs	Total
Costs					
Intragovernmental Gross Costs	$ 791	$ 234	$ 196	$ 17	$ 1,238
Intragovernmental Earned Revenues	(662)	(403)	(85)	-	(1,150)
Intragovernmental Net Costs	$ 129	$ (169)	$ 111	$ 17	$ 88
Gross Costs with the Public	$ (18,763)	$ (306)	$ (518)	$ 591	$ (18,996)
Earned Revenues	(14)	(1)	(53)	-	(68)
Net Costs with the Public	$ (18,777)	$ (307)	$ (571)	$ 591	$ (19,064)
Net Program Costs	**$ (18,648)**	**$ (476)**	**$ (460)**	**$ 608**	**$ (18,976)**

Fiscal Year 2015	Single Family Forward Program	HECM Program	Multifamily/Healthcare Program	Administrative Costs	Total
Costs					
Intragovernmental Gross Costs	$ 955	$ 59	$ 177	$ 16	$ 1,207
Intragovernmental Earned Revenues	(1,133)	(584)	(74)	-	(1,791)
Intragovernmental Net Costs	$ (178)	$ (525)	$ 103	$ 16	$ (584)
Gross Costs with the Public	$ (13,284)	$ (3,994)	$ (699)	$ 567	$ (17,410)
Earned Revenues	(11)	(1)	(46)	-	(58)
Net Costs with the Public	$ (13,295)	$ (3,995)	$ (745)	$ 567	$ (17,468)
Net Program Costs	**$ (13,473)**	**$ (4,520)**	**$ (642)**	**$ 583**	**$ (18,052)**

Note 26: Commitments under HUD's Grant, Subsidy, and Loan Programs

A. Contractual Commitments

HUD has entered into extensive long-term commitments that consist of legally binding agreements to provide grants, subsidies or loans. Commitments become liabilities when all actions required for payment under an agreement have occurred. The mechanism for funding subsidy commitments generally differs depending on whether the agreements were entered into before or after 1988.

With the exception of the Housing for the Elderly and Disabled and Low Rent Public Housing Loan Programs (which have been converted to grant programs), Section 235/236, and a portion of "All Other" programs, HUD management expects all of the programs to continue to incur new commitments under authority granted by Congress in future years. However, estimated future commitments under such new authority are not included in the amounts below.

Prior to fiscal 1988, HUD's subsidy programs, primarily the Section 8 program and the Section 235/236 programs, operated under contract authority. Each year, Congress provided

HUD the authority to enter into multiyear contracts within annual and total contract limitation ceilings. HUD then drew on and continues to draw on permanent indefinite appropriations to fund the current year's portion of those multiyear contracts. Because of the duration of these contracts (up to 40 years), significant authority exists to draw on the permanent indefinite appropriations. Beginning in FY 1988, the Section 8 and the Section 235/236 programs began operating under multiyear budget authority whereby the Congress appropriates the funds "up-front" for the entire contract term in the initial year.

HUD's commitment balances are based on the amount of unliquidated obligations recorded in HUD's accounting records with no provision for changes in future eligibility, and thus are equal to the maximum amounts available under existing agreements and contracts. Unexpended appropriations and cumulative results of operations shown in the Consolidated Balance Sheet comprise funds in the U.S. Treasury available to fund existing commitments that were provided through "up-front" appropriations and also include permanent indefinite appropriations received in excess of amounts used to fund the pre-1988 subsidy contracts and offsetting collections.

FHA enters into long-term contracts for both program and administrative services. FHA funds these contractual obligations through appropriations, permanent indefinite authority, and offsetting collections. The appropriated funds are primarily used to support administrative contract expenses while the permanent indefinite authority and the offsetting collections are used for program services.

The following shows HUD's obligations and contractual commitments under its grant, subsidy, and loan programs as of September 30, 2016 (dollars in millions):

	Undelivered Orders				
Programs	Unexpended Appropriations	Permanent Indefinite	Investment Authority	Offsetting Collections	Undelivered Orders - Obligations, Unpaid
FHA	$ 127	$ 80	$ -	$ 1,989	$ 2,196
Ginnie Mae	-	-	-	448	448
Section 8 Rental Assistance	8,898	-	-	-	8,898
Low Rent Public Housing Loans and Grants	4,041	-	-	-	4,041
Homeless Assistance Grants	2,215	-	-	-	2,215
Housing for the Elderly and Disabled	1,623	-	-	-	1,623
Community Development Block Grants	9,588	-	-	-	9,588
HOME Partnership Investment Program	2,647	-	-	-	2,647
Section 235/236	742	-	-	-	742
All Other	2,739	-	-	-	2,739
Total	**$ 32,620**	**$ 80**	**$ -**	**$ 2,437**	**$ 35,137**

The following shows HUD's obligations and contractual commitments under its grant, subsidy, and loan programs as of September 30, 2015 (dollars in millions):

	Undelivered Orders				
Programs	**Unexpended Appropriations**	**Permanent Indefinite**	**Investment Authority**	**Offsetting Collections**	**Undelivered Orders - Obligations, Unpaid**
FHA	$ 140	$ 79	$ -	$ 1,825	$ 2,044
Ginnie Mae	-	-	-	488	488
Section 8 Rental Assistance	8,896	-	-	-	8,896
Low Rent Public Housing Loans and Grants	4,359	-	-	-	4,359
Homeless Assistance Grants	2,389	-	-	-	2,389
Housing for the Elderly and Disabled	1,939	-	-	-	1,939
Community Development Block Grants	10,950	-	-	-	10,950
HOME Partnership Investment Program	2,855	-	-	-	2,855
Section 235/236	951	-	-	-	951
All Other	3,336	-	-	-	3,336
Total	**$ 35,815**	**$ 79**	**$ -**	**$ 2,313**	**$ 38,207**

B. Administrative Commitments

In addition to the above contractual commitments, HUD has entered into administrative commitments which are reservations of funds for specific projects (including those for which a contract has not yet been executed) to obligate all or part of those funds. Administrative commitments become contractual commitments upon contract execution.

The following chart shows HUD's administrative commitments as of September 30, 2016 (dollars in millions):

	Reservations			
Programs	**Unexpended Appropriations**	**Permanent Indefinite Appropriations**	**Offsetting Collections**	**Total Reservations**
Section 8 Rental Assistance	$ 194	$ -	$ -	$ 194
Low Rent Public Housing Loans and Grants	9	-	-	9
Homeless Assistance Grants	231	-	-	231
Housing for the Elderly and Disabled	140	-	-	140
Community Development Block Grants	7,436	-	-	7,436
HOME Partnership Investment Program	226	-	-	226
Section 235/236	-	-	-	-
All Other	266	-	-	266
Total	**$ 8,502**	**$ -**	**$ -**	**$ 8,502**

The following chart shows HUD's administrative commitments as of September 30, 2015 (dollars in millions):

	Reservations			
Programs	Unexpended Appropriations	Permanent Indefinite Appropriations	Offsetting Collections	Total Reservations
Section 8 Rental Assistance	$ 155	$ -	$ -	$ 155
Low Rent Public Housing Loans and Grants	9	-	-	9
Homeless Assistance Grants	107	-	-	107
Housing for the Elderly and Disabled	106	-	-	106
Community Development Block Grants	7,868	-	-	7,868
HOME Partnership Investment Program	227	-	-	227
Section 235/236	-	-	-	-
All Other	182	-	-	182
Total	**$ 8,654**	**$ -**	**$ -**	**$ 8,654**

Note 27: Apportionment Categories of Obligations Incurred

Budgetary resources are usually distributed in an account or fund by specific time periods, activities, projects, objects, or a combination of these categories. Resources apportioned by fiscal quarters are classified as Category A apportionments. Apportionments by any other category would be classified as Category B apportionments.

HUD's categories of obligations incurred were as follows (dollars in millions):

	Category A	Category B	Total
2016			
Direct	$ 912	$ 105,436	$ 106,348
Reimbursable	-	3,827	3,827
Total	**$ 912**	**$ 109,263**	**$ 110,175**

	Category A	Category B	Total
2015			
Direct	$ 984	$ 112,449	$ 113,433
Reimbursable	-	5,787	5,787
Total	**$ 984**	**$ 118,236**	**$ 119,220**

Note 28: Explanation of Differences between the Statement of Budgetary Resources and the Budget of the United States Government

The President's Budget containing actual FY 2016 data is not available for comparison to the Statement of Budgetary Resources. Actual FY 2016 data will be available in the Appendix to the Budget of the United States Government, FY 2018.

For FY 2015, an analysis to compare HUD's Statement of Budgetary Resources to the President's Budget of the United States was performed to identify any differences.

The following shows the difference between Budgetary Resources reported in the Statement of Budgetary Resources and the President's Budget for FY 2015 (dollars in millions):

	Budgetary Resources	Obligations Incurred	Distributed Offsetting	Net Outlays
Combined Statement of Budgetary Resources	$ 199,095	$ 119,220	$ (2,844)	$ 51,889
Difference #1 - Resources related to HUD's expired accounts not reported in the President's Budget	(892)	(56)	-	(1)
Difference #2 - Offsetting receipts not included in the President's Budget	1	-	11	(3)
Difference #3 - Ginnie Mae restatement of the Statement of Budgetary Resources	-	(33)	-	-
Difference #4 - Rounding issues	7	(3)	-	4
United States Budget	**$ 198,211**	**$ 119,128**	**$ (2,833)**	**$ 51,889**

Note 29: Reconciliation of Net Cost of Operations to Budget

This note (formerly the Statement of Financing) links the proprietary data to the budgetary data. Most transactions are recorded in both proprietary and budgetary accounts. However, because different accounting bases are used for budgetary and proprietary accounting, some transactions may appear in only one set of accounts. The Reconciliation of Net Cost of Operations to Budget is as follows for the periods ending September 30, 2016 and 2015 (dollars in millions):

	2016	2015
Budgetary Resources Obligated		
Obligations Incurred	$ 110,175	$ 119,220
Spending Authority from Offsetting Collections and Recoveries	(62,119)	(68,756)
Obligations Net of Offsetting Collections	$ 48,056	$ 50,464
Offsetting Receipts	(2,302)	(2,844)
Net Obligations	$ 45,754	$ 47,620
Other Resources		
Transfers In/Out Without Reimbursement	$ -	$ -
Imputed Financing from Costs Absorbed by Others	158	65
FHA Transfers Out to U.S. Dept. of Treasury for negative subsidies	(2,063)	(4,217)
CFO Other Resources	-	4
Net Other Resources Used to Finance Activities	$ (1,905)	$ (4,148)
Total Resources Used to Finance Activities	$ 43,849	$ 43,472
Resources Used to Finance Items Not Part of the Net Cost of Operations		
Change in Budgetary Resources Obligated for Goods/Services/Benefits		
Services Ordered but Not Yet Provided	$ 3,317	$ 2,867
Credit Program Resources that Increase LLG or Allowance for Subsidy	517	243
Credit Program Resources not Included in Net Cost (Surplus) of Operations	-	-
Resources that Finance the Acquisition of Assets or Liquidation of Liabilities	(49,156)	(48,956)
Resources that Fund Expenses from Prior Periods	(6,886)	(14,991)
Other Changes to Net Obligated Resources Not Affecting Net Cost of Operations	56,032	62,720
Other	1,352	3,259
Total Resources Used to Finance Items Not Part of Net Cost of Operations	$ 5,176	$ 5,142
Total Resources Used to Finance the Net Cost of Operations	$ 49,025	$ 48,614
Components of Net Cost of Operations Not Requiring/Generating Resources in the Current Period		
Upward/Downward Re-estimates of Credit Subsidy Expense	$ (9,737)	$ (4,917)
Increase in Exchange Revenue Receivable from the Public	(109)	(334)
Change in Loan Loss Reserve	(7)	(1)
Revaluation of Assets or Liabilities	-	19
Depreciation and Amortization	21	16
Changes in Bad Debt Expenses Related to Credit Reform Receivables	5	(42)
Reduction of Credit Subsidy Expense from Guarantee Endorsements and Modifications	(9,716)	(13,607)
Increase in Annual Leave Liability	57	-
Other	775	587
Total Components of Net Cost of Operations Not Requiring/Generating Resources in the Current Period	$ (18,711)	$ (18,279)
Net Cost of Operations	**$ 30,314**	**$ 30,335**

With the exception of Ginnie Mae, HUD included the following items in line 2 above titled "Spending Authority from Offsetting Collections and Recoveries": Actual Offsetting Collections (SBR line 4176), Changes in Uncollected Customer Payments from Federal Sources (SBR line 4177) and Recoveries (SBR line 3042). Due to collections precluded from obligation, Ginnie Mae used an alternative calculation as follows: Spending Authority from Offsetting Collections (SBR line 1890) and Recoveries (SBR line 3042).

Note 30: Restatement of the Department's Fiscal Year 2015 Financial Statements

Restatement of FHA's Fiscal Year 2015 Financial Statements

In FY 2016, FHA corrected material misstatements identified by OIG in the Consolidated Balance Sheet (BS), the Statement of Net Cost (SNC) and the Statement of Changes in Net Position (SCNP) to recognize the reduction of accrued expenses in the Home Equity Conversion Mortgage (HECM) cash flow model assumptions used to calculate the agency's Liability for Loan Guarantees (LLG). Historically reported property Maintenance and Operating (M&O) management expenses inadvertently included accrued costs that resulted in FHA's LLG to be overstated by $830 million in FY 2014 and $833 million in FY 2015. As a result, the overstated total gross cost of HECM expenses reported on the SNC for FY 2014 caused the cumulative results of operations reported on the SCNP to be understated by $1,371 million. The same correction was made in the calculation of the FY 2015 model expense rate assumptions however, there was less of a net impact on FY 2015 reporting. The net effect of the error for both years, offset by the adjustment for the annual reestimates, resulted in the overall HECM gross cost reported on the SNC in FY 2015 to be overstated by $2 million and the cumulative result of operations on the SCNP to be understated by $835 million.

Maintenance and Operating (M&O) expenses represent primarily Management and Marketing contract expenses maintained in the SAMS property management system. FHA uses M&O expenses in the cash flow model assumptions to calculate the LLG. In FY 2014 and FY 2015, the M&O expense reports FHA received for HECM showed significant increases in M&O expenses over previous years. FHA initially attributed the increases to an increase in expenses related to HECM property sales and projected the increase to level off and return to previous levels. In FY 2016, further research of the M&O data found that accrued costs (interest, service fees from assignment to conveyance, and mortgage insurance premiums) were being incorrectly included in the M&O expenses. These activities were inappropriate to include since they do not represent cash flows.

FHA has restated its FY 2015 financial statements to correct the reported balance of the LLG in the current period. Due to the imminent publishing of the FY 2016 audited financial statements, the FY 2015 restatement will be presented comparatively. Recalculation of the FY 2014 corrected LLG and net costs of operations are reflected in the restated FY 2015 beginning balance of the Statement of Changes in Net Position. The restatement will affect the line balances of the Loan Receivables and Related Foreclosed Property, Other Liabilities, LLG and Current Year Results of Operations on the Balance Sheet; the HECM Gross Cost with the Public on the Statement of Net Cost; the Changes in Net Position beginning balance, Other Financing

Sources and Net Costs of Operations on the Statement of Changes in Net Position; and related footnotes.

Restatement of Ginnie Mae's Fiscal Year 2015 Statement of Budgetary Resources

Ginnie Mae's Statement of Budgetary Resources (SBR) for fiscal year FY 2015 was restated to correct material errors resulting from the inability of Ginnie Mae's accounting system (GFAS) to support and perform budgetary accounting and reporting functions. GFAS has since been configured to perform this task. Furthermore, Ginnie Mae has completed its data migration and reconciliation efforts related to its budgetary accounting process. The reconciliation effort identified root causes related to the initial system configuration, as well as errors in the unautomated budgetary resources recording process. As a result, Ginnie Mae has recorded adjustments to its unpaid obligation balance, which was understated by $39 million. The restated SBR also reflects an error correction, which pre-closed apportioned resources with an impact of $1,028 million, thereby understating apportioned resources and overstating unapportioned resources.

Restatement of CFO's FY 2015 Financial Statements

Several Section 8 programs with Rental Assistance Demonstration (RAD) conversation funds were incorrectly classified as All Other Funds instead of Funds from Dedicated Collections. This caused a misclassification of FY 2015 Net Position on the Balance Sheet and Statement of Changes in Net Position in the amount of $15 million. In FY 2016, CFO restated the FY 2015 Financial Statements; the overall net impact on Net Position was zero.

Balance Sheet (dollars in millions)	September 30, 2015 Consolidated Financial Statements (without restatement)	September 30, 2015 Consolidated Financial Statements (with restatement)	Impact of September 30, 2015 Restatements
ASSETS			
Intragovernmental			
Fund Balance with Treasury (Note 4)	$ 94,691	94,691	$ -
Short-Term Investments (Note 6)	12,923	12,923	-
Long-Term Investments Held-To-Maturity (Note 6)	14,754	14,754	-
Other Assets (Note 12)	9	9	-
Total Intragovernmental	$ 122,377	122,377	$ -
Cash and Other Monetary Assets (Note 5)	$ 45	45	$ -
Investments (Note 6)	31	31	-
Accounts Receivable, Net (Note 7)	780	780	-
Direct Loan and Loan Guarantees, Net (Note 8)	14,425	14,965	(540)
Other Non-Credit Reform Loans (Note 9)	3,227	3,227	-
General Property, Plant and Equipment, Net (Note 10)	329	329	-
PIH Prepayments (Note 11)	672	672	-
Other Assets (Note 12)	45	45	-
TOTAL ASSETS	$ 141,931	142,471	$ (540)
LIABILITIES			
Intragovernmental Liabilities			
Accounts Payable (Note 13)	$ 15	16	$ (1)
Debt (Note 14)	27,150	27,150	-
Other Intragovernmental Liabilities (Note 17)	2,610	3,148	(538)
Total Intragovernmental	$ 29,775	30,314	$ (539)
Accounts Payable (Note 13)	$ 966	966	$ -
Accrued Grant Liabilities (Note 13)	2,388	2,388	-
Loan Guarantee Liability (Note 8)	14,307	13,473	834
Debt Held by the Public (Note 14)	8	8	-
Federal Employee and Veteran Benefits (Note 15)	69	69	-
Loss Reserves (Note 16)	-	-	-
Other Governmental Liabilities (Note 17)	1,239	1,239	-
TOTAL LIABILITIES	$ 48,752	48,457	$ 295
Commitments and Contingencies (Note 19)	55	55	-
Net Position			
Unexpended Appropriations - Funds From Dedicated Collections (Note 20)	$ (320)	(305)	$ (15)
Unexpended Appropriations - Other Funds	51,435	51,420	15
Cumulative Results of Operations - Funds From Dedicated Collections (Note 20)	21,417	21,417	-
Cumulative Results of Operations - Other Funds	20,647	21,482	(835)
TOTAL NET POSITION - Funds From Dedicated Collections	21,097	21,112	(15)
TOTAL NET POSITION - All Other Funds	72,082	72,902	(820)
Total Net Position	$ 93,179	94,014	$ (835)
Total Liabilities and Net Position	$ 141,931	142,471	$ (540)

Statement of Net Cost (dollars in millions)	September 30, 2015 Consolidated Financial Statements (without restatement)	September 30, 2015 Consolidated Financial Statements (with restatement)	Impact of September 30, 2015 Restatements
Program Costs			
Gross Costs	$ 33,910	$ 33,908	$ 2
Less: Earned Revenue	(3,573)	(3,573)	-
Net Program Costs	$ 30,337	$ 30,335	$ 2
Net Cost of Operations	$ 30,337	$ 30,335	$ 2

Statement of Changes in Net Position (dollars in millions)	September 30, 2015 Consolidated Financial Statements (without restatement)	September 30, 2015 Consolidated Financial Statements (with restatement)	Impact of September 30, 2015 Restatements
Cumulative Results of Operations:			
Beginning Balances	$ 23,685	$ 23,684	$ 1
Adjustments			-
Corrections of Errors	(3)	1,368	(1,371)
Beginning Balances, As Adjusted	$ 23,682	$ 25,052	$ (1,370)
Budgetary Financing Sources:			
Other Adjustments	$ -	$ -	$ -
Appropriations Used	52,993	52,993	-
Non-exchange Revenue	3	3	-
Other Financing Sources (Non-Exchange):			
Imputed Financing	$ 65	$ 65	$ -
Other	(4,342)	(4,879)	537
Total Financing Sources	48,719	48,182	537
Net Cost of Operations	(30,337)	(30,335)	(2)
Net Change	$ 18,382	$ 17,847	$ 535
Cumulative Results of Operations	**$ 42,064**	**$ 42,899**	**$ (835)**
Unexpended Appropriations:			
Beginning Balances	$ 56,220	$ 56,221	$ (1)
Adjustments			
Changes in Accounting Principles	-	-	-
Corrections of Errors	574	574	-
Beginning Balances, As Adjusted	$ 56,794	$ 56,795	$ (1)
Budgetary Financing Sources:			
Appropriations Received	$ 47,639	$ 47,639	$ -
Appropriations Transferred In/Out	-	-	-
Other Adjustments	(325)	(325)	-
Appropriations Used	(52,993)	(52,994)	1
Total Budgetary Financing Sources	$ (5,679)	$ (5,680)	$ 1
Unexpended Appropriations	$ 51,115	$ 51,115	$ -
Net Position	$ 93,179	$ 94,014	$ (835)

Statement of Budgetary Resources (dollars in millions)	September 30, 2015 Consolidated Financial Statements (without restatement)	September 30, 2015 Consolidated Financial Statements (with restatement)	Impact of September 30, 2015 Restatements
Budgetary Resources:			
Unobligated Balance, Brought Forward	$ 84,489	$ 84,489	$ -
Adjustments to Unobligated Balance Brought Forward, October 1	-	(13)	13
Unobligated Balance Brought Forward, Oct 1, As Adjusted	$ 84,489	$ 84,477	$ 12
Recoveries of Prior Year Unpaid Obligations	1,107	1,113	(6)
Other changes in unobligated balance	(709)	(707)	(2)
Unobligated balance from prior year budget authority, net	$ 84,887	$ 84,883	$ 4
Appropriations (discretionary and mandatory)	$ 47,458	$ 47,457	$ 1
Borrowing Authority (discretionary and mandatory)	12,146	12,146	-
Contract Authority (discretionary and mandatory)	-	-	-
Budget Authority from non expenditure transfers, net	-	-	-
Spending Authority from offsetting collections	$ 54,610	$ 54,610	-
Total Budgetary Resources	$ 199,101	$ 199,096	$ 5
Status of Budgetary Resources:			
Direct	$ 113,432	$ 113,433	$ (1)
Reimbursable	5,754	5,787	(33)
Subtotal	$ 119,186	$ 119,220	$ (34)
Apportioned	$ 16,604	$ 17,593	$ (989)
Exempt from Apportionment	-	-	-
Unapportioned	63,311	62,283	$ 1,028
Unexpired unobligated balance, end of year	$ 79,915	$ 79,876	$ 39
Total Status of Budgetary Resources	$ 199,101	$ 199,096	$ 5
Change in Obligated Balance:			
Unpaid Obligations:			
Unpaid obligations, brought forward, Oct 1	$ 43,598	$ 43,598	$ -
Adjustments to unpaid obligations, start of year (+ or -)	-	15	(15)
Obligations incurred	119,186	119,220	(34)
Outlays (gross) (-)	(119,635)	(119,635)	-
Actual transfers, unpaid obligations (net) (+ or -)	-	-	-
Recoveries of prior year unpaid obligations (-)	(1,107)	(1,113)	6
Unpaid obligations, end of year	$ 42,042	$ 42,085	$ (43)
Uncollected Payments:			
Uncollected payments, Fed sources, brought forward, Oct 1 (-)	$ (64)	$ (69)	$ 5
Adjustment to uncollected payments, Fed sources, start of year (+ or -)	-	-	-
Change in uncollected payments, Fed sources (+ or -)	(6)	(5)	(1)
Actual Transfers, uncollected payments from Federal sources (net) (+ or -)	-	-	-
Uncollected payments, Fed sources, end of year (-)	$ (70)	$ (74)	$ 4
Memorandum Entries			
Obligated balance, start of year (+ or -)	$ 43,534	$ 43,544	$ (10)
Obligated balance, end of year (net)	$ 41,972	$ 42,011	$ (39)
BUDGET AUTHORITY, NET:			
Budget authority, gross (discretionary and mandatory)	$ 114,212	$ 114,213	$ (1)
Actual offsetting collections (discretionary and mandatory) (-)	(67,752)	(67,747)	(5)
Change in uncollected customer payments from, Fed Sources (disc and mand)	(6)	(5)	(1)
Anticipated offsetting collections (discretionary and mandatory) (+ or -)	-	-	-
Budget Authority, net (discretionary and mandatory) Subtotal	$ 46,454	$ 46,461	$ (7)
Outlays, net (discretionary and mandatory)			
Gross Outlays	$ 119,635	$ 119,635	$ -
Actual offsetting collections (discretionary and mandatory) (-)	(67,749)	(67,747)	(2)
Outlays, net (discretionary and mandatory)	$ 51,886	$ 51,888	$ (2)
Distributed offsetting receipts	$ (2,844)	$ (2,844)	$ -
Agency Outlays, net (discretionary and mandatory)	$ 49,042	$ 49,044	$ (2)

Notification Letter for the Reissuance of the Department's Fiscal Year 2016 Agency Financial Report (AFR)

The eleventh-hour identification of material changes in component financial statements initiated multiple updates and changes in the Departmental consolidated financial statements and notes. This had a cascading effect on the remainder of the schedule, resulting in a truncated schedule for preparation and review of the final materials, including weaknesses in reconciling and cross-checking internal controls and limited the time for audit by OIG. After release of the consolidated financial statements on November 15, 2016, the audit of the financial statements continued. This resulted in the discovery of errors in the financial information after release. These errors were generally attributed to the last-minute material changes at the component level, which were not fully incorporated throughout the financial information due to a compressed timeframe and weaknesses in internal controls processes, including shifting conditions and limitations on the ability to rapidly adjust to changing circumstances.

HUD determined that its FY 2016 financial statements contained a misclassification between line items on the Combined Statement of Budgetary Resources (SBR) of $557 million – specifically impacting the lines for Unobligated Balance Brought Forward, Apportioned Unexpired, Unapportioned Unexpired, and Unpaid Obligations Brought Forward. In addition, notes were updated for inconsistencies with the FY 2016 financial statements, which had compounding consequences, thus inflating the errors values. These inconsistencies resulted in a gross adjustment of $253,781 million for FY 2016 in the presentation of the notes and did not impact the principal financial statements. Also, HUD determined that its FY 2015 financial statements contained a misclassification between line items on the SBR of $8 million, specifically impacting the lines for Uncollected Payments from Federal Sources – Beginning Balance and Actual Offsetting Collections, and an inconsistency within the FY 2015 Statement of Changes in Net Position (SCNP) of $2,810 million, specifically impacting the lines for Cumulative Results of Operations – Beginning of Period – Balance and Adjustments – Corrections and Errors, as well as Total Financing Sources – Dedicated and Total Financing Sources – All Other. In addition, notes were updated for number inconsistencies with the financial statements, which had compounding consequences, thus inflating the errors values. These inconsistencies resulted in a gross adjustment of $262,662 million for FY 2015 in the presentation of the notes and schedules and did not impact the financial statements. Overall, the combined adjustments to the financial statements resulted in a net adjustment of $3 million, but no change in HUD's financial position or impact to our programs. In other words, while the presentation of the financial information was inaccurate, the correction of these inaccuracies did not represent a change in cash balances or any improper payments, or misallocation of HUD resources.

Required Supplementary Stewardship Information

Introduction

This narrative provides information on resources utilized by HUD that do not meet the criteria for information required to be reported or audited in HUD's financial statements but are, nonetheless, important to understand investments made by HUD for the benefit of the Nation. The stewardship objective requires that HUD also report on the broad outcomes of its actions associated with these resources. Such reporting will provide information that will help the reader to better assess the impact of HUD's operations and activities.

HUD's stewardship reporting responsibilities extend to the investments made by a number of HUD programs in Non-Federal Physical Property, Human Capital, and Research and Development. Due to the relative immateriality of the amounts and in the application of the related administrative costs, most of the investments reported reflect direct program costs only. The investments addressed in this narrative are attributable to programs administered through the following divisions/departments:

- Community Planning and Development (CPD),
- Public and Indian Housing (PIH), and
- Office of Lead Hazard Control and Healthy Homes (OLHCHH).

Overview of HUD's Major Programs

CPD seeks to develop viable communities by promoting integrated approaches that provide decent housing, a suitable living environment, and expanded economic opportunities for low- and moderate-income persons. HUD makes stewardship investments through the following CPD programs:

- **Community Development Block Grants (CDBG)** are provided to state and local communities, which use these funds to support a wide variety of community development activities within their jurisdictions. These activities are designed to benefit low- and moderate-income persons, aid in the prevention of slums and blight, and meet other urgent community development needs. State and local communities use the funds as they deem necessary, as long as the use of these funds meet at least one of these objectives. A portion of the funds supports the acquisition, construction or rehabilitation of permanent, residential structures that qualify as occupied by and benefiting low- and moderate-income persons, while other funds help to provide employment and job training to low- and moderate-income persons.
- **Disaster Recovery Assistance (Disaster Grants/CDBG-DR)** is a CDBG program that helps state and local governments recover from major natural disasters. A portion of these funds can be used to acquire, rehabilitate, construct, or demolish physical property.

- **The HOME Investment Partnerships Program (HOME)** provides formula grants to states and localities (used often in partnership with local nonprofit groups) to fund a wide range of activities that build, buy, and/or rehabilitate affordable housing for low-income persons.
- **Homeless – Continuum of Care (CoC)** The Supportive Housing Program (SHP) was repealed and replaced by the Continuum of Care (CoC) Program effective FY 2012. The CoC is a body of stakeholders in a specific geographic area that plans and implements homeless assistance strategies (including the coordination of resources) to address the critical needs of homeless persons and facilitate their transition to jobs and independent living.
- **Emergency Solutions Grants (ESG)** provide formula funding to local units of government for homelessness prevention and to improve the number and quality of emergency and transitional shelters for homeless individuals and families.
- **Neighborhood Stabilization Program (NSP)** stabilizes communities that have suffered from foreclosures and abandonment. Through the purchase and redevelopment of foreclosed and abandoned homes and residential properties, and by providing technical assistance **(NSP TA),** the goal of the program is being realized.
- **Housing Opportunities for People with HIV/AIDS (HOPWA)** provides education assistance and an array of housing subsidy assistance and supportive services to assist low-income families and individuals who are living with the challenges of HIV/AIDS and risks of homelessness.
- **Rural Innovation Fund (RIF)** offers grants throughout the nation to address distressed housing conditions and concentrated poverty. The grants promote an 'entrepreneurial approach' to affordable housing and economic development in rural areas by providing job training, homeownership counseling and affordable housing to residents of rural and tribal communities.
- **Community Compass (formerly OneCPD)** provides technical assistance and capacity building to CPD grantees including onsite and remote training, workshops, and 1:1 assistance.

PIH ensures safe, decent, and affordable housing, creates opportunities for residents' self-sufficiency and economic independence, and assures the fiscal integrity of all program participants. HUD makes stewardship investments through the following PIH programs:

- **Indian Community Development Block Grants (ICDBG)** provide funds to Indian organizations to develop viable communities, including decent housing, a suitable living environment, and economic opportunities, principally for low and moderate-income recipients.

- The **Native Hawaiian Housing Block Grant (NHHBG)** program provides an annual block grant to the Department of Hawaiian Home Lands (DHHL) for a range of affordable housing activities to benefit low-income Native Hawaiians eligible to reside on the Hawaiian home lands. The DHHL has the authority under the NHHBG program to develop new and innovative affordable housing initiatives and programs based on local needs, including down payment and other mortgage assistance programs, transitional housing, domestic abuse shelters, and revolving loan funds.
- **Indian Housing Block Grants (IHBG)** provide funds needed to allow tribal housing organizations to maintain existing units and to begin development of new units to meet their critical long-term housing needs.
- **HOPE VI Revitalization Grants (HOPE VI)** provide support for the improvement of the living environment of public housing residents in distressed public housing units. Some investments support the acquisition, construction or rehabilitation of property owned by the PHA, state or local governments, while others help to provide education and job training to residents of the communities targeted for rehabilitation.
- **Choice Neighborhoods** grants transform distressed neighborhoods and public and assisted projects into viable and sustainable mixed-income neighborhoods by linking housing improvements with appropriate services, schools, public assets, transportation, and access to jobs.
- **The Public Housing (PH) Capital Fund** provides grants to PHAs to improve the physical conditions and to upgrade the management and operation of existing public housing.

The **OLHCHH** program seeks to eliminate childhood lead poisoning caused by lead-based paint hazards and to address other childhood diseases and injuries, such as asthma, unintentional injury, and carbon monoxide poisoning, caused by substandard housing conditions.

- **The Lead Technical Assistance Division,** in support of the Departmental Lead Hazard Control program, supports technical assistance and the conduct of technical studies and demonstrations to identify innovative methods to create lead-safe housing at reduced cost. In addition, these programs are designed to increase the awareness of lead professionals, parents, building owners, housing and public health professionals, and others with respect to lead-based paint and related property-based health issues.
- **Lead Hazard Control Grants** help state and local governments and private organizations and firms control lead-based paint hazards in low-income, privately owned rental, and owner-occupied housing. The grants build program and local capacity and generate training opportunities and contracts for low-income residents and businesses in targeted areas.

RSSI Reporting – HUD's Major Programs

Non-Federal Physical Property

Investment in Non-Federal Physical Property: Non-Federal physical property investments support the purchase, construction, or major renovation of physical property owned by state and local governments. These investments support HUD's strategic goals to increase the availability of decent, safe, and affordable housing and to strengthen communities. Through these investments, HUD serves to improve the quality of life and economic vitality. The table below summarizes material program investments in Non-Federal Physical Property, for fiscal years 2012 through 2016.

Investments in Non-Federal Physical Property
Fiscal Year 2012 – 2016
(Dollars in millions)

Program	2012	2013	2014	2015	2016
CPD					
CDBG	$1,115	$1,129	$986	$922	$996
Disaster Grants [1]	$332	$330	$319	$394	$412
HOME	$23	$21	$24	$18	$14
SHP/CoC - Homeless [2]	$11	$1	$1	$0	$3
NSP [3]	$16	$6	$1	$1	$1
RIF [4]	$0	$3	$1	$0	$0
PIH					
ICDBG [5]	$117	$54	$60	$0	$115
NHHBG	$13	$12	$10	$9	$0
IHBG [6]	$271	$268	$244	$290	$208
HOPE VI	$122	$127	$82	$57	$63
Choice Neighborhoods [7]	$0	$3	$22	$43	$70
PH Capital Fund	$2,223	$1,798	$1,706	$1,916	$1,830
TOTAL	**$4,243**	**$3,752**	**$3,456**	**$3,650**	**$3,712**

Notes:

1. *Disasters are unpredictable, which causes material fluctuations resulting in the prior years' numbers being updated.*
2. *Low dollar value was due to shrinking resources for new programs.*
3. *Program is nearing closeout, and the prior years' numbers were updated to reflect more accurate data.*
4. *Rural Innovation Fund was reported for the first time in FY 2012, however the amount was not material to be included in the FY 2012 AFR. More than 15 grantees have completed their projects before FY 2015 as the grant period draws to a close. Amount reported for FY 2015, estimated, due to reports for the second half of the FY not being due until 10/30/15, is not material to be included in the AFR.*
5. *Grants funded in 2015 were awarded in February, 2016.*
6. *Historical amounts were updated to reflect corrections made since the last report.*
7. *Choice Neighborhoods reported separately from HOPE VI for the first time in FY 2012, however the amount was not material to be included in the FY 2012 AFR.*

Human Capital

Investment in Human Capital: Human Capital investments support education and training programs that are intended to increase or maintain national economic productive capacity. These investments support HUD's strategic goals, which are to promote self-sufficiency and asset development of families and individuals; improve community quality of life and economic vitality; and ensure public trust in HUD. The following table summarizes material program investments in Human Capital, for fiscal years 2012 through 2016.

Investments in Human Capital
Fiscal Year 2012 – 2016
(Dollars in millions)

Program	2012	2013	2014	2015	2016
CPD					
CDBG	$29	$24	$26	$25	$21
Disaster Grants [1]	$171	$311	$809	$379	$400
ESG	$4	$3	$3	$3	$3
NSP TA [2]	$1	$1	$0	$0	$0
SHP/CoC - Homeless	$33	$31	$26	$25	$16
HOPWA	$1	$1	$1	$0	$0
Community Compass [3]	$5	$21	$29	$38	$48
PIH					
IHBG	$1	$1	$1	$2	$1
HOPE VI	$15	$12	$14	$5	$5
Choice Neighborhoods [4]	$0	$2	$3	$5	$12
OLHCHH					
Lead Technical Assistance	$0	$0	$1	$0	$0
TOTAL	**$260**	**$407**	**$913**	**$482**	**$506**

Notes:
1. *Prior years' amounts were updated because Disaster Grants activities were previously comingled with other activities.*
2. *Program is nearing closeout, hence the reduced expenditures in FY 2014, FY 2015 and FY 2016.*
3. *The FY 2016 expenditure increase is due to increased technical assistance and TA to PIH grantees and housing authorities, as well as intensive training and direct TA for grantee compliance with new AFFH requirements.*
4. *Choice Neighborhoods reported separately from HOPE VI for the first time in FY 2012, however the amount was not material to be included in the FY 2012 AFR.*

Results of Human Capital Investments: The table on the next page presents the results (number of people trained) of human capital investments made by HUD's CPD, PIH, and OLHCHH programs for fiscal years 2012 through 2016.

Results of Investments in Human Capital
Number of People Trained
Fiscal Year 2012 – 2016

Program	2012	2013	2014	2015	2016
CPD					
CDBG	65,741	68,236	54,350	51,808	47,805
SHP/CoC - Homeless [1]	27.4%	16.5%	11.9%	N/A	N/A
HOPWA	1,426	1,595	1,415	1,064	502
NSP TA [2]	1,414	6,995	1,397	811	27
RIF [3]	0	1,048	279	397	0
Community Compass [4]	N/A	9,791	13,722	31,631	32,823
PIH					
NHHBG [5]	0	0	0	0	113
IHBG [6]	770	1,077	1,167	1,756	1,752
HOPE VI (*see table on page 7*)					
Choice Neighborhoods (*see table on page 8*)					
OLHCHH					
Lead Technical Assistance	600	590	1,069	512	2,120
TOTAL	**69,951**	**89,332**	**73,399**	**87,979**	**85,142**

Notes:
1. *SHP/CoC- Homeless results are expressed in terms of percentage of persons exiting the programs having employment income. Goals are changing, and the data is not available to compare FY 2015 or FY 2016 to the prior year based on the old goal.*
2. *As of FY 2012, NSP TA outcomes data were under development in the Disaster Recovery Grant Reporting System. Performance measures were developed that will allow for more accurate and comprehensive tracking of outcomes. The number of people trained was further updated in FY 2013, FY 2014 and FY 2015 because of more reliable data. The program is nearing closeout, hence the reduced numbers of people trained in FY 2014 through FY 2016.*
3. *FY 2012 was the first year of reporting Rural Innovation Fund's results of investments in human capital in the RSSI, however the amount was not material to be included in the FY 2012 AFR. Expenditures under investments for human capital, in FY 2012 through FY 2015, were also not material to be included in the AFRs. More than 15 grantees have completed their projects before FY 2015 as the grant period draws to a close. The number of people trained in FY2015 was corrected based on the last approved QPR. The final reporting period for the RIF program was 09/30/2015.*
4. *FY 2013 was the first year of reporting Community Compass', formerly OneCPD's, results of investments in human capital in the RSSI. The FY 2015 reported number has been revised, in order to make the FY 2015 and FY 2016 data comparable, with the same data elements, e.g., live in-person and remote; self-paced on line, and recorded trainings.*
5. *A lack of S&E funding prevented ONAP from offering training in FY 2012-2015. Grantee received training from HUD staff and, in FY 2016, from two contracted training providers. Amount invested in FY 2016 was not material to be included in the AFR.*
6. *New training funds were offered through a Notice of Funding Availability (NOFA) competition for contractors to provide training in FY 2015-2017.*

HOPE VI/Choice Neighborhoods Results of Investments in Human Capital: Since the inception of the HOPE VI program in FY 1993, the program has made significant investments in Human Capital related initiatives (i.e., education and training). The following table presents

HOPE VI's key cumulative performance information for fiscal years 2012, 2013, 2014, 2015 and 2016, since the program's inception.

Key Results of HOPE VI Program Activities
Fiscal Years 2012 – 2016

HOPE VI Service	2012 Enrolled	2012 Completed	% Completed	2013 Enrolled	2013 Completed	% Completed
Employment Preparation, Placement, & Retention [1]	82,630	N/A	N/A	84,792	N/A	N/A
Job Skills Training Programs	33,566	17,753	53%	34,664	18,322	53%
High School Equivalent Education	17,684	5,164	29%	18,206	5,263	29%
Entrepreneurship Training	3,672	1,613	44%	3,730	1,635	44%
Homeownership Counseling	16,163	6,964	43%	16,504	7,046	43%
HOPE VI Service	**2014 Enrolled**	**2014 Completed**	**% Completed**	**2015 Enrolled**	**2015 Completed**	**% Completed**
Employment Preparation, Placement, & Retention [1]	85,997	N/A	N/A	87,005	N/A	N/A
Job Skills Training Programs	35,001	18,536	53%	35,364	18,685	53%
High School Equivalent Education	18,389	5,315	29%	18,533	5,334	29%
Entrepreneurship Training	3,746	1,649	44%	3,755	1,654	44%
Homeownership Counseling	16,650	7,160	43%	16,837	7,350	44%
HOPE VI Service	**2016 Enrolled**	**2016 Completed**	**% Completed**			
Employment Preparation, Placement, & Retention [1]	87,564	N/A	N/A			
Job Skills Training Programs	35,675	18,877	53%			
High School Equivalent Education	18,705	5,381	29%			
Entrepreneurship Training	3,795	1,682	44%			
Homeownership Counseling	17,399	7,804	45%			

Notes:

1. *Completion data for this service is not provided, as all who enroll are considered recipients of the training.*

The table on the next page presents Choice Neighborhoods cumulative performance information for fiscal years 2014, 2015 and 2016.

Key Results of Choice Neighborhoods Program Activities
Fiscal Years 2014 – 2016

Choice Neighborhoods Service	2014 [1]	2015	2016
Current Total Original Assisted Residents	5,813	7,017	10,089
Current Total Original Assisted Residents in Case Management	2,900	3,063	4,882
High School Graduation Rate [2]	N/A	N/A	N/A
Number of Residents (in Case Management) Who Completed Job Training or Other Workforce Development Programs	411	867	343

Notes:
1. *2014 was the first year of reporting results for Choice Neighborhoods Human Capital Investments.*
2. *Program level High School Graduation Rate date is currently not available for 2014, 2015 and 2016 due to metric only requiring individual grantees to enter rates and not numerator and denominator.*

Research and Development

Investments in Research and Development: Research and development investments support (a) the search for new knowledge and/or (b) the refinement and application of knowledge or ideas, pertaining to development of new or improved products or processes. Research and development investments are intended to increase economic productive capacity or yield other future benefits.

As such, these investments support HUD's strategic goals, which are to increase the availability of decent, safe, and affordable housing in America's communities; and ensure public trust in HUD.

The following table summarizes HUD's research and development investments, for fiscal years 2012 through 2016.

Investments in Research and Development
Fiscal Year 2012 – 2016
(Dollars in millions)

Program	2012	2013	2014	2015	2016
OLHCHH					
Lead Hazard Control	$1	$2	$3	$4	$5
TOTAL	**$1**	**$2**	**$3**	**$4**	**$5**

Results of Investments in Research and Development: In support of HUD's lead hazard control initiatives, the OLHCHH program has conducted various studies. Such studies have contributed to an overall reduction in the per-housing unit cost of lead hazard evaluation and control efforts over the last decade. More recently, as indicated in the following table, increased supply and labor costs have contributed to increases in the per-housing unit cost. The per-housing unit cost varies by geographic location and the grantees' level of participation in control activities. These studies have also led to the identification of the prevalence of related hazards.

Results of Research and Development Investments
Fiscal Year 2012 – 2016
(Dollars)

Program	2012	2013	2014	2015	2016
OLHCHH					
Lead Hazard Control					
Per-Housing Unit Cost	$5,763	$6,321	$7,755	$8,909	$9,048
TOTAL	**$5,763**	**$6,321**	**$7,755**	**$8,909**	**$9,048**

Required Supplementary Information

Presented on the following pages are the additional disaggregated financial statements broken out by HUD's major lines of business (i.e. responsibility segments) to supplement the financial statements shown earlier in the section.

U.S. Department of Housing and Urban Development
Consolidating Balance Sheet
For the Period Ending September 2016
Dollars in Millions

	Federal Housing Administration (FHA)	Government National Mortgage Association (GNMA)	Section 8 Rental Assistance	Public and Indian Housing Loans and Grants (PIH)	Homeless Assistance Grants	Housing for the Elderly and Disabled	Community Development Block Grants (CDBG)	HOME	All Other	Financial Statement Eliminations	Consolidating
Assets:											
Intragovernmental:											
Fund balance with Treasury (Note 4)	$ 20,820	$ 1,379	$ 9,831	$ 4,519	$ 5,363	$ 2,279	$ 19,358	$ 3,230	$ 6,419	$ -	$ 73,198
Short-term Overnight Investments (Note 6)	-	15,954	-	-	-	-	-	-	-	-	15,954
Long-term Investments held to maturity (Note 6)	36,398	-	-	-	-	-	-	-	-	-	36,398
Accounts Receivable, Net (Note 7)	-	7	-	-	-	-	-	-	1	(7)	1
Loans Receivable	-	-	-	-	-	-	-	-	-	-	-
Other Assets (Note 12)	-	-	5	-	1	-	-	1	39	(3)	43
Total Intragovernmental Assets	57,218	17,340	9,836	4,519	5,364	2,279	19,358	3,231	6,459	(10)	125,594
Cash (Note 5)	-	60	-	-	-	-	-	-	-	-	60
Investments (Note 6)	31	-	-	-	-	-	-	-	-	-	31
Accounts Receivable, Net (Note 7)	243	106	68	42	2	14	11	-	125	-	611
Direct Loan and Loan Guarantees, Net (Note 8)	17,742	-	-	-	-	1,171	-	-	563	-	19,476
Other Non-Credit Reform Loans (Note 9)	-	4,235	-	-	-	-	-	-	-	(1,555)	2,680
General Property, Plant, and Equipment (Note 10)	-	83	-	-	-	-	-	-	298	-	381
PIH Prepayments (Note 11)	-	-	380	-	-	-	-	-	-	-	380
Other Assets (Note 12)	53	-	-	-	-	-	-	-	-	-	53
Total Assets	**75,287**	**21,824**	**10,284**	**4,561**	**5,366**	**3,464**	**19,369**	**3,231**	**7,445**	**(1,565)**	**149,266**
Liabilities:											
Intragovernmental:											
Accounts Payable (Note 13)	$ 7	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 24	$ (7)	$ 24
Debt (Note 14)	30,874	-	-	-	-	-	-	-	128	-	31,002
Other Intragovernmental Liabilities (Note 17)	2,765	-	9	2	10	-	-	-	241	(3)	3,024
Total Intragovernmental Liabilities	33,646	-	9	2	10	-	-	-	393	(10)	34,050
Accounts Payable (Note 13)	495	113	4	13	8	6	42	7	318	-	1,006
Accrued Grant Liabilities (Note 13)	-	-	-	353	168	14	1,707	312	109	-	2,663
Loan Guarantees (Note 8)	(805)	-	-	-	-	-	-	-	303	(1,555)	(2,057)
Debt Held by the Public (Note 14)	-	-	-	8	-	-	-	-	-	-	8
Federal Employee and Veterans Benefits (Note 15)	-	-	-	-	-	-	-	-	64	-	64
Environmental Cleanup Costs	-	-	-	-	-	-	-	-	-	-	-
Benefits Due and Payable	-	-	-	-	-	-	-	-	-	-	-
Loss Reserves (Note 16)	-	3	-	-	-	-	-	-	-	-	3
Other Governmental Liabilities (Note 17)	854	322	-	-	-	-	-	-	191	-	1,367
Total Liabilities	**34,190**	**438**	**13**	**376**	**186**	**20**	**1,749**	**319**	**1,378**	**(1,565)**	**37,104**
Commitments and Contingencies (Note 19)	-	-	-	-	-	-	-	-	**55**	-	**55**
Net Position:											
Unexpended Appropriations - Funds From Dedicated Collections (Note 20)	-	-	30	-	-	-	-	-	(372)	-	(342)
Unexpended Appropriations - All Other Funds	414	-	10,182	4,158	5,178	1,904	17,609	2,912	4,900	-	47,257
Cumulative Results of Operations - Funds From Dedicated Collections (Note 20)	-	21,386	-	-	-	-	-	-	1,256	13	22,655
Cumulative Results of Operations - All Other Funds	40,683	-	59	27	2	1,540	11	-	283	(13)	42,592
Total Net Position - Funds From Dedicated Collections	**-**	**21,386**	**30**	**-**	**-**	**-**	**-**	**-**	**884**	**13**	**22,313**
Total Net Position - All Other Funds	**$ 41,097**	**$ -**	**$ 10,241**	**$ 4,185**	**$ 5,180**	**$ 3,444**	**$ 17,620**	**$ 2,912**	**$ 5,183**	**$ (13)**	**$ 89,849**
Total Net Position	**$ 41,097**	**$ 21,386**	**$ 10,271**	**$ 4,185**	**$ 5,180**	**$ 3,444**	**$ 17,620**	**$ 2,912**	**$ 6,067**	**$ -**	**$ 112,162**
Total Liabilities and Net Position	**$ 75,287**	**$ 21,824**	**$ 10,284**	**$ 4,561**	**$ 5,366**	**$ 3,464**	**$ 19,369**	**$ 3,231**	**$ 7,445**	**$ (1,565)**	**$ 149,266**

The accompanying notes are an integral part of these statements

Figures may not add to totals because of rounding.

U.S. Department of Housing and Urban Development
Consolidating Balance Sheet
For the Period Ending September 2015 (Restated)
Dollars in Millions

	Federal Housing Administration (FHA)	Government National Mortgage Association (GNMA)	Section 8 Rental Assistance	Public and Indian Housing Loans and Grants (PIH)	Homeless Assistance Grants	Housing for the Elderly and Disabled	Community Development Block Grants (CDBG)	HOME	All Other	Financial Statement Eliminations	Consolidating
Assets:											
Intragovernmental:											
Fund balance with Treasury (Note 4)	$ 39,057	$ 2,142	$ 9,692	$ 4,866	$ 5,161	$ 2,405	$ 21,524	$ 3,448	$ 6,396	$ -	$ 94,691
Short-term Overnight Investments (Note 6)	-	12,923	-	-	-	-	-	-	-	-	12,923
Long-term Investments held to maturity (Note 6)	14,754	-	-	-	-	-	-	-	-	-	14,754
Accounts Receivable, Net (Note 7)	-	-	-	-	-	-	-	-	-	-	-
Loans Receivable	-	-	-	-	-	-	-	-	-	-	-
Other Assets (Note 12)	1	-	4	-	-	-	-	1	3	-	9
Total Intragovernmental Assets	53,812	15,065	9,696	4,866	5,161	2,405	21,524	3,449	6,399	-	122,377
Cash (Note 5)	-	45	-	-	-	-	-	-	-	-	45
Investments (Note 6)	31	-	-	-	-	-	-	-	-	-	31
Accounts Receivable, Net (Note 7)	408	131	33	55	8	14	12	1	118	-	780
Direct Loan and Loan Guarantees, Net (Note 8)	12,923	-	-	-	-	1,417	-	-	625	-	14,965
Other Non-Credit Reform Loans (Note 9)	-	5,325	-	-	-	-	-	-	-	(2,098)	3,227
General Property, Plant, and Equipment (Note 10)	-	58	-	-	-	-	-	-	271	-	329
PIH Prepayments (Note 11)	-	-	672	-	-	-	-	-	-	-	672
Other Assets (Note 12)	45	-	-	-	-	-	-	-	-	-	45
Total Assets	**67,219**	**20,624**	**10,401**	**4,921**	**5,169**	**3,836**	**21,536**	**3,450**	**7,413**	**(2,098)**	**142,471**
Liabilities:											
Intragovernmental:											
Accounts Payable (Note 13)	$ 1	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 15	$ -	$ 16
Debt (Note 14)	27,023	-	-	-	-	-	-	-	127	-	27,150
Other Intragovernmental Liabilities (Note 17)	2,889	-	13	2	5	-	-	-	239	-	3,148
Total Intragovernmental Liabilities	29,913	-	13	2	5	-	-	-	381	-	30,314
Accounts Payable (Note 13)	545	135	6	17	16	2	30	6	209	-	966
Accrued Grant Liabilities (Note 13)	-	-	-	330	132	24	1,514	324	64	-	2,388
Loan Guarantees (Note 8)	15,282	-	-	-	-	-	-	-	289	(2,098)	13,473
Debt Held by the Public (Note 14)	-	-	-	8	-	-	-	-	-	-	8
Federal Employee and Veterans Benefits (Note 15)	-	-	-	-	-	-	-	-	69	-	69
Environmental Cleanup Costs	-	-	-	-	-	-	-	-	-	-	-
Benefits Due and Payable	-	-	-	-	-	-	-	-	-	-	-
Loss Reserves (Note 16)	-	-	-	-	-	-	-	-	-	-	-
Other Governmental Liabilities (Note 17)	725	314	1	-	-	-	-	-	199	-	1,239
Total Liabilities	**46,465**	**449**	**20**	**357**	**153**	**26**	**1,544**	**330**	**1,211**	**(2,098)**	**48,457**
Commitments and Contingencies (Note 19)	-	-	-	-	-	-	-	-	**55**	-	**55**
Net Position:											
Unexpended Appropriations - Funds From Dedicated Collections (Note 20)	-	1	17	18	16	-	-	5	(362)	-	(305)
Unexpended Appropriations - All Other Funds	871	-	10,364	4,550	4,996	2,272	19,991	3,115	5,261	-	51,420
Cumulative Results of Operations - Funds From Dedicated Collections (Note 20)	-	20,174	-	-	-	-	-	-	1,243	-	21,417
Cumulative Results of Operations - All Other Funds	19,883	-	-	(4)	4	1,538	1	-	60	-	21,482
Total Net Position - Funds From Dedicated Collections	**-**	**20,175**	**17**	**18**	**16**	**-**	**-**	**5**	**881**	**-**	**21,112**
Total Net Position - All Other Funds	**$ 20,754**	**$ -**	**$ 10,364**	**$ 4,546**	**$ 5,000**	**$ 3,810**	**$ 19,992**	**$ 3,115**	**$ 5,321**	**$ -**	**$ 72,902**
Total Net Position	**$ 20,754**	**$ 20,175**	**$ 10,381**	**$ 4,564**	**$ 5,016**	**$ 3,810**	**$ 19,992**	**$ 3,120**	**$ 6,202**	**$ -**	**$ 94,014**
Total Liabilities and Net Position	**$ 67,219**	**$ 20,624**	**$ 10,401**	**$ 4,921**	**$ 5,169**	**$ 3,836**	**$ 21,536**	**$ 3,450**	**$ 7,413**	**$ (2,098)**	**$ 142,471**

The accompanying notes are an integral part of these statements

Figures may not add to totals because of rounding.

U.S. Department of Housing and Urban Development
Consolidating Statement of Net Cost
For the Period Ending September 2016
Dollars in Millions

	Federal Housing Administration (FHA)	Government National Mortgage Association (GNMA)	Section 8 Rental Assistance	Public and Indian Housing Loans and Grants (PIH)	Homeless Assistance Grants	Housing for the Elderly and Disabled	Community Development Block Grants (CDBG)	HOME	All Other	Eliminations	Consolidating
Intragovernmental Gross Costs (Note 21)	1,239	5	49	29	6	17	17	4	513	-	1,879
Less: Intragovernmental Earned Revenue	(1,151)	(84)	-	-	-	-	-	-	(20)	-	(1,255)
Intragovernmental Net Costs	88	(79)	49	29	6	17	17	4	493	-	624
Gross Costs With the Public	(18,997)	427	30,604	2,966	1,951	957	6,269	1,163	5,838	-	31,178
Less: Earned Revenues From the Public	(67)	(1,562)	-	-	5	(109)	-	-	(17)	-	(1,750)
Net Costs With the Public	(19,064)	(1,135)	30,604	2,966	1,956	848	6,269	1,163	5,821	-	29,428
Total Net Cost	(18,976)	(1,214)	30,653	2,995	1,962	865	6,286	1,167	6,314	-	30,052
(Gain)/Loss on Pension, ORB or OPEB Assumption Changes	-	-	-	-	-	-	-	-	-	-	-
Net program costs including Assumption Changes	(18,976)	(1,214)	30,653	2,995	1,962	865	6,286	1,167	6,314	-	30,052
Costs Not Assigned to Programs	-	-	-	-	-	-	-	-	263	(1)	262
Less: Earned Revenues Not Attributed to Programs	-	-	-	-	-	-	-	-	-	-	-
Net Cost of Operations	**(18,976)**	**(1,214)**	**30,653**	**2,995**	**1,962**	**865**	**6,286**	**1,167**	**6,577**	**(1)**	**30,314**

Consolidating Statement of Net Cost
For the Period Ending September 2015 (Restated)
Dollars in Millions

	Federal Housing Administration (FHA)	Government National Mortgage Association (GNMA)	Section 8 Rental Assistance	Public and Indian Housing Loans and Grants (PIH)	Homeless Assistance Grants	Housing for the Elderly and Disabled	Community Development Block Grants (CDBG)	HOME	All Other	Eliminations	Consolidating
Gross Costs (Note 21)	(16,203)	(234)	29,482	2,835	1,894	1,037	7,567	1,241	6,071	-	33,690
Less: Earned Revenues	(1,849)	(1,555)			(4)	(136)			(29)	-	(3,573)
Net Program Costs	(18,052)	(1,789)	29,482	2,835	1,890	901	7,567	1,241	6,042	-	30,117
(Gain)/Loss on Pension, ORB or OPEB Assumption Changes	-	-	-	-	-	-	-	-	-	-	-
Net Program Costs Including Assumption Changes	(18,052)	(1,789)	29,482	2,835	1,890	901	7,567	1,241	6,042	-	30,117
Costs Not Assigned to Programs	-	-	-	-	-	-	-	-	218	-	218
Less: Earned Revenues Not Assigned to Programs	-	-	-	-	-	-	-	-	-	-	-
Net Cost of Operations	**(18,052)**	**(1,789)**	**29,482**	**2,835**	**1,890**	**901**	**7,567**	**1,241**	**6,260**	**-**	**30,335**

The accompanying notes are an integral part of these statements

Figures may not add to totals because of rounding.

U.S. Department of Housing and Urban Development
Consolidating Statement of Changes in Net Position
For the Period Ending September 2016
Dollars in Millions

	Federal Housing Administration (FHA)	Government National Mortgage Association (GNMA)	Section 8 Rental Assistance	Public and Indian Housing Loans and Grants (PIH)	Homeless Assistance Grants	Housing for the Elderly and Disabled	Community Development Block Grants (CDBG)	HOME	All Other	Eliminations	Total
Cumulative Results of Operations											
Net Position - Beginning of Period											
Funds From Dedicated Collections:	-	20,174	-	-	-	-	-	-	1,243	-	21,417
All Other Funds:	19,046	-	-	(3)	5	1,537	-	-	61	-	20,646
Beginning Balances	19,046	20,174	-	(3)	5	1,537	-	-	1,304	-	42,063
Adjustments											
Changes in Accounting Principles											
Funds From Dedicated Collections:	-	-	-	-	-	-	-	-	-	-	-
All Other Funds:	-	-	-	-	-	-	-	-	-	-	-
Corrections of Errors											
Funds From Dedicated Collections:	-	(5)	-	-	-	-	-	-	-	-	(5)
All Other Funds:	835	-	-	-	-	-	-	-	-	-	835
Beginning Balances, As Adjusted											
Funds From Dedicated Collections:	-	20,169	-	-	-	-	-	-	1,243	-	21,412
All Other Funds:	19,881	-	-	(3)	5	1,537	-	-	61	-	21,481
Total Beginning Balances, as Adjusted	19,881	20,169	-	(3)	5	1,537	-	-	1,304	-	42,893
Budgetary Financing Sources											
Other Adjustments (+/-)											
Funds From Dedicated Collections:	-	(1)	-	-	-	-	-	-	-	-	(1)
All Other Funds:	-	-	-	-	-	-	-	-	-	-	-
Appropriations Used											
Funds From Dedicated Collections:	-	-	68	8	6	-	-	-	7	-	89
All Other Funds:	3,393	-	30,471	2,913	1,916	904	6,231	1,143	7,401	-	54,372
Nonexchange Revenue											
Funds From Dedicated Collections:	-	3	(1)	-	-	-	-	-	3	-	5
All Other Funds:	-	-	1	-	-	15	-	-	185	-	201
Donations and Forfeitures of Cash and Cash Equivalents											
Funds From Dedicated Collections:	-	-	-	-	-	-	-	-	-	-	-
All Other Funds:	-	-	-	-	-	-	-	-	-	-	-
Transfers-In/Out Without Reimbursement											
Funds From Dedicated Collections:	-	-	-	-	-	-	-	-	-	-	-
All Other Funds:	-	-	-	-	-	(122)	-	-	-	122	-
Other											
Funds From Dedicated Collections:	-	-	-	-	-	-	-	-	-	-	-
All Other Funds:	-	-	173	104	37	71	66	24	(475)	-	-
Other Financing Sources (Non Exchange):											
Donations and Forfeitures of Property											
Funds From Dedicated Collections:	-	-	-	-	-	-	-	-	-	-	-
All Other Funds:	-	-	-	-	-	-	-	-	-	-	-
Transfers-In/Out Without Reimbursement											
Funds From Dedicated Collections:	-	-	-	-	-	-	-	-	(13)	13	-
All Other Funds:	480	-	-	-	-	-	-	-	(344)	(136)	-
Imputed Financing											
Funds From Dedicated Collections:	-	1	-	-	-	-	-	-	-	-	1
All Other Funds:	16	-	-	-	-	-	-	-	142	-	158
Other											
Funds From Dedicated Collections:	-	-	-	-	-	-	-	-	13	-	13
All Other Funds:	(2,063)	-	-	-	-	-	-	-	(107)	-	(2,170)
Total Financing Sources											
Funds From Dedicated Collections:	-	3	67	8	6	-	-	-	10	13	107
All Other Funds:	1,826	-	30,645	3,017	1,953	868	6,297	1,167	6,802	(14)	52,561
Total Financing Sources	**1,826**	**3**	**30,712**	**3,025**	**1,959**	**868**	**6,297**	**1,167**	**6,812**	**(1)**	**52,668**
Net Cost of Operations											
Funds From Dedicated Collections:	-	1,214	(67)	(8)	(6)	-	-	-	3	-	1,136
Penalties and Fines Revenue	-	-	-	-	-	-	-	-	-	-	-
All Other Funds:	18,976	-	(30,586)	(2,987)	(1,956)	(865)	(6,286)	(1,167)	(6,580)	1	(31,450)
Net Change											
Funds From Dedicated Collections:	-	1,217	-	-	-	-	-	-	13	13	1,243
All Other Funds:	20,802	-	59	30	(3)	3	11	-	222	(13)	21,111
Cumulative Results of Operations											
Funds From Dedicated Collections:	-	21,386	-	-	-	-	-	-	1,256	13	22,655
All Other Funds:	40,683	-	59	27	2	1,540	11	-	283	(13)	42,592
Cumulative Results of Operations	**40,683**	**21,386**	**59**	**27**	**2**	**1,540**	**11**	**-**	**1,539**	**-**	**65,247**

Figures may not add to totals because of rounding.

U.S. Department of Housing and Urban Development
Consolidating Statement of Changes in Net Position
For the Period Ending September 2016 (continued)
Dollars in Millions

	Federal Housing Administration (FHA)	Government National Mortgage Association (GNMA)	Section 8 Rental Assistance	Public and Indian Housing Loans and Grants (PIH)	Homeless Assistance Grants	Housing for the Elderly and Disabled	Community Development Block Grants (CDBG)	HOME	All Other	Eliminations	Total
Unexpended Appropriations:											
Net Position - Beginning of Period											
Funds From Dedicated Collections:	-	1	3	18	17	-	-	5	(364)	-	(320)
All Other Funds:	871	-	10,378	4,550	4,996	2,272	19,991	3,115	5,262	-	51,435
Beginning Balances	871	1	10,381	4,568	5,013	2,272	19,991	3,120	4,898	-	51,115
Adjustments											
Changes in Accounting Principles											
Funds From Dedicated Collections:	-	-	-	-	-	-	-	-	-	-	-
All Other Funds:	-	-	-	-	-	-	-	-	-	-	-
Corrections of Errors											
Funds From Dedicated Collections:	-	(1)	15	-	-	-	-	-	-	-	14
All Other Funds:	-	-	(15)	-	-	-	-	-	-	-	(15)
Beginning Balances, as Adjusted											
Funds From Dedicated Collections:	-	-	18	18	17	-	-	5	(364)	-	(306)
All Other Funds:	871	-	10,363	4,550	4,996	2,272	19,991	3,115	5,262	-	51,420
Total Beginning Balances, as Adjusted	871	-	10,381	4,568	5,013	2,272	19,991	3,120	4,898	-	51,114
Budgetary Financing Sources:											
Appropriations Received											
Funds From Dedicated Collections:	-	-	-	-	-	-	-	-	-	-	-
All Other Funds:	3,437	-	30,248	2,548	2,250	583	3,860	950	7,212	-	51,088
Appropriations Transferred-In/Out											
Funds From Dedicated Collections:	-	-	80	-	-	-	-	-	-	-	80
All Other Funds:	-	-	41	(22)	-	-	(1)	-	(98)	-	(80)
Other Adjustments (+/-)											
Funds From Dedicated Collections:	-	-	-	(10)	(11)	-	-	(5)	(1)	-	(27)
All Other Funds:	(501)	-	1	(5)	(152)	(47)	(10)	(10)	(75)	-	(799)
Appropriations Used											
Funds From Dedicated Collections:	-	-	(68)	(8)	(6)	-	-	-	(7)	-	(89)
All Other Funds:	(3,393)	-	(30,471)	(2,913)	(1,916)	(904)	(6,231)	(1,143)	(7,401)	-	(54,372)
Total Budgetary Financing Sources											
Funds From Dedicated Collections:	-	-	12	(18)	(17)	-	-	(5)	(8)	-	(36)
All Other Funds:	(457)	-	(181)	(392)	182	(368)	(2,382)	(203)	(362)	-	(4,163)
Total Budgetary Financing Sources	**(457)**	**-**	**(169)**	**(410)**	**165**	**(368)**	**(2,382)**	**(208)**	**(370)**	**-**	**(4,199)**
Total Unexpended Appropriations											
Funds From Dedicated Collections:	-	-	30	-	-	-	-	-	(372)	-	(342)
All Other Funds:	414	-	10,182	4,158	5,178	1,904	17,609	2,912	4,900	-	47,257
Total Unexpended Appropriations	**414**	**-**	**10,212**	**4,158**	**5,178**	**1,904**	**17,609**	**2,912**	**4,528**	**-**	**46,915**
Net Position											
Funds From Dedicated Collections:	-	21,386	30	-	-	-	-	-	884	13	22,313
All Other Funds:	41,097	-	10,241	4,185	5,180	3,444	17,620	2,912	5,183	(13)	89,849
Net Position	**41,097**	**21,386**	**10,271**	**4,185**	**5,180**	**3,444**	**17,620**	**2,912**	**6,067**	**-**	**112,162**

Figures may not add to totals because of rounding.

U.S. Department of Housing and Urban Development
Consolidated Statement of Changes in Net Position
For the Period Ending September 2015 (Restated)
Dollars in Millions

	Federal Housing Administration (FHA)	Government National Mortgage Association (GNMA)	Section 8 Rental Assistance	Public and Indian Housing Loans and Grants (PIH)	Homeless Assistance Grants	Housing for the Elderly and Disabled	Community Development Block Grants (CDBG)	HOME	All Other	Eliminations	Total
Cumulative Results of Operations											
Net Position - Beginning of Period											
Funds From Dedicated Collections:	-	18,385	-	-	-	-	-	-	1,236	-	19,621
All Other Funds:	2,013	-	-	(4)	-	1,951	1	-	102	-	4,063
Beginning Balances	2,013	18,385	-	(4)	-	1,951	1	-	1,338	-	23,684
Adjustments											
Changes in Accounting Principles											
Funds From Dedicated Collections:	-	-	-	-	-	-	-	-	-	-	-
All Other Funds:	-	-	-	-	-	-	-	-	-	-	-
Corrections of Errors											
Funds From Dedicated Collections:	-	-	-	-	-	-	-	-	(3)	-	(3)
All Other Funds:	1,371	-	-	-	-	-	-	-	-	-	1,371
Beginning Balances, As Adjusted											
Funds From Dedicated Collections:	-	18,385	-	-	-	-	-	-	1,233	-	19,618
All Other Funds:	3,384	-	-	(4)	-	1,951	1	-	102	-	5,434
Total Beginning Balances, as Adjusted	3,384	18,385	-	(4)	-	1,951	1	-	1,335	-	25,052
Budgetary Financing Sources											
Other Adjustments (+/-)											
Funds From Dedicated Collections:	-	-	-	-	-	-	-	-	-	-	-
All Other Funds:	-	-	-	-	-	-	-	-	-	-	-
Appropriations Used											
Funds From Dedicated Collections:	-	-	39	(1)	-	-	75	2	-	-	115
All Other Funds:	2,206	-	29,245	2,720	1,850	946	7,423	1,210	7,278	-	52,878
Nonexchange Revenue											
Funds From Dedicated Collections:	-	-	-	-	-	-	-	-	3	-	3
All Other Funds:	-	-	-	-	-	-	-	-	-	-	-
Donations and Forfeitures of Cash and Cash Equivalents											
Funds From Dedicated Collections:	-	-	-	-	-	-	-	-	-	-	-
All Other Funds:	-	-	-	-	-	-	-	-	-	-	-
Transfers-In/Out Without Reimbursement											
Funds From Dedicated Collections:	-	-	-	-	-	-	-	-	-	-	-
All Other Funds:	-	-	-	-	-	(544)	-	-	544	-	-
Other											
Funds From Dedicated Collections:	-	-	-	-	-	-	-	-	-	-	-
All Other Funds:	-	-	198	116	44	86	69	29	(542)	-	-
Other Financing Sources (Non Exchange):											
Donations and Forfeitures of Property											
Funds From Dedicated Collections:	-	-	-	-	-	-	-	-	-	-	-
All Other Funds:	-	-	-	-	-	-	-	-	-	-	-
Transfers-In/Out Without Reimbursement											
Funds From Dedicated Collections:	-	-	-	-	-	-	-	-	-	-	-
All Other Funds:	442	-	-	-	-	-	-	-	(442)	-	-
Imputed Financing											
Funds From Dedicated Collections:	-	-	-	-	-	-	-	-	1	-	1
All Other Funds:	15	-	-	-	-	-	-	-	49	-	64
Other											
Funds From Dedicated Collections:	-	-	-	-	-	-	-	-	-	-	-
All Other Funds:	(4,216)	-	-	-	-	-	-	-	(663)	-	(4,879)
Total Financing Sources											
Funds From Dedicated Collections:	-	-	39	(1)	-	-	75	2	4	-	119
All Other Funds:	(1,553)	-	29,443	2,836	1,894	488	7,492	1,239	6,224	-	48,063
Total Financing Sources	**(1,553)**	**-**	**29,482**	**2,835**	**1,894**	**488**	**7,567**	**1,241**	**6,228**	**-**	**48,182**
Net Cost of Operations											
Funds From Dedicated Collections:	-	1,789	(39)	1	-	-	(75)	(2)	6	-	1,680
Penalties and Fines Revenue	-	-	-	-	-	-	-	-	-	-	-
All Other Funds:	18,052	-	(29,443)	(2,836)	(1,890)	(901)	(7,492)	(1,239)	(6,266)	-	(32,015)
Net Change											
Funds From Dedicated Collections:	-	1,789	-	-	-	-	-	-	10	-	1,799
All Other Funds:	16,499	-	-	-	4	(413)	-	-	(42)	-	16,048
Cumulative Results of Operations											
Funds From Dedicated Collections:	-	20,174	-	-	-	-	-	-	1,243	-	21,417
All Other Funds:	19,883	-	-	(4)	4	1,538	1	-	60	-	21,482
Cumulative Results of Operations	**19,883**	**20,174**	**-**	**(4)**	**4**	**1,538**	**1**	**-**	**1,303**	**-**	**42,899**

Figures may not add to totals because of rounding.

U.S. Department of Housing and Urban Development
Consolidating Statement of Changes in Net Position
For the Period Ending September 2015 (Restated) (continued)
Dollars in Millions

	Federal Housing Administration (FHA)	Government National Mortgage Association (GNMA)	Section 8 Rental Assistance	Public and Indian Housing Loans and Grants (PIH)	Homeless Assistance Grants	Housing for the Elderly and Disabled	Community Development Block Grants (CDBG)	HOME	All Other	Eliminations	Total
Unexpended Appropriations:											
Net Position - Beginning of Period											
Funds From Dedicated Collections:	-	2	1	17	16	-	91	7	(355)	-	(221)
All Other Funds:	872	-	10,001	4,767	4,853	2,683	24,366	3,432	5,468	-	56,442
Beginning Balances	872	2	10,002	4,784	4,869	2,683	24,457	3,439	5,113	-	56,221
Adjustments											
Changes in Accounting Principles											
Funds From Dedicated Collections:	-	-	-	-	-	-	-	-	-	-	-
All Other Funds:	-	-	-	-	-	-	-	-	-	-	-
Corrections of Errors											
Funds From Dedicated Collections:	-	-	-	-	-	-	-	-	-	-	-
All Other Funds:	-	-	574	-	-	-	-	-	-	-	574
Beginning Balances, as Adjusted											
Funds From Dedicated Collections:	-	2	1	17	16	-	91	7	(355)	-	(221)
All Other Funds:	872	-	10,575	4,767	4,853	2,683	24,366	3,432	5,468	-	57,016
Total Beginning Balances, as Adjusted	872	2	10,576	4,784	4,869	2,683	24,457	3,439	5,113	-	56,795
Budgetary Financing Sources:											
Appropriations Received											
Funds From Dedicated Collections:	-	-	-	-	-	-	-	-	-	-	-
All Other Funds:	2,235	-	29,034	2,523	2,135	555	3,066	900	7,191	-	47,639
Appropriations Transferred-In/Out											
Funds From Dedicated Collections:	-	-	55	-	-	-	-	-	-	-	55
All Other Funds:	-	-	-	(16)	-	-	-	-	(40)	-	(56)
Other Adjustments (+/-)											
Funds From Dedicated Collections:	-	(1)	-	-	-	-	(16)	-	(7)	-	(24)
All Other Funds:	(30)	-	-	(4)	(142)	(20)	(18)	(7)	(80)	-	(301)
Appropriations Used											
Funds From Dedicated Collections:	-	-	(39)	1	-	-	(75)	(2)	-	-	(115)
All Other Funds:	(2,206)	-	(29,245)	(2,720)	(1,850)	(946)	(7,423)	(1,210)	(7,278)	-	(52,878)
Total Budgetary Financing Sources											
Funds From Dedicated Collections:	-	(1)	16	1	-	-	(91)	(2)	(7)	-	(84)
All Other Funds:	(1)	-	(211)	(217)	143	(411)	(4,375)	(317)	(207)	-	(5,596)
Total Budgetary Financing Sources	**(1)**	**(1)**	**(195)**	**(216)**	**143**	**(411)**	**(4,466)**	**(319)**	**(214)**	**-**	**(5,680)**
Total Unexpended Appropriations											
Funds From Dedicated Collections:	-	1	17	18	16	-	-	5	(362)	-	(305)
All Other Funds:	871	-	10,364	4,550	4,996	2,272	19,991	3,115	5,261	-	51,420
Total Unexpended Appropriations	**871**	**1**	**10,381**	**4,568**	**5,012**	**2,272**	**19,991**	**3,120**	**4,899**	**-**	**51,115**
Net Position											
Funds From Dedicated Collections:	-	20,175	17	18	16	-	-	5	881	-	21,112
All Other Funds:	20,754	-	10,364	4,546	5,000	3,810	19,992	3,115	5,321	-	72,902
Net Position	**20,754**	**20,175**	**10,381**	**4,564**	**5,016**	**3,810**	**19,992**	**3,120**	**6,202**	**-**	**94,014**

Figures may not add to totals because of rounding.

U.S. Department of Housing and Urban Development
Combining Statement of Budgetary Resources
For the Period Ending September 2016
Dollars in Millions

	Federal Housing Administration (FHA)	Government National Mortgage Association (GNMA)	Section 8 Rental Assistance	Public and Indian Housing Loans and Grants (PIH)	Homeless Assistance Grants	Housing for the Elderly and Disabled	Community Development Block Grants (CDBG)	HOME	All Other	Budgetary Total	Federal Housing Administration Non-Budgetary	Government National Mortgage Association Non-Budgetary	Other Non-Budgetary Credit Program Accounts	Total Non-Budgetary Credit Program Financing Accounts	Total
Budgetary Resources:															
Unobligated Balance Brought Forward, October 1	16,733	13,001	790	156	2,626	441	9,029	264	1,348	44,388	33,986	1,031	471	35,488	79,876
Adjustments to Unobligated Balance Brought Forward, October 1	-	-	-	-	5	-	-	-	2	7	(3)	-	-	(3)	4
Unobligated Balance Brought Forward, Oct 1, As Adjusted	**16,733**	**13,001**	**790**	**156**	**2,631**	**441**	**9,029**	**264**	**1,350**	**44,395**	**33,983**	**1,031**	**471**	**35,485**	**79,880**
Recoveries of Prior Year Unpaid Obligations	241	17	126	14	389	40	9	29	174	1,039	463	-	-	463	1,502
Other Changes in Unobligated Balance	(681)	(1)	-	(17)	(161)	(169)	(10)	(14)	(36)	(1,089)	-	-	-	-	(1,089)
Unobligated Balance From Prior Year Budget Authority, Net	**16,293**	**13,017**	**916**	**153**	**2,859**	**312**	**9,028**	**279**	**1,488**	**44,345**	**34,446**	**1,031**	**471**	**35,948**	**80,293**
Appropriations	3,431	-	30,370	2,529	2,250	583	3,859	950	7,284	51,256	-	-	-	-	51,256
Borrowing Authority	-	-	-	-	-	-	-	-	-	-	13,076	-	2	13,078	13,078
Contract Authority	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Spending Authority From Offsetting Collections	25,010	3,268	-	-	-	368	-	-	58	28,704	19,800	2,766	92	22,658	51,362
Total Budgetary Resources	**44,734**	**16,285**	**31,286**	**2,682**	**5,109**	**1,263**	**12,887**	**1,229**	**8,830**	**124,305**	**67,322**	**3,797**	**565**	**71,684**	**195,989**
Status of Budgetary Resources															
New obligations and upward adjustments (total)															
Direct	**6,976**	**24**	**30,357**	**2,572**	**2,128**	**626**	**4,866**	**964**	**6,815**	**55,328**	**50,911**		**109**	**51,020**	**106,348**
Reimbursable	**-**	**196**		**2**	**9**	**1**			**6**	**214**	**-**	**3,613**		**3,613**	**3,827**
Subtotal	6,976	220	30,357	2,574	2,137	627	4,866	964	6,821	55,542	50,911	3,613	109	54,633	110,175
Unobligated Balances, End of Year															
Apportioned, unexpired account	70	181	763	88	2,216	226	7,441	231	1,031	12,247	5,574	15	88	5,677	17,924
Exempt From Apportionment, unexpired accounts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unapportioned, unexpired accounts	37,648	15,880	166	2	196	355	574	2	844	55,667	10,837	169	368	11,374	67,041
Unexpired unobligated balance, end of year	**37,718**	**16,061**	**929**	**90**	**2,412**	**581**	**8,015**	**233**	**1,875**	**67,914**	**16,411**	**184**	**456**	**17,051**	**84,965**
Expired unobligated balance, end of year	40	4	-	18	560	55	6	32	134	849	-	-	-	-	849
Total unobligated balance, end of year (total)	**37,758**	**16,065**	**929**	**108**	**2,972**	**636**	**8,021**	**265**	**2,009**	**68,763**	**16,411**	**184**	**456**	**17,051**	**85,814**
Total Status of Budgetary Resources	**44,734**	**16,285**	**31,286**	**2,682**	**5,109**	**1,263**	**12,887**	**1,229**	**8,830**	**124,305**	**67,322**	**3,797**	**565**	**71,684**	**195,989**
Change in Obligated Balance															
Unpaid Obligations:															
Unpaid Obligations, Brought Forward, October 1	565	353	8,902	4,710	2,536	1,964	12,495	3,184	4,617	39,326	2,485	271	2	2,758	42,084
Adjustment to Unpaid Obligations, Start of Year	-	-	-	-	(5)	-	-	-	(3)	(8)	3	-	-	3	(5)
New Obligations and Upward Adjustments	6,976	220	30,357	2,574	2,137	627	4,866	964	6,821	55,542	50,911	3,613	109	54,633	110,175
Outlays (gross)	(6,953)	(221)	(30,231)	(2,860)	(1,887)	(910)	(6,015)	(1,154)	(7,289)	(57,520)	(50,286)	(3,656)	(106)	(54,048)	(111,568)
Actual Transfers, Unpaid Obligations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Recoveries of Prior Year Unpaid Obligations	(241)	(17)	(126)	(14)	(389)	(40)	(9)	(29)	(174)	(1,039)	(463)	-	-	(463)	(1,502)
Unpaid Obligations, End of Year (gross)	347	335	8,902	4,410	2,392	1,641	11,337	2,965	3,972	36,301	2,650	228	5	2,883	39,184
Uncollected Payments:															
Uncollected Payments, Fed Sources, Brought Forward, Oct 1	(15)	-	-	-	-	-	-	-	(3)	(18)	-	-	(56)	(56)	(74)
Adjustment to Uncollected Payments, Fed Sources, Start of Year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Change in Uncollected Customer Payments, Fed Sources	(20)	-	-	-	-	(1)	-	-	(2)	(23)	-	-	5	5	(18)
Actual Transfers, Uncollected Payments, Fed sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Uncollected Payments, Fed sources, End of Year	(35)	-	-	-	-	(1)	-	-	(5)	(41)	-	-	(51)	(51)	(92)
Memorandum (non-add) Entries:															
Obligated Balance, Start of Year	**550**	**353**	**8,902**	**4,710**	**2,531**	**1,964**	**12,495**	**3,184**	**4,611**	**39,300**	**2,488**	**271**	**(54)**	**2,705**	**42,005**
Obligated Balance, End of Year	**312**	**335**	**8,902**	**4,410**	**2,392**	**1,640**	**11,337**	**2,965**	**3,967**	**36,260**	**2,650**	**228**	**(46)**	**2,832**	**39,092**
														-	-
Budget Authority and Outlays, Net:														-	-
Budget Authority, Gross (discretionary and mandatory)	28,441	3,268	30,370	2,529	2,250	951	3,859	950	7,342	79,960	32,876	2,766	94	35,736	115,696
Actual Offsetting Collections (discretionary and mandatory)	(24,991)	(3,382)	-	(1)	(1)	(369)	(1)	-	(81)	(28,826)	(29,027)	(2,765)	(96)	(31,888)	(60,714)
(discretionary and mandatory)	(20)	-	-	-	-	(1)	-	-	(2)	(23)	-	-	5	5	(18)
Recoveries of prior year paid obligations (discretionary and mandatory)	1	-	-	1	1	-	1	-	24	28	-	-	-	-	28
Anticipated Offsetting Collections (discretionary and mandatory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Budget Authority, Net (discretionary and mandatory)	**3,431**	**(114)**	**30,370**	**2,529**	**2,250**	**581**	**3,859**	**950**	**7,283**	**51,139**	**3,849**	**1**	**3**	**3,853**	**54,992**
Outlays, Gross (discretionary and mandatory)	6,953	221	30,231	2,860	1,887	910	6,015	1,154	7,289	57,520	50,286	3,656	106	54,048	111,568
Actual Offsetting Collections (discretionary and mandatory)	(24,991)	(3,382)	-	(1)	(1)	(369)	(1)	-	(81)	(28,826)	(29,027)	(2,765)	(96)	(31,888)	(60,714)
Outlays, Net (discretionary and mandatory)	**(18,038)**	**(3,161)**	**30,231**	**2,859**	**1,886**	**541**	**6,014**	**1,154**	**7,208**	**28,694**	**21,259**	**891**	**10**	**22,160**	**50,854**
															-
Distributed Offsetting Receipts	(2,000)	-	(5)	-	-		-		(297)	(2,302)	-	-	-	-	(2,302)
Agency Outlays, Net (discretionary and mandatory)	**(20,038)**	**(3,161)**	**30,226**	**2,859**	**1,886**	**541**	**6,014**	**1,154**	**6,911**	**26,392**	**21,259**	**891**	**10**	**22,160**	**48,552**

Figures may not add to totals because of rounding.

U.S. Department of Housing and Urban Development
Combining Statement of Budgetary Resources
For the Period Ending September 2015 (Restated)
Dollars in Millions

	Federal Housing Administration (FHA)	Government National Mortgage Association (GNMA)	Section 8 Rental Assistance	Public and Indian Housing Loans and Grants (PIH)	Homeless Assistance Grants	Housing for the Elderly and Disabled	Community Development Block Grants (CDBG)	HOME	All Other	Budgetary Total	Federal Housing Administration Non-Budgetary	Government National Mortgage Association Non-Budgetary	Other Non-Budgetary Credit Program Accounts	Total Non-Budgetary Credit Program Financing Accounts	Total
Budgetary Resources:															
Unobligated Balance Brought Forward, October 1	8,152	9,029	736	150	2,460	570	12,177	200	1,255	34,729	45,569	3,751	440	49,760	84,489
Adjustments to Unobligated Balance Brought Forward, October 1	-	(13)	-	-	-	-	-	-	-	(13)	-	-	-	-	(13)
Unobligated Balance Brought Forward, Oct 1, As Adjusted	**8,152**	**9,016**	**736**	**150**	**2,460**	**570**	**12,177**	**200**	**1,255**	**34,716**	**45,569**	**3,751**	**440**	**49,760**	**84,476**
Recoveries of Prior Year Unpaid Obligations	50	7	107	26	274	44	24	19	165	716	382	1	14	397	1,113
Other Changes in Unobligated Balance	(241)	(1)	-	(4)	(142)	(188)	(34)	(7)	(93)	(710)	-	-	3	3	(707)
Unobligated Balance From Prior Year Budget Authority, Net	**7,961**	**9,022**	**843**	**172**	**2,592**	**426**	**12,167**	**212**	**1,327**	**34,722**	**45,951**	**3,752**	**457**	**50,160**	**84,882**
Appropriations	2,225	-	29,090	2,506	2,135	555	3,066	900	6,980	47,457	-	-	-	-	47,457
Borrowing Authority	-	-	-	-	-	-	-	-	-	-	12,146	-	-	12,146	12,146
Contract Authority	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Spending Authority From Offsetting Collections	21,716	4,247	-	-	7	127	-	-	61	26,158	25,563	2,817	72	28,452	54,610
Total Budgetary Resources	**31,902**	**13,269**	**29,933**	**2,678**	**4,734**	**1,108**	**15,233**	**1,112**	**8,368**	**108,337**	**83,660**	**6,569**	**529**	**90,758**	**199,095**
Status of Budgetary Resources															
New obligations and upward adjustments (total)															
Direct	**15,170**	**22**	**29,143**	**2,522**	**2,109**	**666**	**6,204**	**848**	**7,016**	**63,700**	**49,673**	**-**	**59**	**49,732**	**113,432**
Reimbursable	**-**	**246**	**-**	**-**	**-**	**-**	**-**	**-**	**3**	**249**	**-**	**5,538**	**-**	**5,538**	**5,787**
Subtotal	15,170	268	29,143	2,522	2,109	666	6,204	848	7,019	63,949	49,673	5,538	59	55,270	119,219
Unobligated Balances, End of Year															
Apportioned, unexpired account	56	128	698	113	2,085	254	9,021	237	523	13,115	3,509	867	102	4,478	17,593
Exempt From Apportionment, unexpired accounts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unapportioned, unexpired accounts	16,676	12,873	92	43	540	188	8	27	826	31,273	30,478	164	368	31,010	62,283
Unexpired unobligated balance, end of year	**16,732**	**13,001**	**790**	**156**	**2,625**	**442**	**9,029**	**264**	**1,349**	**44,388**	**33,987**	**1,031**	**470**	**35,488**	**79,876**
Expired unobligated balance, end of year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total unobligated balance, end of year (total)	**16,732**	**13,001**	**790**	**156**	**2,625**	**442**	**9,029**	**264**	**1,349**	**44,388**	**33,987**	**1,031**	**470**	**35,488**	**79,876**
Total Status of Budgetary Resources	**31,902**	**13,269**	**29,933**	**2,678**	**4,734**	**1,108**	**15,233**	**1,112**	**8,368**	**108,337**	**83,660**	**6,569**	**529**	**90,758**	**199,095**
Change in Obligated Balance															
Unpaid Obligations:															
Unpaid Obligations, Brought Forward, October 1	587	281	8,865	4,871	2,605	2,303	12,861	3,568	5,146	41,087	2,229	265	17	2,511	43,598
Adjustment to Unpaid Obligations, Start of Year	-	15	-	-	-	-	-	-	-	15	-	-	-	-	15
New Obligations and Upward Adjustments	15,170	268	29,143	2,522	2,109	666	6,204	848	7,019	63,949	49,673	5,538	59	55,270	119,219
Outlays (gross)	(15,142)	(202)	(28,999)	(2,657)	(1,904)	(962)	(6,547)	(1,213)	(7,383)	(65,009)	(49,035)	(5,532)	(59)	(54,626)	(119,635)
Actual Transfers, Unpaid Obligations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Recoveries of Prior Year Unpaid Obligations	(50)	(7)	(107)	(26)	(274)	(44)	(24)	(19)	(165)	(716)	(382)	(1)	(14)	(397)	(1,113)
Unpaid Obligations, End of Year (gross)	565	355	8,902	4,710	2,536	1,963	12,494	3,184	4,617	39,326	2,485	270	3	2,758	42,084
Uncollected Payments:															
Uncollected Payments, Fed Sources, Brought Forward, Oct 1	(8)	-	-	-	-	-	-	-	(4)	(12)	-	(2)	(55)	(57)	(69)
Adjustment to Uncollected Payments, Fed Sources, Start of Year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Change in Uncollected Customer Payments, Fed Sources	(6)	-	-	-	-	-	-	-	-	(6)	-	2	(1)	1	(5)
Actual Transfers, Uncollected Payments, Fed sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Uncollected Payments, Fed sources, End of Year	(14)	-	-	-	-	-	-	-	(4)	(18)	-	-	(56)	(56)	(74)
Memorandum (non-add) Entries:															
Obligated Balance, Start of Year	**579**	**296**	**8,865**	**4,871**	**2,605**	**2,303**	**12,861**	**3,568**	**5,142**	**41,090**	**2,229**	**263**	**(38)**	**2,454**	**43,544**
Obligated Balance, End of Year	**551**	**355**	**8,902**	**4,710**	**2,536**	**1,963**	**12,494**	**3,184**	**4,613**	**39,308**	**2,485**	**270**	**(53)**	**2,702**	**42,010**
														-	-
Budget Authority and Outlays, Net:														-	-
Budget Authority, Gross (discretionary and mandatory)	23,941	4,247	29,090	2,506	2,142	682	3,066	900	7,041	73,615	37,709	2,817	72	40,598	114,213
Actual Offsetting Collections (discretionary and mandatory)	(21,710)	(4,358)	-	-	(6)	(506)	-	-	(59)	(26,639)	(38,213)	(2,819)	(76)	(41,108)	(67,747)
Change in Uncollected Customer Payments from Fed sources (discretionary and mandatory)	(6)	-	-	-	-	-	-	-	-	(6)	-	2	(1)	1	(5)
mandatory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Anticipated Offsetting Collections (discretionary and mandatory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Budget Authority, Net (discretionary and mandatory)	**2,225**	**(111)**	**29,090**	**2,506**	**2,136**	**176**	**3,066**	**900**	**6,982**	**46,970**	**(504)**	**-**	**(5)**	**(509)**	**46,461**
Outlays, Gross (discretionary and mandatory)	15,142	202	28,999	2,657	1,904	962	6,547	1,213	7,383	65,009	49,035	5,532	59	54,626	119,635
Actual Offsetting Collections (discretionary and mandatory)	(21,710)	(4,358)	-	-	(6)	(506)	-	-	(59)	(26,639)	(38,213)	(2,819)	(76)	(41,108)	(67,747)
Outlays, Net (discretionary and mandatory)	**(6,568)**	**(4,156)**	**28,999**	**2,657**	**1,898**	**456**	**6,547**	**1,213**	**7,324**	**38,370**	**10,822**	**2,713**	**(17)**	**13,518**	**51,888**
															-
Distributed Offsetting Receipts	(2,797)	-	-	-	-	-	-	-	(47)	(2,844)	-	-	-	-	(2,844)
Agency Outlays, Net (discretionary and mandatory)	**(9,365)**	**(4,156)**	**28,999**	**2,657**	**1,898**	**456**	**6,547**	**1,213**	**7,277**	**35,526**	**10,822**	**2,713**	**(17)**	**13,518**	**49,044**

Figures may not add to totals because of rounding.