

U.S. Department of Housing and Urban Development



AGENCY FINANCIAL REPORT
Fiscal Year 2025
December 18, 2025

ABOUT THIS REPORT

The United States (U.S.) Department of Housing and Urban Development (HUD) Agency Financial Report (AFR) for Fiscal Year (FY) 2025 presents the Department's stewardship of financial resources entrusted to its care. HUD has chosen to produce an AFR and an Annual Performance Report (APR), which highlight the organization's efforts to execute its mission:

[FY 2025 AFR Link](#)

[FY 2025 APR Link](#)

This AFR is organized into four major sections:

Management's Discussion and Analysis (MD&A)—Includes information on the agency's mission and organizational structure, performance results, analysis of financial statements, compliance with pertinent laws and regulations, and a statement of assurance from HUD management.

Financial Information—Includes a Message from the Principal Deputy Chief Financial Officer, an independent auditor's report, financial statements and accompanying notes, and Required Supplementary Information.

Other Information—Provides HUD's Office of the Inspector General's (OIG) Management Challenges, a summary of the financial statement audit and management assurances, and other relevant information.

Appendices—Provides a glossary of acronyms and abbreviations, public laws, as well as a table of relevant websites.

ABOUT THE COVER

This year's report cover features a collage that highlights leadership dedicated to ushering in the Golden Age of Home Ownership and focusing on fraud, waste, and abuse. From the left to right, top to bottom, the images include President Donald J. Trump¹; Secretary Turner; Deputy Secretary Andrew Hughes; and Principal Deputy Chief Financial Officer Irving L. Dennis – each plays a significant role in driving forward this Administration's commitment to affordable and safe housing, and the fiscal responsibility of taxpayer funds.

1. Photo by The White House [[Flickr](#), public domain]

Inside cover background: Photograph of a model unit toured at the Liberty Square Tour and Grand Opening with Secretary Turner.

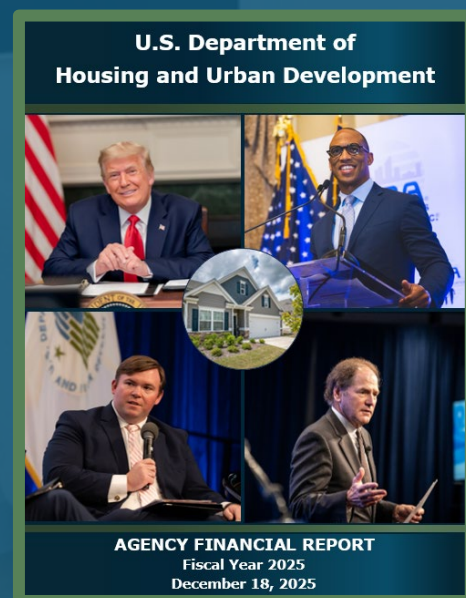


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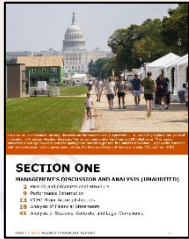


MESSAGE FROM THE SECRETARY

Message from the Secretary

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Background photo: Photograph of Liberty Square Grand Opening ribbon cutting with Secretary Turner

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MESSAGE FROM THE SECRETARY



I am pleased to present the Fiscal Year (FY) 2025 Agency Financial Report (AFR) for the U.S. Department of Housing and Urban Development. Under President Trump's leadership, HUD is fostering strong communities by supporting access to quality, affordable housing, expanding the housing supply, and unlocking homeownership opportunities for the American people. The Department is committed to furthering the promise of self-sufficiency in every American while promoting economic development to revitalize rural, tribal, and urban communities across the country.

For too many years, public housing was treated as a permanent solution rather than a temporary support to help the American people. Outdated regulations and excessive, ideologically motivated federal intervention constrained local decision-making, increased costs, limited housing supply, and weakened HUD's ability to meet statutory objectives. These conditions created inefficiencies and failed to steward American taxpayer dollars.

Since the start of this Administration, HUD has restored accountability and realigned programs with their intended purpose. Housing affordability remains a top priority. Manufactured housing plays a critical role in meeting this need, and HUD is modernizing standards and removing outdated regulatory barriers to support efficient, affordable production to help lower costs and improve access to the American Dream of homeownership.

Reducing unnecessary regulatory burdens has been central to this effort. HUD terminated the Affirmatively Furthering Fair Housing (AFFH) rule, which imposed costly federal mandates and limited local flexibility. FHA further streamlined operations by rescinding more than a dozen unnecessary sub-regulatory policies that increased financing costs and impeded affordable housing production. These reforms strengthen market stability, improve efficiency, and save taxpayer dollars.

HUD supports homeownership and housing affordability for new and returning homebuyers, helping more than one million Americans this year through the Federal Housing Administration and the Government National Mortgage Association (Ginnie Mae). This includes more than half a million first-time American homebuyers.

HUD remains committed to reliable financial reporting, strong internal controls and effective risk management. Our Principal Deputy Chief Financial Officer (PDCFO) has identified a deterioration in the financial controls under the Biden Administration. As further described in this report, our PDCFO has identified deficiencies in the governance structure, training, and control processes caused by lack of attention and priorities by the Biden Administration. Consequently, we now face a material weakness in both our internal controls and governance at HUD's Program Offices. The deficiencies observed within HUD's Program Offices do not affect the Federal Housing Administration (FHA) and the Government National Mortgage Association (Ginnie Mae). To address them, our PDCFO will lead a remediation effort focused on strengthening internal

MESSAGE FROM THE SECRETARY

controls, data integrity, and accountability. HUD will continue implementing corrective actions and enhancing oversight to safeguard American taxpayer resources.

Across the Department, we are building a lean, mission-minded organization dedicated to efficiency, transparency, and accountability. We will continue eliminating waste, fraud, and abuse, ensuring every taxpayer dollar advances HUD's mission.

Sincerely,



E. Scott Turner

Secretary



The HUD 2025 Innovative Housing Showcase on the National Mall (September 6–10, 2025) highlighted 250 years of innovation in American Housing. Secretary Turner commemorates the America 250 Initiative as “This year’s Innovative Housing Showcase puts the spotlight on American grit and free market innovation – a powerful reminder that free enterprise, not big government, drives the American Dream of Homeownership.” [Quote from HUD]

SECTION ONE

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)

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MISSION AND ORGANIZATIONAL STRUCTURE



Mission

Fostering strong communities that support quality, affordable homeownership opportunities, promoting economic development & self-sufficiency for all Americans.

About the background: Model home on the National Mall during The HUD 2025 Innovative Housing Showcase.

HUD'S CORE VALUES

Opportunity for All Americans

HUD believes every American deserves the chance to build a better life. HUD works to expand access to affordable housing and homeownership for all Americans.

Empowerment Over Dependency

HUD supports programs that uplift individuals and families—helping them transition from government assistance to greater independence.

Local Solutions, National Impact

HUD trusts communities to know their needs best. By reducing red tape and elevating local partners, HUD promotes housing strategies that are community-driven.

Accountability in Action

HUD is committed to responsible stewardship of taxpayer dollars. Through oversight, modernization, and transparency, HUD ensures federal resources deliver real results.

DID YOU KNOW?



DELIVERING EMERGENCY PRICE RELIEF FOR AMERICAN FAMILIES AND DEFEATING THE COST OF LIVING CRISIS


- President Trump signed a Presidential Memorandum on January 20, 2025, which ordered the heads of executive departments and agencies to deliver emergency price relief.
- The Memorandum includes “pursuing appropriate actions to: lower the cost of housing and expand housing supply; eliminate unnecessary administrative expenses and rent-seeking practices that increase healthcare costs; eliminate counterproductive requirements that raise the costs of home appliances; create employment opportunities for American workers, including drawing discouraged workers into the labor force; and eliminate harmful, coercive ‘climate’ policies that increase the costs of food and fuel.”

Photo and Quote by The White House [[Flickr](#), public domain]

Who We Are. HUD began in the aftermath of the Great Depression with the passage of the *National Housing Act of 1934, Public Law 73-479*, and the *Housing Act of 1937, Public Law 75-412*, creating the Federal Housing Administration (FHA) and the Nation's public housing program. After a series of Housing and Development Acts that expanded the mission to make quality housing more available and affordable, HUD officially became a Cabinet-level agency within the executive branch of the federal government in 1965 when President Lyndon B. Johnson signed the *Department of Housing and Urban Development Act, Public Law 89-174*, as a part of the Great Society programs. HUD oversees national policies and programs that focus on addressing America's housing needs, improving and developing the Nation's communities, and enforcing fair housing laws.

What We Do. HUD is committed to achieving its mission of fostering strong communities by supporting access to quality, affordable housing and promoting economic development and self-sufficiency for all Americans. HUD will accomplish this mission by:




 Secretary Turner Tours A New York City Rental Assistance Demonstration (RAD) Development

Expanding Affordable Housing Access – HUD works to eliminate regulatory barriers, modernize outdated policies, and partner with local stakeholders to increase the availability of affordable rental and homeownership opportunities nationwide.

Addressing and Preventing Homelessness – HUD invests in local solutions to reduce homelessness by funding emergency housing, supporting wraparound services, and partnering with communities to address the root causes of housing instability.



 SOHUD Tours One80 Place Homeless Shelter in Charleston, SC

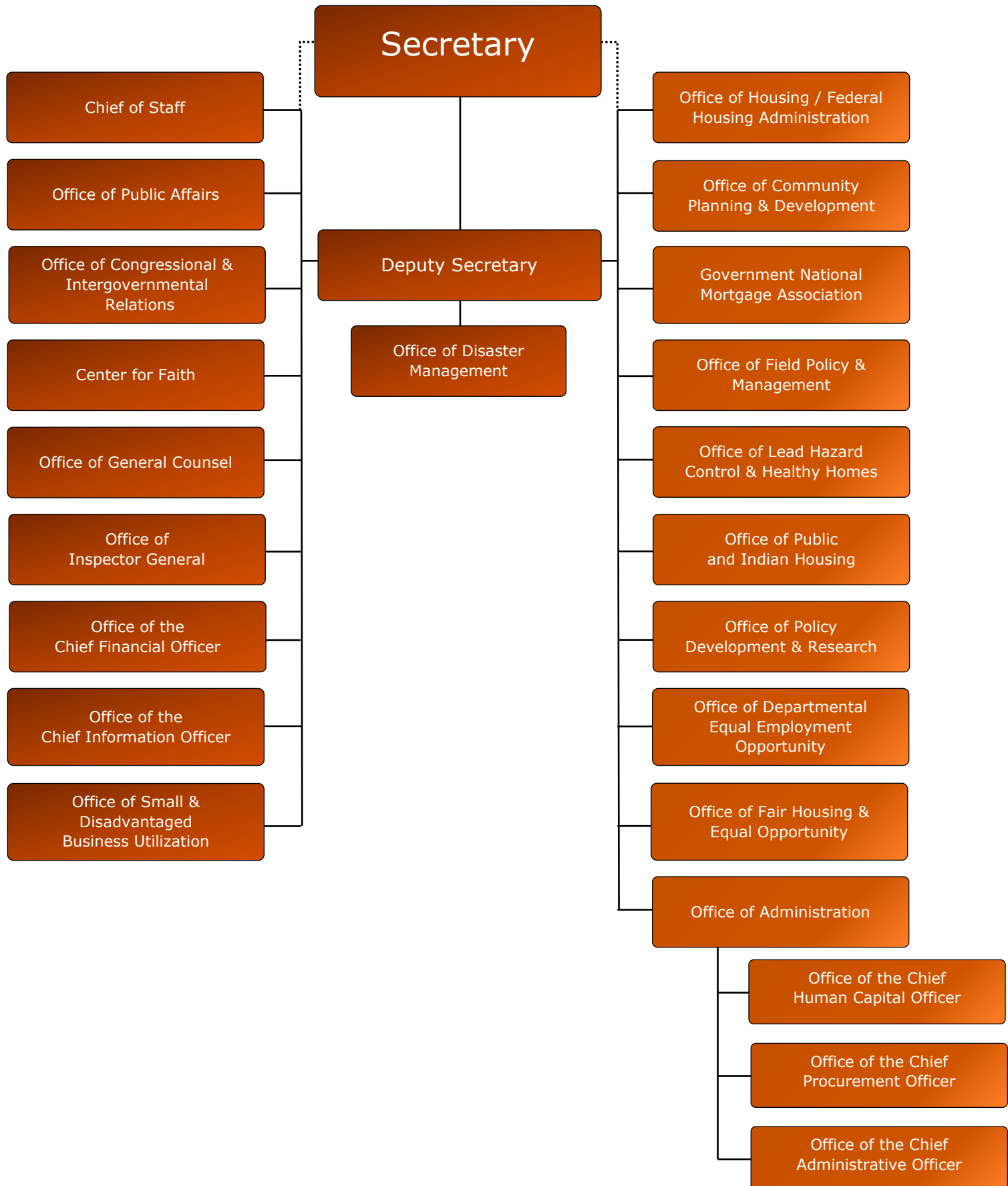
Protecting Taxpayer Resources – HUD improves oversight and transparency through modernized grant systems, enhanced financial controls, and a culture of accountability to ensure responsible stewardship of federal funds.

Modernizing HUD Operations – HUD streamlines internal processes, upgrades legacy technology, and simplifies how people access HUD services—boosting efficiency and improving the customer experience.



To learn more about HUD, scan the QR Code or [click here](#).

HUD ORGANIZATIONAL CHART





February 5, 2025

E.Scott Turner confirmed by the U.S. Senate to be the 19th Secretary of HUD.



March 6, 2025

Extended foreclosure relief to Americans impacted by wildfires in Los Angeles County and more than one million FHA borrowers impacted by Hurricanes Helene and Milton.



May 7, 2025

HUD provides \$1.8M investment in HUD'S Foster Youth to Independence program on the anniversary of the First Lady Melania Trump's BE BEST Initiative.



July 8, 2025

HUD announced a 90-day foreclosure moratorium on FHA-insured single-family mortgages in areas of Kerr County, TX, devastated by severe storms.



September 10, 2025

Secretary Turner hosted HUD's Tribal Intergovernmental Advisory Committee meeting where he announced \$220M in new funding opportunities.

HUD'S FY 2025 MISSION-MINDED ACHIEVEMENTS OF THE TRUMP ADMINISTRATION



Photo by The White House [Flickr, public domain]

MAJOR PROGRAM ACTIVITIES

Office of Housing



Frank Cassidy, Principal Deputy Assistant Secretary

The Office of Housing strives to build and preserve neighborhoods and communities while expanding and maintaining homeownership, rental housing, and healthcare options. In times of economic disruptions, we stabilize credit markets, operating with transparency and accountability. We recognize and value our customers, staff, constituents, and partners as an integral aspect of our mission.

Government National Mortgage Association (Ginnie Mae)



Joseph M. Gormley,
Executive Vice President
and Chief Operating
Officer

Ginnie Mae's guaranty links the U.S. housing market to the global capital markets, ensuring access to affordable mortgage credit in all market conditions. Backed by the full faith and credit of the U.S. government, the Ginnie Mae guaranty enables liquidity for the following federal government insured programs:

- U.S. Department of Housing and Urban Development – Federal Housing Administration
- U.S. Department of Veterans Affairs
- U.S. Department of Agriculture Rural Housing
- U.S. Department of Housing and Urban Development – Public and Indian Housing

Office of Public and Indian Housing (PIH)



Benjamin Hobbs,
Principal Deputy
Assistant Secretary

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.

PIH's workforce oversees four major business areas:

- Housing Choice Voucher (HCV) Programs
- Public Housing Programs
- Native American Programs
- Real Estate Assessment Center

Office of Community Planning and Development (CPD)



Brian W. Horn, Acting
Principal Deputy
Assistant Secretary

CPD seeks to strengthen communities by promoting decent housing, a suitable living environment, and economic opportunities for low and moderate-income persons. The primary means towards this end is the development of partnerships among all levels of government and the private sector, including for-profit and non-profit organizations.

Office of Lead Hazard Control and Healthy Homes (OLHCHH)



Matthew Ammon,
Director

OLHCHH's primary program stakeholders are States, Tribes, local governments, and non-profit organizations. The grants reduce lead-based paint hazards and other housing-related health and safety hazards in homes of low-income families, enforces lead-based paint regulations, provides outreach and technical assistance, and funds technical studies to develop and evaluate cost-effective methods to protect children and their families from health and safety hazards in the home.

Office of Policy Development and Research (PD&R)



John Gibbs, Principal
Deputy Assistant
Secretary

The mission of PD&R is to improve life in American communities by building evidence to inform and strengthen housing and community development policy and practice and accelerate progress on HUD's priorities. To accomplish its mission, PD&R:

- Provides reliable, objective, and current information on housing and community development needs and market conditions
- Conducts rigorous research that helps fill key evidence gaps and evaluates HUD policies and programs, and identifies emerging challenges and opportunities
- Supports innovation in building technologies and housing and community development policies
- Manages and leverages HUD's data assets to support evidence-based and data-driven policy and program improvements
- Builds capacity in the housing and community development field by sharing knowledge, elevating best practices, and providing technical assistance
- Provides policy advice and support to the HUD Secretary and program offices and interacts with international counterparts to share knowledge worldwide

Office of Fair Housing and Equal Opportunity (FHEO)



Craig Trainor, Assistant
Secretary

The mission of HUD's FHEO is to eliminate housing discrimination, promote economic opportunity, and achieve safe, prosperous communities by leading the Nation in the enforcement of federal fair housing policies and laws.

PERFORMANCE INFORMATION

HUD is committed to centering its efforts toward achieving its mission. With every decision, HUD leadership utilizes a mission-minded approach to expand homeownership opportunities, work with local and faith-based leaders to address homelessness, protect taxpayer resources, and modernize HUD operations. This administration's strategy works in tandem with the *Government Performance and Results Act Modernization Act of 2010, Public Law 111-352*, which requires agencies to develop Annual Performance Plans (APPs) that outline how agencies will achieve and measure their strategic goals. The [FY 2026 HUD \(APP\)](#)¹ identified four priorities that reflect both the urgent needs of communities and HUD's continued commitment to delivering results.

HUD's Mission

Fostering strong communities that support quality, affordable homeownership opportunities, promoting economic development & self-sufficiency for all Americans.

Priority 1: Reduce Barriers to Affordable Housing & Support the American Dream of Homeownership

Remove barriers that inhibit the development and utilization of affordable housing.

Priority 2: Reduce Homelessness

Empower community homelessness mitigation efforts to ensure such experiences are brief, non-recurring, and ultimately prevented.

Priority 3: Protect Taxpayer Funds

Increase HUD's efficiency and effectiveness in executing its mission by eliminating waste, fraud, and abuse in Federal spending.

Priority 4: Streamline Business Processes

Radically streamline and simplify HUD operations to meet 21st Century demands.

¹ For a complete review of HUD's FY 2025 performance, please see the FY 2025 APR, which is due to be published in March 2026. Current and past APRs can be accessed online at: <https://archives.hud.gov/budget/>

Four Priorities and Performance Indicators



Priority 1: Reduce Barriers to Affordable Housing & Support the American Dream of Homeownership

Lead by: **Office of Housing / Federal Housing Administration**
Office of Public and Indian Housing

HUD is committed to working closely with Federal, state, Tribal, and local partners to identify and eliminate barriers to the creation and availability of affordable housing. HUD will deliver better outcomes for communities by collaborating with stakeholders across all levels of government. The Department will streamline programs, remove overly burdensome regulations, and encourage local control. HUD will also increase homeownership opportunities by reducing burdensome and unnecessary FHA requirements that result in higher costs for borrowers. Increases in homeownership will be furthered by expanded access to affordable housing options such as manufactured homes and partnerships with local organizations to develop individuals' capacities to make sound homeownership decisions. In sum, HUD will drive nationwide efforts to make homeownership more affordable, sustainable, and fair for all Americans.

Paired with reducing obstacles to homeownership is HUD's commitment to enabling access to affordable rental housing. The Department is developing a comprehensive strategy to improve the efficiency of its rental assistance programs by addressing current and future needs. The modernization of housing information systems will ensure these needs are met by improving the timeliness and accuracy of HUD data. Additionally, the Department intends to shift toward state-based rental assistance grants and further encourage work and self-sufficiency among households receiving rental assistance.

Key Performance Indicators

- Number of deregulatory actions issued
- Income from wages in work-able household



Priority 2: Reduce Homelessness

Lead by: **Office of Community Planning and Development**
Office of Public and Indian Housing

The homelessness crisis continues to impact millions across the United States, with families with children, veterans, Tribal Nations, and youth facing some of the greatest challenges. Several longstanding factors have contributed to this crisis, including an affordable housing shortage, high inflation, and stagnant wages for middle- and lower-income households. In addition, natural disasters have displaced millions of individuals, further stretching an already overwhelmed system. Compounding these issues are the prevalence of substance use disorders, untreated mental health conditions, and crime—each of which can create instability and increase the risk of homelessness, particularly in communities with limited access to support services.

Despite these challenges, we can help every American find and maintain stable housing. To make significant progress toward ending homelessness, HUD and its partners must be committed to not only addressing the immediate needs of families and individuals but also creating sustainable solutions tailored to the unique needs of communities. This requires identifying local best practices and determining how the Federal government can most effectively target its homelessness assistance resources to provide targeted support and prevent homelessness through proactive measures. To effectively address homelessness, the strategy must go beyond housing alone and promote comprehensive reforms, including expanded access to wraparound services such as substance use treatment and mental health care, including support for individuals impacted by crime.

HUD will focus on transitional and emergency housing supply strategies—emphasizing the removal of burdensome regulations that restrict affordable housing development. The updated Emergency Solutions Grant (ESG) program will provide emergency, short- and medium-term assistance in the communities with the highest need, helping individuals get off the streets and back on their feet. Emphasis will be on supporting states and local governments in partnering with the private sector to expand housing availability. Fostering strong partnerships between Federal agencies, local governments, Tribes, and community organizations are essential to establishing a coordinated and effective response. This approach will bring us closer to the goal of ending homelessness for all.

Key Performance Indicators

- Number of people experiencing unsheltered homelessness
- Percent of ESG dollars dedicated to homeless prevention activities
- Percent of ESG dollars dedicated to street outreach



Priority 3: Protect Taxpayer Funds

Lead by: **Office of the Chief Financial Officer (OCFO)**

HUD will achieve Departmental efficiencies to increase productivity and protect taxpayer funds against waste, fraud, and abuse. The Department will increase accountability and transparency by refining and enhancing its current financial management procedures to streamline the execution of HUD grant and financial assistance programs. This will improve Departmental stewardship of taxpayer dollars by analyzing the complete flow of Federal funds, including those executed by HUD partners. Efforts will be driven by commitments from senior Departmental leadership; clear, concise operational planning; and a focus on the needs of end-customers. In addition, HUD will focus on effective internal controls to meet reporting requirements and align with Administration priorities.

Central to these Departmental efforts will be the HUD Efficiency Task Force. Project management offices beneath the steering committee will execute Department-wide efforts to achieve the Administration's priorities. The Task Force will establish a governance environment to promote accountability, performance reporting, and stakeholder engagement across HUD. The Task Force will reinforce a culture of accountability in the delivery of sustainable, efficient processes that increase productivity while protecting taxpayer funds against waste, fraud, and abuse.

Key Performance Indicators

- Number of programs transitioned to a modern grants management system
- Decommission legacy financial and grant management systems



Priority 4: Streamline Business Processes

Lead by: **Office of the Chief Financial Officer**
Office of the Chief Information Officer
Office of Administration

HUD is undergoing a strategic restructuring of its information technology (IT) and business processes to optimize the efficiency and effectiveness of the Department's execution of its mission. The Department provides many crucial services to our nation and employs highly motivated people who want their work to have the greatest impact possible. Yet, employees are currently limited in their capacity to carry out HUD's mission in an efficient way due to outdated technology, burdensome regulations, and manual processes. This restructuring initiative will streamline HUD's business processes by eliminating repetitive workstreams, upgrading technology, and strengthening internal operations.

To meet the needs of customers, HUD will make it simpler and easier to access and use its services by modernizing its technology and business processes. This includes the cost-saving streamlining of HUD websites, web pages, web applications, digital documents, and service delivery processes to measurably improve customers' experiences. To accompany these efforts, HUD will measure the value and cost of any newly proposed process to ensure the best use of staff time, effort, and resources. In sum, Departmental efforts to streamline HUD business processes will greatly improve overall workforce efficiency, transparency, and accountability.

Key Performance Indicators

- HUD processes streamlined via IT modernization
- HUD website consolidation and digital experience modernization

OCFO MAJOR ACCOMPLISHMENTS

In FY 2025, HUD OCFO advanced HUD's mission through decisive actions to strengthen governance, modernize operations, and safeguard taxpayer resources; while navigating unprecedented challenges.

Internal Controls and Governance

Under the Principal Deputy Chief Financial Officer's (PDCFO) guidance, HUD's OCFO undertook an extensive review to update processes and understand the functionality of key internal controls across HUD's material program offices. This review identified significant gaps in governance and accountability, and revealed an erosion of the control environment under the Biden administration. Through rigorous testing, OCFO confirmed that many critical controls were either absent or ineffective, resulting in heightened risk exposure. These findings highlight the urgent need for stronger governance frameworks and reinforce HUD's commitment to restoring a robust control environment.

We have already developed a detailed remediation plan and will begin implementation immediately to improve HUD's financial internal controls and governing oversight.

Project Horizon

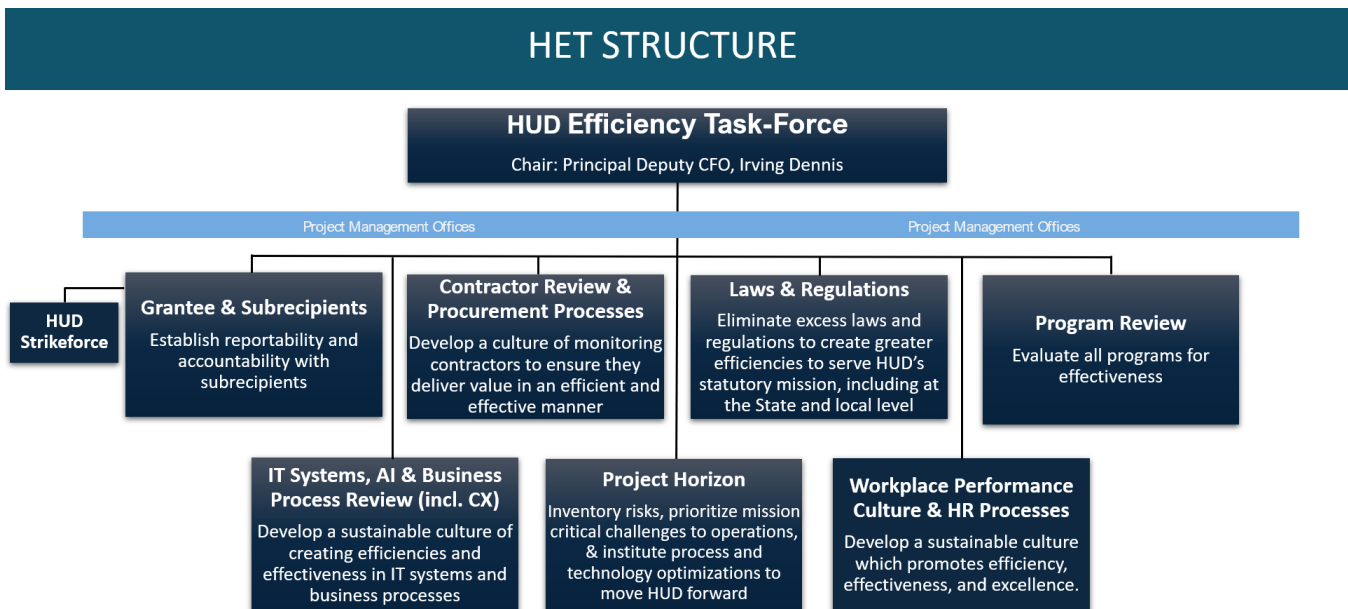
During FY 2025, the Department of Government Efficiency (DOGE) initiated a comprehensive review of contracts, grants, and unnecessary rules and regulations, resulting in millions of dollars in savings and the recovery of misplaced funds. To ensure mission-critical functions continued to be carried out without disruption or risk, HUD launched Project Horizon, a strategic initiative designed to ensure continuity of critical services. To assess the impact of the DOGE initiative this dedicated team had a focused mission to rapidly collect, consolidate, standardize, and prioritize more than 350 individual potential risk statements into a unified enterprise Risk Register. The Risk Register enabled leadership to concentrate mitigation actions on the mission-critical and priority areas. The stakes were high, and HUD worked to deliver timely rent subsidy payments, maintain mortgage operations, execute grants, achieve audit readiness, meet compliance and reporting obligations, and preserve department-wide transparency.

Project Horizon began by leveraging an internal survey distributed to General and Political Deputy Assistant Secretaries for every HUD program office, to populate a centralized index organizing risks across Program Offices. To strengthen and contextualize these survey inputs, the team conducted structured interviews with leadership from each program office, which enabled a deeper and more precise understanding of risks across people, processes, and technology. This work produced a consolidated set of 355 unique risks and issues aligned to HUD's strategic priorities and supported the development of targeted mitigation strategies, complemented by a PowerBI dashboard to track progress and outstanding gaps. Below is a summary of the risk priorities in Project Horizon.

Mission Critical Priorities	Fulfilling Voucher Operations (MC1) <ul style="list-style-type: none"> Delayed PHA payments still a potential risk Risk to payment accuracy due to lack of training and experience 	Mortgage Applications and Processing (MC2) <ul style="list-style-type: none"> POs noted mortgage processing delays in routine operations Turnaround team lacks capacity to support troubled loans; multiple potential implications Capacity constraints in claim processing 	Ginnie Mae Liquidity (MC3) <ul style="list-style-type: none"> Inability to conduct comprehensive oversight of issuers and manage issuer workouts Integrity of the securitization program at risk; risk of default on the Ginnie Mae Guaranty 	Grants Execution and Distribution (MC4) <ul style="list-style-type: none"> Risk to awarding/obligating competitive grants by year end Risk of misalignment between grantee plans and administrative priorities due to auto-approval timeline for formula grants 	
	Department-wide Priorities	Financial Audit (DW1) <ul style="list-style-type: none"> HUD is focused on maintaining a clean financial audit with the limited resources available (noted challenges by Housing, GNMA, PIH, CPD, OFPM, and OCFO) 	Oversight (DW2) <ul style="list-style-type: none"> Ginnie Mae challenged to maintain compliance with Federal accounting standards Risk to Public Housing inspections and financial transaction oversight 	Compliance & Reporting (DW3) <ul style="list-style-type: none"> Challenges complying with external requests from OIG, OMB, Congress, and the public Inability to meet demand for customer inquiries, complaints, and requests; risking negative impacts to vulnerable populations 	Transparency (DW4) <ul style="list-style-type: none"> Siloed communication to staff about changes Missing top-down communications and engagement risks low morale, poor staff performance, and increased attrition

HUD Efficiency Task Force (HET)

Building on the efforts of the team in reestablishing a strong operational control environment, HUD established the HET, a HUD-wide initiative to strengthen governance and oversight. The HET is chaired by the PDCFO and includes senior leadership from key program offices. Under HET, HUD implemented reforms to streamline grant and other business processes, improving grantee accountability and transparency related to use of taxpayer funds, improved contracting oversight, IT modernization and artificial intelligence (AI) implementation, assess program effectiveness, improve human resource functions, and elimination of unnecessary rules and regulations.



Modernizing Grants Management: HUD Unified Grants System (HUGS)

HUD is developing the HUGS project to consolidate its fragmented grant processes, standardize workflows, and improve data quality. HUGS is designed to create accountability and transparency of how grantees and public housing authorities (PHAs) are spending the grant funds it receives. The process is designed whereby all grantees will submit supporting documentation for the complete flow of funds through a sub-recipient portal, which will be transmitted to a data integration platform for analysis. Once the information is captured, utilizing AI methodologies, HUD will be able to analyze expenditures for early identification of fraud, waste, and abuse.

While HUGS is still in development, significant progress has been made on the sub-recipient process, including amending current and future notices of funding opportunities and grant agreements to include a provision that grantees must comply with sub-recipient reporting or run the risk of losing grant monies. In addition, the recipient portal to accommodate sub-recipient reporting is live and fraud, waste, abuse analytics will be underway starting immediately in January 2026. In addition, HUD is piloting the program with selected PHAs and grantees, with positive results so far. These early milestones position HUGS to deliver transformative improvements in transparency and in the prevention of fraud, waste, and abuse.

Project Voucher: Strengthening Rental Assistance Integrity

HUD initiated Project Voucher, a whole-of-agency effort to improve the integrity and efficiency of rental assistance programs. The initiative aims to eliminate fraud, waste, and abuse, maximize resources, and ensure responsible stewardship of taxpayer dollars. Project Voucher includes processes that perform data analysis on voucher payments for anomalies and early identification of potential improper payments. In addition, HUD is developing pilot programs with PHAs to determine the feasibility of collecting tenant documentation via a web-based portal to support and identify missing information and other areas of programmatic non-compliance, trace payments made by HUD directly to tenants, and automate the calculation of rental assistance payments based on tenant documentation.

This important project will allow HUD to enhance payment oversight, stop payments to ineligible recipients, and prevent enrollment of ineligible tenants, increasing payment integrity across HUD's rental assistance programs.

Payment Integrity: A Data-Driven Approach

HUD advanced payment integrity through an innovative, data-driven approach that evaluated the complete population of payments across the lifecycle, and eliminated reliance on statistical sampling. This robust analysis enabled HUD to publish payment error estimates for its two rental assistance programs for the first time ever, and will inform targeted corrective actions to mitigate these payment risks going forward. These efforts represent a comprehensive strategy to safeguard taxpayer dollars and ensure housing assistance reaches those who need it most. (See the Payment Integrity Section for more information)

HUD EfficienCX: Improving the Efficiency of Service Delivery

In FY25, OCFO led HUD's EfficienCX strategic initiative to improve the efficiency of service delivery across the Department and provide customers with a simple, seamless, and modern experience. This included the HUD Web Simplify project to make it easier for customers to find

information online while reducing operational costs and staff time spent maintaining a sprawling digital ecosystem. As part of this effort, OCFO and the Office of Public Affairs successfully streamlined HUD.gov by reducing over 80% of the 9,200 pages on the site and eliminating three duplicative websites. In addition, OCFO launched the HUD Resource Center project to save millions in taxpayer dollars by pursuing consolidation of numerous customer service phone numbers into a single, consistent point of contact for all customer inquiries across HUD's programs. Lastly, OCFO spearheaded the HUD Service Insight project to implement a more efficient voice of the customer program. As a result, the Department saved \$500k in FY25 and is on track to reduce its costs by \$2M over the next four years while expanding its ability to monitor and continuously improve service delivery.

Driving Innovation and Modernization through Artificial Intelligence AI

HUD embraced the transformative potential of artificial intelligence by developing use cases for an AI-powered policy assessment tool, single audit automation, and fraud detection through analysis of receipts submitted via the sub-recipient reporting portal. These capabilities will enable HUD to identify and mitigate fraud, waste, and abuse more effectively, and position itself at the forefront of technological innovation, accelerating modernization and enhancing its ability to deliver on its mission.

HUD is transforming how it manages financial oversight by using automation and artificial intelligence to make processes faster, more accurate, and less costly. These innovations ensure taxpayer money is spent properly, reduce fraud risks, and free staff to focus on mission-driven work that benefits families and communities.

Making Grantee Compliance Audits Faster and More Reliable

- HUD automated the process of verifying Certified Public Accountant (CPA) licenses for more than 16,000 audits each year, saving over 2,080 hours annually and improving accuracy by 90%. This identifies unlicensed auditors who are conducting the audits of organizations that manage taxpayer funds and strengthens compliance safeguards. When there are CPA license checks that are still required to be performed manually, HUD created an online form that captures details and feeds them into a central system, helping to close gaps and reducing risk.
- HUD modernized the Compliance Supplement Package process that helps to guide nonprofit auditors. By automating updates, HUD cut email traffic by 90%, reduced staff workload by 85%, and ensured 100% on-time submissions. This means audits are more accurate and programs can focus on results instead of paperwork.

Streamlining Compliance and Reducing Burden

- HUD's rental assistance programs rely on decades of complex regulations, making policy research time-consuming. HUD created an AI-powered tool that organizes and analyzes guidance, enabling faster eligibility checks and consistent policy interpretation. The tool synthesizes more than 570 program office Memos, 10 contract-specific guidelines, and 16,000 pages of policy documentation, cutting manual review time by hundreds of hours annually.

Improving Payment Integrity and Risk Detection

- HUD developed tools to analyze 31,000 organizations that received \$409 billion in disbursed funds, helping identify risks early. For payment oversight, HUD built analytics that review every payment, not just samples, and compare them against trusted sources like SAM.gov and Do Not Pay. This approach gives leadership a clear view of potential problems and helps prevent improper payments, better protecting taxpayer dollars.
- In addition, HUD used automation to take a deeper look into actual payments. HUD developed dashboards and analytics to review payments it made to organizations for rental assistance programs and quickly identify if any of those payments should not have been made based on different program rules. For the first time, HUD was able to estimate how much money was spent in its highest risk programs where the program rules may not have been followed. This gave leadership a clear view of possible problems to fix to help better protect taxpayer funds.

Closing Loopholes and Preventing Fraud

- HUD used an automation that compared a U.S. Department of the Treasury (Treasury) database to HUD's records to automatically flag deceased tenants still listed in rental assistance programs. Using the automation, HUD identified 30,054 deceased tenants either actively enrolled in a rental assistance program at the time of the analysis or who had received assistance after they died. Using the automation and the Treasury database allows HUD to better confirm that taxpayer money is going where it should and take actions to keep it from going where it shouldn't.
- Government charge cards are issued to HUD employees for use on specific purchases. To help review purchase data transactions for potential fraud, waste and abuse by government employees, HUD created an automation to perform a review of the transactions against defined business rules to identify potential misuse. In less than three months, HUD developed and applied a tool that brought in the purchasing data, made it readable, and analyzed it to identify potential issues, reviewing thousands of records and hundreds of thousands of dollars in spending. In addition, HUD created a dashboard that provides leadership a view of transactions that may need a deeper look. The automation provides leadership with information faster, allowing for earlier potential fraud detection.
- Most organizations that receive money from the federal government must be actively registered with the government in a system called SAM.gov before they can get payments. HUD created an automation that compares information from SAM.gov to organizations getting taxpayer dollars to quickly identify those that are not active in the system or have registration that will expire soon. The automated check saved 1,800 hours of manual research and protected America's bank account.

Why It Matters

These innovations save tens of thousands of hours, reduce costs, and improve accuracy across HUD's financial operations. More importantly, they protect taxpayer money, strengthen compliance, and ensure resources reach the families and communities that need them most. By embracing automation and AI, HUD is leading the way in modernizing government operations and delivering better results for the American public.

ANALYSIS OF FINANCIAL STATEMENTS

To help the reader understand the Department's financial results, position, and condition, the following analysis addresses the relevance of balances and amounts as well as major changes in types and amounts of assets, liabilities, costs, revenues, budgetary resources, and commitments.

The financial statements are prepared to report the financial position, financial condition, and results of HUD's operations, consistent with the requirements of *31 U.S.C §3515(b)*. The statements are prepared from records of federal entities in accordance with federal generally accepted accounting principles (GAAP) and the formats prescribed by the Office of Management and Budget (OMB). Reports used to monitor and control budgetary resources are prepared from the same records. Users of the statements are advised that the statements are for a component of the U.S. Government.

The chart below provides a summary of HUD's Financial Data including:

- Financial Position
- Budgetary Resources
- Off-Balance Sheet Risk

Analysis of Financial Statements

SUMMARIZED FINANCIAL DATA (<i>dollars in billions</i>)	FY 2025
Total Assets	\$513.3
Total Liabilities	\$171.7
Net Position	\$341.6
Total Budgetary Resources	\$393.8
FHA Insurance-in-Force (IIF) ²	\$1,829.2
Ginnie Mae Mortgage-Backed Securities Guarantees ³	\$2,833.5
Other HUD Program Commitments ⁴	\$102.1

² See HUD AFR, Note 7 (J1 and J2) – FHA Only

³ See HUD AFR, Note 15

⁴ See HUD AFR, Note 23 (Unpaid Obligations)

Assets – Major Accounts

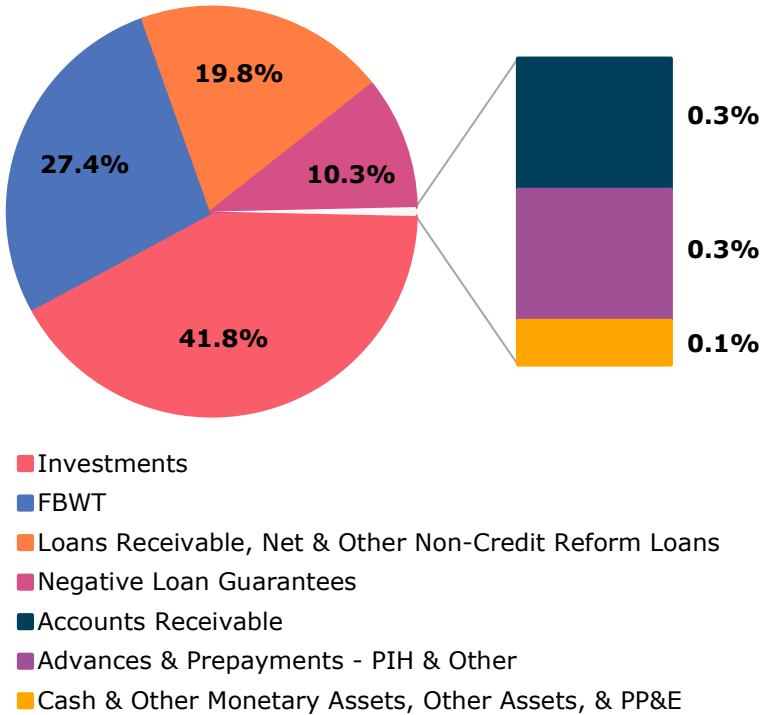
Total Assets for FY 2025, as reported in the Consolidated Balance Sheet, are displayed on the following chart on the right.

Total Assets of \$513.3 billion are comprised of Fund Balance with Treasury (FBWT) of \$140.8 billion (27.4 percent), Investments of \$214.5 billion (41.8 percent), Negative Loan Guarantees of \$53.0 billion (10.3 percent), Accounts Receivable of \$1.6 billion (0.3 percent), Loans Receivable, Net and Other Non-Credit Reform Loans of \$101.6 billion (19.8 percent), Advances and Prepayments – PIH and Other of \$1.5 billion (0.3 percent), and Cash and Other Monetary Assets, Other Assets and Property, Plant & Equipment (PP&E) of \$0.3 billion (0.1 percent) as of September 30, 2025.

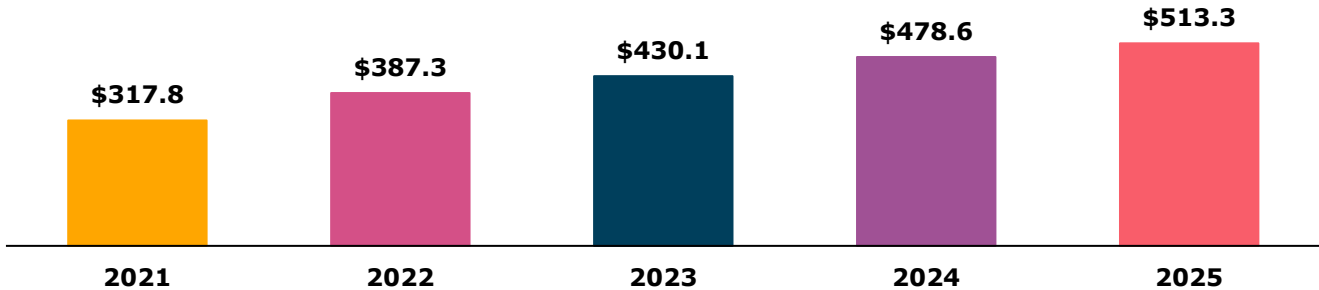
Total Assets increased by \$34.7 billion (7.3 percent) from the prior fiscal year. The increase is primarily driven by increases in Investments of \$35.3 billion (19.7 percent), Loans Receivable, Net of \$5.7 billion (7.2 percent), Negative Loan Guarantees of \$2.7 billion (5.3 percent), Advances and Prepayments - PIH and Other of \$0.2 billion (17.2 percent), and Accounts Receivable of \$0.5 billion (42.8 percent). The increases were partially offset by decreases of \$6.9 billion (4.6 percent) in FBWT and \$2.8 billion (14.5 percent) in Other Non-Credit Reform Loans.

The following chart shows Total Assets for FY 2025 and the four preceding years. The changes and trends affecting Total Assets are discussed in the subsequent paragraphs.

**COMPOSITION OF HUD ASSETS
FY 2025
(dollars in billions)
\$513.3 TOTAL ASSETS**



**TOTAL ASSET TRENDS (2021 - 2025)
(dollars in billions)**



FBWT totaled \$140.8 billion, representing HUD's aggregate funds available to liquidate liabilities and finance authorized expenditures. FBWT decreased by \$6.9 billion from the prior fiscal year, primarily driven by a \$4.9 billion decrease in FHA and a \$3.9 billion decrease in Ginnie Mae. These decreases were partially offset by a \$1.9 billion increase in HUD Proper, which encompasses all HUD programs excluding FHA and Ginnie Mae.

The \$4.9 billion decrease in FHA's FBWT is primarily attributable to a net decrease in activity within the Mutual Mortgage Insurance (MMI)/Cooperative Management Housing Insurance (CMHI) accounts of \$3.4 billion and includes a net decrease in activity of \$1.5 billion in the General Insurance (GI)/Special Risk Insurance (SRI) accounts.

The \$3.9 billion decrease in Ginnie Mae's FBWT is primarily driven by transfers between the financing and capital reserve accounts, investment of previously uninvested balances, Home Equity Conversion Mortgage (HECM) Mortgage-Backed Securities (MBS) loan buyouts and investor pass-through payments, and net cash operating outflows, partially offset by MBS guaranty fee collections, principal and interest receipts, claims and foreclosure proceeds, and reduced HECM prefunding requirements.

The \$1.9 billion increase in HUD Proper's FBWT is primarily due to a \$5.6 billion increase in the Community Development Fund and a \$0.6 billion increase in Homeless Assistance Grants. These increases were partially offset by decreases of \$2.5 billion in the Section 8, \$0.6 billion in HOME, \$0.5 billion in PIH, \$0.1 billion in Housing for Elderly and Disabled, and \$0.6 billion in all other programs.

Investments totaled \$214.5 billion which primarily consist of non-marketable, intragovernmental, Treasury securities (i.e. investments not sold in public markets) held by FHA's MMI/CMHI fund and Ginnie Mae.

FHA's investments increased by \$29.3 billion, primarily due to a large transfer from the MMI/CMHI Loan Guarantee financing account to the MMI/CMHI capital reserve account to execute the FY 2024 downward reestimates. The transferred amounts were subsequently reinvested in short-term Treasury securities within the MMI/CMHI fund.

Ginnie Mae's investments increased by \$6.3 billion, primarily due to the timing of year-end credit reform receipts in the capital reserve account, interest earnings on investments, and reduced transfers to other funds. In the prior fiscal year, negative subsidy and borrowing repayments from the financing account were held as FBWT and not invested until early FY 2025; by the end of the current fiscal year, all collections from the financing account were promptly invested in overnight securities. In addition, transfers of \$3.0 billion to the financing account and \$0.5 billion to the program account that were initially anticipated for FY 2025 were determined not required to meet program funding needs and were not executed, resulting in additional funds remaining available for investment in the capital reserve account.

Accounts Receivable totaled \$1.6 billion which primarily consist of FHA Premiums Receivables, Partial Claims, and Generic Debt Receivables, as well as Ginnie Mae Fees, Interest Receivables, and Reimbursable Cost Receivables. The balance also includes Other Receivables and Criminal Restitution amounts.

Loans Receivable, Net totaled \$84.9 billion and primarily reflect FHA credit program receivables and HUD's support for the construction and rehabilitation of low-rent housing, principally for the

elderly and disabled under the Section 202/811 programs. FHA's Loans Receivable increased by \$5.7 billion (7.3 percent), primarily driven by increases in the value of HECM, Single-Family, and Multifamily defaulted guaranteed loans post-1991, increased Federal Financing Bank (FFB) Direct Loans, and adjustments to the allowance for subsidy resulting from downward reestimates. These increases were partially offset by decreases in pre-1992 defaulted guaranteed loans and allowance for subsidy adjustments associated with upward reestimates.

FHA's Negative Loan Guarantees increased by \$2.6 billion, primarily due to increases in downward reestimates, premiums collected, interest accrued on loan guarantee liabilities, negative subsidy endorsements, and claim payments within FHA's GI/SRI and MMI/CMHI loan guarantee financing accounts.

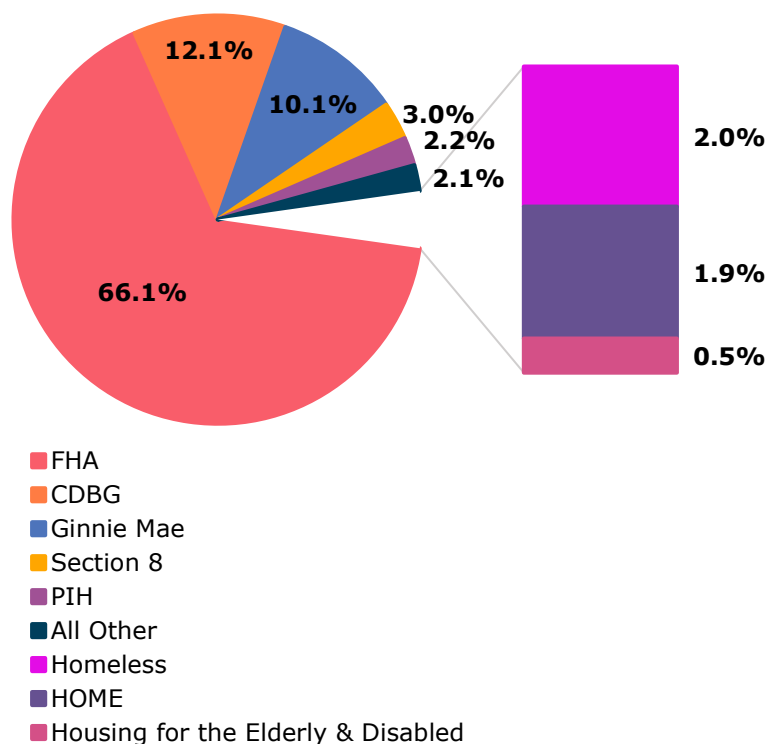
In accordance with *OMB Circular A-136, Financial Reporting Requirements*, when the net loan guarantee liability across all credit programs of a reporting entity is negative, the balance is required to be reported as an asset. Accordingly, FHA's negative loan guarantees are reported as part of Loans Receivable, Net, on the balance sheet for FY 2025.

Other Non-Credit Reform Loans decreased by \$2.8 billion, due to claims collections, loan paydowns and payoffs, net of funded loan draws primarily related to HECM, and fair value adjustments. These decreases were partially offset by increases in accrued interest.

Advances and Prepayments totaled \$1.5 billion and consist primarily of \$0.8 billion related to Section 8, \$0.4 billion attributable to Ginnie Mae, and \$0.3 billion associated with PIH.

Other Assets comprising of Cash and Other Monetary Assets, Other Intragovernmental Assets, and PP&E — totaled \$0.3 billion and primarily consist of escrow monies, custodial deposits for payments to security holders, deposits in transit, internal use software (IUS), furniture and fixtures, and other miscellaneous assets.

**ASSETS BY RESPONSIBILITY SEGMENT
FY 2025**



Assets – Major Programs

The chart on the right presents Total Assets for FY 2025 by major responsibility segment or program.

Liabilities – Major Accounts

Total Liabilities of \$171.7 billion consist of Intragovernmental Debt of \$147.5 billion (85.9 percent), Home Equity Conversion Mortgage-backed securities (HMBS) Obligations of \$13.3

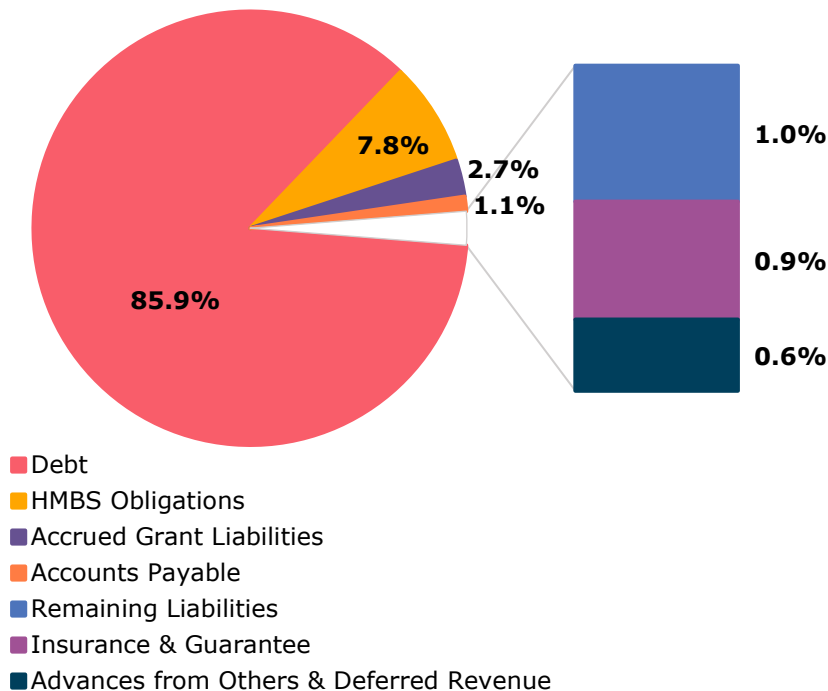
billion (7.8 percent), Accrued Grant Liabilities of \$4.7 billion (2.7 percent), Accounts Payable of \$1.8 billion (1.1 percent), Advances from Others and Deferred Revenues of \$0.9 billion (0.6 percent), Insurance and Guarantee Program Liabilities of \$1.6 billion (0.9 percent), and Remaining Liabilities of \$1.9 billion (1.0 percent) as of September 30, 2025.

Total Liabilities for FY 2025, as reported in the Consolidated Balance Sheet, are displayed in the chart on the right.

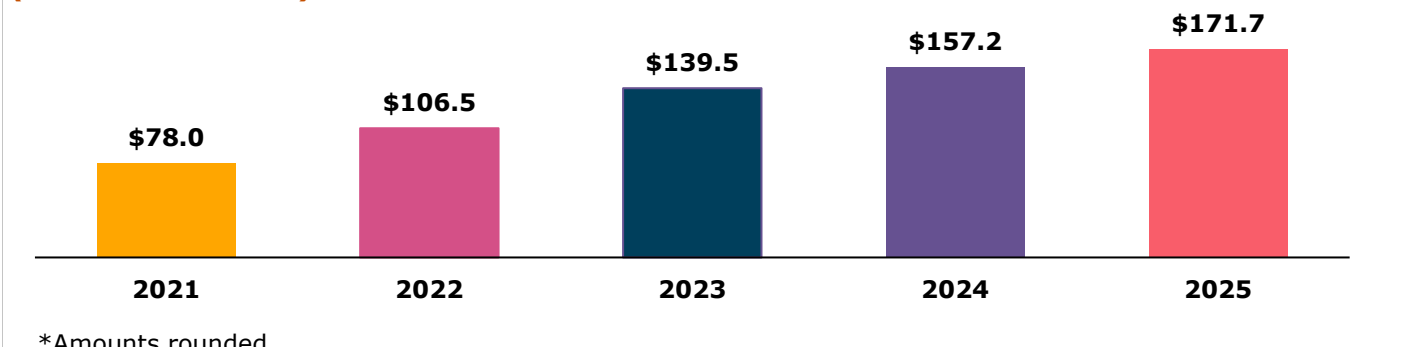
Total Liabilities increased by \$14.4 billion from the prior fiscal year. The increase is primarily driven by increases in intragovernmental debt of \$17.1 billion, accrued grant liabilities of \$0.4 billion, insurance and guarantee program liabilities of \$0.4 billion, accounts payable of \$0.2 billion, and advances from others and deferred revenues and other liabilities of \$0.1 billion. The increases were partially offset by decreases of \$3.2 billion in HMBS obligations and \$0.6 billion in other liabilities.

The following chart presents Total Liabilities for FY 2025 and the four preceding years. A discussion of the changes and trends impacting Total Liabilities are presented in the subsequent paragraphs.

**COMPOSITION OF HUD LIABILITIES
FY 2025
(dollars in billions)
\$171.7 TOTAL LIABILITIES**



**TOTAL LIABILITIES TRENDS (2021 - 2025)
(dollars in billions*)**



Debt consists primarily of Intragovernmental Debt of \$147.5 billion, reflecting FHA's principal borrowings of \$147.1 billion from the US Treasury. FHA's debt increased by \$17.0 billion (13.1 percent) driven by higher Loans Payable. The increase in borrowing was primarily attributable to net Bureau of Fiscal Service (BFS) borrowings of \$19.2 billion within MMI/CMHI fund, partially

offset by a \$2.2 billion decrease in GI/SRI fund. FHA borrowed to address a significant downward reestimate while maintaining sufficient liquidity to meet future claim obligations. In addition, All Other debt increased by \$0.1 billion.

Accounts Payable totaled \$1.8 billion and consist primarily of \$0.7 billion attributable to FHA, \$0.4 billion related to Section 8, \$0.3 billion associated with PIH, and \$0.4 billion across other HUD programs.

Accrued Grant Liabilities total \$4.7 billion, reflecting a \$2.7 billion increase within CPD driven by higher funding levels and increased disbursement activity associated with the rapid implementation of the Economic Development Initiatives (EDI) program and additional disaster recovery funding. The balance also includes an increase of \$1.2 billion in the Homeless Assistance Grants program and a \$0.4 billion in the HOME Investment Partnerships Program (HOME) program, reflecting higher disbursement activity. PIH programs increased by \$0.2 billion, while All Other programs increased by \$0.2 billion.

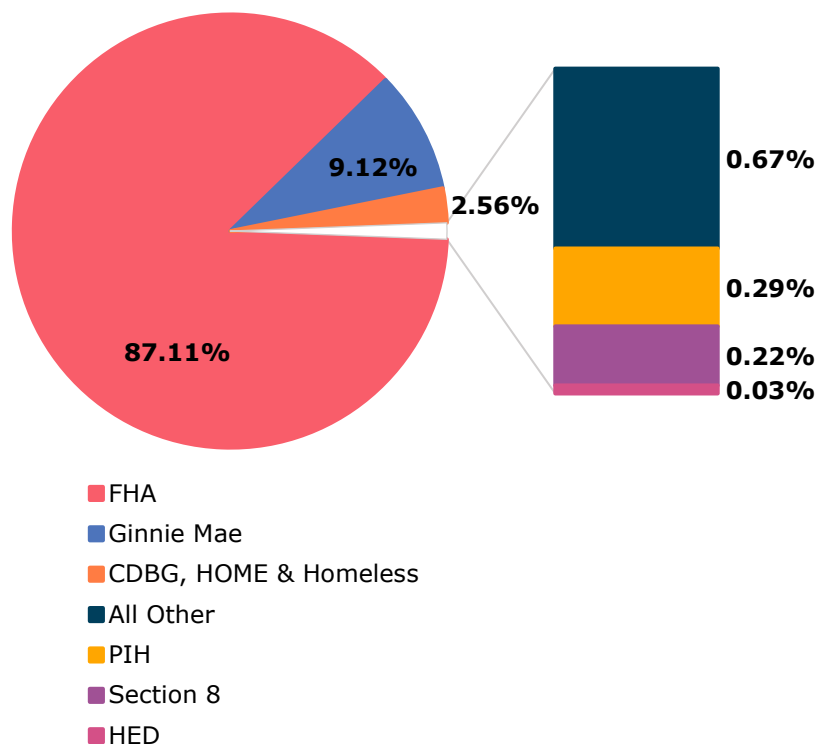
HMBS Obligations, at Fair Value decreased by \$3.2 billion, due to loan pool buyouts, pass-through payments to security holders, and fair value adjustments. These decreases were partially offset by interest accruals.

Other Intragovernmental Liabilities totaled \$1.3 billion and primarily reflects Liabilities to the General Fund of the US Government, consisting of \$1.1 billion related to FHA programs and \$0.2 billion attributable to All Other programs. Other than Intragovernmental (Public) Liabilities totaled \$0.4 billion and were primarily associated with FHA program activities.

Liabilities – Major Programs

The chart on the right presents Total Liabilities for FY 2025 by responsibility segment.

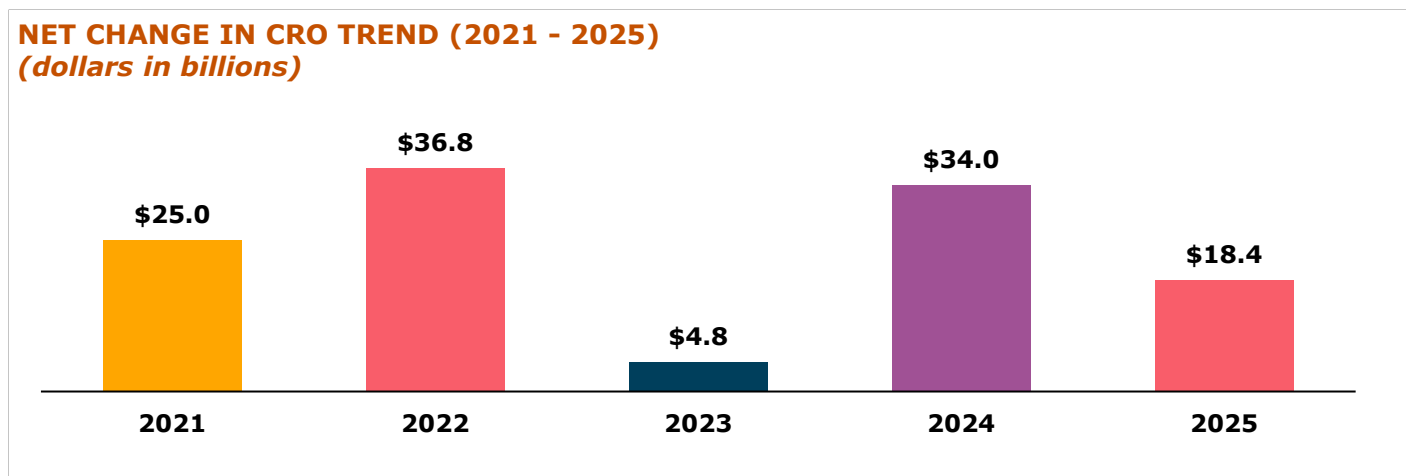
**LIABILITIES BY RESPONSIBILITY SEGMENT
FY 2025**



Changes in Net Position

Changes in Unexpended Appropriations, Net Cost of Operations, and Financing Sources collectively determine Net Position at the end of the fiscal year, as presented in the Consolidated Statement of Changes in Net Position (SCNP). HUD's Net Position totaled \$341.6 billion at year-end, reflecting an increase of \$20.3 billion (6.3 percent). The increase in Net Position was primarily attributable to an \$18.4 billion increase in Cumulative Results of Operations (CRO) and a \$1.9 billion increase in Unexpended Appropriations.

The following chart presents HUD's Net Change in CRO for FY 2025 and the four preceding years.



Unexpended Appropriations totaled \$113.5 billion, as reported in HUD's SCNP. The \$1.9 billion (1.7 percent) increase was primarily driven by increases of \$5.2 billion in Community Development Block Grants (CDBG), and \$0.5 billion in Homeless Assistance Grants, partially offset by decreases of \$2.1 billion in Section 8 Rental Assistance programs, \$0.7 billion in HOME, \$0.6 billion in PIH programs, \$0.1 billion in Housing for the Elderly & Disabled, and \$0.3 billion in All Other programs.

CRO totaled \$228.2 billion, as reported in HUD's SCNP. The \$18.4 billion (8.8 percent) increase reflects the net effect of \$86.1 billion in Financing Sources and \$67.7 billion in Net Cost of Operations during the fiscal year.

FHA's CRO increased by \$16.5 billion, driven primarily by a net gain in operations of \$16.4 billion and a \$0.1 billion increase in Financing Sources.

Ginne Mae's CRO increased by \$2.3 billion, primarily attributable to a larger beginning CRO balance of \$3.1 billion along with a \$0.8 billion reduction in Net Cost of Operations.

Financing Sources totaled \$86.1 billion and primarily consist of \$87.2 billion of Appropriations Used and \$0.1 billion in Imputed Financing; partially offset by \$1.2 billion in Other Financing Sources.

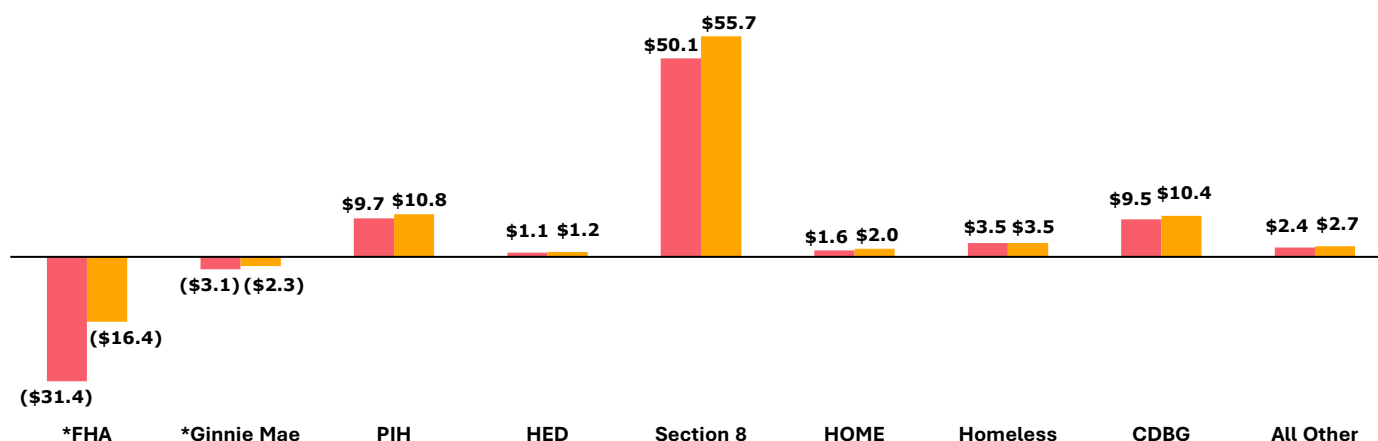
Appropriations Used increased by \$8.3 billion, primarily driven by a \$5.5 billion increase in Section 8 Programs, a \$1.1 billion increase in PIH Programs, and a net increase of \$1.8 billion across other HUD Proper programs. These increases were partially offset by a \$0.1 billion decrease in FHA.

The chart on the next page presents HUD's Total Net Cost for FY 2024 and FY 2025 by responsibility segment.

NET COST BY RESPONSIBILITY SEGMENT (FY 2024 AND FY 2025)

(dollars in billions)

■ 2024 ■ 2025



*FHA and Ginnie Mae negative Net Cost include negative subsidies

As illustrated in the chart, Net Cost of Operations is driven primarily by \$55.7 billion in spending to support the Section 8 program, which is administered jointly by PIH, Housing, and CPD programs. The Net Cost for the Section 8 increased by \$5.6 billion (11.2 percent) compared to the prior fiscal year.

FHA's Net Cost increased by \$14.9 billion, primarily driven by higher costs in the MMI/CMHI accounts, including \$18.7 billion in reestimate expense and \$0.6 billion in interest expense on uninvested funds. These increases were partially offset by reductions in subsidy expense of \$2.7 billion, interest accrual expense of \$0.6 billion, and a \$1.1 billion decrease in earned revenue within the MMI/CMHI accounts.

Analysis of Budgetary Resources

Total Budgetary Resources totaled \$393.8 billion, as reported in the Consolidated Financial Statements and illustrated in the accompanying chart. FHA accounted for \$249.4 billion (63.3 percent) of total budgetary resources, followed by Ginnie Mae with \$39.5 billion (10.0 percent), Section 8 with \$56.8 billion (14.4 percent), CDBG with \$16.8 billion (4.3 percent), HOME with \$1.5 billion (0.4 percent), Homeless Assistance Grants with \$9.3 billion (2.4 percent), PIH with \$11.2 billion (2.8 percent), Housing for the Elderly and Disabled (HED) with \$2.0 billion (0.5 percent), and All Other programs with \$7.3 billion (1.9 percent).

HUD's overall Budgetary Resources increased by \$37.1 billion, primarily driven by higher funding levels in FHA, Ginnie Mae and Section 8 programs.

FHA's Budgetary Resources increased by \$25.3 billion, primarily driven by a \$24.1 billion in Unobligated Balance from Prior Year Budget Authority, Net, along with increases of \$0.8 billion in Spending Authority from Offsetting Collections, and \$0.5 billion in Borrowing Authority. These increases were partially offset by a \$0.1 billion decrease in Appropriations.

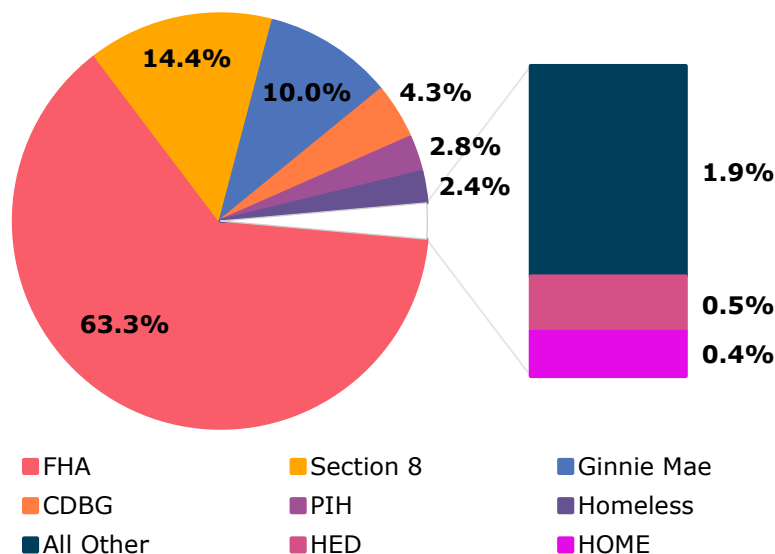
FHA’s Unobligated Balance from Prior Year Budget Authority, Net, increased by \$24.1 billion, primarily due to increases of \$25.5 billion in Total Actual Resources – Collected to the MMI/CMHI capital reserve and \$3.3 billion in the MMI/CMHI loan guarantee financing accounts. These increases were partially offset by decreases of \$2.0 billion in Total Actual Resources – Collected to the GI/SRI accounts and \$2.7 billion related to other activity within the MMI/CMHI accounts.

Ginnie Mae’s Budgetary Resources increased by \$4.3 billion, primarily due to a \$3.4 billion increase in Unobligated Balance from Prior Year Budget Authority, Net, and a \$0.9 billion increase in Spending Authority from Offsetting Collections.

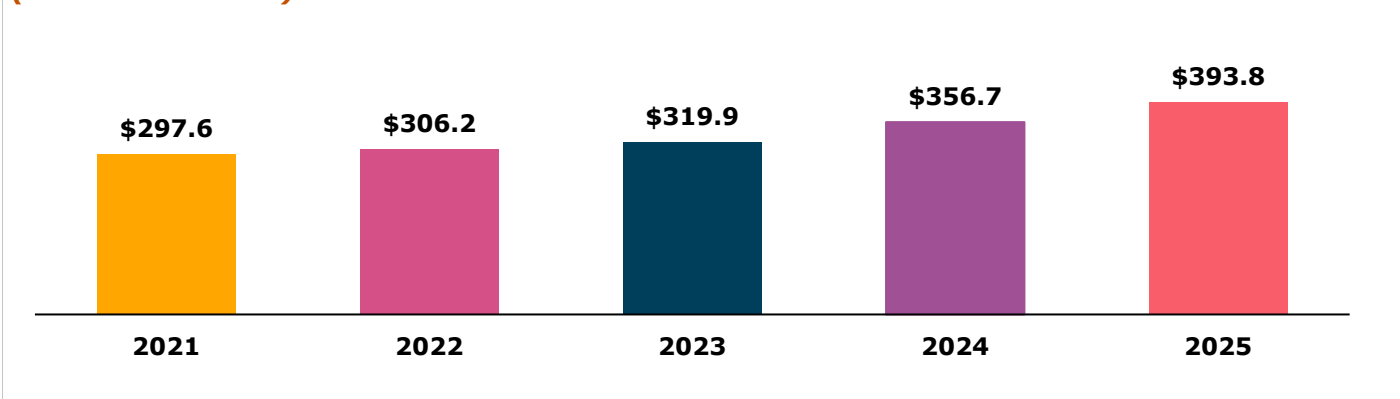
Budgetary Resources for HUD Proper programs increased by \$7.5 billion, primarily driven by increases of \$4.8 billion in CDBG, \$3.8 billion in Section 8 Rental Assistance programs, \$0.4 billion in Homeless Assistance Grants, \$0.2 billion in PIH programs, and \$0.1 billion in HOME. These increases were partially offset by decreases of \$0.3 billion in Housing for the Elderly & Disabled and \$1.5 billion in All Other programs.

The following chart presents the Total Budgetary Resources Trend for FY 2025 and the four preceding years.

BUDGETARY RESOURCES BY RESPONSIBILITY SEGMENT



TOTAL BUDGETARY RESOURCES TREND (2021 - 2025)
(dollars in billions)



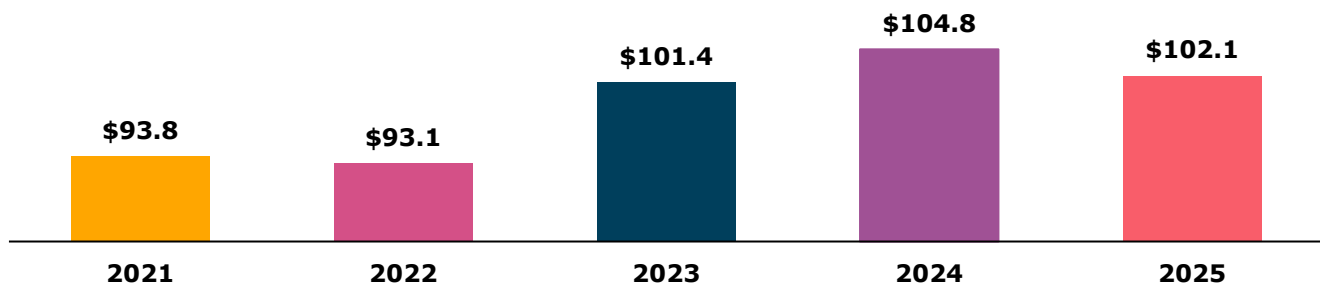
Contractual and Administrative Commitments

HUD’s Contractual Commitments totaled \$102.1 billion and represent obligations to provide funding in future periods under existing contracts for grant, loan, and subsidy programs.

Administrative Commitments (reservations) of \$5.9 billion relate to specific projects for which funding has been reserved and will be obligated upon execution of the related contracts.

The chart below presents HUD's Contractual Commitments for FY 2025 and the four preceding years.

COMMITMENTS UNDER GRANT, SUBSIDY, AND LOAN PROGRAMS TREND (2021 - 2025)
(dollars in billions)

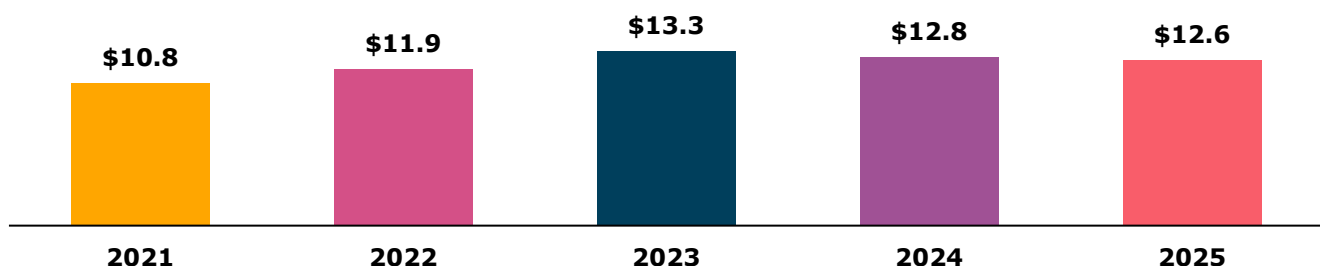


These commitments are funded primarily through a combination of unexpended appropriations and permanent indefinite appropriations, depending on the contract's inception date. For rental assistance contracts entered into prior to FY 1988, HUD draws on permanent indefinite budget authority to fund the current year portion of those contracts. All other HUD programs are funded through direct appropriations. Since FY 1988, HUD has received appropriations in advance for the full term of new contracts in the initial year, resulting in significant increases and sustained balances in unexpended appropriations.

Total contractual and administrative commitments increased by \$1.0 billion (1.0 percent). The change was primarily driven by increases of \$5.2 billion in CDBG, \$0.2 billion in Homeless Assistance Grants, and \$0.1 billion in Housing for the Elderly & Disabled. These increases were partially offset by decreases of \$2.1 billion in Ginnie Mae, \$0.8 billion in PIH programs, \$0.7 billion in HOME, \$0.6 billion in All Other programs, \$0.2 billion in Section 8 programs, and \$0.1 billion in FHA.

The chart below presents HUD's Section 8 Contractual Commitments for FY 2025 and the four preceding years.

SECTION 8 COMMITMENTS TREND (2021 - 2025)
(dollars in billions)



To manage the costs of future Section 8 contract renewals, HUD implemented a policy in FY 1996 to convert expiring contracts to one-year terms. As a result, annual budget authority requirements were reduced by limiting funding commitments to single year rather than multi-year contracts.

Analysis of Off-Balance-Sheet Risk

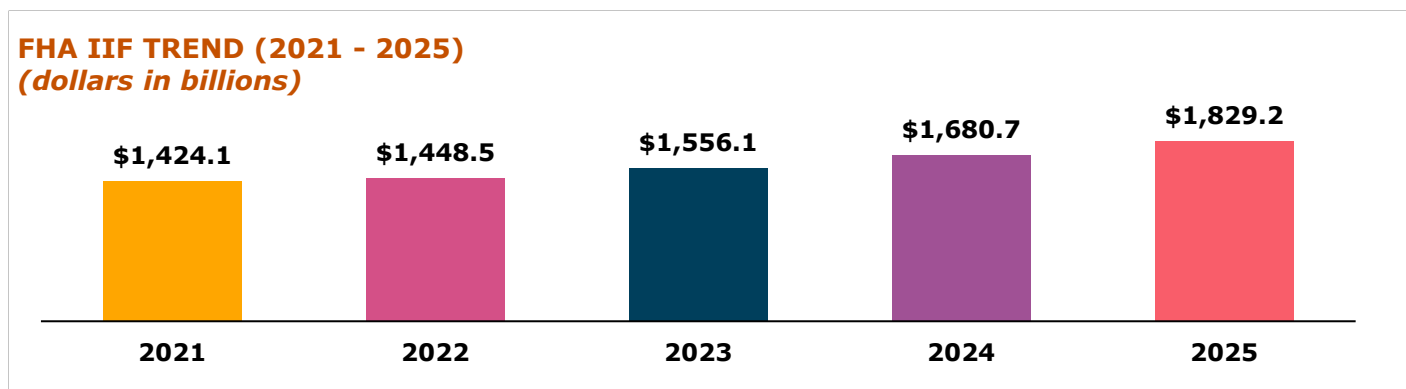
The financial risks associated with HUD's credit activities primarily arise due to managing FHA's insurance of mortgage guarantees and Ginnie Mae's guarantees of MBS. Financial operations of these entities may be affected by unanticipated losses resulting from borrower or issuer defaults, as well as by the inability to liquidate underlying collateral at amounts sufficient to recover associated costs.

FHA Insurance-in-Force (IIF)

FHA administers a broad range of activities designed to expand access to mortgage financing and to increase the availability of affordable housing, particularly for low- and moderate-income households. The total guaranteed principal fluctuates annually as new loans are endorsed and existing loans exit the portfolio through payments and claims. Each month, new loan endorsements increase the IIF, while claim payments and prepayments reduce it.

As of FY 2025, FHA's IIF, including the outstanding balance of HECM loans, totaled \$1,829.2 billion, representing an increase of \$148.5 billion (8.8 percent). The increase in total guaranteed principal was primarily driven by growth in the Single-Family Forward portfolio, with additional increases in the Multifamily and Healthcare portfolios. These increases were partially offset by loans leaving the portfolio through prepayments and claim activity. FHA insures private lenders against losses on mortgages financing single-family homes and reverse mortgages, also referred to as HECM.

The chart below presents FHA IIF for FY 2025 and the four preceding years.



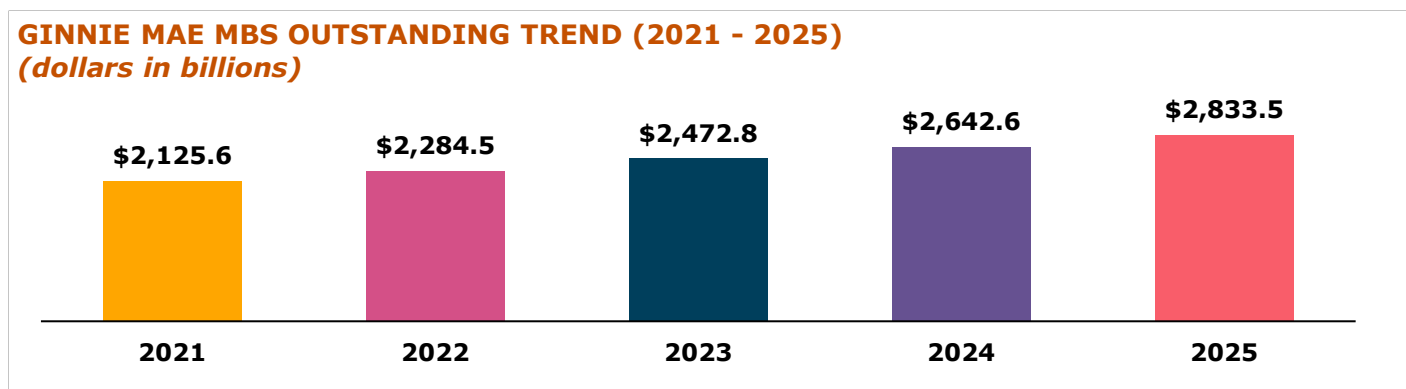
Ginnie Mae Guarantees

Ginnie Mae financial instruments with off-balance sheet risk include guarantees of MBS and commitments to guarantee. The securities are backed by pools of mortgage loans insured by FHA, PIH and Rural Housing Service, and guaranteed by VA. Ginnie Mae is exposed to credit loss in the event of non-performance by other parties to the financial instruments. As of FY 2025, Ginnie Mae's guaranteed securities outstanding totaled \$2,833.5 billion, representing an increase of \$190.9 billion (7.2 percent). The increase was primarily driven by higher issuance volumes of Ginnie Mae mortgage-backed securities by approved issuers, as market conditions—including

lower interest rates—supported increased origination and securitization activity. 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 commitments to guarantee MBS. The commitment ends when the MBS is issued or when the commitment period expires. While Ginnie Mae's risks related to outstanding commitments are much less than outstanding securities, due in part to the federal guarantee on the underlying portfolio, Ginnie Mae is also able to mitigate risk through its ability to limit commitment authority granted to individual issuers of MBS. As of FY 2025, outstanding commitments totaled \$177.2 billion, an increase of \$31.4 billion (21.5 percent). The increase was driven primarily by higher commitment authority sold, which aligned with a \$99.0 billion (23.6 percent) increase in Ginnie Mae MBS issuances. The growth in commitments and related commitment fees reflects increased issuer demand for CA, consistent with lower average mortgage rates observed in FY 2025 compared to the prior year.

The chart below presents Ginnie Mae MBS Outstanding for FY 2025 and the four preceding years.



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. As of FY 2025, Ginnie Mae issued \$251.3 billion in multiclass securities, representing an increase of \$67.1 billion (36.4 percent). Estimated outstanding balances of multiclass securities totaled \$971.3 billion, an increase of \$131.0 billion (15.6 percent), and comprised a significant portion of total MBS outstanding.

The growth in both multiclass issuances and outstanding balances was driven primarily by increased activity in Real Estate Mortgage Investment Conduits (REMICs). Higher REMIC issuance reflects declining interest rates that reduced borrowing costs, increased demand for tailored mortgage products with varying maturities and risk profiles, strong underlying asset quality supported by rigorous underwriting standards, and issuer demand for enhanced market liquidity. These factors collectively contributed to increased utilization of more complex multiclass structures, including REMICs with Modifiable and Exchangeable (MX) features.

These securities do not subject Ginnie Mae to additional credit risk beyond that assumed under the MBS program.

MBS includes the following:

- **REMICs** are multiclass mortgage-related security in which interest and principal payments from mortgages are structured into separately traded securities.
- **Stripped MBS** are securities created by “stripping” or separating the principal and interest payments from the underlying pool of mortgages into two classes of securities, with each receiving a different proportion of the principal and interest payments.
- **Platinum Securities** are formed by combining Ginnie Mae’s MBS pools that have uniform coupons and original terms to maturity into a single certificate.
- **Callable Trusts** allow investors to better manage repayment risk and call redemptions at negotiated prices. Call features are attractive to issuers because they provide flexibility to refinance outstanding debt in response to changes in interest rates.

Stewardship Information

Introduction

This information describes resources utilized by HUD that do not meet the criteria for recognition or audit within the financial statements but nonetheless represent significant investments made for the benefit of the Nation. The stewardship objective requires HUD to report on the broad outcomes associated with these resources to provide a more complete picture of the impact of its operations and activities. This information is intended to assist readers in better understanding how HUD’s programs contribute to national housing and community development objectives beyond what is reflected in the financial statements alone.

HUD’s stewardship reporting responsibilities encompasses investments made through several HUD programs in Non-federal Physical Property, Human Capital, and Research and Development. Due to the relative immateriality of the associated amounts and manner in which related administrative costs are applied, the investments reported generally reflect direct program costs only.

The stewardship investments discussed in this section are attributable to programs administered within the following major HUD program areas:

- CPD,
- PIH,
- PD&R, and
- 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:
 - **CDBG** are provided to state and local communities to support a broad range of community development activities within their jurisdictions. These activities are intended to benefit low- and moderate-income persons, to prevent or eliminate slums and blight, and address

other urgent community development needs. State and local communities have discretion in the use of CDBG, provided the activities meet at least one of these statutory objectives. Program funding supports a variety of eligible uses, including the acquisition, construction, and rehabilitation of permanent residential structures that primarily benefit low- and moderate- income persons, as well as employment and job training initiatives 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.
- **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.
- **The Housing Trust Fund (HTF)** provides grants to states to increase and preserve affordable housing for extremely low- and very low-income households.
- **Homeless – Continuum of Care (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.
- **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. This includes providing Technical Assistance (TA) as well as the purchase and redevelopment of foreclosed and abandoned homes and residential properties.
- **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.
- **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.
 - **Native Hawaiian Housing Block Grant (NHHBG)** program provides an annual block grant to the Department of Hawaiian Homelands (DHHL) for a range of affordable housing activities to benefit low-income Native Hawaiians eligible to reside on the Hawaiian homelands. 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 and 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 housing projects into viable, sustainable mixed-income neighborhoods by linking housing improvements with appropriate services, schools, public assets, transportation, and access to jobs.
- **The Public Housing (PH) Fund and the PH Capital Fund** provide grants to PHAs to improve the physical conditions and to upgrade the management and operation of existing public housing. The PH Capital Fund continues to make obligations and outlays from funds appropriated in FY 2020 and earlier.
- **PD&R's** stewardship responsibilities include maintaining current information to monitor housing needs and housing market conditions, and to support and conduct research on priority housing and community development issues. In prior years, HUD made stewardship investments through the Community Development Work Study and the Partnership for Advancing Technology in Housing program.
 - **Community Compass** provides TA and capacity building to CPD grantees including onsite and remote training, workshops, and 1:1 assistance.
 - **Distressed Cities TA** is designed to build the administrative capacity of smaller distressed communities recently impacted by a natural disaster. The focus of this TA includes financial management, economic development, and disaster recovery planning.
 - The Community Compass and Distressed Cities TA programs were transferred in FY 2024 from CPD to PD&R as a result of an organizational realignment.
- **OLHCHH's** primary program stakeholders are States, Tribes, local governments, and non-profit organizations. The grants reduce lead-based paint hazards and other housing-related health and safety hazards in homes of low-income families, enforces lead-based paint regulations, provides outreach and technical assistance, and funds technical studies to develop and evaluate cost-effective methods to protect children and their families from health and safety hazards in the home.
 - **Lead Hazard Control Grants** help state and local governments, 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.

Stewardship Information Reporting – HUD's Major Programs

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 following table summarizes material program investments in Non-federal Physical Property for FY 2021 through FY 2025.

Investments in Non-federal Physical Property FY 2021 – 2025 (dollars in millions)					
Program	2021	2022	2023	2024	2025
CPD					
CDBG	\$1,071	\$1,080	\$1,259	\$1,295	\$1,243
CDBG-DR ¹	\$631	\$947	\$1,132	\$1,288	\$1,277
HOME ²	\$9	\$5	\$10	\$28	\$34
CoC-Homeless ³	\$0	\$0	\$1	\$1	\$1
ESG ⁴	\$14	\$22	\$85	\$0	\$0
HTF ⁵	\$4	\$11	\$0	\$1	\$0
NSP ⁶	\$1	\$1	\$4	\$3	\$0
PIH					
ICDBG ⁷	\$52	\$96	\$70	\$0	\$0
NHHBG	\$2	\$22	\$21	\$22	\$0
IHBG ⁸	\$150	\$164	\$207	\$219	\$0
HOPE VI ⁹	\$1	\$1	\$0	\$0	\$0
Choice Neighborhoods ¹⁰	\$70	\$69	\$82	\$144	\$135
PH Fund ¹¹	\$118	\$1,163	\$2,050	\$2,429	\$3,460
PH Capital Fund ¹²	\$2,445	\$1,471	\$984	\$444	\$297
TOTAL	\$4,568	\$5,052	\$5,905	\$5,874	\$6,447

Notes:

1. CDBG-DR closed one grant in FY 2021, two in FY2022, four in FY2023, three grants in FY 2024 and two grants in FY 2025. CDBG-DR appropriations from the 2017-2024 classes reached typical spending during FY 2023 - FY 2025 for non-federal physical properties. Additional fully funded CDBG-DR appropriations, Action Plan approvals have resulted in steady levels of spending and are characteristic of the CDBG-DR life cycle. Overall spending across various appropriations demonstrates ongoing activity and consistent funding utilization.
2. Expenditures increased during FY 2025, primarily due to higher construction costs.
3. In FY 2022, only one grant was awarded, and the associated capital costs were not material for inclusion in the AFR.
4. As Emergency Solutions Grants – Coronavirus Aid, Relief, and Economic Security Act (ESG-CV) funds awarded for the pandemic are reaching expiration, remaining ESG funds were not used for capital costs during FY 2024 and FY 2025.

5. The decrease in expenditures in FY 2025 reflects the completion of remaining activities that were initiated in prior fiscal years. HTF projects are typically funded over multiple years and often require one to two years to complete construction. Expenditures in FY 2023 and FY 2025 were not material and, therefore, were not included in the AFR.
6. The increase in expenditures in FY 2023 was primarily attributable to approximately \$3.3 million in investments by the State of California for the rehabilitation and reconstruction of public facilities in the County of Tuolumne. This elevated level of investment continued into FY 2024 and accounts for the majority of expenditures during that year. Expenditures in FY 2025 were not material and, therefore, were not included in the AFR.
7. Amounts are reported in the fiscal year in which they were appropriated, which may differ from the fiscal year in which funds were awarded or expended. Data for FY 2025 was not available at the time of reporting.
8. Amounts expended vary from year to year due to changes in annual funding levels and the discretion afforded to grantees to allocate funds among eligible activities based on their current priorities. Data for FY 2025 was not available at the time of reporting.
9. The final HOPE VI appropriation was enacted in FY 2011. With the exception of grants awarded prior to FY 2001, all HOPE VI funds have either been fully expended or canceled and returned to the US Treasury. As remaining grant activity continues to wind down, obligations are expected to decrease annually until all outstanding HOPE VI grants are fully expended. Expenditures in FY 2023 and FY 2024 were not material and therefore are not reflected in the AFR. There were no expenditures in FY 2025.
10. The FY 2024 amount was revised to reflect additional grant expenditures. Expenditures in FY 2025 were slightly lower than FY 2024, reflecting normal variability in housing development and project execution timelines. Despite this decrease, FY 2025 spending remains elevated relative to historical levels and is among the highest amounts reported over the past five years.
11. The PH Fund consolidates the Public Housing Capital and Operating Funds. For Stewardship Information reporting purposes, only Capital Fund activity is applicable, as Operating Fund expenditures do not meet Supplemental Security Income criteria. As a result, expenditures in the PH Capital Fund are expected to decline to zero as this funding expires, while expenditures reported under the consolidated PH Fund are expected to increase significantly. This consolidated funding entered its fourth year in FY 2025, having begun in FY 2021. In addition, FY 2024 expenditure amounts were updated in FY 2025 to reflect actual year-to-date balances for the fiscal period.
12. Since FY 2021, this appropriation has been consolidated into the PH Fund and corresponding decreases in expenditures are expected as a result of this consolidation with the PH Capital Fund. In addition, FY 2024 expenditures were updated in FY 2025 to reflect actual year-to-date balances for the applicable fiscal year.

Human Capital

Investment in Human Capital: Human Capital investments support education and training designed to increase or maintain national economic productive capacity. These investments support HUD's strategic goals by promoting self-sufficiency and asset development for families

and individuals, strengthening community quality of life and economic vitality, and reinforcing public trust in HUD.

The following table summarizes program investments in Human Capital for FY 2021 through FY 2025.

Investments in Human Capital FY 2021 – 2025 (dollars in millions)					
Program	2021	2022	2023	2024	2025
CPD					
CDBG ¹	\$32	\$36	\$37	\$37	\$32
CDBG-DR ²	\$26	\$36	\$35	\$53	\$79
CoC-Homeless	\$13	\$14	\$15	\$17	\$16
ESG ³	\$3	\$3	\$5	\$4	\$0
HOPWA ⁴	\$1	\$0	\$0	\$0	\$0
PIH					
IHBG ⁵	\$3	\$3	\$4	\$5	\$0
Choice Neighborhoods ⁶	\$15	\$11	\$13	\$18	\$24
PD&R					
Community Compass ⁷	\$59	\$60	\$67	\$80	\$74
Distressed Cities ⁸	\$0	\$1	\$1	\$4	\$5
TOTAL	\$152	\$164	\$177	\$218	\$230

Notes:

- Each CDBG grantee determines the activities and funding levels for which CDBG funds are used. As a result, some year-to-year variation across eligible activity categories is expected, even when cumulative national expenditure levels remain relatively stable. CDBG received the same funding level in FY 2024 and FY 2025; therefore, increases in housing rehabilitation expenditures were offset by corresponding decreases in expenditures for other eligible activities.
- During FY 2021 through FY 2025, CDBG-DR appropriations from FY 2017 through FY 2024 progressed into typical spending patterns consistent with the program life cycle for Human Capital (public service activities). While the reported dollar amounts reflect notable year-over-year increases, expenditures for public service activities have remained relatively consistent proportional to overall expenditures, averaging approximately 1 percent annually.
- ESG program continues to balance funding between housing activities and supportive services. The reduction in human capital funding primarily reflects the timing of program spending rather than a shift in funding priorities. While expenditures to date remain relatively low, spending levels are expected to increase and return to approximately \$4 million as program activity progresses.
- Expenditures in FY 2022 through FY 2025 were not material to be included in the AFR.
- In FY 2022 and FY 2023, training funds were awarded through a Notice of Funding Availability (NOFA) competition and were combined with remaining funds from two prior training NOFAs. This expanded pool of available training funds carried forward into FY 2024,

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

contributing to the continued increase in training-related expenditures during that period. Data for FY 2025 was not available at the time of reporting.

6. FY 2024 amount was corrected to reflect additional grant expenditures. The increase in FY 2025 spending was primarily attributable to a higher number of grant awards, which resulted in expanded delivery of supportive services.
7. Pandemic appropriations were largely unavailable in FY 2025 due to proactive award cancellation. To reaccelerate expenditures, Community Compass plans to more explicitly align TA uses with Departmental priorities and place greater emphasis on collaboration with, and support for, HUD program offices and technical assistance providers.
8. Consistent with ongoing strategic planning, Distressed Cities accelerated the delivery of technical assistance to small, fiscally distressed jurisdictions. To sustain the heightened investment, the program will provide targeted group training technical assistance and explore potential investment in virtual tools to reduce local administrative burden, while maintaining its commitment to high impact direct TA. Expenditures in FY 2021 were not material, therefore are not reflected in the AFR.

Results of Human Capital Investments: The following table presents the results (number of people trained) of human capital investments for FY 2021 through FY 2025.

Results of Investments in Human Capital Number of People Trained FY 2021 – 2025					
Program	2021	2022	2023	2024	2025
CPD					
CDBG	43,968	40,528	43,058	44,391	42,461
CoC-Homeless ¹	16%	14%	14%	14%	15%
HOPWA	676	906	774	878	834
NSP TA ²	0	210	235	155	0
PIH					
ICDBG ³	30	0	0	0	0
NHHBG ⁴	40	30	25	18	0
IHBG ⁵	2,034	2,667	4,524	3,678	0
Choice Neighborhoods (See Table and Notes on Page 29 and 31)	-	-	-	-	-
PD&R					
Community Compass ⁶	62,538	63,064	64,901	67,895	55,785
Distressed Cities ⁷	3	0	0	0	0
OLHCHH					
Lead TA ⁸	570	550	528	480	434
TOTAL	109,859	107,955	114,045	117,495	99,514

Notes:

1. CoC – Homeless results are expressed in terms of percentage of persons exiting the programs and earning employment income. This measure has a one-year time lag.

2. All training portions of NSP ended in FY 2017, except for one Disaster Recovery Grant Recovery. Public service activities are included in the reporting. There was one local training event presented in FY 2024. There was no activity for FY 2025.
3. Limited (S&E) funding has diminished HUD's ability to contract for ICDBG training since FY 2012; as a result, HUD staff have provided training and TA assistance directly to program grantees. Legislative changes have made ICDBG eligible for TA funds. One group training session was conducted in FY 2021; however, no group training was held during FY 2022 through FY 2024. Data for FY 2025 was not available at the time of reporting.
4. Since 2017, Office of Native American Programs (ONAP) focused on providing TA directly to the grantee. Expenditures under Investments in Human Capital, in FY 2021 through FY 2024, were not material to be included in the AFR. Data for FY 2025 was not available at the time of reporting.
5. In FY 2022 and 2023, training funds were awarded through a Notice of Funding Availability (NOFA) competition and were combined with remaining funds from two prior training NOFAs. This expanded pool of available training funds carried forward into FY 2024, contributing to the continued increase in training-related expenditures during that period. Data for FY 2025 was not available at the time of reporting.
6. The 18 percent decline in FY 2025 is primarily attributable to the absence of new training content deployed during the fiscal year and the archiving of a significant volume of existing training materials to comply with Presidential executive actions. Despite the overall decline, self-paced training completions increased by 35 percent year over year between FY 2024 and FY 2025, marking the second consecutive year of growth exceeding 30 percent. Community Compass plans to incorporate this demonstrated demand for self-paced learning into future technical assistance training investment decisions.
7. Distressed Cities Technical Assistance prioritizes high-impact, direct technical assistance over virtual training to strengthen the capacity of small, non-entitlement communities experiencing fiscal distress. While the program effectively employs a small-group model to initiate in-depth, hands-on assistance, this approach was not implemented as a traditional training activity during FY 2025 and, therefore, is not reflected in the training metrics reported for this year.
8. OLHCHH hosted the National Healthy Homes Conference in FY 2024. In FY 2021 through FY 2023 and FY 2025, activities were limited to New Grantee Orientations and/or Grantee Program Managers Schools. Expenditures related to Investments in Human Capital for FY 2021 through FY 2025 were not material for inclusion in the AFR.

Choice Neighborhoods Results of Investments in Human Capital

The following table presents Choice Neighborhoods' cumulative performance information for FY 2021 through FY 2025.

Key Results of Choice Neighborhoods Program Activities FY 2021 – 2025					
Choice Neighborhoods Service	2021	2022 ²	2023	2024	2025
Current Total Original Assisted Residents ⁵	16,475	6,243	6,703	8,177	8,933
Current Total Original Assisted Residents in Case Management ³	11,696	5,864	5,261	6,331	7,341
High School Graduation Rate ¹	79%	78%	82%	84%	79%
Number of Residents (in Case Management) Who Completed Job Training or Other Workforce Development Program ⁴	340	374	333	345	418

Notes:

1. High School Graduation Rate data has been updated for FY 2021 through FY 2025. While this report includes the available data, a number of grantees are unable to secure this data from the school district and the data that is available often does not include children who attend schools outside the local school district. The graduation rates tend to track roughly with the percentage of residents participating in case management, as services are voluntary. The slight dip in FY 2025 may be attributable to a large number of grantees being recently awarded and not yet fully implemented education strategies or established partnerships long enough to materially influence graduation outcomes.
2. The Choice Neighborhoods program transitioned from resident-level reporting to household-level reporting beginning in FY 2022, which resulted in a significant decrease in the reported number of current total original assisted residents and residents receiving case management services. This change reflects a modification in reporting methodology rather than a reduction in services provided, as the program continues to serve—and likely support—an equal or greater number of residents compared to FY 2021. In addition, the methodology used to report *Current Total Original Assisted Residents in Case Management* was revised for FY 2022 through FY 2025. Following the transition to household-level reporting, the metric initially reflected the original number of residents at the time of grant award rather than the current total. Updates have since been applied to FY 2021 through FY 2025 to ensure the data consistently reflects the current total of original assisted residents.
3. Overall, rates for “Current Total Original Assisted Residents in Case Management” have trended upward over time, with enrollment percentages typically in the high 70 percent to low 80 percent range. These levels are notable given that case management participation is voluntary and that each year’s data includes newly awarded grantees, which generally begin with lower enrollment as it often takes several quarters to establish resident relationships and enroll participants. The percentage reported in FY 2022 was unusually high (93 percent), likely because the most recent cohort had been awarded grants nearly one year earlier, while a new cohort had not yet been awarded during that fiscal year.

4. For the metric "Number of Residents Who Completed Job Training," the methodology was revised for FY 2021 through 2025 to capture all residents who completed job training or workforce development programs during the fiscal year, rather than data from a single quarter. Under this revised methodology, results have remained relatively stable over time as new grantees enter the program, and additional residents require job training. The increase observed in FY 2025 is primarily attributable to a larger number of grantees receiving awards and initiating job training programs. While this metric focuses on job training completions, the Choice Neighborhoods program supports broader employment and income goals, including job placement, career advancement, and other workforce services that are not reflected in this measure.
5. The "Number of Current Total Original Assisted Residents" increased in FY 2024 and FY 2025, reflecting a higher volume of grant awards made during those fiscal years compared to prior periods.

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 existing knowledge and ideas to develop new or improved products or processes. These investments are intended to enhance economic productive capacity or generate other future benefits. Accordingly, research and development support HUD's strategic goals of expanding the availability of decent, safe, and affordable housing in America's communities and strengthening public trust in HUD's programs and operations.

The following table summarizes HUD's research and development investments for FY 2021 through FY 2025.

Investments in Research and Development FY 2021 – 2025 (dollars in millions)					
Program	2021	2022	2023	2024	2025
OLHCHH					
Lead Hazard Control ¹	\$13	\$6	\$3	\$6	\$4
TOTAL	\$13	\$6	\$3	\$6	\$4

Notes:

1. OLHCHH funds studies aimed at improving public understanding of housing-related health and safety hazards and advancing the development of new or enhanced hazard assessment and control methods, with a particular focus on lead and other key residential health risks. Increased marketing and outreach efforts by OLHCHH's new outreach team have resulted in a higher volume of strong grant applications. The decrease in FY 2025 expenditures was primarily due to increased inclement weather in certain areas and budgetary constraints that limited access to affected locations.

Results of Investments in Research and Development: In support of HUD’s lead hazard control initiatives, the OLHCHH program conducts studies aimed at improving the effectiveness and efficiency of lead hazard evaluation and control activities. Historically, these studies have contributed to reductions in the per-housing unit cost of lead hazard evaluation and control efforts. However, for FY 2021 through FY 2025, as shown in the table below, rising supply and labor costs have driven year-over-year increases in the per-housing unit cost, offsetting prior efficiency gains.

The per-housing unit cost varies based on geographic location, the scope of work required for each unit, and the extent of grantee participation in hazard control activities. In addition to informing cost considerations, these studies have also contributed to a better understanding of the prevalence of related hazards.

Results of Research and Development Investments FY 2021 – 2025					
Program	2021	2022	2023	2024	2025
OLHCHH Lead Hazard Control Per-Housing Unit Cost ¹	\$12,724	\$14,053	\$14,123	\$12,048	\$9,737
TOTAL	\$12,724	\$14,053	\$14,123	\$12,048	\$9,737

Notes:

1. The per-unit cost to make a home lead-safe varies based on the scope and complexity of work required for each unit. In FY 2025, OLHCHH completed fewer units than in prior years due to funding limitations, reduced ability to travel to project sites, and adverse weather conditions that constrained program operations.

ANALYSIS OF SYSTEMS, CONTROLS, AND LEGAL COMPLIANCE

In FY 2025, HUD continued to strengthen financial oversight, modernize systems, and enhance compliance efforts. The Department remained focused on improving efficiency, streamlining financial operations, and ensuring compliance with federal regulations. Through automation, process improvements, and strategic partnerships, HUD enhanced its ability to manage billions of dollars in program outlays while reinforcing internal controls and legal compliance measures.

Management Assurances

Please see the FY 2025 Annual Assurance Statement on page 44.

Systems

Summary of HUD's Financial Management Systems: HUD's financial management systems consist of a combination of legacy and modernized technologies that support effective financial reporting and control. The OCFO has five mission-critical systems:

- HUD Central Accounting and Program System (HUDCAPS) (decommissioning)
- Line of Credit Control System (LOCCS)
- Loan Accounting System
- Financial Data Mart
- New Core Interface Solution (NCIS) (HUD's financial interface with the Department of Treasury's Administrative Resource Center (ARC) core accounting system, Oracle Federal Financials)

Additionally, FHA and Ginnie Mae continue to operate their own financial systems based on PeopleSoft Financial:

- FHA Subsidiary Ledger
- Ginnie Mae Financial Accounting System

Financial Management Systems Improvement Strategy: As part of its ongoing effort, HUD continued to enhance these systems by implementing new functionalities and upgrading existing capabilities to improve data accuracy and reporting efficiency.

FY 2025 Improvements

- **Security Enhancements:** Strengthened security information event management and user access controls, and updated cybersecurity and privacy controls to meet the latest Federal standards.
- **System Upgrades:** Collaborated with technical support teams to upgrade and enhance legacy systems, including data archiving and purging efforts, file load processes, and system migrations.
- **Operational Improvements:** Implemented automation to improve user recertification and internal access request processes, enhancing efficiency and customer experience.
- **G-Invoicing:** In FY 2025, HUD along with ARC continued to successfully meet the mandate of G-Invoicing readiness to manage Intra-governmental Buy/Sell transactions between federal agencies. Highlights include brokering general terms & conditions totaling over \$1 Billion and orders totaling over \$205 million, for FY 2025.
- **OneARC Portal:** HUD and ARC continued to collaborate on OneARC Portal to implement several enhancements to the OneARC portal in FY2025. Key enhancements include:

restricting authorization requests, removing cancelled cases from list views, automating Agency Authorization Officer module assignments and automatic cancellation of inactive requests. In total the OneARC portal is now capable of processing 26 different transaction types. Most recently, Teams completed testing of the new ARC Customer Access Pages which is scheduled for deployment after the start of the new fiscal year. These enhancements were designed to improve efficiency and deliver a more streamlined user experience.

Financial System Modernization

In FY 2025, HUD advanced modernization efforts by securing IT Development, Modernization and Enhancement (DME) funding to improve the financial interface between the budget and financial activity for the Department's grant programs and the Office of Housing's subsidy and loan programs. Planned enhancements to the LOCCS, NCIS, and Oracle Federal Financials interface will permit HUD to deactivate the HUDCAPS capabilities. This will bring the Department closer to decommissioning HUDCAPS and the International Business Machines mainframe, which will lead to reduced costs associated with operating and maintaining legacy systems and result in improved timeliness and accuracy of the Department's financial data. This enhancement will result in better decision making.

In FY 2025, HUD advanced modernization efforts by securing IT DME funding to modernize and consolidate where possible HUD's legacy financial systems into a modern, secure and scalable financial architecture. It will also introduce a standardized and extensible financial data model to support better reporting, compliance, and seamless integrations across systems. The effort will leverage cloud services, automation, and microservices to improve performance, reduce cost, and increase data quality. This effort will be known as the Financial System Modernization Project.

The modernization effort will have 3 objectives:

Objective 1: Assess the current state of HUD's financial systems and provide recommendations for improvements.

Objective 2: Design and implement a new end-state architecture that improves operational efficiency and meets future security and programmatic requirements.

Objective 3: Ensure system integration with existing HUD and Treasury systems, ensuring seamless data exchange.

FFMIA Compliance

In accordance with *FFMIA*, HUD performed an assessment of whether the Department's financial management systems comply substantially with federal financial management systems requirements, applicable federal accounting standards promulgated by FASAB, and the U.S. Standard General Ledger (USSGL) at the transaction level. Financial management systems include both financial and mixed systems with both financial and programmatic capabilities.

As of September 30, 2025, HUD determined that all 31 of its financial management systems substantially comply with *Section 803(a) of FFMIA*. These systems comply with federal financial management systems requirements, applicable federal accounting standards, and the USSGL at the transaction level.

Controls

HUD Internal OMB Circular A-123 Review: HUD's management reviewed the results of its internal control evaluation individually and in aggregate to determine the impact on HUD's control reliability and management assurances. After analysis of control failures identified during control testing (both control design and operating effectiveness), management identified a material weakness affecting internal controls and financial governance across multiple program offices. HUD management identified one instance of non-compliance in its review of FY 2024 Payment Integrity Information Action (PIIA) Reporting, which used FY 2023 payment data, as detailed in the HUD OIG FY 2025 PIIA compliance report.

Results of Financial Statement Audit: HUD's independent external auditors issued a disclaimer of opinion on HUD's financial statements as of and for the fiscal year ending September 30, 2025. No material weaknesses are reported other than the one HUD self-reported.

Legal Compliance

The Department establishes policy and procedures for the administrative control of funds and maintains compliance with the Antideficiency Act and other financial requirements through *Handbook 1830.2, REV-6, Administrative Control of Funds Policies*, and associated procedures and documentation.

This fiscal year HUD conducted a review of 67 laws and regulations under which the Department must maintain compliance; 28 were identified as financial material across 19 HUD offices. Specific evaluation activities were performed to confirm HUD's compliance with those 28 laws and regulations, including inquiry through the automated program statement of assurance process tool and confirmations of previously identified material non-compliances.

In FY 2025, HUD reported one instance of non-compliance with laws and regulations in its review of FY 2024 PIIA Reporting, which used FY 2023 payment data, as detailed in the HUD OIG FY 2025 PIIA compliance report. For additional information, please refer to the Payment Integrity Information Act Reporting section of this report.

Law	FY 2025 Status
PIIA	Non-Compliant

Management Assurances

The U.S. Department of Housing and Urban Development's (HUD's) management is responsible for identifying, assessing, and managing risks and maintaining effective internal controls to meet the objectives of Sections 2 and 4 of the Federal Managers' Financial Integrity Act. During FY 2025, the Office of the Chief Financial Officer (OCFO) conducted internal control evaluations and risk-based analyses across HUD program office processes to assess reliability and effectiveness.

The reviews determined that under the prior Administration, HUD experienced a deterioration in financial controls and governance and identified a material weakness affecting internal controls and financial governance across multiple program offices. The HUD Office of Inspector General (OIG) identified one instance of non-compliance in its review of FY 2024 PIIA Reporting, which used FY 2023 payment data, as detailed in the HUD OIG FY 2025 PIIA compliance report. As a result, with the exception of the Federal Housing Administration and the Government National Mortgage Association, HUD cannot provide assurance that internal control over operations, reporting, and compliance were effective as of September 30, 2025.

OCFO will oversee remediation efforts to restore the robust control environment and governance previously in place during the first Trump administration. OCFO has developed a detailed remediation plan and is collaborating with program offices to implement corrective actions. HUD has also made substantial progress in complying with PIIA requirements through risk-based analytical procedures and publishing an unknown payment estimate for its two susceptible programs.

The Federal Financial Management Improvement Act of 1996 (FFMIA) requires agencies to implement and maintain financial management systems that substantially comply with federal financial management systems requirements, applicable federal accounting standards, and the United States Standard General Ledger at the transaction level. As of September 30, 2025, HUD determined that its financial management systems were substantially compliant with FFMIA. Details regarding HUD's remediation activities, timelines, and offices responsible are provided in the "Analysis of Systems, Controls, and Legal Compliance" section of this report.



E. Scott Turner

Secretary



HUD Secretary Turner announces the relocation of HUD headquarters to Alexandria, VA; a strategic move that will save taxpayers hundreds of millions while enhancing employee well-being.

SECTION TWO

FINANCIAL INFORMATION (UNAUDITED)

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MESSAGE FROM THE PRINCIPAL DEPUTY CHIEF FINANCIAL OFFICER



During my time at the Department of Housing and Urban Development (HUD) under the first Trump Administration, we successfully improved the financial and operational infrastructure of HUD resulting in the first clean audit opinion in several years. Upon my return in this Administration, I am focused on protecting taxpayer dollars from fraud waste and abuse by improving transparency and accountability of how taxpayer funds are being spent by our grantees and Public Housing Authorities. We need better information on where and how taxpayer funds are being spent once it leaves HUD, and restoring strong financial controls, which deteriorated under the Biden Administration. These are my top priorities during this term.

At the start of 2025, I launched a task force to rapidly identify Department-wide potential risk enabling focused mitigation on the most mission-critical areas. The program has gone well, and we have moved from the risk identification and monitoring phase, to now embarking on process improvements using technology and automation to address gaps. The people of HUD, especially those within the Office of the Chief Financial Officer (OCFO), have worked diligently to address these priorities throughout 2025, making progress on critical initiatives that enhance data access, improve stewardship, provide reporting, and enable sound decision-making.

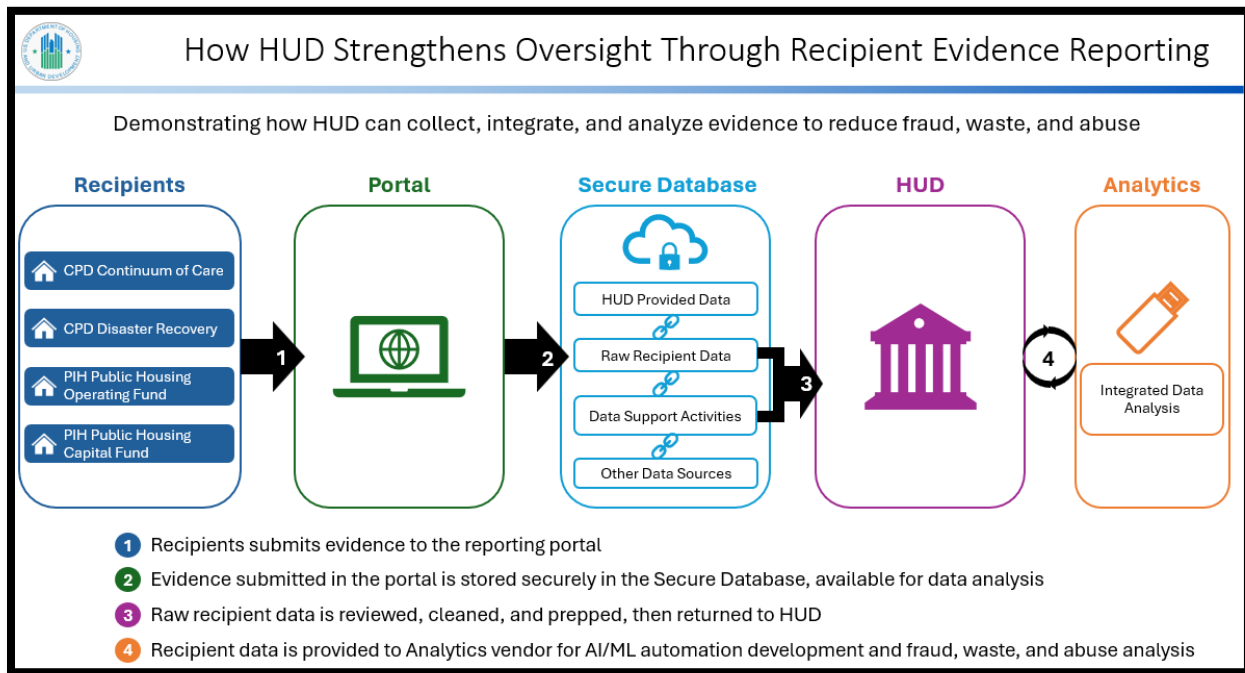
Upon my return and review of the financial infrastructure, I noted a deterioration in HUD's internal controls and governance under the Biden administration, which we deemed to be a material weakness. This review revealed a decline in internal controls, poor record keeping, instances where individuals may have exceeded their authority or had conflicting roles, and the removal of an effective governance structure for oversight. As a result, we are unable to issue a reasonable assurance report, and it has contributed to a disclaimed audit opinion. In addition to the focus on enhanced improper payments systems, we are prioritizing remediation of the identified internal control and governance weaknesses. The deficiencies observed within HUD's Program Offices do not affect the Federal Housing Administration (FHA) and the Government National Mortgage Association (Ginnie Mae).

Modernizing our services

The Department has prioritized modernizing our services provided to the American people, improving the delivery, and protecting taxpayer funds. We are making our services more efficient and responsive to the needs of the American public, while enhancing transparency and accountability of our grantees and Public Housing Authorities. There are many risks in the Department's financial and operating environment, and outdated systems and manual processes prevent our ability to efficiently scale and comprehensively monitor recipient spending. To improve efficiency and transparency, I have launched two new priority initiatives:

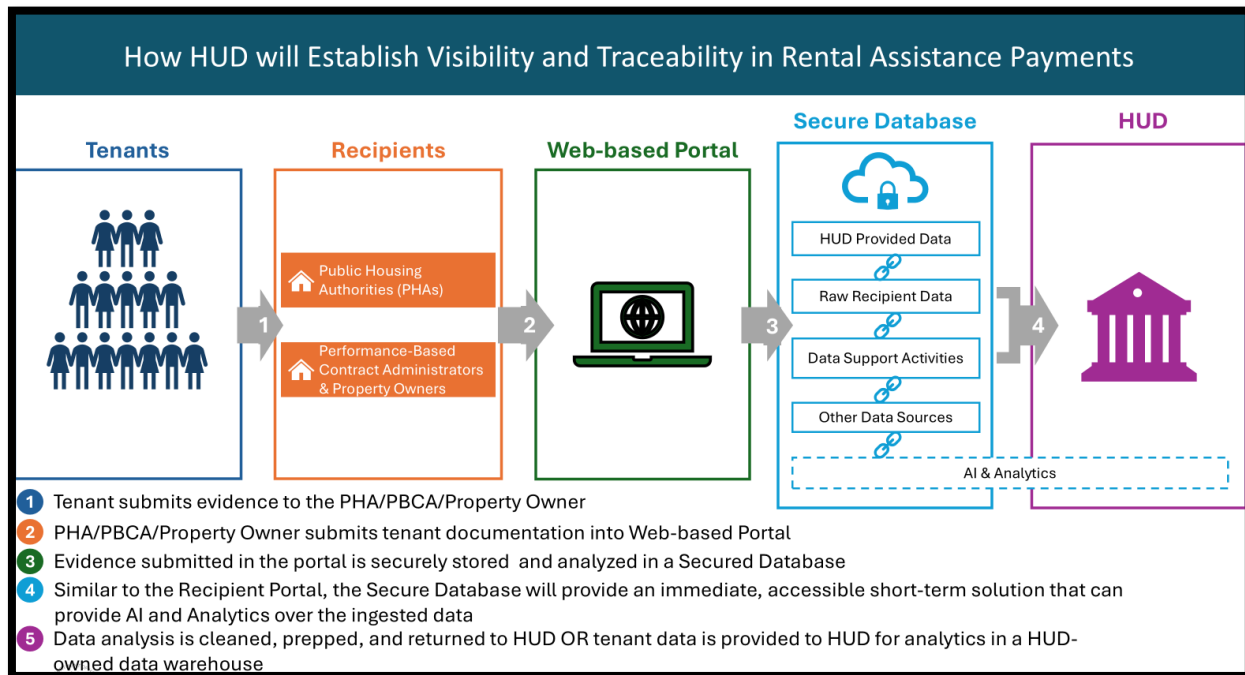
MESSAGE FROM THE PRINCIPAL DEPUTY CHIEF FINANCIAL OFFICER

- **Project HUD Unified Grant System (HUGS):** HUD operates in a fragmented grants environment with more than 40 processes and limited visibility across over 60 programs, creating risks to compliance, oversight, and financial integrity. To address this, HUGS will consolidate systems, standardize workflows, improve data quality, and reduce duplicative technology costs. A key component, the Recipient Reporting Portal, will centralize grantee reporting, strengthen expenditure validation, and enhance accountability while reducing fraud, waste, and abuse. Our goal is to collect subrecipient expenditure data for the complete flow of taxpayer funds and review such data for improper payments utilizing AI tools and methodology.



- **Project Voucher:** HUD’s rental assistance programs are complex and tenant eligibility decisions are decentralized. HUD reviewed the FY 2024 rental assistance payments total of \$50.4 billion, which identified payments to deceased tenants and to tenants with invalid social security numbers. Project Voucher will enhance payment oversight, stop payments to ineligible recipients, and prevent enrollment of ineligible tenants, increasing payment integrity across HUD’s rental assistance programs. We will establish a web-based portal to collect tenant eligibility documentation, review tenant documentation to identify missing information and other areas of non-compliance, trace payments made by HUD directly to tenants, and automate the calculation of rental assistance payments based on tenant documentation.

MESSAGE FROM THE PRINCIPAL DEPUTY CHIEF FINANCIAL OFFICER



Under my leadership, we are on a path toward financial and operational improvements with a clear vision and identified goals. *See OCFO Major Accomplishments section of the report.* Our workforce is dedicated, our remediation plan is active and measurable, and our leadership is fully aligned to achieving stronger financial accountability.

Today and every day, HUD is dedicated to maintaining transparency for the funds entrusted to us by the American people. While we still have steps to take, we are making consistent and meaningful progress toward stronger financial management across all facets of HUD's mission. I will continue working closely with HUD leadership to maintain this momentum and ensure our improvements are long-lasting. Together, we will continue to fully support HUD's mission and meet the highest standards of public trust.

Sincerely,

Irving L. Dennis

Principal Deputy Chief Financial Officer

FINANCIAL STATEMENTS

Introduction

The principal financial statements have been prepared to report the financial position and results of HUD's operations, pursuant to the requirements of the *Government Management Reform Act of 1994, Public Law 103-356, 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 the 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.

The following financial statements are presented:

The **Consolidated Balance Sheet (BS)** as of September 30, 2025, presents those resources owned or managed by HUD that are available to provide 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 (SNC)** presents the net cost of HUD operations for the year ended September 30, 2025. 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 (SCNP)** 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 year ended September 30, 2025.

The **Combined Statement of Budgetary Resources (SBR)** presents the budgetary resources available to HUD for the year ended September 30, 2025; as well as the status of these resources and the net outlay of budgetary resources for the year ended September 30, 2025.

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

FINANCIAL INFORMATION (UNAUDITED)

U.S. Department of Housing and Urban Development
Consolidated Balance Sheet
As of September 30, 2025
(dollars in millions)

	FY 2025
Assets (Note 2)	
Intragovernmental Assets	
Fund Balance with Treasury (Note 3)	\$ 140,767
Investments, Net (Note 5)	214,477
Accounts Receivable, Net (Note 6)	1
Advances and Prepayments (Note 11)	59
Total Intragovernmental Assets	355,304
Other than Intragovernmental Assets	
Cash and Other Monetary Assets (Note 4)	\$ 182
Accounts Receivable, Net (Note 6)	1,611
Loans Receivable, Net	
Loans Receivable, Net (Note 7)	84,986
Negative Loan Guarantees (Note 7)	52,972
Other Non-credit Reform Loans (Note 8)	16,641
Property, Plant, and Equipment, Net (Note 9)	146
Advances and Prepayments (Notes 10 and 11)	
PIH Advances and Prepayments (Note 10)	1,134
Advances and Prepayments (Note 11)	339
Total Other than Intragovernmental Assets	\$ 158,011
Total Assets	\$ 513,315
Liabilities (Note 12)	
Intragovernmental Liabilities	
Accounts Payable	\$ 104
Federal Debt and Interest Payable (Note 13A)	
Debt (Note 13B)	
Loans Payable - Borrowings	147,492
Interest Payable - Borrowings	8
Advances from Others and Deferred Revenue	2
Other Liabilities (Notes 14 and 16)	
Other Liabilities (Without reciprocals) (Notes 14 and 16)	4
Liability to the General Fund of the U.S. Government for Custodial and Other Non-entity Assets (Note 16)	1,225
Benefit Program Contributions Payable (Notes 14 and 16)	20
Other Liabilities - Reimbursable Activities (Note 16)	15
Total Intragovernmental Liabilities	148,870
Other than Intragovernmental Liabilities	
Accounts Payable	\$ 1,745
Federal Employee Salary, Leave & Benefits Payable (Note 14)	152
Post Employment Benefits Payable (Note 14)	49
Insurance and Guarantee Program Liabilities (Note 15)	1,556
Advances from Others and Deferred Revenue	940
Other Liabilities (Notes 16 and 18)	
Accrued Grant Liabilities (Note 16)	4,676
HMBS Obligations, at Fair Value (Note 16)	13,313
Other Liabilities (Note 16)	355
Total Other than Intragovernmental Liabilities	22,786
Total Liabilities	\$ 171,656
Contingencies (Note 18)	
Net Position	
Unexpended Appropriations	
Funds from Other than Dedicated Collections	113,467
Total Unexpended Appropriations (Consolidated)	113,467
Cumulative Results of Operations	
Funds from Dedicated Collections (Note 19)	37,123
Funds from Other than Dedicated Collections	191,069
Total Cumulative Results of Operations (Consolidated)	228,192
Total Net Position	\$ 341,659
Total Liabilities and Net Position	\$ 513,315

The accompanying notes are an integral part of these financial statements.

FINANCIAL INFORMATION (UNAUDITED)

U.S. Department of Housing and Urban Development
Consolidated Statement of Net Cost
For the Fiscal Year Ended September 30, 2025
(dollars in millions)

	FY 2025
Gross Program Cost (Note 20)	
Federal Housing Administration (FHA)	
Gross Cost	\$ (8,734)
Less Earned Revenue	(7,699)
Net Program Cost	(16,433)
Government National Mortgage Association (Ginnie Mae)	
Gross Cost	\$ 2,426
Less Earned Revenue	(4,714)
Net Program Cost	(2,288)
Section 8 Rental Assistance	
Gross Cost	\$ 55,710
Less Earned Revenue	-
Net Program Cost	55,710
Public and Indian Housing Loans and Grants (PIH)	
Gross Cost	\$ 10,818
Less Earned Revenue	-
Net Program Cost	10,818
Homeless Assistance Grants (HAG)	
Gross Cost	\$ 3,547
Less Earned Revenue	-
Net Program Cost	3,547
Housing for the Elderly and Disabled (HED)	
Gross Cost	\$ 1,265
Less Earned Revenue	(21)
Net Program Cost	1,244
Community Development Block Grants (CDBG)	
Gross Cost	\$ 10,435
Less Earned Revenue	-
Net Program Cost	10,435
HOME	
Gross Cost	\$ 1,953
Less Earned Revenue	-
Net Program Cost	1,953
All Other	
Gross Cost	\$ 2,474
Less Earned Revenue	(65)
Net Program Cost	2,409
Costs not Assigned to Programs	319
Consolidated	
Gross Cost	\$ 80,213
Less Earned Revenue	(12,499)
Net Cost of Operations (Note 26)	\$ 67,714

The accompanying notes are an integral part of these financial statements.

FINANCIAL INFORMATION (UNAUDITED)

U.S. Department of Housing and Urban Development
Consolidated Statement of Changes in Net Position
For the Fiscal Year Ended September 30, 2025
(dollars in millions)

FY 2025				
	Funds from Dedicated Collections (Consolidated Totals) (Note 19)	Funds from Other than Dedicated Collections (Consolidated Totals)	Eliminations	Consolidated Total
Unexpended Appropriations				
Beginning Balance	\$ -	\$ 111,566	\$ -	\$ 111,566
Beginning Balance, as Adjusted	\$ -	\$ 111,566	\$ -	\$ 111,566
Appropriations Received	\$ -	\$ 89,453	\$ -	\$ 89,453
Appropriations Transferred In / Out	-	6	-	6
Other Adjustments	-	(390)	-	(390)
Appropriations Used	-	(87,168)	-	(87,168)
Net Change in Unexpended Appropriations	\$ -	\$ 1,901	\$ -	\$ 1,901
Total Unexpended Appropriations	\$ -	\$ 113,467	\$ -	\$ 113,467
Cumulative Results of Operations				
Beginning Balance	\$ 34,832	\$ 174,928	\$ -	\$ 209,760
Adjustments				
Beginning Balance, as Adjusted	\$ 34,832	\$ 174,928	\$ -	\$ 209,760
Appropriations Used	\$ -	\$ 87,168	\$ -	\$ 87,168
Non-exchange Revenue (Note 27)	2	4	-	6
Imputed Financing	5	162	-	167
Other	(4)	(1,191)	-	(1,195)
Net Cost of Operations (Note 26)	2,288	(70,002)	-	(67,714)
Net Change in Cumulative Results of Operations	\$ 2,291	\$ 16,141	\$ -	\$ 18,432
Total Cumulative Results of Operations	\$ 37,123	\$ 191,069	\$ -	\$ 228,192
Net Position	\$ 37,123	\$ 304,536	\$ -	\$ 341,659

The accompanying notes are an integral part of these financial statements.

FINANCIAL INFORMATION (UNAUDITED)

U.S. Department of Housing and Urban Development
Combined Statement of Budgetary Resources
For the Fiscal Year Ended September 30, 2025
(dollars in millions)

FY 2025		
	Budgetary	Non-Budgetary Credit Reform Financing Account
Unobligated Balance from Prior Year Budget Authority, Net (Discretionary and Mandatory) (Note 22)	\$ 196,592	\$ 21,085
Appropriations (Discretionary and Mandatory)	89,498	-
Borrowing Authority (Discretionary and Mandatory)	-	22,638
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	36,464	27,491
Total Budgetary Resources	\$ 322,554	\$ 71,214
New Obligations and Upward Adjustments (Total)	\$ 90,532	\$ 56,490
Unobligated Balance, End of Year		
Apportioned, Unexpired Accounts	15,234	4,473
Unapportioned, Unexpired Accounts	215,926	10,251
Unexpired Unobligated Balance, End of Year	231,160	14,724
Expired Unobligated Balance, End of Year	862	-
Unobligated Balance, End of Year (Total)	232,022	14,724
Total Budgetary Resources	\$ 322,554	\$ 71,214
Outlays, Net (Total) (Discretionary and Mandatory)	\$ 52,677	\$ -
Distributed Offsetting Receipts (-)	(2,144)	-
Agency Outlays, Net (Discretionary and Mandatory) (Note 26)	\$ 50,533	\$ -
Disbursements, Net (Total) (Mandatory)	\$ -	\$ 23,648

The accompanying notes are an integral part of these financial statements.

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A. Reporting Entity

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 opportunities. 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 is a component of the U.S. Government. For this reason, some of the assets and liabilities reported by the entity may be eliminated for government-wide reporting because they are offset by assets and liabilities of another U.S. Government entity. HUD's financial statements and note disclosures should be read with the realization that they are for a component of the U.S. Government.

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 (P&I) to certificate holders on MBS issued by approved private institutions (issuers) and backed by residential mortgage loans federally insured or guaranteed by FHA, the U.S. Department of Veterans Affairs (VA), the U.S. Department of Agriculture's Rural Development Agency (USDA), and the HUD Office of Public and Indian Housing (PIH).

FHA and Ginnie Mae are considered consolidating entities to HUD.

The other major programs (HUD Proper) are as follows:

The Section 8 Rental Assistance programs are for assisting low-income families in obtaining decent, safe, and sanitary rental housing in the private market. Since housing assistance is provided on behalf of the family or individual, participants can find their own housing, including single-family homes, townhouses, and apartments. HUD makes up the difference between what low-income and very low-income families can afford and the approved rent for an adequate housing unit funded by the Housing Choice Voucher (HCV) program.

Public and Indian Housing Loans and Grants (PIH) include the Public Housing Fund, Capital Fund, and the Office Native American Programs (ONAP). The Public Housing Fund is for the operation and management of public housing to carry out capital and management activities for Public Housing Agencies (PHA). The Public Housing Fund provides funds annually to PHAs for the development, financing, and modernization of public housing developments and for management improvements. 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 Tribally Designated

Housing Entities (TDHE) for construction and rehabilitation of low-rent housing. The Native American Programs guarantee home mortgage loans made to Native American borrowers. The loan guarantee assures the lender that its investment will be repaid in full in the event of a foreclosure.

The Homeless Assistance Grants (HAG) funds the formula Emergency Solutions Grant (ESG) program and the competitive Continuum of Care (CoC) program. Together, these programs fund the activities that comprise communities' homeless crisis response systems.

The Supportive Housing for the Elderly (Section 202) and Persons with Disabilities (Section 811) grant programs provide capital to nonprofit organizations sponsoring rental housing for the elderly and disabled. Prior to these programs being operated as grants, they were administered as 40-year loans.

The Community Development Block Grant (CDBG) programs provide funds for metropolitan cities, urban counties, and other communities to use for neighborhood revitalization, economic development, disaster recovery assistance, and improved community facilities and services.

The HOME Investments Partnerships (HOME) 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-income and very low-income families.

HUD also has smaller programs which provide grants, 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 maintenance costs of PHA and TDHE housing projects. These smaller programs are also included within the HUD consolidated revenues and financing sources reflected in the financial statements.

B. Basis of Accounting and Presentation

The accompanying unaudited consolidated financial statements have been prepared to report on the financial position, net cost, changes in net position, and budgetary resources of HUD in accordance with *OMB Circular A-136, Financial Reporting Requirements*, and in conformance with the Federal Accounting Standards Advisory Board (FASAB) *Statements of Federal Financial Accounting Standards (SFFAS)*.

FHA and Ginnie Mae also prepare separate stand-alone financial statements that are subject to independent audit. In preparing HUD's consolidated financial statements, management relies on financial data submitted by these components and on HUD's financial systems and data aggregation processes.

Due to compressed financial reporting timelines, certain accounting entries and audit adjustments recorded at FHA are not fully captured in HUD's consolidated general ledger and may not be fully reflected in these unaudited consolidated financial statements. Consequently, differences may exist between amounts reported in these unaudited consolidated financial statements and the corresponding balances reported in FHA's audited stand-alone financial statements.

Pursuant to *SFFAS No. 34: The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board (FASB)*, if the accounting treatment for a transaction or a similar event is not specified in FASB and its related guidance, agencies are allowed to consider other accounting standards and guidance, including guidance issued by FASB. Ginnie Mae has applied *SFFAS No. 34* in the accounting and presentation of its reimbursable costs, which are included on the Accounts Receivable, Net line, and its mortgage loans including associated interest income and accrued interest receivables, advances, claims receivable, and properties held for sale, which are included in the Other Non-Credit Reform Loans line, as well as its Home Equity Conversion Mortgage (HECM) Mortgage-Backed Securities obligations (HMBS obligations) included in the Other Liabilities line in the accompanying BS.

The accounting standards require all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information.

FASB issued *Accounting Standards Update (ASU) No. 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, in June 2016, which was later amended by *ASU 2019-04: Codification Improvements to Topic 326, Financial Instruments—Credit Losses*, *ASU 2019-05: Financial Instruments—Credit Losses (Topic 326)*, and *ASU 2019-11: Codification Improvements to Topic 326, Financial Instruments—Credit Losses*. These ASUs are collectively known as the Current Expected Credit Losses (CECL) standard. This requires that financial instruments are collectively evaluated for impairment with a methodology that reflects lifetime expected credit losses and requires consideration of a broader range of reasonable and supportable forecast information to develop an estimate. Additional information regarding the accounting policies for these items are included in the sections located within this note titled “H. Accounts Receivable, Net”, “L. Other Non-Credit Reform Loans”, and “U. HMBS Obligations, at Fair Value”.

Ginnie Mae uses fair value measurement and the fair value option (FVO) under FASB standards. Ginnie Mae uses fair value measurement for the initial recognition of certain assets and liabilities, periodic remeasurement of certain assets on a recurring and non-recurring basis, and certain disclosures. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date. Ginnie Mae bases its fair value measurements on an exit price that maximizes the use of observable inputs and minimizes the use of unobservable inputs. FASB *Accounting Standards Codification (ASC) 820: Fair Value Measurements (Topic 820) Fair Value Measurement of Equity Securities Subject to Contractual Sales Restrictions* defines fair value measurement if the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or, in the absence of a principal market, in the most advantageous market for the asset or liability. In determining fair value, Ginnie Mae uses various valuation techniques. The inputs to the valuation techniques are categorized into a three-level hierarchy, as described below:

Level 1: Quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date.

Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for a substantial portion of the full term of the assets or liabilities.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The FVO under FASB ASC 825: *Financial Instruments* allows certain financial assets and liabilities, such as acquired loans, to be reported at fair value (with unrealized gains and losses reported in the SNC). FVO was elected by Ginnie Mae for its Accounts Receivable, Other Non-Credit Reform mortgage loans, including forward and reverse mortgage loans, and HMBS Obligations.

HUD's financial statements include all the accounts and transactions of HUD Proper, FHA, Ginnie Mae, and its grant, subsidy, and loan programs. All interfund accounts receivables, accounts payables, advances, prepayments, transfers in, and transfers out within these programs have been eliminated. The financial statements are presented on the accrual and budgetary basis 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.

The purpose of Federal budgetary accounting is to control, monitor, and report on funds made available to Federal agencies by law and help ensure compliance with the law. The budgetary basis of accounting is based on concepts set forth by OMB in the *Circular A-11, Preparation, Submission, and Execution of the Budget*, which provides guidance on preparing the annual Budget of the U.S. Government and provides instructions on budget execution. *Appendix F, Format of SF-132, SF-133, Schedule P, and Statement of Budgetary Resources (SBR)*, provides detailed guidance and instructions for each line item of the *SF-133, Report on Budget Execution and Budgetary Resources*, for which the SBR format and line items are based on. The *SF-133* is used to monitor the execution of OMB apportionments per the *SF-132, Apportionment and Reapportionment Schedule*. The SBR includes a separate column for non-budgetary credit reform financing accounts.

The SBR presents, for the aggregate of mandatory and discretionary funds:

- I. Budgetary Resources for the fiscal year.⁵ Budgetary Resources means amounts available to incur obligations in a year, and consists of new budget authority and unobligated balances of budget authority provided in prior years.
- II. Status of Budgetary Resources (includes obligated⁶ amounts and unobligated amounts). Obligation means a binding agreement that will result in outlays, immediately or in the future. Budgetary resources must be available before obligations can be incurred legally.
- III. Outlays, Net, and Disbursements, Net (cash transactions) for the fiscal year, which includes:

⁵ Per *OMB Circular A-11*, Section 20, Terms and Concepts.

⁶ Per *OMB Circular A-11*, Section 20, Terms and Concepts.

- Outlays, Net, which is comprised of Outlays,⁷ Gross less Actual Offsetting Collections.⁸ Outlay means a payment to liquidate an obligation (other than the repayment of debt principal or other disbursements that are 'means of financing' transactions). Outlays generally are equal to cash disbursements but also recorded for cash-equivalent transactions, such as the issuance of debentures to pay insurance claims, and in a few cases are recorded on an accrual basis such as interest on public issues of the public debt. Outlays are the measure of government spending. Offsetting collections means payments to the Government that, by law, are credited directly to expenditure accounts and deducted from gross budget authority and outlays of the expenditure account, rather than added to the receipts. Usually, offsetting collections are authorized to be spent for the purpose of the account without further action by Congress. They usually result from business-like transactions with the public, including payments from the public in exchange for goods and services, reimbursements for damages, and gifts or donations of money to the Government and from intragovernmental transaction with other Government accounts. The authority to spend offsetting collections is a form of budgetary authority.
- Agency Outlays, Net, which is comprised of Outlays, Net less Distributed Offsetting Receipts.⁹ Distributed Offsetting Receipts represents actual collections from the public or from other federal entities, net of disbursements, that are credited to certain receipt accounts (general fund, special fund, trust fund, and gift and donation receipt accounts) and budget clearing accounts, and for which the net receipts recorded to this line offset the budget outlays of the agency that conducts the activity generating the receipts. Offsetting receipts means payments to the Government that are credited to the offsetting receipt accounts and deducted from the gross budget authority and outlays, rather than added to receipts. Usually, they are deducted at the level of the agency and subfunction, but in some cases they are deducted at the level of the Government as a whole. They are not authorized to be credited to expenditure accounts. The legislation that authorizes the offsetting receipts may earmark them for a specific purpose and either appropriate them for expenditure for that purpose or require them to be appropriated in annual appropriations acts before they can be spent. Like offsetting collections, they usually result from business-like transactions with the public, including payments from the public in exchange for goods and services, reimbursements for damages, and gifts or donations of money to the Government, and from intragovernmental transactions with other Government accounts.
- Disbursements, Net, which is limited to the Department's non-budgetary credit reform financing accounts, and is comprised of Disbursements, Gross less Actual Offsetting Collections.

Budgetary accounting is designed to recognize Appropriations,¹⁰ spending authority from offsetting collections, borrowing authority, and contract authority for an agency, and the obligation and outlay or otherwise disbursement or disposition of funds according to legal

⁷ Per *OMB Circular A-11*, Section 20, Terms and Concepts.

⁸ Per *OMB Circular A-11*, Section 20, Terms and Concepts.

⁹ Per *OMB Circular A-11*, Section 20, Terms and Concepts.

¹⁰ Per *OMB Circular A-11*, Section 20, Terms and Concepts.

requirements, which in some cases is made prior to the occurrence of an accrual-based transaction.

Accrual and budgetary accounting are complementary; however, both the types of information presented, and the timing of their recognition are sometimes different. Information is therefore needed regarding the differences between accrual and budgetary accounting, which is accomplished by the disclosures located in HUD's Note (26) Reconciliation of Net Cost to Net Outlays. The reconciliation assists the reader in understanding how the accrual basis of accounting Net Cost of Operations (cash and non-cash transactions) for the fiscal year relates to the budgetary basis of accounting Agency Outlays, Net (cash transactions) for the fiscal year and the reconciling items.

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 3 days or as subsidies payable in accordance with the *Cash Management Improvement Act Amendments of 1992 (CMIAA), Public Law 102-589, codified at 31 U.S.C. §6501 and 31 U.S.C. §6503*. The exceptions are as follows: PIH HCV, Moving to Work (MTW) programs, and Mainstream Vouchers, where funds are paid on the first day of the month to cover rental expenses for that month. Also, PIH's ONAP, where some grantees are granted authority by PIH to invest Indian Housing Block Grant (IHBG) funding based on programmatic requirements.

C. Use of Estimates

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

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

To estimate the Liability for Loan Guarantees (LLG) and the Allowance for Subsidy associated with loans receivable and related foreclosed property, the Department relies on cash flow models associated with the loan guarantees subject to the *Federal Credit Reform Act of 1990 (FCRA), Public Law 101-508, 2 U.S.C. §661*. The Department develops the assumptions underlying the cashflow models based on historical data, current and forecast programs, and economic forecasts. Projections of future loan performance are used to estimate the Allowance for Subsidy and LLG.

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 Office of the Chief Financial Officer (OCFO) and PIH Housing Choice Voucher Programs (HCVP) developed an estimation methodology to determine its quarterly prepayment balances for the HCV programs due to timing constraints on obtaining the actual data. The OCFO and PIH ONAP developed an estimation methodology to determine its annual advance balances on the

portion that is invested by eligible grantee recipients due to timing constraints in obtaining the actual data. The PIH advance and prepayment estimate assumptions are disclosed in Note (10) PIH Advances and Prepayments.

HUD has a grant accrual policy and continues to refine its methodologies and underlying assumptions within that policy to develop its estimates. Grant accruals are calculated by the various program areas listed below on a quarterly basis and recorded in the trial balance to be included in the financial statements. These accruals represent HUD's estimate for its obligations/liabilities for work completed but not yet billed in its grant programs. The accruals are reversed in a later accounting period.

PIH: The grant accruals are completed for the following PIH programs: Public Housing Capital Fund, HOPE VI Revitalization Grants (HOPE VI)/Choice Neighborhoods, IHBG, Native Hawaiian Housing Block Grant, and Family Self Sufficiency. These grant accruals are calculated by taking the 15-day average total disbursements over a 3 or 12-month period. This methodology assumes that on average, there is a 30-day processing time for a PHA to incur an eligible expense, request a draw down, and then draw down the funds.

Community Planning & Development (CPD): The grant accruals are completed for the following CPD programs: HOME, CDBG, CDBG Disaster Recovery (CDBG-DR), CDBG Economic Development Initiatives (EDI), Pathways to Removing Obstacles to Housing (PRO Housing), Housing Opportunities for Persons with AIDS (HOPWA), HAG including ESG and CoC, Brownfields Redevelopment Program, Self Help/Capacity Building, Assisted Homeownership Opportunity Program (SHOP), and Neighborhood Stabilization Program.

Accrual methodology for HOME and CDBG uses the working assumption for each program that the expenses accrue over a period of time (which varies by activity and type) and are generally billed to the government within a particular interval of time after being incurred. The calculation process involves a financial model that includes the historical data of the total funded amounts by projected future draws of several months.

CDBG-DR and EDI accruals are calculated by reviewing a sample of grants disbursements to determine prior year accrual rates and applying that rate to the current quarter. The sample of grants disbursements are completed as part of the annual grant accrual validation process.

HOPWA and ESG programs' accrual methodology are based on the current year's draws and is expressed as a percentage of current period draws as adjusted and applied to the total quarterly drawn amount for the month.

CoC grant accruals use historical data based on the pattern of declining monthly grant balances. Based on the pattern of the balances, the program office projects the expenses that will be incurred and billed monthly based on the volume and timing of the grant funding and reasonable assumptions about the time period over which incurred expenses are billed.

The estimate for PRO Housing is calculated using the assumption that funds would be used pro rata across their 6-year lifespan, and so accrued expenses in any given quarter would be the cumulated pro rata figure less the cumulative total of any observed draws.

Neighborhood Stabilization Grants, Brownfields, Capacity Building, and SHOP Grants monthly expenditure rates are calculated based on historical spending patterns.

HUD's grant accrual validation for CPD programs compares prior year's grant accrual amounts to the actual disbursements to validate the various CPD accrual methodologies. The grant accrual validation is performed by taking a statistical sample based on surveys sent out to grantees regarding specific activities to determine the actual accrual amounts. The sample results are then projected to the remaining grant population.

Housing: The grant accruals are completed for the following Housing programs: Housing for the Elderly, Housing for Persons with Disabilities, and the Housing Counseling Assistance Program. The methodology breaks each program into sub-programs and developed a unique methodology based on the frequency and predictability of grant award and reimbursement.

This methodology is based on three assumptions: (1) The disbursements under the Project Rental Assistance Contract (PRAC) and Section 811 Project Rental Assistance (PRA) funding components of the Section 202 and Section 811 programs were excluded. However, the PRA Administrative Fees are included in the grant accrual estimate calculation; (2) on average, there is a 30-day (or less) processing time for project/grantee to request and draw down funds. Therefore, a disbursement for a month will generally reflect the expenses invoiced in the previous month; and (3) The methodology accounts for wide variations in appropriation timing and the timing of award announcements. Housing Counseling grantees' draw down funds from the Line of Credit Control System (LOCCS) used by HUD for making grant disbursements. Spending patterns throughout the year may vary by grantee, as well as by year and month, based on various factors (for example, the timing of the award announcement).

Ginnie Mae has made significant estimates in a variety of areas including, but not limited to, fixed assets, net, and its valuation of certain financial instruments such as: acquired property, claims receivable, forward mortgage loans, at fair value, reverse mortgage loans, at fair value, the Liability for Loss on Remaining Coverage associated with the administration of the MBS Guarantee Program, and Home Equity Conversion Mortgage-backed securities (HMBS) obligations. While those estimates are included in the balance of Accounts Receivable, Net, Other Non-Credit Reform Loans, Insurance and Guarantee Program Liabilities, and Other Liabilities in the accompanying BS, the actual results could differ from those estimates. For additional information, refer to Note (6) Accounts Receivable, Net, Note (8) Other Non-Credit Reform Loans, Note (15) Insurance Programs, and Note (16) Other Liabilities.

D. Entity and Non-entity Assets

Assets are classified as either entity or non-entity assets. Entity assets are those assets that HUD has the authority to use for its operations. Non-entity assets are those assets held by HUD but unavailable for use in its operations. Non-entity assets are offset by liabilities to third parties and have no impact on net position. HUD combines both entity and non-entity assets on its BS and provides disclosures for the non-entity assets. For additional information, refer to Note (2) Non-entity Assets.

E. Fund Balance with U.S. Department of the Treasury (Treasury)

Fund Balance with Treasury (FBWT) is an asset of HUD and a liability of the General Fund. Similarly, investments in federal government securities that are held by Ginnie Mae's Dedicated Collections accounts are assets of the reporting entity responsible for the Dedicated Collections and liabilities of the General Fund. In both cases, the amounts represent commitments by the

government to provide resources for HUD programs, but it does not represent the net assets to the government as a whole. When HUD seeks to use FBWT to liquidate budgetary obligations, U.S. Treasury will finance the disbursements in the same way it finances all other disbursements, using some combination of receipts, other inflows, and borrowing from the public (if there is a budget deficit).

HUD maintains all cash accounts with the U.S. Treasury. The U.S. Treasury processes cash receipts and disbursements on behalf of HUD. HUD's accounting records are reconciled with the U.S. Treasury on a monthly basis. HUD's fund types include general, revolving, trust, deposit, clearing accounts, and other fund types.

Ginnie Mae's business operations are fully funded by dedicated offsetting collections paid by issuers participating in the MBS Guarantee Program. Although Ginnie Mae's MBS Guarantee Program is not subject to *FCRA*, Ginnie Mae has implemented a "Modified Credit Reform" process and uses its program, financing, liquidating and capital reserve accounts to process its cash receipts and disbursements through the U.S. Treasury. Cash held with the U.S. Treasury includes Ginnie Mae's capital reserves (unavailable until apportioned by OMB) and available spending authority of obligated and unobligated balances available to finance allowable expenditures.

Refer to Note (1J) Credit Reform Accounting for Ginnie Mae's "Modified Credit Reform" process for its program, financing, liquidating and capital reserve accounts.

F. Federal Interest Earned on Uninvested Funds

FHA has recorded \$879 million for interest earned on uninvested funds as of September 30, 2025. The amounts represent interest earned on cash balances in its financing funds. The related interest receivable was liquidated at year end. HUD Proper recorded \$15 million for interest earned on uninvested funds as of September 30, 2025. For additional information, refer to Note (21) Exchange Revenues.

In prior fiscal years, Ginnie Mae earned and collected interest on uninvested funds, which was calculated using the applicable version of the Credit Subsidy Calculator (CSC) provided by the OMB. The U.S. Treasury clarified rules, in 2018, regarding the collection of interest on uninvested funds in the financing account. Based on discussions with the U.S. Treasury, Ginnie Mae was not entitled to earn interest on uninvested funds without a signed borrowing agreement in accordance with *FCRA*. Ginnie Mae is in ongoing discussions with OMB and its legal counsel on whether the financing account is fully subject to the provisions of *FCRA*. Resolution of the matter between Ginnie Mae and OMB is pending, and an agreement has not yet been reached concerning whether Ginnie Mae would be required to repay prior interest income received on uninvested funds or be able to earn interest in the future.

G. Investments

HUD limits its investments, which are principally comprised of investments by FHA's Mutual Mortgage Insurance (MMI) and Cooperative Management Housing Insurance (CMHI) Fund and Ginnie Mae's non-marketable, market-based U.S. 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 the U.S. Treasury issues, that are publicly marketed.

HUD's investment decisions are limited to the U.S. Treasury policies which: (1) only allows investment in U.S. Treasury notes, bills, and bonds; and (2) prohibit 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. FHA uses the straight-line amortization method for the interest accrual and amortization of discounts for its investments in short-term U.S. Treasury bills. Some of FHA's short-term investments are in one-day, overnight securities, which are measured at cost. For its investments in long-term U.S. Treasury notes and bonds, FHA uses the effective interest rate method to account for bond discount accretion and bond premium amortization.

Ginnie Mae's U.S. Treasury short-term investments consist of one-day, overnight certificates that are issued with a stated rate of interest to be applied to their par value with a maturity date of the next business day. These overnight certificates are measured at cost, which approximates fair value. There is no amortization on Ginnie Mae's short-term investments.

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 most cases, they are held to maturity. For additional information, refer to Note (5) Investments, Net.

H. Accounts Receivable, Net

HUD's accounts receivable includes partial claims and generic debt, premium receivables, fees, interest, reimbursable costs, criminal restitution, and other.

Partial Claims represent one of the loss mitigation activities utilized by FHA. The partial claim note is not due until an FHA-insured borrower's first lien has been paid in full. Most partial claim note receivables are reported under Note (7) Loans Receivable, Net, and Loan Guarantee Liabilities (Negative Loan Guarantees). The partial claim notes receivable reported under Note (6) Accounts Receivable, Net, are partial claims for which FHA has paid a claim but has not received the note.

All HUD/FHA debt types are referred to as Generic Debts. Generic Debts may be consumer debts or commercial debts. Each debt type is associated with an accounting category, which facilitates appropriate financial reporting. The FHA Financial Operations Center (FOC) is responsible for the servicing and recovery of all delinquent debts owed to FHA. The actual documents and information submitted will vary based on the type of debt. HUD Proper's debts and receivables are managed at the Department level.

FHA records premiums that have been billed but not collected as accounts receivable. Premium receivables consist primarily of premiums due to FHA from mortgagors at the end of the reporting period for Single-Family Forward and HECM loan guarantees. For details regarding FHA's premium structure, refer to Note (21) Exchange Revenues.

Ginnie Mae assesses interest under *ASC 326 Financial Instruments – Credit Losses* and the transition relief afforded by the guidance, as FASAB currently does not directly address the accounting treatment for non-credit reform loans receivable. Ginnie Mae elected FVO on its

forward and reverse mortgage loans, including accrued interest and related reimbursable costs receivable. Ginnie Mae accrues interest at the contractual rate, which is included in Accounts Receivable, Net in the accompanying BS. Interest which is capitalized to the principal balance of the loan is included in the Other Non-Credit Reform Loans line in the accompanying BS section (L) Other Non-Credit Reform Loans located within this note. Interest income on forward and reverse mortgage loans, at fair value, are included in earned revenue in the accompanying SNC.

Costs incurred on pooled forward loans, that are expected to be reimbursed, are recorded as reimbursable costs receivable. The pooled reimbursable costs are not subject to CECL FVO and continue to be reported net of an allowance for amounts that management believes will not be collected. The reimbursable costs for non-pooled forward and reverse loans are subject to CECL FVO and are included within forward and reverse mortgage loans, at fair value. Reimbursable costs arise when there are insufficient escrow funds available to make scheduled tax and insurance payments for loans serviced by Ginnie Mae, wherein Ginnie Mae advances funds to cover the escrow shortfall to preserve a first lien position on the underlying collateral. In addition, Ginnie Mae advances funds to cover servicing related expenses to preserve the value of the underlying collateral. The allowance for reimbursable costs is estimated based on historical loss experience, which includes expected collections from the mortgagors, proceeds from the sale of the property, and reimbursements collected from third-party insurers or guarantors (FHA, VA, USDA, and PIH).

Ginnie Mae advanced funds to preserve its interests in mortgaged property, such as advancing funds to cover shortfalls for mortgagors' taxes and insurance when escrow balances are insufficient, or pre-foreclosure and foreclosure costs and other expenses, such as Homeowners Association fees incurred during the foreclosure process. These costs may be recovered through borrower repayments, proceeds from liquidation of mortgaged property, or, for insured loans, from reimbursement by the insuring agency. Costs incurred on both pooled and non-pooled loans expected to be reimbursed are recorded as reimbursable costs receivable and reported net of allowance for amounts that management believes will not be collected. The allowance for reimbursable costs is estimated based on historical experience, which includes expected collections from the mortgagors, proceeds from the sale of the property, and reimbursements collected from insurers or guarantors such as FHA, VA, USDA, and PIH.

For additional information on HUD's accounts receivable, refer to Note (6) Accounts Receivable, Net.

I. Negative 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 BS. Pursuant to *SFFAS No. 2 Accounting for Direct Loans and Loan Guarantees*, the Loan Guarantee Liability (LGL) includes the Credit Reform Related LLG and the Pre-Credit Reform Loan Loss Reserve (LLR).

Generally, LGL is recorded as a liability in the BS except when the overall LGL balance is a debit balance. In the latter case, it is recorded as an asset in the BS under the Negative Loan Guarantees line. In FY 2025 FHA reported Negative Loan Guarantees, which indicate net potential future gains rather than losses on providing mortgage insurance.

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 based on its cash flow models and FHA values its Pre-Credit Reform LLR at net realizable value, the determination is based on estimated net cash outflows. To value these items, FHA uses historical claim data, revenues from premiums, and estimated recoveries.

At the HUD consolidated level, FHA's LGL is adjusted for estimated Ginnie Mae claims from FHA insured loans. Ginnie Mae holds FHA-insured loans acquired from both defaulted MBS issuers and a HECM lender, and estimated claims payable to Ginnie Mae for these FHA-insured loans must be reclassified at the HUD consolidated level, because FHA and Ginnie Mae are component reporting entities. Estimated claim payments are part of the anticipated cash outflows considered when FHA calculates its LLG.

J. Credit Reform Accounting

The primary purpose of the *FCRA*, which became effective on October 1, 1991, is to measure the budgetary cost for direct loans and loan guarantees from the cash flows into or out of the U.S. Treasury at the time such cash flows occurred and to determine the estimated long-term cost to the government on a present value basis. *OMB Circular A-11, Preparation, Execution, and Submission of the Budget Part 5*, titled "Federal Credit Programs", defines a loan guarantee as any guarantee, insurance, or other pledge with respect to the payment of all or part of the principal or interest on any debt obligation of a non-federal borrower (issuer) to a non-federal lender (investor).

The *FCRA* establishes the use of program, financing, and general fund receipt accounts for loan guarantees committed and direct loans obligated after March 31, 1991. It also establishes liquidating accounts for activity relating to any loan guarantees committed and direct loans obligated before October 1, 1991 (Pre-Credit Reform). Additionally, FHA has a capital reserve account associated with its MMI/CMHI Fund. These accounts are classified as either budgetary or non-budgetary in the Combined SBR. The budgetary accounts include the program, capital reserve and liquidating accounts, whereas the non-budgetary accounts consist of the Credit Reform financing accounts.

The program account is a budgetary 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 and upward reestimates of the LLG. Ginnie Mae's program account receives multiclass, commitment, and service fee collections from issuers and non-expenditure transfers (NET) from Ginnie Mae's capital reserve account to cover program contract obligations.

The financing account is a non-budgetary account that records all 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 the U.S. Treasury, earns or pays interest, and receives the subsidy cost payment from the program account. Although Ginnie Mae does not follow Credit Reform, its financing account is considered a non-budgetary account. Ginnie Mae's

financing account receives guarantee pool transfers and other program fee collections from issuers; claim payments from direct loan and loan guarantee agencies; NET from Ginnie Mae's capital reserve account to cover contract obligations; and upward reestimate payments from the program account. The financing account pays MBS guaranty program disbursements such as contract expenditures; principal and interest pass through payments to MBS investors; and negative subsidy and downward reestimate payments to the capital reserve account. The unobligated balances in the financing account are not invested in U.S. Treasury securities and do not receive an uninvested interest collection from the U.S. Treasury.

The general fund receipt account is an account used for the receipt of amounts paid from the financing account when there are negative subsidies from the original estimate or a downward reestimate. 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 fiscal year end, the fund balance in the general fund receipt account is transferred to the U.S. Treasury's General Fund. The FHA general fund receipt accounts for the General Insurance (GI) and Special Risk Insurance (SRI) funds fall in this category.

In the *National Affordable Housing Act of 1990, Public Law 101-625, 42 U.S.C. §8013*, Congress introduced a Capital Ratio requirement for gauging the financial status of FHA's Mutual Mortgage Insurance Fund (*12 U.S.C. §1711 (f)(4)*) and requires that FHA maintain a 2 percent Capital Ratio in the MMI Fund. The Capital Ratio compares economic net worth (current cash plus the present value of all future net cash flows) of the MMI fund to the dollar balance of active insured loans (the unpaid balance of insured mortgages) at a point in time. To ensure 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 budgetary account that records all cash flows to and from FHA and HUD Proper resulting from Pre-Credit Reform direct loans or loan guarantees. Liquidating account collections in any year are only available for obligations incurred during that year or to repay debt. Unobligated balances remaining in the liquidating accounts at year end are transferred to the U.S. Treasury's General Fund. Consequently, if resources in liquidating accounts are otherwise insufficient to cover the payments for obligations or commitments, the *FCRA* provides the liquidating accounts with permanent indefinite authority to cover any resource shortages. Ginnie Mae's liquidating account maintains a spending authority level of \$100 million and transfers collections more than that threshold to the capital reserve account.

Ginnie Mae's capital reserve is a budget account that retains the MBS Guarantee Program's negative subsidy, downward reestimates, and overnight securities interest collections. The capital reserve account maintains Ginnie Mae's unobligated reserve balances which are transferred to the program and/or financing accounts (as needed) to fund business operations.

K. 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 programs. FHA's loans receivable includes Mortgage Notes Assigned (MNAs), also described as Secretary Held

Notes, Purchase Money Mortgages (PMM), notes related to partial claims, and direct loans relating to the Federal Financing Bank (FFB) Risk Share Program. 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 lenders for claims on defaulted guaranteed loans, or loans that have reached their maximum claim amount, and takes assignment of these loans for direct collections. The majority of MNAs are HECM notes. HECM loans, while not in default, are assigned to FHA when they reach 98 percent of their maximum claim amount. In addition, multifamily mortgages are assigned to FHA when lenders file mortgage insurance claims for defaulted notes. Partial claims are second mortgages on HUD insured properties and are classified as defaulted guaranteed loans. Loans under the FFB Risk Share Program are considered to be direct loans pursuant to the U.S. Treasury guidelines.

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*. Those obligated or committed on or after October 1, 1991 (Post Credit Reform) are valued at the net present value of expected cash flows associated with these assets, primarily from estimated proceeds less selling and maintenance costs. The difference between the cost of these loans and properties and the net present value is called the Allowance for Subsidy. Pre-Credit Reform loans receivable resulting from obligations or commitments prior to October 1, 1991, and related foreclosed property in inventory are recorded at net realizable value based on recovery rates net of any selling expenses. For additional information on Pre-Credit Reform loans, refer to Note (7) Loans Receivable, Net and Loan Guarantee Liabilities (Negative Loan Guarantees).

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 the 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, property recovery rates, and net cost of sales.

Foreclosed property acquired because of defaulted 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 because of 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 cost of sales.

L. Other Non-Credit Reform Loans

Other Non-Credit Reform Loans consists of Ginnie Mae Mortgage Loans, Advances, Claims Receivable, and Properties Held for Sale which are discussed in the following paragraphs.

Mortgage Loans

When a Ginnie Mae issuer defaults, and is terminated and extinguished, Ginnie Mae steps into the role of the issuer and assumes all servicing rights and obligations of the issuer's entire Ginnie Mae guaranteed portfolio, including making timely pass-through payments. Ginnie Mae utilizes the Master Sub-servicer (MSS) to service these portfolios. There are currently two MSS that service the terminated and extinguished issuer portfolios of pooled and non-pooled loans.

In its role as issuer, Ginnie Mae assesses individual loans within its pooled portfolio to determine whether the loan must be purchased out of the pool. Ginnie Mae must purchase mortgage loans out of the MBS pool when the mortgage loans are ineligible for insurance or guarantee by the FHA, VA, USDA, or PIH, as well as loans that have been modified beyond the trial modification period. Additionally, Ginnie Mae has the option to purchase mortgage loans out of the MBS pool when the mortgage loans are insured or guaranteed but are delinquent for more than 90-days.

Ginnie Mae also has the option to repurchase reverse mortgage loans out of the securitization pools in certain instances. These situations include when the outstanding principal balance of the related HECM loan is equal to or greater than 98 percent of the Maximum Claim Amount (MCA) and the borrower's loan is becoming due and payable under certain circumstances; the borrower does not occupy the home for greater than 12 consecutive months due to physical or mental illness, and the home is not the residence of another borrower; or the borrower fails to meet the terms of the loan.

Ginnie Mae has elected to irrevocably apply FVO accounting to its mortgage loans purchased out of the pool described above, as part of the adoption for *ASC 326 Financial Instruments – Credit Losses* and the transition relief afforded by the guidance. The election allows Ginnie Mae to provide meaningful information to the users of the financial statements, as fair value provides a proxy into market participants' viewpoint on value of these instruments as of the measuring date, with considerations of both market and credit risks. The election also allows Ginnie Mae to classify its forward and reverse mortgage loans to be held at fair value.

Forward Mortgage Loans, at Fair Value (Forward MFV)

Forward mortgage loans, at fair value, includes traditional mortgage loans acquired upon default of a Ginnie Mae MBS issuer. Ginnie Mae reports the forward mortgage loans at fair value on the BS, which is comprised of the fair value of the Unpaid Principal Balance (UPB), accrued interest and reimbursable costs receivables.

Reverse Mortgage Loans, at Fair Value (Reverse MFV)

Reverse mortgage loans, at fair value, includes HECM loans acquired upon default of a Ginnie Mae HMBS issuer. HECMs provide seniors aged 62 and older with a loan secured by their home which can be taken as a lump sum, line of credit, or scheduled payments. HECM loan balances grow over the loan term through borrower draws of scheduled payments or line of credit draws, funded by the issuer, as well as through the accrual of interest, servicing fees, and FHA mortgage insurance premiums (MIP).

HECM loan balances are included within reverse mortgage loans, at fair value, and are comprised of securitized HECM loans subject to HMBS obligations as well as any unsecuritized interests that relate to partially securitized HECM loans.

Changes in Fair Value

On a quarterly basis, Ginnie Mae evaluates the fair value of forward MFV and reverse MFV to assess whether adjustments need to be made to account for the changes in the fair value. Gains and losses from fair value changes are reported in gross costs in the accompanying SNC.

Ginnie Mae Advances, Net

Advances represent Ginnie Mae pass-through payments to fulfill the guarantee of timely P&I payments to MBS holders. Ginnie Mae reports advances net of an allowance for amounts not expected to be collected. Ginnie Mae calculates the allowance based on expected recovery amounts. The calculation incorporates reimbursements per established insuring or guaranteeing agency guidelines, Ginnie Mae's collections experience, and other economic factors. Ginnie Mae reclassifies advances associated with loans purchased out of the MBS pools as part of the total recorded investment in the purchased loan.

Claims Receivable, Net

Claims receivable represent receivables from properties conveyed to insuring or guaranteeing agencies (FHA, VA, USDA, and PIH) for payments owed to Ginnie Mae from such insuring or guaranteeing agencies. Claims receivable consist of three primary components – Short Sale Claims Receivable, Foreclosed Property, and Assignment Claims Receivable:

1. Short Sale Claims Receivable

A property may be sold for an agreed-upon price that falls short of amounts owed on the property as an alternative to foreclosure. This type of sale is known as a "short sale." Short sale proceeds are often times insufficient to fully pay off the mortgage. Ginnie Mae's MSS identifies loans that may be short sale eligible. This evaluation is based on factors such as delinquency, appraised value of the property, and location of the property. Ginnie Mae's Office of Issuer and Portfolio Management (OIPM) approves all short sales.

FHA is the largest insurer for Ginnie Mae. FHA typically pays Ginnie Mae the difference between the proceeds received from the sale and the UPB of the mortgage loan plus FHA-allowable delinquent interest, and other reasonable and customary costs per the FHA guidelines. FHA guidelines provide for interest claims to be calculated based on a debenture rate, as published by FHA. FHA does not reimburse the first 2-months of delinquent interest payments. Short sales on USDA, VA, and PIH guaranteed loans follow a similar process in which the claims receivable amount is determined in accordance with the respective agency guidelines. Ginnie Mae records a short sale claims receivable while it awaits repayment of the shortfall amount from the insuring or guaranteeing agencies.

2. Foreclosed Property

Ginnie Mae records foreclosed property when the MSS receives title to a residential real estate property. Title may be received pursuant to a legal foreclosure process, or when the mortgagor conveys all interest in the property to satisfy the loan through a "deed in lieu of foreclosure" or similar legal agreement. These properties differ from acquired properties as Ginnie Mae intends to convey the property to an insuring or guaranteeing agency, instead of marketing and selling the properties. The amount of the claims receivable is determined based on the underlying

insuring or guaranteeing agency guidelines. Typically, this includes the UPB for the loan and any allowable interest and other costs per the guidelines.

3. Assignment Claims Receivable

Ginnie Mae has the option, in its assumed role as issuer of HMBS, to repurchase reverse loans out of securitization pools once the outstanding principal balance of the related reverse mortgage loan is equal to or greater than 98 percent of the MCA. Performing repurchased loans are assigned to the FHA in accordance with FHA insurance program requirements and the amount of the outstanding loan balance expected to be recovered from FHA as the insuring agency is recognized as an assignment claims receivable.

Allowance for Claims Receivable

Once the claims receivable is established, Ginnie Mae periodically assesses its collectability by utilizing statistical models, which incorporate expected recovery based on the underlying insuring or guaranteeing agency guidelines, and Ginnie Mae's historical loss experience. Ginnie Mae records an allowance for claims that represent the expected unrecoverable amounts within the portfolio. Claims net of an allowance is the amount that Ginnie Mae determines to be collectible.

The allowance for claims receivable includes effects of charge offs, recoveries, and amounts deemed uncollectible from the insuring or guaranteeing agency. At initial recognition, a claims receivable is recognized for the amount recoverable from the insurers and any excess amounts not recoverable are charged off against the allowance.

Properties Held for Sale

Ginnie Mae recognizes properties held for sale (acquired property) when marketable title to the underlying property is obtained. Title may be obtained through a legal foreclosure process or deed in lieu of foreclosure or other similar legal agreements. Acquired properties are typically either USDA insured, VA insured or uninsured conventional loans. These assets differ from "foreclosed property" as they are not conveyed to the insuring agencies. Acquired properties are assets that Ginnie Mae intends to sell and is actively marketing through the MSS. Ginnie Mae initially measures acquired property at its fair value, net of estimated costs to sell. Ginnie Mae records a charge off against the allowance for loan losses when the recorded investment in the loan prior to acquisition of title exceeds the fair value, net of estimated cost to sell, of the acquired property. If the fair value, net of estimated costs to sell, exceeds the recorded investment in the loan, Ginnie Mae recognizes a recovery for any forgone P&I. This amount is recognized with operating expenses which is included in the gross costs of the accompanying SNC.

Ginnie Mae subsequently measures acquired property at the lower of its carrying value or fair value less estimated costs to sell. Subsequent valuation measurements are periodically performed up until the sale of the property. The dates of the fair value measurements vary from property to property and are not always at the reporting period end date. Ginnie Mae recognizes any decreases in fair value, net of estimated costs to sell, below the carrying value through a valuation allowance. The corresponding charge is recorded as income (expense) on acquired property included in gross cost in the accompanying SNC. Any subsequent increase in fair value, net of estimated costs to sell, up to the cumulative loss previously recognized through the

valuation allowance, is recognized with operating expenses which are included in the gross costs of the accompanying SNC.

Ginnie Mae capitalizes subsequent improvement costs for acquired property. Ginnie Mae expenses other costs as incurred with operating expenses which are included in the gross costs of the accompanying SNC.

Ginnie Mae records gains and losses on sales of acquired property as the difference between the net sales proceeds and the carrying value of the property. These gains and losses are recognized through "Gains on Disposition of Assets – Other" included in earned revenues of the accompanying SNC. For additional information, refer to Note (8) Other Non-Credit Reform Loans.

M. Property, Plant, and Equipment, Net (PP&E)

PP&E is comprised of capital assets used in providing goods or services. PP&E is stated at cost less accumulated depreciation. Acquisitions of PP&E include assets purchased or assets acquired through other means, such as through transfer in from another federal entity, donation, devise (a will or clause of a will disposing of property), judicial process, exchange between a federal entity and a non-federal entity, and forfeiture.

HUD's PP&E, other than Ginnie Mae, consists of furniture, fixtures, equipment, and data processing software used in providing goods and services that have an estimated useful life of 3 or more years. Leasehold improvements consist of additions, alterations, remodeling, renovations, or other changes to existing leased properties that either extend the useful life or enlarge or expand or improve its capacity and are paid or financed for by the lessee. HUD's purchases of \$0.5 million for PP&E, \$0.5 million for Leasehold Improvements, and \$0.75 million for Internal Use Software (IUS) or more are recorded as an asset and depreciated over their estimated useful life on a straight-line basis with no salvage value for general property, plant, and equipment. Generally, PP&E, Leasehold Improvements, and IUS are depreciated over a 3-year period unless it can be demonstrated that the estimated useful life is significantly greater than the specified time period.

The Department purchases and maintains all PP&E used by FHA, along with other Office of Housing activities.

Ginnie Mae's purchases of \$0.5 million or more for PP&E and IUS are recorded as an asset. Ginnie Mae depreciates its PP&E and IUS using the straight-line basis over a 3 to 5-year period beginning when the assets are placed in service, unless another systematic and rational basis is more representative of the asset's use.

There are no restrictions on the use or convertibility of general PP&E. For additional information, refer to Note (9) PP&E, Net.

N. Liabilities

Liabilities represent actual and estimated amounts to be paid as a result of transactions or events that have already occurred. However, no liabilities can be paid by HUD without budget authority. Liabilities for which an appropriation has not been enacted are classified as liabilities not covered by budgetary resources, and there is no certainty that an appropriation will be enacted. For additional information on liabilities not covered by budgetary resources, refer to Note (12) Liabilities Not Covered by Budgetary Resources.

O. Accounts Payable

Accounts Payable primarily consist of amounts due for goods and services received but not yet paid, interest due on accounts payable, and other miscellaneous payables. FHA's accounts payable consist mostly of claims payable and premium refunds payable.

P. Leases

HUD maintains Occupancy Agreements (OA) with the General Services Administration (GSA). Each OA is a statement of business terms governing the tenancy relationship between HUD and GSA and is considered an intragovernmental lease. GSA charges rental rates for space that approximate commercial rental rates for similar properties. The terms of the OAs can vary slightly, primarily based on whether GSA directly owns the underlying assets or rents the space from third party commercial property owners. The period of occupancy for each OA may vary and most OAs allow HUD to cancel with 4-months' notice after the first year of occupancy. OAs do not include renewal options that may be in the lease, as GSA makes a determination as to whether such options are fair and reasonable relative to the market when the option matures.

HUD maintains an Interagency Agreement (IAA) with the GSA, that supports the leasing of GSA Fleet Vehicles for multiple HUD Field Offices throughout the United States and U.S. Territories. The IAA for Fleet Vehicles is a statement of business terms governing the lease relationship between HUD and GSA and is considered an intergovernmental lease. The period of performance of the IAA for Fleet Vehicles is October 1, 2022 to September 30, 2027.

Additionally, HUD maintains an IAA with the U.S. Government Publishing Office (GPO) for Multi-Functional Devices (MFDs) with print, copy, scan, and fax functions for HUD Headquarters and Field Offices. The IAA for MFDs is a statement of business terms governing the lease relationship between HUD and GPO and is considered an intragovernmental lease. The period of performance of the IAA for MFDs is one base period of 12 months and four 12-month option years (December 1, 2024 to November 30, 2029).

In accordance with *SFFAS No. 54: Leases*, intragovernmental lease provisions, HUD expenses these leases as incurred and does not record liabilities for future years' costs. HUD does not have material lease agreements with the public. In addition, HUD has assessed its contracts and agreements, existing as of October 1, 2024, and those subsequently entered into or modified on or prior to September 30, 2025, for potential embedded leases in accordance with *SFFAS 54* and *SFFAS No. 62: Transitional Amendment to SFFAS 54*. Based on this assessment, HUD has determined that none of its contracts qualify as embedded leases. For additional information refer to Note (17) Leases.

Q. Borrowings

As further discussed in other notes, several of HUD's programs have the authority to borrow funds from the U.S. Treasury and FFB for program operations. These borrowings, representing unpaid principal balances and future accrued interest, are reported as debt in HUD's consolidated financial statements. The Department also borrows 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. For additional information, refer to Note (13B) Debt, Terms of Borrowing Authority Used, and Available Borrowing Authority End of Period.

Ginnie Mae executed a borrowing agreement with the U.S. Treasury, on September 15, 2023, related to MBS portfolios defaulted and extinguished subsequent to the effective date of the borrowing agreement pursuant to *Title III of the National Housing Act of 1934, Public Law 73-479, Section 306(d), 12 U.S.C. §1721(d)* with Treasury. For additional information, refer to Note (13B) Debt, Terms of Borrowing Authority Used, and Available Borrowing Authority End of Period.

R. Federal Employees' Compensation Act Liabilities

The *Federal Employees' Compensation Act (FECA), Public Law 64-267, 5 U.S.C. §8101*, provides income and medical cost protection to covered federal civilian employees injured on the job, employees who have incurred a work-related injury or occupational disease, and to beneficiaries of employees whose deaths are attributable to job-related injuries or occupational diseases. The FECA program is administered by the U.S. Department of Labor (DOL), which pays valid claims and subsequently seeks reimbursement from HUD for these paid claims.

The FECA liability consists of two components. The first component is based on actual claims paid by the DOL but not yet reimbursed by HUD. The second component is the estimated liability for future workers' compensation based on past events. For additional information, refer to Note (14) Federal Employee Benefits Payable.

S. Accrued Unfunded Leave

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. Funded and unfunded employee annual leave, beginning in FY 2023, are being reported in Federal Employee Benefits Payable.

T. Insurance and Guarantee Program Liabilities

Ginnie Mae's MBS program guarantees the timely payment of P&I on securities backed by pools of mortgage loans insured or guaranteed by FHA, VA, USDA or PIH. Ginnie Mae's MBS Guaranty program is considered an exchange transaction insurance program other than life insurance under *SFFAS No. 51 Insurance Programs*. In accordance with the requirements of *SFFAS No. 51*, Ginnie Mae determines the Liability for Loss on Remaining Coverage associated with outstanding MBS guarantees as the total non-contingent guaranty obligation and contingent liability less the total guaranty asset.

When a liability is determined to exist, this amount is recorded as the Liability for Loss on Remaining Coverage and is included in Insurance and Guarantee Program Liabilities on the BS. Initial recognition and subsequent changes in the liability on remaining coverage are reflected on the BS and are recorded as a gain or loss included in gross cost on the SNC.

For additional information, refer to Note (15) Insurance Programs.

U. HMBS Obligations, at Fair Value

FASAB currently does not directly address the accounting treatment for securitization of HECM loans and sale accounting treatment, Ginnie Mae assesses its securitization obligations under

FASB ASC 860 – *Transfers and Servicing* and ASC 820 *Fair Value Measurement*. HMBS obligations, at fair value, represent the secured borrowing associated with securitization of HECM loans where Ginnie Mae has stepped into the role of issuer upon default, termination, and extinguishment of a Ginnie Mae HMBS issuer and the securitization does not meet the criteria for sale accounting treatment. This liability includes Ginnie Mae’s assumed obligation to repay the secured borrowing from the FHA-insured HECM cash flows and the obligations as issuer and servicer of the HECM loans and HMBS. For additional information on how the fair value of HMBS obligations are determined refer to Note (16) Other Liabilities.

V. Deferred Revenue

Deferred revenue are amounts received for goods or services to be delivered or performed in the future and reflect amounts that have yet to be earned. FHA reported deferred revenue in the amount of \$253 million as of September 30, 2025. FHA’s deferred revenue reported in HUD’s BS is mostly comprised of premiums collected on loans that have not been endorsed for FHA mortgage insurance. These premiums are excluded from FHA’s LLG because they have not been earned.

Ginnie Mae has deferred revenue from multiclass fees and commitment fees in the amount of \$684 million as of September 30, 2025. Refer to section (W) Operating Revenue and Financing Sources below for additional details regarding the policies for recognition of revenue for these fees.

W. 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 investment portfolio.

As a component of the government-wide reporting entity, HUD is subject to the federal budget process, which involves appropriations that are provided annually and appropriations that are provided on a permanent basis. The financial transactions that are supported by budgetary resources, which include appropriations, are generally the same transactions reflected in HUD and the government-wide financial reports.

HUD’s budgetary resources reflect past congressional action and enable HUD to incur obligations, but they do not reflect assets to the government as a whole. Budgetary obligations are legal obligations for goods, services, or amounts to be paid based on statutory provisions. After budgetary obligations are incurred, the U.S. Treasury will make disbursements to liquidate the budgetary obligations and finance those disbursements in the same way that it finances all disbursements, using some combination of receipts, other inflows, borrowing from the public (if there is a budget deficit). Pursuant to *SFFAS No. 7 Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, taxes, duties, fines, and penalties are considered nonexchange revenues, which are recognized when a legally enforceable claim is established, and it is recognized to the extent that the collection is probable (i.e., more likely than not) and the amount is measurable (i.e., reasonably estimable).

Appropriations for Grant and Subsidy Programs

HUD receives both annual and multiyear appropriations and recognizes those appropriations as revenue when related expenses are incurred.

Accordingly, HUD recognizes grant-related revenue and related expenses as recipients perform under their 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 disbursement 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. Ginnie Mae receives commitment fees as issuers request commitment authority and recognizes the commitment fees as earned when 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. Multiclass fees represent one-time up-front fees related to the issuance of multiclass products. Multiclass products include Real Estate Mortgage Investment Conduits (REMIC) and Platinum Certificates. The fees received for REMICs consist of guaranty fees and may include a modification and exchange (MX) combination fees. The guaranty fee is paid by the sponsor and is based upon the total principal balance of the deal. The MX combination fee allows the sponsor to combine REMIC and/or MX securities at the time of issuance. The guaranty fee is deferred and amortized into income evenly over the contractual life of the security. The MX combination fee, on the other hand, is recognized immediately in earnings (i.e., upon the combination of REMIC and/or MX securities). The fees received for Platinum Certificates are deferred and amortized into income evenly over the contractual life of the security. Ginnie Mae also recognizes income through fees related to new issuer applications, transfers of issuer responsibilities, and mortgage servicing fees.

Imputed Financing Sources

In certain instances, operating costs of HUD are paid out of funds appropriated to other federal agencies. For example, the Office of Personnel Management (OPM), by law, pays certain costs of retirement programs. When costs that are identifiable to HUD and directly attributable to HUD operations are paid for by other agencies, HUD recognizes these amounts as operating expenses. In addition, HUD recognizes an imputed financing source on the SCNP to reflect the funding of HUD operations by other federal agencies.

X. Appropriations and Monies Received from Other HUD Programs

The *National Affordable Housing Act of 1990, Public Law 101-625*, as amended, provides for appropriations from Congress to finance the operations of General Insurance and Special Risk Insurance (GI/SRI) funds (Sections 220, 221(d)(3) with tax credits, 221(d)(4), 223(a)(7), 223(f), 223(d), 231, 241(a), 232, 207, and 242 of the *National Housing Act of 1934, Public Law 73-479*, and Sections 542(c) and 542(b) of the *Housing and Community Development Act*). For Credit Reform loan guarantees, appropriations to the GI/SRI funds are provided at the beginning of each fiscal year to cover estimated positive subsidy and upward reestimates 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.

Y. Full Cost Reporting

SFFAS No. 4 Managerial Cost Accounting Standards and Concepts, for the federal government, requires that full costing of program outputs be included in federal agency financial statements. Full cost reporting includes direct, indirect, and inter-entity costs. Goods and services are received from other federal entities at no cost or at cost less than the full cost to the providing federal entity. Consistent with accounting standards, certain costs of the providing entity that are not fully reimbursed by HUD are recognized as imputed costs in the SNC and are offset by imputed revenue in the SCNP. Such imputed costs and revenues related to business-type activities (if applicable), employee benefits and claims to be settled by the U.S. Treasury Judgment Fund. However, unreimbursed costs of goods and services other than those identified above are not included in HUD's financial statements.

For purposes of the consolidated financial statements, HUD estimated each responsible segment's share of the program costs or resources provided by HUD or other federal agencies. In accordance with *SFFAS No. 55 Amending Inter-Entity Cost Provisions*, HUD records the required inter-entity costs which includes personal benefits and the U.S. Treasury Judgment Fund settlements. HUD has also elected to record inter-entity costs for a non-business type activity with Homeland Security for Information Technology (IT) services.

Z. Retirement Plans

The *Civil Service Retirement Act, Public Law 66-215*, which became effective on August 1, 1920, established a retirement system for certain Federal employees. It was replaced by the Federal Employees Retirement System (FERS) for Federal employees who first entered covered service on and after January 1, 1987. Retirement Civil Service Retirement System (CSRS) is a defined benefit, contributory retirement system. Employees share in the expense of the annuities to which they become entitled. CSRS covered employees contribute 7, 7.5, or 8 percent of pay to CSRS, while the employee generally pays no Social Security Old-Age, Survivors, and Disability Insurance (OASDI) tax, but the employee must pay the Medicare tax. The employing agency (HUD) matches the employee's CSRS contributions. HUD expenses its contributions to the retirement plans. FERS is a retirement plan that provides benefits from three different sources: a Basic Benefit Plan, Social Security, and the Thrift Savings Plan (TSP). The Basic Benefit and Social Security parts of FERS requires the employee to pay its share each pay period. HUD withholds the cost of the Basic Benefit and Social Security from an employee's wages as payroll deductions.

AA. Fiduciary Activities

Fiduciary activities are the collection or receipt, and the management, protection, accounting, investment, and disposition by the federal government of cash or other assets in which non-federal individuals or entities have an ownership interest that the federal government must uphold. Fiduciary assets are not assets of the federal government, are not recognized on the BS and are assets of a non-federal party for which the Federal Government is responsible.

Ginnie Mae has fiduciary activities which involve the collection or receipt and subsequent disposition of escrow deposits held in trust in which non-federal entities have an ownership

interest. In addition, Ginnie Mae holds deposits with the MSS for pass through payments to HMBS security holders, and deposits in transit for refunding of commitment authority fees for unapproved issuers. For additional information refer to Note (4) Cash and Other Monetary Assets. Such escrow deposits held in trust are held and managed by the MSS on behalf of Ginnie Mae and primarily relate to Ginnie Mae's non-pooled loan portfolio, with insignificant balances for its defaulted issuer pooled loan portfolio. Ginnie Mae estimates the balance of escrow deposits were \$22 million as of September 30, 2025.

BB. Net Cost

Net cost consists of gross costs and earned revenue. Gross costs and earned revenue are classified as intragovernmental (exchange transactions between HUD and other entities within the federal government) or public (exchange transactions between HUD and non-federal entities).

Net program costs are gross costs less revenues earned from activities. HUD determines gross cost and earned revenue by tracing amounts back to the specific program office. Administrative overhead costs of funds unassigned are allocated based on full-time employee equivalents of each program.

CC. Net Position

Net position consists of unexpended appropriations and cumulative results of operations. Unexpended appropriations include undelivered orders and unobligated balances, except for amounts in financing accounts, liquidating accounts, and trust funds. Cumulative results of operations represent the net difference since inception between: (1) expenses, and (2) revenues and financing sources.

DD. Funds from Dedicated Collections

Funds from dedicated collections are financed by specifically identified revenues, often supplemented by other financing sources that are originally provided to the federal government by a non-federal source, which remain available over time. These specifically identified revenues and other financing sources are required by statute to be used for designated activities, benefits, or purposes, and must be accounted for separately from the federal government's general revenues. For additional information, refer to Note (19) Funds from Dedicated Collections.

HUD presents its funds from dedicated collections on the BS and SCNP, from consolidating to combining based on the most recent guidance in the *OMB Circular A-136*. Non-Exchange Revenue and other financing sources from funds from dedicated collections, including net cost of operations, are shown separately in the SCNP. The portion of cumulative results of operations attributable to funds from dedicated collections is shown separately in both the BS and the SCNP.

EE. Allocation Transfers

HUD is a party to allocation transfers with other federal agencies as a transferring (parent) entity and/or a receiving (child) entity. Allocation transfers are legal delegations by one department of its authority to obligate budget authority and outlay funds to another department. A separate fund account (allocation account) is created in the U.S. Treasury as a subset of the parent fund account for tracking and reporting purposes. All allocation transfers of balances are

credited to this account, and subsequent obligations and outlays incurred by the child entity are charged to this allocation account as they execute the delegated activity on behalf of the parent entity. Parent agencies report both the proprietary and budgetary activity, but the child agency does not report any financial activity related to budget authority allocated from the parent agency to the child agency. HUD is the child for three allocation transfers: the Appalachian Regional Commission, U.S. Department of Transportation, and U.S. Department of Treasury. Under the *SFFAS No. 47 Reporting Entity*, HUD does not have any disclosure entities or related parties. HUD does not consider activities with a parent agency as a disclosure entity or a related party. HUD provides financial information to its parent agencies monthly to facilitate the agency's reporting consolidation.

NOTES DISCLOSURES RELATED TO THE BALANCE SHEET

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NOTE 2

Non-entity Assets

Non-entity Assets consist of assets that belong to other entities but are included in the HUD consolidated financial statements and are offset by various liabilities to accurately reflect the Department's net position. The Department's Non-entity assets principally consist of: (1) FHA's downward reestimates and negative subsidies in the General Fund receipt accounts for the GI/SRI fund; (2) escrow monies collected by FHA that are either deposited at the U.S. Treasury or in minority-owned banks or invested in the U.S. Treasury securities; (3) capital transfers to the General Fund of the U.S. Treasury from the FHA Liquidating Fund; (4) sustained audit receivables and court-enforced restitution in HUD's miscellaneous receipt account; (5) Emergency Home Loan Program (EHL) receivables in the General Fund receipt account; (6) cash from unremitted P&I collections and unapplied deposits held with the U.S. Treasury; (7) cash in transit to Ginnie Mae collected by the MSS; (8) unclaimed MBS security holder payments invested in U.S. Treasury securities; (9) deposits for payments to HMBS security holders held by the MSS; and (10) cash remittances from Section 8 bond refunding deposited in the General Fund of the U.S. Treasury.

HUD's Non-entity Assets as of September 30, 2025, were as follows:

Non-entity Assets <i>(dollars in millions)</i>	
FY 2025	
Intragovernmental Assets:	
Fund Balance with Treasury	\$ 77
Investments, Net	
Investments	24
Total Intragovernmental Assets	\$ 101
Other than Intragovernmental Assets:	
Cash and Other Monetary Assets	\$ 124
Accounts Receivable, Net	17
Loans Receivable, Net	91
Total Other than Intragovernmental Assets	\$ 232
Total Non Entity Assets	\$ 333
Total Entity Assets	\$ 512,982
Total Assets	\$ 513,315

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NOTE 3

Fund Balance with Treasury

HUD’s fund balances by status type as of September 30, 2025, were as follows:

Fund Balance with Treasury <i>(dollars in millions)</i>	
FY 2025	
Status of Fund Balance with Treasury	
Unobligated Balance	\$ 32,027
Obligated Balance not yet Disbursed	108,684
Non-budgetary Fund Balance with Treasury	56
Total Fund Balance with Treasury	\$ 140,767

The U.S. Treasury performs cash management activities for all federal agencies. The net activity represents FBWT. HUD’s FBWT is an asset to the Department but not to the entire government because it is considered a liability to the General Fund.

Unobligated and obligated balances reported in the Status of FBWT above do not agree with unobligated and obligated balances reported in the Combined SBR because the budgetary balances reported in the Combined SBR are supported by FBWT and other budgetary resources that do not affect FBWT such as investment authority, contract authority, borrowing authority, and budgetary receivables. Such authority permits an agency to incur obligations in advance of an appropriation, offsetting collections, or receipts to liquidate the obligations. Since federal securities are considered the equivalent of cash for budgetary purposes, investments in them are treated as a change in the mix of assets held, rather than as a purchase of assets. In addition, unobligated balances that include collections related to Ginnie Mae are not available to HUD unless approved by Congress.

Ginnie Mae’s fund balance is classified as restricted when the funds are unavailable for withdrawal or usage due to its status as non-entity assets, legally restricted deposits, contracts entered into with others, or Ginnie Mae’s statements of intention with regard to particular deposits. As of September 30, 2025, less than \$1 million of the fund balance is restricted, and principally consists of cash received from Ginnie Mae’s MSS due to loan prepayments, curtailment, and payoff from borrowers, which must be used to pay MBS holders, and not available for use in Ginnie Mae’s general operations. Such funds are classified as non-entity assets as disclosed in Note (2) Non-entity Assets, maintained in the fund balance account for Ginnie Mae’s liquidating fund, and are also included in the balance of Obligated Balance not yet Disbursed in the tables above.

For additional disclosures on HUD’s unobligated FBWT restrictions, refer to Note (24) Legal Arrangements Affecting the Use of Unobligated Balances.

The Department’s non-budgetary FBWT 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 U.S. Treasury are classified as suspense and/or deposit funds and consist of accounts receivable balances due from the public. An SBR is not prepared for these funds since any cash remittances received by the Department are not defined as budgetary resources.

The Department’s increased FBWT include appropriations, borrowings, transfers from other agencies and collections. It’s FBWT is decreased by disbursements made to pay liabilities or to

purchase assets, goods or services, transfers and reimbursements to other agencies, the U.S. Treasury investments in U.S. securities, cancelled funds, and rescission or sequestration of appropriations. FHA’s appropriations increase when positive subsidy, or upward reestimates occur in its GI/SRI loan guarantee programs. HUD Proper’s appropriations also increase when upward reestimates occur in its loan guarantee programs.

An immaterial difference exists between HUD’s recorded FBWT and the U.S. Treasury’s records. To be consistent with the U.S. Treasury’s guidance, the Department temporarily adjusts its records to agree with the U.S. Treasury’s balances at the end of the accounting period. The adjustments are reversed at the beginning of the following accounting period. These immaterial differences are researched in the following accounting period(s) for resolution.

04 **NOTE 4** **Cash and Other Monetary Assets**

HUD’s Cash and Other Monetary Assets as of September 30, 2025 were as follows:

Cash and Other Monetary Assets <i>(dollars in millions)</i>		
	FY 2025	
	FHA	Ginnie Mae
Cash		
Escrow Monies	\$ 17	\$ -
Custodial Deposits for Payment to Security Holders	-	107
Deposits in Transit	18	40
Total Cash and Other Monetary Assets	\$ 35	\$ 147

FHA’s cash and other monetary assets consist of escrow monies collected that are deposited in minority-owned banks and deposits in transit. Ginnie Mae’s cash and other monetary assets include deposits in transit from dedicated collections and restricted cash. Funds from dedicated collections consist of cash that is received by the MSS but not yet transmitted to Ginnie Mae.

Ginnie Mae restricted cash consists of funds that are unavailable for withdrawal or usage due to their status as non-entity assets. As of September 30, 2025, \$107 million of cash is restricted and principally consists of cash deposited with the MSS for payment to HMBS security holders for P&I payments and deposits in transit for refunding of commitment authority fees for unapproved issuers. Such funds are classified as non-entity assets as disclosed in Note (2) Non-entity Assets. For additional details on the HMBS issuer default, refer to Note (8) Other Non-Credit Reform Loans, Section A2. Reverse Mortgage Loans, at Fair Value and Note (16B) Other Liabilities–HMBS Obligations, at Fair Value.

05 **NOTE 5** **Investments, Net**

The U.S. Government non-marketable intra-governmental securities are comprised of short-term and long-term securities. Short-term securities have an original maturity date of less than one year. Long-term securities have an original maturity date of one year or greater. Ginnie Mae primarily invests in U.S. Treasury overnight certificates which are issued with a stated rate of interest to be applied to their par value amount with a maturity date on the next business day.

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For information on FHA’s investing practices in U.S. Government securities, refer to Note (1) Summary of Significant Accounting Policies, Section (G) Investments.

The cost, estimated market value, and amortization method of investments in debt securities as of September 30, 2025 were as follows:

Investments, Net (dollars in millions)							
FY 2025							
	Cost/Acquisition Value	Amortization Method	Amortized (Premium)/Discount	Interest Receivable	Net Investments	Unrealized Gain/(Loss)	Market Value
Intragovernmental Investments:							
Treasury Bills	\$ 184,903	Straight-line	\$ 58	\$ -	\$ 184,961	\$ 20	\$ 184,981
Treasury Notes	-	Effective Interest	-	-	-	-	-
Overnight Securities	29,516	No Amortization	-	-	29,516	-	29,516
Total Intragovernmental Investments	\$ 214,419		\$ 58	\$ -	\$ 214,477	\$ 20	\$ 214,497

The federal government does not set aside assets to pay future benefits or other expenditures associated with funds from dedicated collections. The dedicated cash receipts collected from the public into the fund are deposited in the U.S. Treasury, which uses the cash for general government purposes. The U.S. Treasury securities are issued to Ginnie Mae with a stated rate of interest to be applied to the par value with a maturity date of the next business day and are measured at cost, which approximates fair value. The U.S. Treasury securities are an asset to Ginnie Mae and a liability to the U.S. Treasury. Since Ginnie Mae and the U.S. Treasury are both parts of the government, these assets and liabilities offset each other from the standpoint of the government as a whole. For this reason, they do not represent an asset or a liability in the U.S. Government-wide financial statements.

When Ginnie Mae's capital reserve fund redeems its U.S. Treasury securities to make expenditures, the U.S. Treasury will finance those expenditures in the same manner that it finances all other expenditures.

As of September 30, 2025, \$24 million of investments were restricted and principally consist of unclaimed security holder payments not available for use in Ginnie Mae’s general operations. Unclaimed security holder payments represent money owed to MBS certificate holders that have not been claimed or where the certificate holder cannot be located. These funds are classified as non-entity assets as disclosed in Note (2) Non-entity Assets.

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NOTE 6

Accounts Receivable, Net

The following table presents the accounts receivable balances as reflected on the BS, as of September 30, 2025:

Accounts Receivable, Net <i>(dollars in millions)</i>			
FY 2025			
	Gross Accounts Receivable	Allowance for Loss	Total, Net
Intragovernmental	\$ 1	\$ -	\$ 1
Other than Intragovernmental			
FHA Partial Claims and Generic Debt Receivables	460	(240)	220
FHA Premium Receivables	740	-	740
Ginnie Mae Fees and Interest Receivables	187	-	187
Other Receivables	588	(126)	462
Criminal Restitution			
FHA Criminal Restitution	15	(14)	1
Ginnie Mae Criminal Restitution	106	(106)	-
Other Criminal Restitution	42	(41)	1
Total Accounts Receivable	\$ 2,139	\$ (527)	\$ 1,612

The Department's Accounts Receivable represents FHA Partial Claims and Generic Debt Receivables, FHA Premium Receivables, Ginnie Mae Fees, Interest Receivables and Reimbursable Cost Receivables, Other Receivables, and Criminal Restitutions.

FHA Partial Claims, Premium and Generic Debt Receivables

FHA Partial Claims are paid to mortgages as part of its loss mitigation efforts to bring delinquent loans current. The FHA Partial Claims reported in this note are partial claims for which FHA does not yet have the promissory note. Premium receivables consist of premiums due to FHA from mortgagors at the end of the reporting period that are due in the following reporting period. FHA's Generic Debt is comprised of receivables from various sources, the largest of which are Single-Family Claims that have gone to collection, Single-Family Indemnifications, and Single-Family Restitutions. For FHA's partial claims, the allowance for subsidy associated with the unsupported partial claim notes is reported as the allowance for loss. No allowance for loss is reported for premium receivables because premium receivables accrued at the end of the reporting period are generally collected during the following reporting period. As of September 30, 2025, the allowance for loss on FHA's generic debt receivables was 56.1 percent. This calculation is based on historical loss experience and management's judgement concerning current economic factors.

Ginnie Mae Fees, Interest and Reimbursable Cost Receivables

Accrued Fees:

Ginnie Mae accrued fees primarily consist of accrued guaranty fees due from issuers. Guaranty fees are payable monthly based on the outstanding UPB in Ginnie Mae guaranteed MBS pools at the appropriate statutory rate. As of September 30, 2025, Ginnie Mae's accrued fees totaled \$150 million.

Accrued Interest Receivable, Net:

Ginnie Mae also accrues interest on mortgage loans held for investment as disclosed in Note (1) Summary of Significant Accounting Policies. As of September 30, 2025, Ginnie Mae's accrued interest receivable, net of adjustments, totaled \$19 million.

Reimbursable Costs Receivable, Net:

Reimbursable costs arise when Ginnie Mae advances funds to preserve its interests in mortgaged property as discussed in Note (1) Summary of Significant Accounting Policies. Costs incurred on both pooled and non-pooled loans expected to be reimbursed are recorded as reimbursable costs receivable and reported net of allowance for amounts that management believes will not be collected.

As of September 30, 2025, Ginnie Mae's pooled reimbursable costs were less than \$1 million and non-pooled reimbursable costs totaled \$16 million.

Other Receivables

The Other Receivables line item represents Section 8 year-end settlements, claims to cash from the public, state and local authorities for bond refunding, Section 236 Rental Assistance excess rental income, Section 202 and 811 Project Rental Assistance Contracts excess residual receipts, sustained audit findings, refunds of overpayment, signed consent and judgements approved by the courts, and foreclosed property proceeds. Sustained audit costs are costs that have been challenged by the OIG, agreed upon by HUD, and evidenced by a repayment agreement.

FHA reports an allowance for receivables relating to escrow advances and miscellaneous investment fees, which are categorized by HUD at the consolidated level as Other Receivables. FHA's foreclosed property receivables accrued at the end of the reporting period are generally collected during the following reporting period; therefore, FHA does not record an allowance for loss on those receivables. Furthermore, amounts required to be paid in signed consent judgments approved by the courts may not be contested, as such, there is no allowance required for those receivables.

As of September 30, 2025, \$2 million of receivables due to Ginnie Mae from the MSS related to overpayments for reimbursable costs are also included in the total amount disclosed for Ginnie Mae Fees, Interest and Reimbursable Cost Receivables.

In addition, Ginnie Mae receives payments from FHA for guaranty claims related to non-pooled mortgage assets held by Ginnie Mae. FHA recognizes a deposit in transit for approved claims that have not yet been placed into the account of the recipient agency - Ginnie Mae. This timing difference represents an intragovernmental relationship between two component entities of HUD and has a net-zero impact at the HUD consolidated level. As of September 30, 2025, an immaterial intragovernmental accrual was recorded.

Criminal Restitution

Pursuant to the requirements of *OMB Circular A-136*, HUD has disclosed separately its criminal restitution that is included in its Accounts Receivable balances as it is deemed material; this includes the gross receivables related to criminal restitution orders monitored by HUD, and the estimate of net realizable value determined to be collectible for criminal restitution orders monitored by HUD. Criminal restitutions are defined as primarily fraudulent and false claims that

resulted in a loss to the government when individuals were allowed to receive federal funds or benefits to which they were not entitled. Criminal Restitution payments are made by an offender to the victim for the harm caused by the offender's wrongful acts. Courts have the authority to order convicted offenders to pay restitution to victims as part of their sentences. There are several primary stakeholders in the criminal debt data management process. In the judicial branch, stakeholders are the District Court Clerk's Office and the Probation Office.

In the executive branch, the stakeholders are the U.S. Department of Justice which includes the U.S. Attorney's Office (USAO) and the Bureau of Prisons. The USAO is statutorily responsible for the enforcement of the collections of criminal debt and the District Courts are responsible for receipting payments, disbursing restitution to victims, and tracking the debt.

HUD Proper has recorded an allowance for loss against the criminal restitution accounts by the aging method: 10 percent of outstanding current accounts receivables; 95 percent of outstanding accounts receivable under two years delinquent; 100 percent of outstanding accounts receivable over two years delinquent. The aggregate of all group results is the estimated allowance for loss. This assessment is based on HUD's position in the recovery prospect for debts from defendants, its historical experience with collections on these accounts, and the overall historical experience for the U.S. Government in collecting on this category of receivables. As of September 30, 2025, HUD Proper recorded an allowance for loss of 98 percent against the criminal restitution accounts receivable.

As of September 30, 2025, FHA recorded an allowance for loss of 92 percent against the criminal restitution accounts receivable.

As of September 30, 2025, Ginnie Mae recorded a 100 percent allowance for loss against the criminal restitution accounts receivable based on management's expectation that these amounts are not probable of collection. This assessment is based on Ginnie Mae's position in the recovery hierarchy for debts from defendants, its historical experience with collections on these accounts, and the overall historical experience for the U.S. Government in collecting on this category of receivables.

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NOTE 7

Loans Receivable, Net and Loan Guarantee Liabilities (Negative Loan Guarantees)

Loans Receivable are governed by the *FCRA*, as amended by *SFFAS No. 2*. For additional information on Loans Receivable, refer to Note (1) Summary of Significant Accounting Policies, Section (I) Negative Loan Guarantee, Section (J) Credit Reform Accounting and Section (K) Credit Program Receivables and Related Foreclosed Property. HUD's Note (7) covers Loans Receivable for FHA and HUD Proper components. Ginnie Mae's Loans Receivable are covered in HUD's Note (8) Other Non-Credit Reform Loans.

The subsidy rates disclosed pertain only to the current fiscal 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 reestimates.

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

- 1) FHA
 - a) GI/SRI Direct Loan Program
 - b) MMI/CMHI Loan Program
 - c) GI/SRI Loan Guarantee Program
 - d) HOPE for Homeowners Loan Guarantee Program (H4H)
- 2) HED
- 3) All Other
 - a) Flexible Subsidy Fund
 - b) Section 108 Loan Guarantees
 - c) Indian Housing Loan Guarantee Fund
 - d) Loan Guarantee Recovery Fund
 - e) Native Hawaiian Housing Loan Guarantee Fund
 - f) Title VI Indian Housing Loan Guarantee Fund
 - g) Green Retrofit Direct Loan Program
 - h) Emergency Homeowners' Loan Program
 - i) Green and Resilient Retrofit Program (GRRP)

FHA

FHA programs are operated primarily through four insurance funds: The MMI, CMHI, GI and SRI. There is a fifth fund, H4H fund, that became operational in FY 2009 and only contains minimal activity. The MMI fund is the largest. For financial reporting purposes, FHA combines the presentation of the MMI/CMHI and GI/SRI programs.

MMI/CMHI

The MMI fund provides mortgage insurance on single-family mortgage loans made by FHA-approved lenders and strives to meet the needs of many first-time and minority homebuyers who, without the FHA guarantee, may find mortgage credit to be unaffordable or simply unavailable. Through MMI, FHA offers several types of single-family forward (traditional) mortgage insurance products and HECM (reverse mortgages) for seniors. Activity for the CMHI fund, which insures mortgages for multifamily cooperatives, is reported together with MMI.

GI/SRI

The GI/SRI fund provides mortgage insurance on multifamily rental housing and healthcare facilities, and Single-Family Title I manufactured housing and property improvement loans. GI/SRI programs are a critical component of FHA's efforts to meet the Nation's need for decent, safe, and affordable housing.

GI/SRI's mortgage programs are designed to operate without the need for subsidy appropriations, with fees set higher than anticipated losses.

The FFB Risk Sharing 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 the Risk Sharing Program; it only substitutes FFB as the funding source. The Housing Finance Agencies (HFAs) originate and service the loans and share in any losses. The FFB Risk Sharing Program was suspended from FY 2019 through FY

2021 for new loan obligations. In FY 2022, the FFB Risk Sharing Program accepted new loan obligations.

Prior to FY 2015, FHA's direct loans were a result of PMMs. The direct loan receivables were primarily multifamily loans and are in the liquidating fund. In addition, FHA has a small amount of new PMMs that are administered by Single-Family Housing.

In FY 2025, FHA's loan volume increased within the FFB Risk Sharing Program.

H4H

This program was authorized under the *Housing and Economic Recovery Act of 2008 (HERA)*, *Public Law 110-289*. This program was effective for endorsements on or before March 31, 2011. The *HERA Act* was designed to prevent qualified homeowners from defaulting on their loans and avert foreclosure. This was done through refinancing into affordable, fixed-rate mortgages.

Negative Loan Guarantees

FHA's Negative Loan Guarantees amounts as of 4th quarter FY 2025, was \$53,062 million (excluding HUD Proper's balances). The total LGL is the sum of both positive and negative LLG estimates in the MMI, GI/SRI and H4H funds. *OMB Circular A-136* requires the loan guarantee liability to be reported as an asset when the net loan guarantee liability for all credit programs of a reporting entity is negative. Because FHA reported a net negative loan guarantee liability in FY 2025, FHA is reporting its negative loan guarantees as an asset on the FY 2025 BS as part of the Loans Receivable, Net, subsection. Negative Loan Guarantees increased in FY 2025 primarily due to increases in downward reestimates, premiums collected, interest accumulated on loan guarantee liabilities, negative subsidy endorsements, and claim payments in FHA's GI/SRI and MMI/CMHI loan guarantee financing accounts.

FHA Foreclosed Property

FHA's Foreclosed Property as of September 30, 2025 only includes Single-Family properties. There are no Multifamily foreclosed properties currently in inventory.

The Secretary has the authority under the *National Housing Act of 1934, Public Law 73-479, 12 U.S.C. §1710(g)*, to manage or dispose of eligible HUD-owned property assets in a manner that will provide affordable, safe, and sanitary housing to low-wealth families, preserve and revitalize residential neighborhoods, expand homeownership opportunities, minimize displacement of tenants residing in rental or cooperative housing, and protect the financial interest of the federal government.

Single-Family properties may be sold to eligible entities, *24 Code of Federal Regulations (CFR) §291.303*, through public asset sales. Eligibility of bidders will be determined by the Secretary and included in the bid package with a notice filed in the Federal Register. In addition, HUD must ensure that its policies and practices in conducting the single-family property disposition program do not discriminate on the basis of disability, *24 CFR §9.155(a)*.

For FHA Foreclosed Property, the average number of days in inventory for sold cases as of September 30, 2025, are 188-days. The total number of foreclosed properties on-hand as of September 30, 2025 was 3,302.

HUD Proper

HUD Proper's direct loan and/or loan guarantee programs are in the HED and All Other Programs.

HED Program

The HED Program, Sections 202 and 811, were established by the *Housing Act of 1959, Public Law 86-372*, and the *National Affordable Housing Act of 1990, Public Law 101-625*, respectively, to provide critical affordable housing to our Nation's elderly and supportive housing for disabled very low-income persons. Assistance was provided to eligible private nonprofit organizations to cover construction, acquisition, or rehabilitation expenses as well as rental assistance. The methodologies used for calculating allowance for losses are described below in detail and apply to Permanent loans. All Construction loans will have an allowance for loss calculation at 100 percent. There are five parts to the calculation of allowance for loss for Permanent loans: (1) Loss Rate for loans issued a Foreclosure Hearing Letter; (2) Loss rate for the estimated number of foreclosures in the current year; (3) Loss rate for loans delinquent 0 to 90-days; (4) Loss rate for loans delinquent 91 to 180-days; and (5) Loss rate for loans delinquent more than 180-days. The loss rates for all parts are provided by or agreed to by the Office of Housing.

All Other Programs

The All Other have the following direct loan and/or loan guarantee programs: Flexible Subsidy Fund, Section 108 Loan Guarantees, Indian Housing Loan Guarantee Fund, Loan Guarantee Recovery Fund, Native Hawaiian Housing Loan Guarantee Fund, Title VI Indian Housing Loan Guarantee Fund, Green Retrofit Direct Loan Program, Emergency Homeowners' Loan Program, and Green Resilient and Retrofit Program (GRRP).

Flexible Subsidy Fund

The Flexible Subsidy Fund provided federal assistance for troubled multifamily housing projects which included supporting capital improvements to maintain these low to moderate income projects as authorized by *12 U.S.C. §1715z-1*. There are four groupings of loans considered when computing the allowance for losses for the non-amortized loan portfolio. The nature of these groupings and the loss rate for each of them are as follows: (1) Loans Over 30-Years Without Payment: There is an increased probability a loss will occur for non-amortized loans when the loan has been active for 30-years or more with no repayment history. When these mortgages mature, there is a possibility of the property not having a means to repay the balance of the loan. The probability this event will occur is estimated at 70 percent. (2) Write-offs: Write-offs are initiated by Housing and sent to the Assistant CFO for Accounting. When the write-off is approved, a memo is sent to the Accounting Center requesting that the loan be written off. Loans that are written-off are uncollectible; therefore, 100 percent loss rate of this value is used in the calculation of the allowance for loss. (3) Performing Loan: Performing loans are those with a history of collection activity through the life of the loan. There is a slight probability of 10 percent these loans will not be paid in full. (4) Restructures: In general, as mortgages mature in the non-amortized loan program, the flexible subsidy becomes due. If the property owner is unable to pay the loan at that time, a restructuring of the loan occurs. They may be restructured as amortizing or non-amortizing depending on the circumstances. The

probability that these loans will be uncollectible is estimated at 50 percent. The loss rates for all parts are provided by or agreed to by the Office of Housing.

There are three groupings of loans to consider when computing the allowance for loss for the Capital Improvement amortized loan portfolio. The nature of these groupings and the loss rate for each of them is as follows: (1) Delinquencies: There are two categories of delinquent loans: loans delinquent between 90 to 179-days and those over 180-days. At the end of the fiscal year, the accountant will determine the average number of loans falling in each category based on data maintained for the previous three years. This information is obtained from the Schedule of Delinquent Debts by Age report. The probability a loan in the 90 to 179-days range will be uncollectible is 50 percent, and the probability delinquencies exceeding 180-days will be uncollectible is 100 percent. (2) Write-offs/Foreclosures: Write-offs are initiated by Housing and sent to the Assistant CFO for Accounting. When the write-off is approved, a memo is sent to the Accounting Center requesting that the loan be written off. Loans that are written-off are uncollectible; therefore, 100 percent loss rate of this value is used in the calculation of the allowance for loss. (3) Restructures: These loans were originally non-amortizing but were restructured into an amortizing loan due to inability to make payment and stay current. As such, they are viewed at a little higher risk with an uncollectible probability of 30 percent.

Section 108 Loan Guarantees

This is a loan guarantee provision of the CDBG program which is authorized by the *Housing and Community Development Act of 1974, Public Law 93-383*, as amended, *42 U.S.C. §5308(a)*. Neither the statute nor the regulations limit the portion of the loan guaranteed to less than 100 percent of the principal amount. Under this section, HUD offers communities a source of financing for certain community development activities, such as housing rehabilitation, economic development, and large-scale physical development projects. The purpose is to reaffirm the commitment of the federal government to assist local governments in their efforts in stimulating economic and community development activities needed to combat severe economic distress and to help in promoting economic development activities needed to aid in economic recovery. In addition, to promote revitalization and development projects undertaken by local governments that principally benefit persons of low and moderate income, the elimination of slums, and to meet urgent community needs, with special priority for projects located in areas designated as enterprise zones by the federal government or by any state.

Indian Housing Loan Guarantee Fund

This loan guarantee fund was established under the *Housing and Community Development Act of 1992, Public Law 102-550*, to facilitate homeownership and increase access to capital in Native American Communities. A home mortgage product specifically designed for American Indian and Alaska Native families, Alaska villages, tribes, or tribally designated housing entities. The purpose is to provide access to sources of private financing to Indian families, Indian housing authorities, and Indian tribes, who otherwise could not acquire housing financing because of the unique legal status of Indian lands. The Secretary may guarantee, not to exceed, 100 percent of the unpaid principal and interest due on any loan eligible under subsection (b) made to an Indian family, Indian housing authority, or Indian tribe.

Loan Guarantee Recovery Fund

This loan guarantee fund provides certain nonprofit organizations with a source of financing to rebuild property damaged or destroyed by acts of arson or terrorism. This loan guarantee provision was authorized under the *Church Arson Prevention Act of 1996, Public Law 104-155*.

Native Hawaiian Housing Loan Guarantee Fund

This loan guarantee fund was established by the *Hawaiian Homelands Homeownership Act of 2000, Public Law 106-569*, that added a new Section 184A to the *Housing and Community Development Act of 1992, Public Law 102-550*, which authorized the Native Hawaiian Housing Loan Guarantee Program. The program is designed to offer homeownership, property rehabilitation, and new construction opportunities for eligible Native Hawaiian individuals and families wanting to own a home on Hawaiian homelands. The purpose of the Section 184A loan is to provide access to sources of private financing on Hawaiian homelands. Section 184A permits HUD to guarantee 100 percent of the unpaid principal and interest due on an eligible loan. The use of the Section 184A Loan Guarantee Program is limited to owner-occupant single-family dwellings located on Hawaiian homelands.

Title VI Indian Housing Loan Guarantee Fund

This loan guarantee fund assists IHBG recipients in financing additional construction or development, including new housing, rehabilitation, infrastructure, community facilities, land acquisition, architectural and engineering plans, and financing costs. It was authorized by *Title VI of Native American Housing Assistance and Self Determination Act (NAHASDA) of 1996, Public Law 104-330*. A guarantee made under *Title VI of NAHASDA* shall guarantee repayment of 95 percent of the unpaid principal and interest due on the notes or other obligations guaranteed.

Green Retrofit Direct Loan Program

This direct loan program was authorized by the *American Recovery and Reinvestment Act of 2009, Public Law 111-5*, to ensure that grants and loans are made available to eligible property owners to make energy and green retrofit investments in property and to maintain energy efficient technologies.

Emergency Homeowners' Loan Program

This direct loan program was authorized by the *Dodd-Frank Wall Street Reform and Consumer Protection Act, Public Law 111-203*. It provides mortgage payment relief to eligible homeowners experiencing a drop in income of at least 15 percent directly resulting from involuntary unemployment or underemployment due to adverse economic conditions and/or a medical emergency.

GRRP

The GRRP is authorized and funded by Section 30002 of the *Inflation Reduction Act of 2022, Public Law 117-169 (the "IRA")*, titled "Improving Energy Efficiency or Water Efficiency or Climate Resilience of Affordable Housing." GRRP provides funding for direct loans and grants to fund projects that improve energy or water efficiency, enhance indoor air quality or sustainability, implement the use of zero-emission electricity generation, low-emission building materials or processes, energy storage, or building electrification strategies, or address climate resilience, of eligible HUD-assisted multifamily properties. GRRP is the first HUD program to

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simultaneously invest in energy efficiency, greenhouse gas emissions reductions, energy generation, green and healthy housing, and climate resilience strategies specifically in HUD-assisted multifamily housing. Eligible owners primarily include owners receiving HUD rental assistance under Multifamily Section 8 project-based rental assistance, Section 202 Supportive Housing for Low-Income Elderly, and Section 811 Supportive Housing for Low-Income Persons with Disabilities.

HUD Proper Foreclosed Property

The Indian Housing Loan Guarantee program had 46 (43 Fee Simple and 3 Tribal Trust) foreclosed properties on-hand as of September 30, 2025. The average number of days in inventory for fee simple Real Estate Owned (REO) property is 132-days and 3337-days for Indian Trust Land REO. There are 105 Tribal Trust foreclosures in process (excluding REOs).

The prior year average number of days in inventory changed due to a change in methodology from last year to this year. The current method measures the date HUD took over these properties through foreclosure to the date that the REOs were sold. The previous measurement used the highest number of days a property was held for sale. In addition, the current methodology excludes any outliers for properties that are in process but have not yet been listed for sale due to processing times with the Department of Justice (DOJ).

The following tables are an analysis of loans receivable, loan guarantees, liability for loan guarantees, and the nature and amounts of the subsidy costs associated with the loans and loan guarantees for September 30, 2025.

Components of Total Loans Receivable, Net <i>(dollars in millions)</i>	
FY 2025	
Direct Loans Obligated Prior to FY 1992 (See Note 7B)	\$ 396
Direct Loans Obligated Post-1991 (See Note 7C)	3,705
Defaulted Guaranteed Loans from Pre-1992 Guarantees (See Note 7H)	716
Defaulted Guaranteed Loans from Post-1991 Guarantees (See Note 7I)	80,169
Total Loans Receivable, Net	\$ 84,986

B. Direct Loans Obligated Prior to FY 1992 (Allowance for Loss Method)

Loans Receivable, Net and Loan Guarantee Liabilities (Negative Loan Guarantees) <i>(dollars in millions)</i>					
FY 2025					
	Loans Receivable, Gross	Interest and Fees Receivable	Foreclosed Property	Allowance for Loan Losses	Direct Loans, Net
Direct Loan Programs					
FHA					
a) GI/SRI Direct Loan Program	\$ 7	\$ 15	\$ -	\$ (8)	\$ 14
HED	202	9	5	(4)	212
All Other					
a) Flexible Subsidy Fund	205	23	-	(58)	170
Total	\$ 414	\$ 47	\$ 5	\$ (70)	\$ 396

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C. Direct Loans Obligated Post-1991

Loans Receivable, Net and Loan Guarantee Liabilities (Negative Loan Guarantees) (dollars in millions)					
FY 2025					
	Loans Receivable, Gross	Interest and Fees Receivable	Foreclosed Property	Allowance for Subsidy Costs (Present Value)	Direct Loans, Net
Direct Loan Programs					
FHA					
a) GI/SRI Direct Loan Program	\$ 3,136	\$ 9	\$ -	\$ 441	\$ 3,586
All Other					
a) Green Retrofit Program	14	1	-	1	16
b) Emergency Homeowners' Relief Fund	49	-	-	(47)	2
c) Green and Resilient Retrofit Program	15	-	-	(4)	11
d) EHP Assigned Loans Receipt Account	90	-	-	-	90
Total	\$ 3,304	\$ 10	\$ -	\$ 391	\$ 3,705

D. Total Amount of Direct Loans Disbursed Post-1991

Loans Receivable, Net and Loan Guarantee Liabilities (Negative Loan Guarantees) (dollars in millions)	
FY 2025	
Direct Loan Programs	
FHA Risk Sharing Program	\$ 353
All Other	
a) Green and Resilient Retrofit Program	15
Total	\$ 368

E. Subsidy Expense for Direct Loan Programs by Component

1. Subsidy Expense for New Direct Loans Disbursed:

Loans Receivable, Net and Loan Guarantee Liabilities (Negative Loan Guarantees) (dollars in millions)					
FY 2025					
	Interest Differential	Defaults	Fees and Other Collections	Other	Total
Direct Loan Programs					
FHA Risk Sharing Program	\$ (42)	\$ -	\$ (5)	\$ 8	\$ (39)
All Other					
a) Green and Resilient Retrofit Program	-	-	-	5	5
Total	\$ (42)	\$ -	\$ (5)	\$ 13	\$ (34)

2. Modifications and Reestimates:

Loans Receivable, Net and Loan Guarantee Liabilities (Negative Loan Guarantees) (dollars in millions)				
FY 2025				
	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
Direct Loan Programs				
FHA Risk Sharing Program	\$ -	\$ 51	\$ 9	\$ 60
All Other				
a) Green Retrofit Program	-	-	(4)	(4)
b) Emergency Homeowners' Relief Fund	-	-	(4)	(4)
Total	\$ -	\$ 51	\$ 1	\$ 52

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3. Total Direct Loan Subsidy Expense:

Loans Receivable, Net and Loan Guarantee Liabilities (Negative Loan Guarantees) (dollars in millions)	
FY 2025	
Direct Loan Programs	
FHA Risk Sharing Program	\$ 21
All Other	
a) Green Retrofit Program	(4)
b) Emergency Homeowners' Relief Fund	(4)
c) Green and Resilient Retrofit Program	5
Total	\$ 18

F. Subsidy Rates for Direct Loans by Program and Component

Budget Subsidy Rates for Direct Loans for the Current Year's Cohorts:

Loans Receivable, Net and Loan Guarantee Liabilities (Negative Loan Guarantees)					
FY 2025					
	Interest Differential	Defaults	Fees and Other Collections	Other	Total
Direct Loan Programs					
FHA Risk Sharing Program	-8.13%	0.03%	-0.95%	1.66%	-7.39%
Emergency Homeowners' Relief fund (HUD Appropriation 86X4357)	0.00%	0.00%	0.00%	97.70%	97.70%
Green Retrofit Program (HUD Appropriation 86X4589)	41.00%	42.60%	0.00%	-1.30%	82.30%
Green and Resilient Retrofit Program (GRRP) (HUD Appropriation 86X4616)					
GRRP - Elements - 25% Surplus	0.00%	0.56%	0.00%	50.55%	51.11%
GRRP - Leading Edge - 50% Surplus	0.00%	0.26%	0.00%	41.63%	41.89%
GRRP - Comprehensive - 50% Surplus	0.00%	0.26%	0.00%	41.63%	41.89%
GRRP - Comprehensive - Hard Loans Negative Subsidy	0.00%	0.03%	0.00%	-18.23%	-18.20%

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

Loans Receivable, Net and Loan Guarantee Liabilities (Negative Loan Guarantees) (dollars in millions)			
FY 2025			
	FHA Programs	All Other Financing Only	Total
Beginning Balance of the Subsidy Cost Allowance	\$ (435)	\$ 57	\$ (378)
Add Total Subsidy Expense for Direct Loans Disbursed During the Reporting Years as Shown in E1	(39)	5	(34)
Adjustments:			
(a) Loans Written Off	-	(3)	(3)
(b) Subsidy Allowance Amortization	(19)	(1)	(20)
(c) Other	(8)	-	(8)
Ending Balance of the Subsidy Cost Allowance Before Reestimates	\$ (501)	\$ 58	\$ (443)
Add or Subtract Total Subsidy Reestimates as Shown in E2	60	(8)	52
Ending Balance of the Subsidy Cost Allowance	\$ (441)	\$ 50	\$ (391)

FINANCIAL INFORMATION (UNAUDITED)

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

Loans Receivable, Net and Loan Guarantee Liabilities (Negative Loan Guarantees) (dollars in millions)					
FY 2025					
	Defaulted Guaranteed Loans Receivable, Gross	Interest and Fees Receivable	Foreclosed Property	Allowance for Loan Losses	Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net
Loan Guarantee Programs					
FHA					
MMI/CMHI					
a) Single-Family	\$ 15	\$ -	\$ -	\$ (1)	\$ 14
GI/SRI					
a) Single-Family	1	-	7	(5)	3
b) Multifamily	911	246	(4)	(411)	742
c) Healthcare	10	-	-	(55)	(45)
d) HECM	2	1	-	(1)	2
Total	\$ 939	\$ 247	\$ 3	\$ (473)	\$ 716

I. Defaulted Guaranteed Loans from Post-1991 Guarantees

Loans Receivable, Net and Loan Guarantee Liabilities (Negative Loan Guarantees) (dollars in millions)					
FY 2025					
	Defaulted Guaranteed Loans Receivable, Gross	Interest and Fees Receivable	Foreclosed Property	Allowance for Subsidy Cost (Present Value)	Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net
Loan Guarantee Programs					
FHA					
MMI/CMHI					
a) Single-Family	\$ 39,800	\$ -	\$ 554	\$ (12,496)	\$ 27,858
b) Multifamily	-	-	1	-	1
c) HECM	23,018	26,675	290	(10,029)	39,954
GI/SRI					
a) Single-Family	255	-	26	(88)	193
b) Multifamily	396	46	19	(185)	276
c) Healthcare	299	15	-	(207)	107
d) HECM	7,850	7,438	240	(3,769)	11,759
H4H					
a) Single-Family	6	-	-	(3)	3
All Other					
a) Indian Housing Loan Guarantee	15	-	9	(6)	18
Total	\$ 71,639	\$ 34,174	\$ 1,139	\$ (26,783)	\$ 80,169

FINANCIAL INFORMATION (UNAUDITED)

J. Guaranteed Loans Outstanding

1. Guaranteed Loans Outstanding:

Loans Receivable, Net and Loan Guarantee Liabilities (Negative Loan Guarantees) (dollars in millions)			
FY 2025			
	Outstanding Principal of Guaranteed Loans, Face Value		Amount of Outstanding Principal Guaranteed
Loan Guarantee Programs			
FHA			
a) MMI/CMHI Funds	\$	1,797,461	\$ 1,583,940
b) GI/SRI Funds		204,465	176,994
c) H4H Program		43	31
All Other		5,476	5,474
Total	\$	2,007,445	\$ 1,766,439

2. HECM Loans Outstanding:

Loans Receivable, Net and Loan Guarantee Liabilities (Negative Loan Guarantees) (dollars in millions)				
FY 2025				
	Current Year Endorsements	Current Outstanding Balance	Maximum Potential Liability	
Loan Guarantee Programs				
FHA Programs	\$ 14,957	\$ 68,155	\$	116,489
Total	\$ 14,957	\$ 68,155	\$	116,489

3. New Guaranteed Loans Disbursed:

Loans Receivable, Net and Loan Guarantee Liabilities (Negative Loan Guarantees) (dollars in millions)			
FY 2025			
	Principal of Guaranteed Loans, Face Value		Amount of Principal Guaranteed
Loan Guarantee Programs			
FHA			
a) MMI/CMHI Funds	\$	274,738	\$ 272,965
b) GI/SRI Funds		15,150	15,113
All Other		479	479
Total	\$	290,367	\$ 288,557

FHA Insurance-In-Force (IIF)

Every year the total guaranteed principal changes as the portfolio grows and shrinks. Each month, FHA endorses new loans, which increases the Insurance-In-Force, and pays out of claims on loans leaving the portfolio. Claims and prepayments reduce the IIF. The primary driver of the increase in total guaranteed principle is the growth in the Single-Family Forward portfolio. Multifamily and Healthcare portfolios also increased. These increases were offset by loans leaving the portfolio by prepayment and claim.

FINANCIAL INFORMATION (UNAUDITED)

K. Liability for Loan Guarantees

Liability for Loan Guarantees (Estimated Future Default Claims for Pre-1992 Guarantees):

Loans Receivable, Net and Loan Guarantee Liabilities (Negative Loan Guarantees) (dollars in millions)			
FY 2025			
	Liabilities for Losses on Pre-1992 Guarantees, Estimated Future	Liabilities for Post-1991 Guarantees, Present Value	Loan Guarantee Liabilities (Negative Loan Guarantees) for Loan Guarantees
Total Loan Guarantee Programs			
FHA Programs	\$ -	\$ (53,028)	\$ (53,028)
All Other	-	56	56
Total	\$ -	\$ (52,972)	\$ (52,972)

L. Subsidy Expense for Loan Guarantees by Program and Component

1. Subsidy Expense for New Loan Guarantees:

Loans Receivable, Net and Loan Guarantee Liabilities (Negative Loan Guarantees) (dollars in millions)						
FY 2025						
	Endorsement Amount	Interest Supplements	Defaults	Fees and Other Collections	Other	Total
Loan Guarantee Programs						
FHA						
a) MMI/CMHI Funds, Excluding HECM	\$ 274,738	\$ -	\$ 5,840	\$ (13,240)	\$ 1,804	\$ (5,596)
b) MMI/CMHI Funds, HECM	14,957	-	78	(475)	-	(397)
c) GI/SRI Funds	15,149	-	161	(465)	-	(304)
All Other	-	-	8	(5)	-	3
Total	\$ 304,844	\$ -	\$ 6,087	\$ (14,185)	\$ 1,804	\$ (6,294)

2. Modifications and Reestimates:

Loans Receivable, Net and Loan Guarantee Liabilities (Negative Loan Guarantees) (dollars in millions)				
FY 2025				
	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
Loan Guarantee Programs				
FHA				
a) MMI/CMHI Funds	\$ -	\$ 3,792	\$ (8,221)	\$ (4,429)
b) GI/SRI Funds	-	8	(70)	(62)
All Other	-	(3)	(9)	(12)
Total	\$ -	\$ 3,797	\$ (8,300)	\$ (4,503)

3. Total Loan Guarantee Subsidy Expense:

Loans Receivable, Net and Loan Guarantee Liabilities (Negative Loan Guarantees) (dollars in millions)	
FY 2025	
Loan Guarantee Programs	
FHA	
a) MMI/CMHI Funds	\$ (10,422)
b) GI/SRI Funds	(366)
All Other	(9)
Total	\$ (10,797)

FINANCIAL INFORMATION (UNAUDITED)

M. Subsidy Rates for Loan Guarantees by Programs and Component

Budget Subsidy Rates for Loan Guarantees:

Loans Receivable, Net and Loan Guarantee Liabilities (Negative Loan Guarantees)				
FY 2025				
	Defaults	Fees and Other Collections	Other	Total
Loan Guarantee Programs				
MMI/CMHI Funds				
Single-Family - Forward	2.11%	-4.78%	0.65%	-2.02%
Single-Family - HECM	0.52%	-3.17%	0.00%	-2.65%
Multifamily - Default CMHI (Cooperatives)	2.81%	-4.80%	0.66%	-1.33%
GI/SRI Funds				
Title I - Manufactured Housing	2.79%	-9.49%	0.00%	-6.70%
Title I - Property Improvements	3.12%	-5.48%	0.00%	-2.36%
Apartments - NC/SC Current	0.80%	-2.14%	0.00%	-1.34%
Tax Credit Projects Current	0.40%	-2.19%	0.00%	-1.79%
Apartments - Refinance Current	0.14%	-1.94%	0.00%	-1.80%
HFA Risk Share	0.04%	-1.20%	0.00%	-1.16%
Other Rentals Current	0.64%	-3.66%	0.00%	-3.02%
Healthcare				
FHA Full Insurance - Health Care	1.66%	-5.36%	0.00%	-3.70%
Health Care Refinance	1.83%	-4.51%	0.00%	-2.68%
Hospitals	0.27%	-5.62%	0.00%	-5.35%
Other HUD Programs				
CDBG, Section 108(b)	0.82%	-0.82%	0.00%	0.00%
Indian Housing Loan Guarantee Fund	1.43%	-1.00%	0.26%	0.69%
Hawaiian Home Guarantee Loan Fund	0.81%	-1.00%	0.00%	-0.19%
Title VI Indian Housing Loan Guarantee	4.41%	0.00%	0.00%	4.41%

N. Schedule for Reconciling Loan Guarantee Liability Balances (Post-1991 Loan Guarantees)

Loans Receivable, Net and Loan Guarantee Liabilities (Negative Loan Guarantees)	
<i>(dollars in millions)</i>	
	FY 2025
Beginning Balance of the Loan Guarantee Liabilities (Negative Loan Guarantees)	\$ (50,348)
Add Fees Received	15,874
Add Foreclosed Property and Loans Acquired	18,867
Add Interest Expense on Entity Borrowings	(4,789)
Add Subsidy Expense	3
Add Upward Reestimates	3,213
Less Claim Payments to Lenders	(22,642)
Less Interest Revenue on Uninvested Funds	900
Less Negative Subsidy Payments	(6,297)
Less Downward Reestimates	(7,716)
Other	(71)
Ending Balance of the Loan Guarantee Liabilities (Negative Loan Guarantees) Before Adjustment	(53,006)
Adjustment for Unrealized Ginnie Mae Claims from Defaulted Loans	34
Ending Balance of the Loan Guarantee Liabilities (Negative Loan Guarantees)	\$ (52,972)

FINANCIAL INFORMATION (UNAUDITED)

O. Administrative Expense

Loans Receivable, Net and Loan Guarantee Liabilities (Negative Loan Guarantees)	
<i>(dollars in millions)</i>	
FY 2025	
Loan Guarantee Programs	
FHA	\$ 1,016
Total	\$ 1,016

P. Loans Receivable

Loans Receivable:

Loans Receivable, Net and Loan Guarantee Liabilities (Negative Loan Guarantees)	
<i>(dollars in millions)</i>	
FY 2025	
Beginning Balance of Loans Receivable, Net	\$ 79,290
Add Loan Disbursements	8,516
Add Defaulted Loan Claim Payments	8
Add Interest Accruals	48
Add Foreclosed Property Acquired	1,852
Add Reduction in Subsidy Allowance for Loans Written Off	889
Less Principal and Interest Payments Received	(5,762)
Less Fees Received	(427)
Less Sale of Foreclosed Property	(989)
Less Loans Written Off	(980)
Less Interest Revenue on Uninvested Funds/Add Interest Expense on Borrowings	33
Less Subsidy Expense/Add Negative Subsidy	38
Less Upward Reestimates/Add Downward Reestimates	2,603
Other Increase/(Decrease) to the Subsidy Allowance	(111)
Allowance for Loan and Interest Loss Adjustments	(6)
Other Non-Cash Reconciling Items	(16)
Ending Balance of Loans Receivable, Net	\$ 84,986

FINANCIAL INFORMATION (UNAUDITED)

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NOTE 8

Other Non-Credit Reform Loans

The following table presents HUD's Other Non-Credit Reform Loans Receivable (ONCRL) as of September 30, 2025:

Other Non-credit Reform Loans <i>(dollars in millions)</i>					
	Ginnie Mae Reported Balances (Gross)	Ginnie Mae Allowance	Ginnie Mae Net Reported Balances	Allowance for Loan Losses Due to Payment of Probable Claims by FHA	ONCRL Value of Assets Related to Loans
FY 2025					
Forward Mortgage Loans, at Fair Value	\$ 1,179	\$ -	\$ 1,179	\$ (2)	\$ 1,177
Reverse Mortgage Loans, at Fair Value	15,328	-	15,328	37	15,365
Claims Receivable					
Foreclosed Property	37	(3)	34	-	34
Short Sale	1	-	1	(1)	-
Assignment Claims	4	-	4	-	4
Properties Held for Sale, Net	61	-	61	-	61
Total	\$ 16,610	\$ (3)	\$ 16,607	\$ 34	\$ 16,641

The following table presents a reconciliation of Other Non-Credit Reform Loans as of September 30, 2025:

Other Non-credit Reform Loans <i>(dollars in millions)</i>	
	FY 2025
Beginning Balance of Other Non-credit Reform Loans	\$ 19,427
Add Loan Disbursements	543
Add Interest Accruals	1,151
Add Foreclosed Property Acquired	4
Less Principal and Interest Payments Received	(1,635)
Less Claim Payments Received	(2,644)
Less Sale of Foreclosed Property	(111)
Less Loans Written Off	(18)
Other changes due to loan modifications	5
Other Non-cash Reconciling Items	(115)
Ending Balance of Other Non-credit Reform Loans Before Adjustments	16,607
Adjustments for Unrealized Ginnie Mae Claims from Defaulted Loans	34
Ending Balance of Other Non-credit Reform Loans	\$ 16,641

Ginnie Mae's Other Non-Credit Reform Loans disclosures are presented in accordance with guidance in FASB ASC 310: *Receivables*, ASC 326: *Financial Instruments – Credit Losses* and the transition relief afforded by the guidance, ASC 820: *Fair Value Measurement*, ASC 825: *Financial Instruments*, ASC 835: *Interest*, as well as relevant industry practices based on the U.S. Securities and Exchange Commission's Regulation S-X.

FINANCIAL INFORMATION (UNAUDITED)

Below is a description of each type of asset recorded by Ginnie Mae and associated disclosures.

A. Mortgage Loans

A1. Forward Mortgage Loans, at Fair Value

Ginnie Mae classifies loans as either MFV, Held for Sale (HFS) or Held for Investment (HFI). As of September 30, 2025, Ginnie Mae's loan portfolio did not include any HFS or HFI loans. Ginnie Mae reports the carrying value of forward MFV, which represents the fair value of the UPB, accrued interest and reimbursable costs receivable of the mortgage loan. As of September 30, 2025, Ginnie Mae recorded a total gain of \$15 million, due to changes in fair market value of MFV. As of September 30, 2025, the fair value of aggregated mortgage loans that are 90-days or more past due was \$147 million, which was \$29 million under the UPB.

The table below presents the carrying value of MFV loans including accrued interest and reimbursable costs receivable under FVO as disclosed in Note (6) Accounts Receivable, Net:

Table 8A1 - Forward Mortgage Loans at Fair Value:

Other Non-credit Reform Loans (dollars in millions)				
	Fair Value	Unpaid Principal Balances	Fair Value Over (Under) Unpaid Principal Balance	UPB of Aggregated Mortgage Loans at Fair Value that are 90-days or More Past Due
FY 2025				
Conventional	\$ 60	\$ 68	\$ (8)	\$ 8
FHA	1,095	1,277	(182)	155
VA	40	47	(7)	9
USDA	18	21	(3)	4
Total	\$ 1,213	\$ 1,413	\$ (200)	\$ 176

A2. Reverse Mortgage Loans, at Fair Value

Ginnie Mae records reverse mortgage loans at fair value, which represents the fair value of the UPB, accrued interest and reimbursable costs receivable. As of September 30, 2025, Ginnie Mae recognized a total gain of \$1,070 million due to changes in fair market value of reverse mortgage loans, along with interest income and service fees earned.

The table below presents the carrying value of reverse mortgage loans including accrued interest and reimbursable costs receivable under FVO as disclosed in Note (6) Accounts Receivable, Net:

Table 8A2 - Reverse Mortgage Loans at Fair Value:

Other Non-credit Reform Loans (dollars in millions)			
	Fair Value	Unpaid Principal Balances	Fair Value Over (Under) Unpaid Principal Balance
FY 2025			
FHA	\$ 15,329	\$ 15,447	\$ (118)
Total	\$ 15,329	\$ 15,447	\$ (118)

B. Foreclosures in Process

Ginnie Mae accounts for mortgage loans as Foreclosures in Process if a foreclosure has been filed but not completed since Ginnie Mae has not received physical possession of the underlying

property. Foreclosure in Process loans are accounted for like MFV and are reported as part of the MFV balance.

Physical possession of residential real estate property is achieved when either the creditor obtains legal title to the residential real estate property upon completion of a foreclosure, or the mortgagor conveys all interest in the residential real estate property through completion of a deed in lieu of foreclosure to satisfy that loan.

Ginnie Mae's Foreclosures in Process are recorded based on the fair value of the asset at each reporting date. As of September 30, 2025, there were 367 properties for which formal foreclosure proceedings are in process with a carrying value of \$77 million.

Although the foreclosure process has begun for these loans, Ginnie Mae believes that a portion of these loans will not complete the foreclosure process due to Ginnie Mae's loss mitigation activities.

C. Advances, Net

Ginnie Mae's advances are reported net of an allowance in accordance with guidance within *ASC 310: Receivables*, which is based on management's expectations of future recoverability from issuers, mortgagors, and mortgage insuring and guaranteeing agencies such as FHA, VA, USDA, and PIH. Ginnie Mae assumed the servicing rights and obligations of seven defaulted issuers as of September 30, 2025. For those defaulted issuers, Ginnie Mae advanced funds to the MSS throughout the period to cover P&I not yet paid by the mortgagors, but due to the MBS investors. The assumed rights and obligations of these issuers, including the issuer which defaulted during the year ended September 30, 2025, had no material impact on Ginnie Mae as of September 30, 2025.

D. Claims Receivable, Net

Claims receivable are balances owed to Ginnie Mae from insuring or guaranteeing agencies (FHA, VA, USDA, and PIH) related to conveyed properties and short sales. Ginnie Mae records an allowance that represents the expected unrecoverable amounts within the portfolio for claims receivable. The claims receivable balance, net of the allowance, represents the amounts that Ginnie Mae determines to be collectible. Ginnie Mae's Claims Receivable is presented in accordance with guidance within *ASC 310: Receivables*.

Ginnie Mae's Foreclosed Property, Short Sale and Assignment Claims Receivable and related allowance, as of September 30, 2025 were as follows:

Table 8D1 - Claims Receivable, Net:

Other Non-credit Reform Loans					
<i>(dollars in millions)</i>					
	FY 2025				
	FHA	VA	USDA	Total	
Foreclosed Property Claims Receivable	\$ 37	\$ -	\$ -	\$ 37	
Short Sale Claims Receivable	1	-	-	1	
Assignment Claims Receivable	4	-	-	4	
Allowance for Claims Receivable	(3)	-	-	(3)	
Claims Receivable, Net	\$ 39	\$ -	\$ -	\$ 39	

The Foreclosed Property Claims, Short Sale Claims, and Assignment Claims allowance balances are estimated based on underlying insuring or guaranteeing agency guidelines, and historical collectability experience.

The average number of days of Ginnie Mae’s foreclosed properties in inventory as of September 30, 2025 are 312-days. The total number of foreclosed properties on-hand as of September 30, 2025 was 89.

E. Properties Held for Sale, Net

Ginnie Mae records properties held for sale or “acquired property” when it obtains marketable title to the underlying property after the foreclosure process is complete or the date on which Ginnie Mae received marketable title to the property through a deed-in-lieu of foreclosure as discussed in Note (1) Summary of Significant Accounting Policies.

Activity for acquired properties, as of September 30, 2025 are presented in the table below:

Table 8E1 - Activity for Acquired Properties:

Other Non-credit Reform Loans <i>(dollars in millions)</i>		YTD 2025
Beginning Balance - Acquired Properties, Net	\$	50
Additions		87
Dispositions		(74)
Change in Valuation Allowance		(2)
Ending Balance - Acquired Properties, Net	\$	61

F. Fair Value Measurement

Ginnie Mae uses fair value measurements under *ASC 820: Fair Value Measurements* for the initial recognition of assets and periodic remeasurement of certain assets within Other Non-Credit Reform Loans on a recurring or non-recurring basis as discussed in Note 1B *Basis of Accounting and Presentation*.

Other Non-Credit Reform Loan Items Measured at Fair Value on a Recurring Basis

The fair value measurement hierarchy level for Non-Credit Reform Loan items measured at fair value on a recurring basis were at Level 3 as of September 30, 2025. There were no transfers into or out of Level 3 for the year ended September 30, 2025.

Forward Mortgage Loans, at Fair Value: Ginnie Mae has elected FVO for forward mortgage loans. The valuation technique used by Ginnie Mae to measure the fair value of its forward mortgage loans is based on the present value of expected future cash flows arising from projected borrower payments, anticipated prepayments, defaults (expense and recoveries), and liquidation costs.

The table below presents the range and weighted average of significant unobservable inputs used in determining the fair value of Ginnie Mae’s forward mortgage loans. Note that Ginnie Mae uses data as of the month preceding the reporting period to determine fair value measurement factors as a reasonable estimate to support timely financial reporting:

FINANCIAL INFORMATION (UNAUDITED)

Table 8F1 - Forward Mortgage - Significant Unobservable Inputs:

Other Non-credit Reform Loans	
FY 2025	
Prepayment rates assumptions:	
Weighted average prepayment rate	18.14%
Minimum prepayment rate	3.70%
Maximum prepayment rate	77.40%
Default rate assumptions:	
Weighted average default rate	33.50%
Minimum default rate	0.79%
Maximum default rate	66.17%
Market yield assumptions:	
Weighted average market yield	5.64%
Minimum market yield	5.30%
Maximum market yield	6.68%

The fair value adjustments are allocated to the mortgage loans held at fair value, accrued interest receivable, and the non-pooled component of reimbursable costs using percentage of allocation method.

These significant unobservable inputs change according to the loan portfolio and macroeconomic market conditions. Significant increases (decreases) in the market yield and/or cumulative default rate in isolation would result in a lower (higher) fair value measurement. The impact of cumulative prepayment rate to fair value measurement can be positive or negative depending on other unobservable inputs, for instance, the market yield rates. The cumulative prepayment rate represents the percentage of a mortgage loan’s UPB assumed to be paid off prematurely on a voluntary basis over the remaining life of the loan. The cumulative default rate represents the percentage of a loan’s UPB that would be eliminated prematurely due to mortgage default over the remaining life of the loan. The market yield represents the rate which a buyer of a similar product would require in an arm’s length transaction.

Reverse Mortgage Loans, at Fair Value: Ginnie Mae has elected FVO for reverse mortgage loans. The valuation technique used by Ginnie Mae to measure the fair value of its reverse mortgage loans is based on the present value of expected future cash flows arising from borrower draws, mortgage insurance premium advances, costs to sell underlying collateral, borrower recoveries and/or insurance proceeds subsequent to loan termination events.

The table below presents the range and weighted average of significant unobservable inputs used in determining the fair value of Ginnie Mae’s reverse mortgage loans. Note that Ginnie Mae uses data as of the month preceding the reporting period to determine fair value measurement factors as a reasonable estimate in order to support timely financial reporting:

Table 8F2 - Reverse Mortgage - Significant Unobservable Inputs:

Other Non-credit Reform Loans	
FY 2025	
Conditional termination rate assumptions:	
Weighted average conditional termination rate	23.19%
Minimum conditional termination rate	2.81%
Maximum conditional termination rate	52.98%
Asset discount rate assumptions:	
Weighted average discount Rate	5.47%
Minimum discount rate	5.26%
Maximum discount rate	6.24%

These significant unobservable inputs change according to the loan portfolio and macroeconomic market conditions. Increases (decreases) in the discount rates in isolation would result in a lower (higher) fair value measurement. The relationship between the conditional termination rate and the fair value measurement is less direct and would depend on other inputs. The conditional annual termination rate represents the percentage of the mortgage loan's UPB assumed to be terminated over the remaining life of the loan. The discount rate represents the rate which a buyer of a similar product would require in an arm's length transaction.

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NOTE 9 Property, Plant, and Equipment, Net

The following table presents PP&E as of September 30, 2025:

PP&E, Net <i>(dollars in millions)</i>			
FY 2025			
	Cost	Accumulated Depreciation and Amortization	Book Value
Equipment	\$ 5	\$ (5)	\$ -
Equipment - Ginnie Mae	1	(1)	-
Leasehold Improvements	75	(51)	24
Internal Use Software	117	(95)	22
Internal Use Software - Ginnie Mae	296	(270)	26
Internal Use Software in Development	62	-	62
Internal Use Software in Development - Ginnie Mae	12	-	12
Total	\$ 568	\$ (422)	\$ 146

The following table presents PP&E and accumulated depreciation reconciliation as of September 30, 2025:

PP&E, Net <i>(dollars in millions)</i>	
FY 2025	
Balance Beginning of Year	\$ 128
Capitalized Acquisitions	63
Dispositions/Revaluations	(3)
Depreciation/Amortization Expense	(42)
Balance End of Year	\$ 146

PIH Prepayments

The following table presents the regular PIH advances and prepayments as of September 30, 2025:

PIH Prepayments and Advances <i>(dollars in millions)</i>	
FY 2025	
PIH Advances and Prepayments	
Housing Choice Voucher Program	\$ 695
Moving to Work Program	91
Indian Housing Block Grant	330
Mainstream	18
Total	\$ 1,134

HUD’s assets include the Department’s estimates for Restricted Net Position (RNP) balances maintained by Public Housing Authorities (PHAs) under the HCV Program. The voucher program is the federal government’s major program for assisting very low-income families, the elderly, and the disabled to afford decent, safe, and sanitary housing in the private market. RNP balances represent disbursements to PHAs that are in excess of their expenses. PHAs can use RNP balances to cover any valid Housing Assistance Payment (HAP) expenses.

OCFO and PIH implemented an estimation methodology to calculate the prepayment balance. PHAs have 22-calendar days after the end of the month to report their expenses, which creates delays in expense validations utilizing actuals for the prepayment balance calculation up to 45-days. Therefore, the OCFO and PIH use the actual expense data from the last month of the previous quarter. The three-months of the quarter’s general ledger disbursement data used in the methodology are the actual amounts. PHAs are also able to adjust prior months’ expense data at any point throughout the year based on various adjustment needs. These adjustments can adversely impact the estimate if adjustments are not captured in the estimate’s beginning balances during the appropriate quarterly reporting cycle. The estimation methodology uses the beginning balance of the MTW and non-MTW RNP reports (including any PHA prior period adjustments), PHA’s disbursements from the trial balance, and PHA’s expenses from the RNP expense data report (which have been adjusted for expenses greater than funding received). This estimation calculation is completed on a quarterly basis.

PIH Advances – Mainstream Vouchers

Mainstream Vouchers (authorized under Section 811 of the *Cranston-Gonzalez National Affordable Housing Act, 42 U.S.C. §8013*), assist non-elderly persons with disabilities. Aside from serving a special population, Mainstream Vouchers are administered using the same rules as other HCVs. The funding and financial reporting for Mainstream Vouchers is separate from the regular tenant-based voucher program. For the Mainstream Vouchers, PIH uses the same estimation methodology as the HCV Program to calculate the prepayment balances. In addition to the current estimation methodology assumptions, the PHAs are reporting expenses from these funds in VMS’s “Mainstream Housing Assistance Program (MS HAP) Expense” field. For additional information on FY 2025 Mainstream Appropriations, refer to *PIH Notice 2025-13*,

Implementation of the Federal FY 2025 Funding Provisions for the Housing Choice Voucher Program.

PIH Advances – IHBG Program

HUD’s assets also include the Department’s advance estimates for the PIH, Office of Native American Programs (ONAP), IHBG program. The ONAP program administers housing and community development programs that benefit American Indian and Alaska Native tribal governments, tribal members, the Department of Hawaiian Homelands, Native Hawaiians, and other Native American organizations. Its overall mission is to increase the supply of safe, decent, and affordable housing available to Native American families. The recipients of this program can either be individuals or may designate a TDHE to draw down, invest, and/or expend funds on their behalf. If recipients are eligible through programmatic requirements to invest IHBG funding, then PIH will grant them authority. Those recipients that are not eligible to invest will draw their funds on a reimbursable basis.

OCFO and PIH developed and implemented an estimation methodology to calculate advances on the portions that are invested by eligible recipients. The estimation is determined by multiplying the investment ratio by the current year’s grant allocation amount for the recipients that meet the investment criteria. There are currently 34 recipients that have PIH authority to invest and are currently investing. The investment ratio is determined by adding the investment recipients’ September 30th balances for the last three fiscal years divided by the grant allocations made available to those eligible recipients during the same three previous fiscal years.

The estimation methodology was required due to the following constraints: (1) recipients have different fiscal year ends; (2) the recipient’s financial report *Standard Form 425 Federal Financial Report (SF-425)* does not report investment and expense amounts at the micro-level, i.e., individual grant and fiscal year; and (3) late funding availability causes investment portfolio fluctuations throughout the year. The advance estimation is completed annually by September 30th.

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NOTE 11

Advances and Prepayments

The following tables present HUD’s non-PIH advances and prepayments as of September 30, 2025:

Advances and Prepayments (dollars in millions)					
FY 2025					
	FHA	Ginnie Mae	Section 8	All Other	Total
Intragovernmental	\$ -	\$ 2	\$ -	\$ 57	\$ 59
Other than Intragovernmental	-	339	-	-	339
Total Advances and Prepayments	\$ -	\$ 341	\$ -	\$ 57	\$ 398

The Department’s Intragovernmental Other Assets primarily represent PD&R programs with other federal agencies.

Ginnie Mae has recorded prepayments primarily for payments made to the MSS to cover any shortfalls to investors resulting from mortgagors defaulting on their mortgage payments and

excess funds paid to the MSS to service the HECM portfolio, including funding scheduled and unscheduled draws, reimbursable cost advances, FHA monthly insurance premiums paid on behalf of borrowers, and payments to HMBS investors for loan buyouts. Advances are reported net of an allowance, which is based on management’s expectations of future recoverability from mortgage insuring and guaranteeing agencies such as FHA, VA, USDA, and PIH. HECM portfolio advances are only classified as advances until the MSS executes on the servicing need, at which point the balance is capitalized to the HECM loan UPB or reduces the HMBS obligation. Given this, HECM prepaid balances are expected to be fully recoverable. As of September 30, 2025, Ginnie Mae’s prepayments totaled \$341 million.

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NOTE 12

Liabilities Not Covered by Budgetary Resources

Liabilities not covered by budgetary resources require future congressional action whereas liabilities covered by budgetary resources reflect prior congressional action. Regardless of when the congressional action occurs, when the liabilities are liquidated, U.S. Treasury will finance the liquidation in the same way that it finances all other disbursements, using some combination of receipts, other inflow, and borrowing from the public (if there is a budget deficit).

Table 12A - Liabilities Not Covered by Budgetary Resources:

The following table presents HUD’s liabilities not covered by budgetary resources as of September 30, 2025:

Liabilities Not Covered by Budgetary Resources	
<i>(dollars in millions)</i>	
	FY 2025
Intragovernmental Liabilities	
Other Liabilities	
Benefit Program Contributions Payable	\$ 12
Other Liabilities - Reimbursable Activities	15
Total Intragovernmental Liabilities	\$ 27
Other than Intragovernmental Liabilities	
Accounts Payable	\$ 31
Federal Employee Salary, Leave & Benefits Payable	88
Post Employment Benefits Payable	49
Insurance and Guarantee Program Liabilities	1,556
Other Liabilities	
HMBS Obligations, at Fair Value	13,313
Other Liabilities	15
Total Other than Intragovernmental Liabilities	\$ 15,052
Total Liabilities Not Covered by Budgetary Resources	\$ 15,079
Total Liabilities Covered by Budgetary Resources	\$ 155,306
Total Liabilities Not Requiring Budgetary Resources	\$ 1,271
Total Liabilities	\$ 171,656

Table 12B – Other Liabilities Not Covered by Budgetary Resources:

The following table presents HUD’s liabilities not covered by budgetary resources for current and non-current as of September 30, 2025:

Liabilities Not Covered by Budgetary Resources <i>(dollars in millions)</i>			
	FY 2025		
	Non-current	Current	Total
Intragovernmental Liabilities:			
Other Liabilities			
Benefit Program Contributions Payable	\$ -	\$ 12	\$ 12
Other Liabilities - Reimbursable Activities	-	15	15
Total Intragovernmental Liabilities	\$ -	\$ 27	\$ 27
Other Liabilities			
HMBS Obligations, at Fair Value	\$ 13,313	\$ -	\$ 13,313
Other Liabilities	15	-	15
Total Other Liabilities Not Covered by Budgetary Resources	\$ 13,328	\$ 27	\$ 13,355

The Department’s intragovernmental liabilities not covered by budgetary resources principally consist of unfunded FECA liabilities. HUD’s public liabilities not covered by budgetary resources principally consist of Ginnie Mae’s Insurance and Guarantee Program Liabilities, HMBS Obligations, at fair value, and the Department’s unfunded payroll and benefits costs such as unfunded leave, unfunded FECA liability, and actuarial FECA liability.

This note also includes the category “Total Liabilities Not Requiring Budgetary Resources” which primarily consists of FHA’s receipt account liabilities and HUD’s deposit, clearing and general fund receipt account liabilities.

13 **NOTE 13** **13A Federal Debt and Interest Payable and 13B Debt, Terms of Borrowing Authority Used, and Available Borrowing Authority End of Period**

Note 13A: Federal Debt and Interest Payable

Historically, the *National Housing Act of 1934, Public Law 73-479, 12 U.S.C. §1721(d), 12 U.S.C. §1710(g), 12 U.S.C. §1716, 12 U.S.C. §1715z-1, 12 U.S.C §1721*, authorized FHA, in certain cases, to issue debentures in lieu of cash to settle claims. FHA-issued debentures bear interest at rates established by the U.S. Treasury. Lenders were allowed to redeem FHA debentures prior to maturity in order to pay MIPs to FHA. Throughout the years, most of FHA’s debentures issued to claimants have been redeemed. As of September 30, 2025, the outstanding balance of debt issued to claimants was \$0.2 million.

Note 13B: Debt, Terms of Borrowing Authority Used, and Available Borrowing Authority End of Period

Several HUD programs have the authority to borrow funds from U.S. Treasury for program operations. Additionally, the *National Housing Act of 1934, Public Law 73-479*, 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 the FFB to finance construction and rehabilitation of low-rent housing. HUD is repaying these borrowings on behalf of the PHAs and TDHEs.

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The following tables present HUD's borrowings, and borrowings by PHAs/TDHEs for which HUD is responsible for repayment, as of September 30, 2025:

Federal Debt <i>(dollars in millions)</i>					
	Beginning Balance	Borrowing	Repayment	Interest	Ending Balance
FY 2025					
Source of Debt					
Debt Owed to the Federal Financing Bank	\$ 2,830	\$ 353	\$ (41)	\$ 2	\$ 3,144
Debt Owed to Treasury Other than the FFB	127,611	21,918	(5,173)	-	144,356
Total Debt	\$ 130,441	\$ 22,271	\$ (5,214)	\$ 2	\$ 147,500

Interest paid on borrowings for FHA and HUD Proper as of September 30, 2025 were \$4,886 million and \$14 million, respectively.

The purpose of the borrowing is discussed in the following paragraphs.

Borrowings from Treasury

FHA

FHA borrows from the BFS Federal Investments and Borrowings Branch, which facilitates loans to federal agencies on behalf of the U.S. Treasury. The FCRA permits agencies to borrow from the U.S. Treasury to support credit programs. Collections and disbursements with the public are transacted in FHA's financing accounts and are considered a means-of-financing (non-budgetary). When cash balances are insufficient to support its operations, FHA borrows from the U.S. Treasury. When there is sufficient cash in the financing accounts, FHA can opt to repay principal. Repayments of principal can be made throughout the fiscal year.

Both interest revenue and expense are accrued at FHA's Single Effective Rate (SER). FHA's single effective rates for U.S. Treasury debt range from 0.68 percent to 7.59 percent and maturity dates for these debts range from September 2027 to September 2051. FFB debt carried interest rates ranging from 1.57 percent to 4.42 percent, and the maturity dates for the FFB debt range from May 2038 to October 2065. Interest revenue is based on the cash balances in the financing accounts, whereas interest expense is based on the principal balances for the entire fiscal year (effective date of October 1st of the current fiscal year), regardless of the actual transaction date.

As of September 30, 2025, FHA's available borrowing authority was zero.

Ginnie Mae

As discussed in Note (1) Summary of Significant Accounting Policies, Ginnie Mae executed a borrowing agreement with the U.S. Treasury on September 15, 2023, related to MBS portfolios. Under this agreement, advances shall be made by the U.S. Treasury, on an as needed basis, in event Ginnie Mae has future temporary cash needs related to defaulted and extinguished issuers. When Ginnie Mae extinguishes an issuer's interest and takes over servicing the defaulter issuer's MBS portfolio, advances may be used for expenses required to perform servicing functions in accordance with the Ginnie Mae MBS Guide. Advances under this borrowing agreement may also be used to make interest payments. Interest will accrue on such balances at a rate determined by the Secretary of the U.S. Treasury, taking into consideration the current

average rate on outstanding marketable obligations of the United States as of the last day of the month preceding the issuance of the obligation of Ginnie Mae.

Each advance must be repaid by Ginnie Mae no later than five years from its effective date, with interest on each advance payable to Treasury semiannually on March 31 and September 30. As of September 30, 2025, Ginnie Mae has not requested any advances under the borrowing agreement.

HUD Proper

HUD's Other Programs with outstanding aggregate borrowings are the Indian Housing Loan Guarantee Program, the Native Hawaiian Housing Loan Guarantee, Community Development Loan Guarantee, Emergency Home Loan Program, and GRRP. These borrowings have interest rates ranging from 0.99 percent to 7.23 percent. As of September 30, 2025, HUD Proper's available borrowing authority from the U.S. Treasury was \$1 million.

Borrowings from the Federal Financing Bank and the Public

During the 1960s to 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. All FFB borrowings have been repaid.

New borrowing authority was authorized to FHA, in FY 2022, for the FFB program. As of September 30, 2025, FHA's available borrowing authority from the FFB was \$112 million.

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NOTE 14

Federal Employee Benefits Payable

HUD accrues the portion of the estimated liability for disability benefits assigned to the agency under the FECA, administered and determined by the DOL. A study that is based on the net present value of estimated future payments is conducted by the DOL, and any future payments on this liability are to be funded by future financing sources. The DOL makes the billed amount of payments of the FECA Liability on HUD's behalf, and future payments of this liability are to be funded by future budgetary resources.

Accrued payroll and benefits represent amounts owed to the Department's federal and contractor employees, unfunded accrued annual leave for federal and contractor employees, as well as Thrift Savings Plan withholdings and employer contributions.

The Department's other liabilities (without reciprocals) primarily consists of non-reciprocating employer contributions and payroll taxes payable.

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The following table presents HUD's Federal Employee Benefits Payable as of September 30, 2025:

Federal Employee Benefits Payable <i>(dollars in millions)</i>	
	FY 2025
Intragovernmental:	
<i>Benefit Program Contributions Payable</i>	
Employer Contributions and Payroll Taxes Payable	\$ 8
Unfunded FECA Liability	11
Other Unfunded Employment Related Liability	1
<i>Total Benefit Program Contributions Payable</i>	\$ 20
<i>Other Liabilities (w/o reciprocals)</i>	
Employer Contributions and Payroll Taxes Payable	\$ 4
<i>Total Other Liabilities (w/o reciprocals)</i>	\$ 4
Other than Intragovernmental:	
<i>Federal Employee Salary, Leave & Benefits Payable</i>	
Employer Contributions and Payroll Taxes Payable	\$ 2
Unfunded Leave	88
Accrued Funded Payroll and Leave	62
<i>Total Federal Employee Salary, Leave & Benefits Payable</i>	\$ 152
<i>Post Employment Benefits Payable</i>	
Actuarial FECA Liability	\$ 49
<i>Total Post Employment Benefits Payable</i>	\$ 49
Total Federal Employee Benefits Payable	\$ 225

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NOTE 15

Insurance Programs

SFFAS No. 51, establishes accounting and reporting standards for insurance programs to ensure they are adequately defined and report consistent information about the liabilities for losses incurred and claimed as well as expected losses during the remaining coverage.

HUD Proper and FHA administer some direct loans and loan guarantee programs that meet the definition of insurance programs; however, they are excluded from this provision as noted in paragraph six of the standard.

Ginnie Mae's MBS program guarantees the timely payment of P&I on securities backed by pools of mortgage loans insured by FHA, PIH, and Rural Housing Service, or guaranteed by the VA. Ginnie Mae's MBS Guaranty program is considered an exchange transaction insurance program other than life insurance. Ginnie Mae's principal risk associated with the MBS Guaranty program is default risk.

When estimating defaults, prepayments, and recovery, Ginnie Mae considers a few indicators including macro-economic factors such as interest rates, home price indices, and unemployment rates. In addition, Ginnie Mae considers several credit quality indicators such as Loan-to-Value ratios, and delinquency status. Ginnie Mae also considers significant management judgment and estimates of credit losses inherent in the mortgage loan portfolio. As of September 30, 2025, the UPB of Ginnie Mae's MBS securities amounted to \$2,833,504 million, which represents the maximum potential exposure risk to the program. It should be noted, however, that Ginnie

Mae's potential loss is considerably less due to the financial strength of its issuers. In addition, the value of the underlying collateral and the insurance provided by insuring or guaranteeing agencies indemnify Ginnie Mae for most losses.

Under *SFFAS No. 51*, Ginnie Mae is required to recognize and disclose Revenue and Liability for Unearned Premiums; Liability for Unpaid Insurance Claims; and Liability for Losses on Remaining Coverage for its MBS Guaranty program.

Revenue and Liability for Unearned Premiums

Ginnie Mae guarantees timely payment of P&I on MBS issued by approved issuers. In exchange for providing the guaranty, Ginnie Mae receives guaranty fees from the issuers on the UPB of outstanding MBS in the non-defaulted issuer portfolio. These fees are received and recognized as revenue monthly over the contractual period that the guaranty is provided. If necessary, a liability for unearned premiums is recognized in the amount of premiums collected but not earned monthly. The monthly guaranty fees received result from Ginnie Mae "lending" its creditworthiness to the issuer to enhance the issuer's ability to borrow funds from investors.

Guaranty fees pricing is prescribed by *National Housing Act of 1934, Public Law 73-479, 12 U.S.C. §1721 Management and Liquidation Functions of Government National Mortgage Association*, which provides for a fee of six basis points for Single-Family Programs, 30 basis points for Manufactured Housing Program, and 13 basis points for Multifamily Housing Programs. Ginnie Mae had guaranty fee revenue of \$1,759 million for the year ended September 30, 2025. For additional information, refer to Note (21) Exchange Revenues.

Ginnie Mae invests certain accumulated fees not required for current or expected operational needs in U.S. Treasury overnight certificates. For additional information, refer to Note (5) Investments, Net.

Liability for Unpaid Insurance Claims

Ginnie Mae defines the "adverse event" which triggers exercise of its guaranty primarily as default by the Single-Family MBS issuer, which can occur for inability or failure to make pass-through payments to MBS holders, or other violations of Ginnie Mae requirements. For Multifamily, the "adverse event" is triggered in the event of a loan default, pursuant to the Multifamily guaranty agreement. Ginnie Mae is responsible for missed pass-through payments; however, any such pass-through payments are made immediately when due by Ginnie Mae to satisfy the terms of the guaranty agreement and the expectations of MBS holders to receive timely payment. As a result, Ginnie Mae does not have any liability for unpaid insurance claims as of September 30, 2025.

Liability for Loss on Remaining Coverage

For the year ended September 30, 2025, the Liability for Loss on Remaining Coverage was \$1,556 million. For the year ended September 30, 2025, the loss on remaining coverage was \$409 million, which is included in gross cost in the SNC.

For the year ended September 30, 2025, the overall increase in the Liability for Loss on Remaining Coverage of \$409 million was primarily the result of an increase in the Guaranty Obligation (GO) balance of \$298 million (credit), combined with a decrease in the Guaranty

Asset (GA) balance of \$65 million (credit), and a \$46 million increase (credit) in the contingent liability for issuer defaults and multifamily loan defaults.

The increase in the GO balance was primarily driven by new MBS issuances exceeding amortization for the year. Lower GO amortization is consistent with the current economic environment where mortgage rates started to decrease during the year ended September 30, 2025 following cuts to the Federal Funds Rate by the Federal Reserve Federal Open Market Committee, leading to increased mortgage issuances that surpassed the paydown volume as new mortgage originations outpaced refinance activity. The decrease in the GA was primarily due to a decrease in fair value due to annual model updates. Ginnie Mae regularly reviews model performance and addresses model validation outcomes via model updates. During the year ended September 30, 2025, Ginnie Mae updated model parameters associated with forecasted Probability of Prepayment, in part due to anticipation of lower interest rates and increased refinance activity in future periods, which resulted in a decrease in fair value. This decrease was partially offset by new MBS issuances, net of paydowns. The increase in contingent liability for issuer defaults was primarily due to an HMBS issuer that was identified as probable of default as of September 30, 2025 and an increase in the assumption related to severity of loss for HMBS.

The issuance of a guaranty under the MBS program obligates Ginnie Mae to stand ready to perform under the terms of the guaranty. Ginnie Mae's GA represents the net present value of expected collections of guaranty fees associated with outstanding Ginnie Mae guaranteed MBS and is determined through a modeling process maintained by the Office of Enterprise Risk. The corresponding GO represents the non-contingent liability for Ginnie Mae's obligation to perform under its guaranty. Ginnie Mae records contingent liability when it is probable that an issuer will default and the amount of the loss or a range of loss can be reasonably estimated. Contingent liability is measured initially and in subsequent periods under *SFFAS No. 5: Accounting for Liabilities of the Federal Government – Contingencies*. If an issuer default is probable to occur, Ginnie Mae estimates the probable credit losses in the underlying loan portfolio to calculate the loss contingency.

Consistent with *SFFAS No. 51* and in connection with Ginnie Mae's adoption of *ASC 326 Financial Instruments – Credit Losses* (the CECL standard guidance), Ginnie Mae records losses for issuer defaults and multifamily loan defaults based on expected lifetime credit losses.

As of September 30, 2025, one HMBS issuer and one single-family issuer were considered probable of defaulting, and one single-family issuer was considered reasonably possible of defaulting. Ginnie Mae recorded an estimated loss of \$163 million related to expected credit losses in the event of single-family and HMBS issuer defaults.

As of September 30, 2025, the contingent liability related to pooled Multifamily loan defaults was \$79 million, which represents expected credit losses in the event of individual borrower defaults on multifamily loans.

Total contingent liabilities were \$242 million as of September 30, 2025, which is included in the Liability for Loss on Remaining Coverage.

Table 16A - Other Liabilities:

The following table presents HUD's Other Liabilities as of September 30, 2025:

Other Liabilities <i>(dollars in millions)</i>		FY 2025
Intragovernmental Liabilities		
Liability to the General Fund of the U.S. Government for Custodial and Other Non-entity Assets - FHA Special Receipt Account Liability	\$	1,118
Liability to the General Fund of the U.S. Government for Custodial and Other Non-entity Assets		107
Other Liabilities (without Reciprocals)		4
Benefit Program Contributions Payable		20
Other Liabilities - Reimbursable Activities		15
Total Intragovernmental Liabilities	\$	1,264
Other than Intragovernmental Liabilities		
Other Liabilities without Related Budgetary Obligations - HMBS Obligations, at Fair Value	\$	13,313
Other Liabilities without Related Budgetary Obligations		15
Other Liabilities with Related Budgetary Obligations - Accrued Grant Liabilities		4,676
Liability for Non-Fiduciary Deposit Funds and Undeposited Collections - FHA Escrow Funds Related to Mortgage Notes and Other Liabilities		310
Liability for Non-Fiduciary Deposit Funds and Undeposited Collections		30
Total Other than Intragovernmental Liabilities	\$	18,344
Total Other Liabilities	\$	19,608

Special Receipt Account Liability

The special receipt account liability results from negative subsidy and downward credit subsidy reestimate transfers to the GI/SRI and H4H special receipt accounts.

Other Liabilities

FHA's Other Liabilities mostly consisted of miscellaneous liabilities of \$244 million as of September 30, 2025. FHA's miscellaneous liabilities result from FHA's use of clearing accounts to record notes and property resulting from claims. The liabilities result from timing differences and are resolved in the next accounting period. In addition, FHA had liabilities for escrow funds related to mortgage notes and contingencies totaling \$65 million as of September 30, 2025.

Ginnie Mae's other liabilities consist of HMBS Obligations, at fair value, suspense funds, receipt accruals, deposit funds, liabilities for remaining performance obligations under an indemnification agreement and payment received in prior fiscal year, unapplied deposits, and other liabilities. In addition, Ginnie Mae incurs monthly payables to fund and transmit MIP payments on behalf of applicable HECM borrowers for loans insured by FHA. As of September 30, 2025, Ginnie Mae recorded \$10 million in other liabilities for MIP due to FHA.

Ginnie Mae HMBS Obligations, at Fair Value

HMBS Obligations, at fair value, represent the secured borrowing associated with securitization of HECM loans for the HMBS issuer's securitized portfolio. For additional information on Ginnie Mae's HMBS obligations, refer to the following notes: Note (1) Summary of Significant Accounting Policies and Note (8) Other Non-Credit Reform Loans. As of September 30, 2025, Ginnie Mae

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recognized \$13,313 million, in HMBS Obligations, at fair value, and recorded a loss of \$859 million for the year ended September 30, 2025.

Ginnie Mae has elected FVO for HMBS obligations, net. The valuation technique used by Ginnie Mae to measure the fair value of its HMBS obligations consists of the present value of projected pool buyouts based on the conditional termination rate.

The fair value measurement hierarchy level for HMBS Obligations measured at fair value on a recurring basis were at Level 3 as of September 30, 2025. There were no transfers into or out of Level 3 during the year ended September 30, 2025.

Table 16B - HMBS Obligations, at Fair Value:

The following table presents HUD's HMBS Obligations at fair value as of September 30, 2025:

HMBS Obligations, at Fair Value <i>(dollars in millions)</i>			
FY 2025			
	Ginnie Mae Reported Balances (Gross)	Fair Value Adjustment	Ginnie Mae Net Reported Balances
HMBS Obligations, at Fair Value	\$ 13,233	\$ 80	\$ 13,313
Total	\$ 13,233	\$ 80	\$ 13,313

Table 16C - HMBS Obligations, at Fair Value - Significant Unobservable Inputs:

The table below presents the range and weighted average of significant unobservable inputs used in determining the fair value of Ginnie Mae's HMBS obligations. Note that Ginnie Mae uses data as of the month preceding the reporting period to determine fair value measurement factors as a reasonable estimate in order to support timely financial reporting.

HMBS Obligations - Significant Unobservable Inputs	
FY 2025	
Conditional Termination Rate Assumptions:	
Weighted Average Conditional Termination Rate	23.19%
Minimum Conditional Termination Rate	2.81%
Maximum Conditional Termination Rate	52.98%
Obligation Discount Rate Assumptions:	
Weighted Average Discount Rate	5.55%
Minimum Discount Rate	5.26%
Maximum Discount Rate	6.24%

These significant unobservable inputs change according to the loan portfolio and macroeconomic market conditions. Increases (decreases) in the discount rates in isolation would result in a lower (higher) fair value measurement. The relationship between the conditional termination rate and the fair value measurement is less direct and would depend on other inputs. The conditional termination rate represents the percentage of the mortgage loan's UPB assumed to be terminated over the remaining life of the loan. The discount rate represents the rate which a buyer of a similar product would require in an arm's length transaction.

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NOTE 17 Leases

The Department is a lessee for 127 intragovernmental leases for office space, fleet agreements, and printers/copiers. HUD does not lease property to other governmental entities or to the public. There is an immaterial amount of other than intragovernmental leases. For additional information, refer to Note (1) Summary of Significant Accounting Policies section (P) Leases.

Intragovernmental Leases

HUD accounts for intragovernmental leases in accordance with *SFFAS 54* and recognizes lease payments paid to the lessor as expenses based on the payment provisions of the contract or agreement and standards regarding recognition of accounts payable and other related amounts. Prepayments are recognized as an asset, outstanding leases payable are recognized as liabilities, and expenses are recognized in the appropriate reporting period based on the specifics of the lease provisions.

The following table presents HUD’s intragovernmental lease payments by underlying asset type as of September 30, 2025:

Leases <i>(dollars in millions)</i>		
Lease Type	Lessor	FY 2025
Lease Type		
Occupancy Agreements	GSA	\$ 109
Fleet Agreements	GSA	2
Printing and Copying Agreements	GPO	3
Total Leases		\$ 114

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NOTE 18 Contingencies

Legal and Other

HUD is party to several claims and tort actions related to pending or threatened litigation brought against it concerning the implementation or operation of its various programs. As of September 30, 2025, HUD did not record a contingent liability in its financial statements.

As of September 30, 2025, all case ranges for amounts listed as reasonably possible have been disclosed. 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 HUD’s financial statements.

The general counsel has reviewed FHA’s and Ginnie Mae’s claims for this fiscal year and determined that as of September 30, 2025, the ultimate resolution of the legal actions would not affect HUD’s consolidated financial statements. As a result, no contingent liability has been recorded for FHA and Ginnie Mae. In addition, there are no other pending or threatened litigation and asserted or unasserted claims, or assessments, in which Ginnie Mae’s potential exposure to loss exceeds \$1 million individually, or \$2 million in the aggregate, for cases not listed individually or as part of similar cases that could be material to the financial statements as of September 30, 2025.

Ginnie Mae's management recognizes the uncertainties that could occur in regard to potential terminated and extinguished issuers as part of the determination of the Liability Loss on Remaining Coverage included in the Insurance and Guarantee Program Liabilities line on the accompanying BS. For additional information, refer to Note (15) Insurance Programs.

If HUD is found liable and does not have the budget authority to cover the contingency, the Judgment Fund will pay the claim on behalf of the agency. The Judgment Fund pays court judgments and negotiated settlements of lawsuits against the government. If the claim(s) are to be paid through the Judgment Fund, the information is disclosed in the agency's legal letter. If the agency has another funding source to pay the claim(s), the Judgment Fund cannot be used even if the other funding source does not have enough money to cover the claim. In that case, the agency with the other source of funds must ask Congress to appropriate more money for that other source.

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NOTE 19

Funds from Dedicated Collections

SFFAS No. 27: Identifying and Reporting Earmarked Funds, as amended by *SFFAS No. 43: Funds from Dedicated Collections: Amending Statement of Federal Financial Accounting Standards 27*, defines the following three criteria for determining a fund from dedicated collections: (1) a statute committing the federal government to use specifically identified revenue and/or other financing sources that are originally provided to the federal government by a non-federal source only for designated activities, benefits, or purposes; (2) explicit authority for the fund to retain revenue and/or other financing sources not used in the current period for future use to finance the designated activities, benefits, or purposes; and (3) a requirement to account for and report on the receipt, use, and retention of the revenue and/or other financing sources that distinguished the fund from the federal government's general revenue. A fund from dedicated collections may contain non-federal sources of revenue and other financing sources that are material to the reporting entity provided it meets the criteria reported above. Each of HUD's programs are considered non-governmental inflow.

Treasury securities reflect a Government commitment to the program and allow the program to continue to provide benefits required by law. When the benefits are paid, the way the Government finances the benefits is similar to the way it finances other disbursements, using some combination of receipts, other inflows, and borrowing from the public (if there is a budget deficit).

Intradepartmental activity reported in a fund from dedicated collections is often offset with activity in other funds. Accordingly, the Department presents information for funds from dedicated collections and all other funds in the BS and SCNP on a combined and consolidated basis. The elimination of intradepartmental activity between dedicated collections and all other funds is presented in the accompanying SCNP.

Ginnie Mae

Ginnie Mae is authorized under *Title III of the National Housing Act of 1934, Public Law 73-479, 12 U.S.C. §1721(d)*, to fund its program's operations through offsetting collections, such as guaranty, commitment, multiclass, new issuer, civil penalty, servicing, and pool transfer fees. These collections are dedicated for Ginnie Mae use to administer its MBS Guaranty Program. In the event the issuer is unable to make any payment of principal or interest on any security guaranteed, Ginnie Mae shall make such payments as and when due in cash, and thereupon shall be subrogated fully to the rights satisfied by such payment.

Ginnie Mae's total accounts payable from dedicated collections, as of September 30, 2025 includes \$46 million reclassified from other than intragovernmental to intragovernmental payables to agree to amounts determined by the relevant trading partner.

Ginnie Mae invests certain accumulated fees not required for current or expected operational needs in U.S. Treasury overnight certificates. For additional information, refer to Note (5) Investments, Net.

Rental Housing Assistance Fund

The *Housing and Urban Development Act of 1968, Public Law 90-448*, 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, Public Law 103-233, 12 U.S.C §1701z-11 and §1701z-12*, 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, Public Law 96-399*, authorized the transfer of excess rent collections regardless of when collected.

Flexible Subsidy

As authorized by *National Housing Act of 1934, Public Law 73-479, 12 U.S.C. §1715z-1*, the Flexible Subsidy Fund provides federal assistance for troubled multifamily housing projects which includes supporting capital improvements to maintain these low to moderate income projects. 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.

Manufactured Housing Fees Trust Fund

The *National Manufactured Housing Construction and Safety Standards Act of 1974, Public Law 93-383*, as amended by the *Manufactured Housing Improvement Act of 2000, Public Law 106-569*, authorizes the 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.

FINANCIAL INFORMATION (UNAUDITED)

American Recovery and Reinvestment Act Programs (Recovery Act)

The Recovery Act included 17 programs at HUD which were distributed across three themes that aligned with the broader Recovery Act. As of September 30, 2024, the Green Retrofit program account had a downward technical reestimate processed based on regulatory requirements in the *OMB Circular A-11*. There will be no activity in 2025. All other Recovery Act programs have achieved their goals and are closed.

The following tables below present the funds from dedicated collections balances as of September 30, 2025:

Balance Sheet for the Fiscal Year Ended September 30, 2025 (dollars in millions)								
FY 2025								
	Ginnie Mae	Rental Housing Assistance	Flexible Subsidy	Manufactured Housing Fees Trust Fund	Other Funds from Dedicated Collections	Total Funds from Dedicated Collections (Combined)	Eliminations Between Dedicated Collection Funds	Total Funds from Dedicated Collections (Consolidated)
Assets								
<i>Intragovernmental Assets</i>								
Fund Balance with Treasury	\$ 4,999	\$ 17	\$ 698	\$ 60	\$ 309	\$ 6,083	\$ -	\$ 6,083
Investments, Net	29,516	-	-	-	-	29,516	-	29,516
Accounts Receivable, Net	-	-	-	-	-	-	-	-
Advances and Prepayments	2	-	-	-	-	2	-	2
Total Intragovernmental Assets	\$ 34,517	\$ 17	\$ 698	\$ 60	\$ 309	\$ 35,601	\$ -	\$ 35,601
<i>Other than Intragovernmental Assets</i>								
Cash and Other Monetary Assets	\$ 147	\$ -	\$ -	\$ -	\$ -	\$ 147	\$ -	\$ 147
Accounts Receivable, Net	187	2	-	-	-	189	-	189
Loans Receivable, Net	-	-	170	-	11	181	-	181
Other Non-credit Reform Loans	16,607	-	-	-	-	16,607	-	16,607
Property, Plant, and Equipment, Net	38	-	-	-	-	38	-	38
Advances and Prepayments	339	-	-	-	-	339	-	339
Total Other than Intragovernmental Assets	\$ 17,318	\$ 2	\$ 170	\$ -	\$ 11	\$ 17,501	\$ -	\$ 17,501
Total Assets	\$ 51,835	\$ 19	\$ 868	\$ 60	\$ 320	\$ 53,102	\$ -	\$ 53,102
Liabilities								
<i>Intragovernmental Liabilities</i>								
Accounts Payable	\$ 79	\$ -	\$ -	\$ -	\$ -	\$ 79	\$ -	\$ 79
Debt	-	-	-	-	-	-	-	-
Loans Payable - Borrowings	-	-	-	-	320	320	-	320
Total Intragovernmental Liabilities	\$ 79	\$ -	\$ -	\$ -	\$ 320	\$ 399	\$ -	\$ 399
<i>Other than Intragovernmental Liabilities</i>								
Accounts Payable	\$ 2	\$ -	\$ -	\$ 5	\$ -	\$ 7	\$ -	\$ 7
Federal Employee Salary, Leave & Benefits Payable	5	-	-	-	-	5	-	5
Insurance and Guarantee Program Liabilities	1,556	-	-	-	-	1,556	-	1,556
Advances from Others and Deferred Revenue	684	-	-	-	-	684	-	684
Other Liabilities	13,313	-	-	-	-	13,313	-	13,313
HMBS Obligations, at Fair Value	15	-	-	-	-	15	-	15
Total Other than Intragovernmental Liabilities	\$ 15,575	\$ -	\$ -	\$ 5	\$ -	\$ 15,580	\$ -	\$ 15,580
Total Liabilities	\$ 15,654	\$ -	\$ -	\$ 5	\$ 320	\$ 15,979	\$ -	\$ 15,979
Cumulative Results of Operations	\$ 36,181	\$ 19	\$ 868	\$ 55	\$ -	\$ 37,123	\$ -	\$ 37,123
Total Liabilities and Net Position	\$ 51,835	\$ 19	\$ 868	\$ 60	\$ 320	\$ 53,102	\$ -	\$ 53,102

Statement of Net Cost for the Fiscal Year Ended September 30, 2025 (dollars in millions)								
FY 2025								
	Ginnie Mae	Flexible Subsidy	Manufactured Housing Fees Trust Fund	Recovery Act Funds	Other Funds from Dedicated Collections	Total Funds from Dedicated Collections (Combined)	Eliminations Between Dedicated Collection Funds	Total Funds from Dedicated Collections (Consolidated)
Gross Program Costs	\$ 2,428	\$ 34	\$ 15	\$ (4)	\$ 12	\$ 2,485	\$ -	\$ 2,485
Less: Earned Revenues	(4,715)	(29)	(17)	-	(12)	(4,773)	-	(4,773)
Net Program Costs	(2,287)	5	(2)	(4)	-	(2,288)	-	(2,288)
Net Cost of Operations - Funds from Dedicated Collections	\$ (2,287)	\$ 5	\$ (2)	\$ (4)	\$ -	\$ (2,288)	\$ -	\$ (2,288)

FINANCIAL INFORMATION (UNAUDITED)

Statement of Changes in Net Position for the Fiscal Year Ended September 30, 2025 <i>(dollars in millions)</i>								
	FY 2025							
	Ginnie Mae	Rental Housing Assistance	Flexible Subsidy	Manufactured Housing Fees Trust Fund	Recovery Act Funds	Total Funds from Dedicated Collections (Combined)	Eliminations Between Dedicated Collection Funds	Total Funds from Dedicated Collections (Consolidated)
Unexpended Appropriations								
Cumulative Results of Operations								
Beginning Balance	\$ 33,889	\$ 19	\$ 871	\$ 53	\$ -	\$ 34,832	\$ -	\$ 34,832
Beginning Balance, as Adjusted	\$ 33,889	\$ 19	\$ 871	\$ 53	\$ -	\$ 34,832	\$ -	\$ 34,832
Other than Intragovernmental Non-Exchange Revenue:								
Miscellaneous Taxes and Receipts	\$ -	\$ -	\$ 2	\$ -	\$ -	\$ 2	\$ -	\$ 2
Total Other than Intragovernmental Non-Exchange Revenue	-	-	2	-	-	2	-	2
Imputed Financing	5	-	-	-	-	5	-	5
Other	-	-	-	-	(4)	(4)	-	(4)
Net Cost of Operations (Note 26)	2,287	-	(5)	2	4	2,288	-	2,288
Net Change in Cumulative Results of Operations	\$ 2,292	\$ -	\$ (3)	\$ 2	\$ -	\$ 2,291	\$ -	\$ 2,291
Total Cumulative Results of Operations	\$ 36,181	\$ 19	\$ 868	\$ 55	\$ -	\$ 37,123	\$ -	\$ 37,123
Net Position, End of Period	\$ 36,181	\$ 19	\$ 868	\$ 55	\$ -	\$ 37,123	\$ -	\$ 37,123

NOTES DISCLOSURES RELATED TO THE STATEMENT OF NET COST

20 NOTE 20 Suborganization Program Costs

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) Management Discussion and Analysis (MD&A) of this report. Costs incurred under HUD’s other programs represent activities to meet HUD’s mission in creating strong, sustainable, inclusive communities and quality affordable homes for all.

The following tables present the Suborganization Program Costs of HUD’s major program areas that incur costs which cross multiple program areas as of September 30, 2025:

Suborganization Program Costs <i>(dollars in millions)</i>					
	FY 2025				
	PIH	Housing	CPD	Other	Consolidated Total
Crosscutting Programs					
Section 8 Rental Assistance					
Gross Cost	\$ 38,422	\$ 17,226	\$ 62	\$ -	\$ 55,710
Less Earned Revenues	-	-	-	-	-
Net Program Cost	\$ 38,422	\$ 17,226	\$ 62	\$ -	\$ 55,710
PIH					
Gross Cost	\$ 10,818	\$ -	\$ -	\$ -	\$ 10,818
Less Earned Revenues	-	-	-	-	-
Net Program Cost	\$ 10,818	\$ -	\$ -	\$ -	\$ 10,818
HAG					
Gross Cost	\$ -	\$ -	\$ 3,541	\$ 6	\$ 3,547
Less Earned Revenues	-	-	-	-	-
Net Program Cost	\$ -	\$ -	\$ 3,541	\$ 6	\$ 3,547

Continued to the next page

FINANCIAL INFORMATION (UNAUDITED)

Continued from previous page

Suborganization Program Costs (dollars in millions)					
FY 2025					
	PIH	Housing	CPD	Other	Consolidated Total
HED					
Gross Cost	\$ -	\$ 1,263	\$ -	\$ 2	\$ 1,265
Less Earned Revenues	-	(3)	-	(18)	(21)
Net Program Cost	\$ -	\$ 1,260	\$ -	\$ (16)	\$ 1,244
CDBG					
Gross Cost	\$ 8	\$ -	\$ 10,427	\$ -	\$ 10,435
Less Earned Revenues	-	-	-	-	-
Net Program Cost	\$ 8	\$ -	\$ 10,427	\$ -	\$ 10,435
HOME					
Gross Cost	\$ -	\$ -	\$ 1,953	\$ -	\$ 1,953
Less Earned Revenues	-	-	-	-	-
Net Program Cost	\$ -	\$ -	\$ 1,953	\$ -	\$ 1,953
Other					
Gross Cost	\$ 731	\$ 491	\$ 1,286	\$ (34)	\$ 2,474
Less Earned Revenues	(2)	(60)	(1)	(4)	(67)
Net Program Cost	\$ 729	\$ 431	\$ 1,285	\$ (38)	\$ 2,407
Cost not Assigned to Programs	154	66	99	-	319
Net Other Program Costs (Including Indirect Costs)	\$ 883	\$ 497	\$ 1,384	\$ (38)	\$ 2,726
Intra-entity Eliminations					
Gross Cost	\$ -	\$ -	\$ -	\$ -	\$ -
Less Earned Revenues	-	-	-	-	-
Net Cost	\$ -	\$ -	\$ -	\$ -	\$ -

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NOTE 21 Exchange Revenues

Exchange Revenues or earned revenues arise when an entity provides goods and services to the public or another government entity for a price. The full amount of exchange revenue is reported on the SNC and is deducted from the gross cost of programs to determine the net program costs. HUD recognizes exchange revenue when earned in accordance with FASAB Standards.

The tables below present a breakdown of HUD's earned revenues presented in the consolidated SNC as of September 30, 2025:

Exchange (Earned) Revenues (dollars in millions)						
FY 2025						
	FHA	Ginnie Mae	HED	All Other	Eliminations	Total
Intragovernmental:						
Interest Revenue from Deposits at US Treasury (Uninvested Funds)	\$ (879)	\$ -	\$ -	\$ (15)	\$ -	\$ (894)
Interest Revenue from Investments with US Treasury	(6,661)	(1,125)	-	-	-	(7,786)
Other Intragovernmental Revenue	-	-	-	(5)	2	(3)
Intragovernmental Earned Revenue	\$ (7,540)	\$ (1,125)	\$ -	\$ (20)	\$ 2	\$ (8,683)
Other than Intragovernmental:						
Interest Revenue	\$ (131)	\$ (1,216)	\$ (21)	\$ (31)	\$ -	\$ (1,399)
Ginnie Mae Mortgage-Backed Securities Guaranty Fees	-	(1,759)	-	-	-	(1,759)
Other Earned Revenues/Income	(28)	(614)	-	(16)	-	(658)
Other than Intragovernmental Earned Revenue	\$ (159)	\$ (3,589)	\$ (21)	\$ (47)	\$ -	\$ (3,816)
Total Exchange (Earned) Revenue	\$ (7,699)	\$ (4,714)	\$ (21)	\$ (67)	\$ 2	\$ (12,499)

FHA

FHA’s intragovernmental exchange revenue consists of interest revenue from deposits at the U.S. Treasury and from investments with the U.S. Treasury. Deposits at the U.S. Treasury are generated by Post-Credit Reform loan guarantee activity in FHA’s financing accounts, and FHA earns interest revenue on uninvested funds in the financing accounts. FHA also invests surplus resources in its MMI/CMHI capital reserve account in U.S. Treasury securities and earns interest revenue on these investments. For additional information, refer to Note (1) Summary of Significant Accounting Policies section (G) Investments.

FHA’s other than intragovernmental exchange revenue consists of interest revenue and other earned revenue and income. FHA’s other than intragovernmental interest revenue comes primarily from interest on uninvested funds for the FFB Risk Share program. FHA classifies interest revenue for the FFB Risk Share program as non-federal because of the nature of the program. Also, the other than intragovernmental interest revenue includes interest on Pre-Credit Reform loans receivable. Other earned revenue and income consist of late charges, penalties, and premiums associated with Pre-Credit Reform loan guarantees and revenue and gains from Pre-Credit Reform notes and properties held and sold.

Insurance Premium Revenue

Under Credit Reform accounting, FHA’s exchange revenue includes only premiums associated with the pre-1992 loan guarantee activity. Premiums for post-1991 guaranteed loans are included in the balance of the LLG. The FHA premium structure includes both up-front premiums and annual periodic premiums. The up-front premium and annual periodic premium rates for FY 2025 are reported below. However, the premiums received for post-1991 guaranteed loans are not reported under this note as part of exchange revenue.

Up-front Premiums

The up-front premium rates vary according to the mortgage type and the year of origination. The FHA up-front premium rates for loans committed in FY 2025 were as follows:

Exchange (Earned) Revenues	
FY 2025 Upfront Premium Rates	
10/01/2024 - 09/30/2025	
Single-Family	1.75%
Multifamily	0.25%, 0.50%, 0.65%, 0.80% or 1.00%
HECM	2.00%

Annual Periodic Premiums

The periodic premium rate is used to calculate monthly or annual premiums. These rates also vary by mortgage type and program. The FHA annual periodic premium rates for loans committed in FY 2025 were as follows:

Exchange (Earned) Revenues	
FY 2025 Annual Periodic Premium Rates	
10/01/2024 - 09/30/2025	
Single-Family - Term > 15 years	0.50%, 0.55%, 0.70% or 0.75%
Single-Family - Term ≤ 15 years	0.15%, 0.40% or 0.65%
Multifamily	0.45%, 0.57%, 0.65% or 0.70%
HECM	0.50%

For Title I, the maximum insurance premium paid for guaranteed cases endorsed in the years 1992 through 2001 is equal to 0.50 percent of the loan amount multiplied by the number of years of the loan term. The annual insurance premium for a Title I Property Improvement loan is 0.50 percent of the loan amount until the maximum insurance charge is paid. The annual insurance premium of a Title I Manufactured Housing loan is calculated in tiers by loan term until the maximum insurance charge is paid.

Ginnie Mae

Ginnie Mae's exchange revenues include interest revenues from U.S. Treasury, interest income on non-credit reform mortgage loans receivable, MBS guarantee fees, and other fees and income including MBS commitment fees, multiclass fees, and other earned revenues.

Ginnie Mae earns interest income from its investments in U.S. Government securities, as well as on its forward and reverse mortgage loans, at fair value. Ginnie Mae invests funds in U.S. Treasury overnight certificates and earns interest based on interest rates and pricing established by U.S. Treasury under Federal Investments Program guidelines. Interest earned on forward and reverse mortgage loans, at fair value is included within the gain/loss on forward and reverse mortgage loans, which is part of earned revenue in the SNC. Ginnie Mae accrues interest for loans at the contractual interest rate of the underlying forward and reverse mortgages. Any prepaid interest is recognized as deferred revenue when received.

Ginnie Mae receives guaranty fees from the issuers on the UPB of the outstanding MBS in the non-defaulted issuer portfolio. These fees are received and recognized as revenue on a monthly basis over the contractual period that the guaranty is provided. Pricing of the guaranty fees is prescribed by *National Housing Act of 1934, Public Law 73-479, 12 U.S.C. §1721 Management and Liquidation Functions of Government National Mortgage Association*. Fees are calculated based on the prescribed pricing multiplied by outstanding UPB. For additional information, refer to Note (15) Insurance Programs.

In addition, Ginnie Mae earns other fees and income, including commitment fees received as issuers request commitment authority to issue Ginnie Mae MBS and one-time up-front fees related to the issuance of multiclass products. Pricing for other fees and income are based on guidance published by Ginnie Mae in the MBS Guide and are designed to provide appropriate compensation for the administrative costs and value of services provided by Ginnie Mae.

HUD Proper

HUD Proper's earned revenues include non-federal interest revenue from outstanding loans receivable in pre-1992 liquidating funds calculated based on contractual rates, intragovernmental interest revenue from uninvested funds deposited at the U.S. Treasury generated from post-1991 loan guarantees and direct loans in financing accounts calculated based on U.S. Treasury rates, Manufactured Housing Trust Fund fees authorized by the *National Manufactured Housing Construction and Safety Standards Act of 1974, Public Law 93-383*, which is administered by the Office of Manufactured Housing Programs, and an immaterial amount of intragovernmental earned revenues from other federal agencies.

NOTES DISCLOSURES RELATED TO THE STATEMENT OF BUDGETARY RESOURCES

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NOTE 22

Net Adjustments to Unobligated Balance, Brought Forward, October 1

During FY 2025, HUD made certain adjustments to the balances of unobligated budgetary resources available as of October 1, 2024. These adjustments include downward adjustments to undelivered and delivered orders that were obligated in a prior fiscal year as well as other adjustments.

The table below presents the adjustments to the unobligated balance, brought forward October 1 for September 30, 2025:

Net Adjustments to Unobligated Balance, Brought Forward October 1 <i>(dollars in millions)</i>	
	FY 2025
Net Adjustments to Unobligated Balance, Brought Forward October 1	
Prior Year Ending Unobligated Balance	\$ 215,505
Adjustments to Budgetary Resources Made During Current Year	
Adjustments Reported on Line 1020 of the SF-133	(30)
Adjustments Reported on Line 1047 of the SF-133	(271)
Downward Adjustments of Prior year Undelivered Orders	3,708
Downward Adjustments of Prior Year Delivered Orders	374
Other Adjustments	(1,609)
Net Adjustments to Unobligated Balance Brought Forward, October 1	\$ 2,172
Unobligated Balance from Prior Year (Discretionary and Mandatory)	\$ 217,677

As of September 30, 2025, HUD's other adjustments line primarily consists of Transfers - Prior-Year Balances in the amount of \$17 million, Borrowing Authority Withdrawn in the amount of \$637 million (credit), Actual capital transfers to the general fund of the U.S. Government, prior-year balances in the amount of \$124 million (credit), and Cancelled Authority in the amount of \$205 million (credit), and Actual Repayment of Debt, Prior-Year Balances in the amount of \$660 million (credit).

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NOTE 23

Undelivered Orders at the End of the Period, Commitments, Available Contract Authority End of Period, and Permanent Indefinite Appropriations

Contractual Commitments

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

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

FINANCIAL INFORMATION (UNAUDITED)

Prior to FY 1988, HUD's subsidy programs, primarily the Section 8 Program and 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 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 existed to draw on the permanent indefinite appropriations. Beginning in FY 1988, the Section 8 and 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. As of September 30, 2025, HUD Proper does not have any contract authority available.

HUD's 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 BS comprise of funds with the U.S. Treasury which are available to fund existing obligations 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 unexpended 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 permanent indefinite authority for FHA as of September 30, 2025 was \$35 million. The offsetting collections for FHA's undelivered orders as of September 30, 2025 was \$3,058 million. The offsetting collections for Ginnie Mae's undelivered orders as of September 30, 2025 was \$722 million.

The following table presents HUD's unpaid obligations and contractual commitments under its grant, subsidy, and loan programs as of September 30, 2025:

Undelivered Orders at the End of the Period, Unpaid			
<i>(dollars in millions)</i>			
FY 2025			
	Federal	Non-Federal	Total
FHA	\$ 20	\$ 3,196	\$ 3,216
Ginnie Mae	122	600	722
Section 8 Rental Assistance	-	12,575	12,575
PIH Loans and Grants	-	9,463	9,463
HAG	-	4,037	4,037
HED	9	1,708	1,717
CDBG	-	54,298	54,298
HOME	-	9,086	9,086
Section 235 & 236 Other	-	32	32
All Other	395	6,567	6,962
Total	\$ 546	\$ 101,562	\$ 102,108

FINANCIAL INFORMATION (UNAUDITED)

The following table presents HUD's paid obligations and contractual commitments under its grant, subsidy, and loan programs as of September 30, 2025:

Undelivered Orders at the End of the Period, Unpaid (dollars in millions)				
FY 2025				
	Federal		Non-Federal	Total
Ginnie Mae	\$ 2	\$	339	\$ 341
Section 8 Rental Assistance	-		804	804
PIH Loans and Grants	-		330	330
All Other	58		-	58
Total	\$ 60	\$	1,473	\$ 1,533

Administrative Commitments

In addition to the above contractual commitments, HUD has entered into administrative commitments which are the reservation 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 table presents HUD's administrative commitments as of September 30, 2025:

Commitments (dollars in millions)	
FY 2025	
Section 8 Rental Assistance	\$ 78
PIH Loans and Grants	18
HAG	205
HED	95
CDBG	4,678
HOME	432
All Other	434
Total	\$ 5,940

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NOTE 24

Legal Arrangements Affecting the Use of Unobligated Balances

Pursuant to *Title III of National Housing Act of 1934, Public Law 73-479, 12 U.S.C. §1716*, Ginnie Mae collections from commitment and multiclass fees are credited to offsetting collections in the program account. The portion of commitment and multiclass fees collection in excess of the enacted amounts available of annual and/or no-year Salaries and Expenses (S&E) spending, are precluded from being available for obligation.

The following table presents the funds precluded from obligation as of September 30, 2025:

Legal Arrangements Affecting the Use of Unobligated Balances (dollars in millions)	
FY 2025	
Precluded Obligations Balance, Beginning	\$ 1,610
Collected	136
Precluded Obligations Balance, Ending	\$ 1,746

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NOTE 25

Explanation of Differences between the Statement of Budgetary Resources (SBR) and the Budget of the United States Government

The President’s Budget containing actual FY 2025 data is not available for comparison to the SBR. Actual FY 2025 data will be available at a later date at <https://www.whitehouse.gov/omb/budget/>. For FY 2024, a reconciliation to compare HUD’s SBR to the President’s Budget of the United States was performed to identify any variances. The “Other” line represents rounding, timing, and expired immaterial differences between HUD’s Combined SBR and the Budget of the United States.

The table below displays the variances between HUD’s Statement of Budgetary Resources to the Budget for the U.S. Government for FY 2024:

Explanation of Differences Between the Statement of Budgetary Resources and the Budget of the United States Government <i>(dollars in millions)</i>				
FY 2024				
	Budgetary Resources	New Obligations and Upwards Adjustments	Distributed Offsetting Receipts	Net Outlays
Combined Statement of Budgetary Resources	\$ 356,655	\$ 141,150	\$ 2,453	\$ 72,100
Resources Related to HUD’s Expired Accounts Not Reported in the President’s Budget	(932)	-	-	-
Offsetting Receipts Not Included in the President’s Budget	-	-	(215)	-
Other	(10)	(8)	-	1
Budget of the United States Government	\$ 355,713	\$ 141,142	\$ 2,238	\$ 72,101

NOTES DISCLOSURES NOT PERTAINING TO A SPECIFIC STATEMENT

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NOTE 26

Reconciliation of Net Cost to Net Outlays (Budget to Accrual Reconciliation)

FASAB issued *SFFAS No. 53: Budget and Accrual Reconciliation (BAR)*, which requires a reconciliation of HUD’s net outlays on a budgetary basis to its net cost of operations during the reporting period. The Reconciliation of Net Cost to Net Outlays replaces the Statement of Financing note disclosure, which reconciled the budgetary resources obligated (and some non-budgetary resources) and the net cost of operations.

Budgetary and financial accounting information differ. Budgetary accounting is used for planning and control purposes and relates to both the receipt and use of cash, as well as reporting the federal deficit. Financial accounting is intended to provide a picture of the government’s financial operations and financial position, so it presents information on an accrual basis. The accrual basis includes information about costs arising from the consumption of assets and the incurrence of liabilities. The reconciliation of net outlays presented on a budgetary basis, and the net cost presented on an accrual basis, provides an explanation of the relationship between budgetary and financial accounting information. The reconciliation serves not only to identify costs paid for in the past and those that will be paid in the future, but also to assure integrity between budgetary and financial accounting.

In accordance with the guidance provided by *OMB Circular A-136*, the presentation of the BAR has been revised to enhance clarity and compliance. Specifically, HUD has adjusted the reporting of financing accounts related to loans receivable under the *FCRA*. Under the updated presentation, financing account activities are now included in the Net Income line of the BAR. This change reflects HUD's commitment to providing a comprehensive overview of our financial performance, while adhering to regulatory requirements. However, to maintain transparency and ensure a clear understanding of the financing activities, HUD also included a line item in the "Other Reconciling Section" that backs out these financing account activities, thereby following the guidance provided by OMB. Ginnie Mae does not follow *FCRA*, as its financing account activity is included in the reconciliation and is not required to be backed out.

This approach ensures that stakeholders can clearly see the effects of financing accounts on our overall financial results while distinctly isolating these items for better analysis. This dual presentation aligns with *OMB Circular A-136*, which stipulates that agencies "should exclude financing account activities from the BAR."

The U.S. Treasury's BAR crosswalk serves as guidance to federal agencies and is not considered to be all inclusive. HUD's BAR deviates in certain situations where activity has both, either, or neither net cost and net outlays activity, and the crosswalk calculated without deviations will show outages. Additionally, changes are made as necessary to account for guidance issued for other statements or notes, such as the BS. Based on guidance from the U.S. Treasury, the FHA is reporting two additional line items not included in the U.S. Treasury crosswalk: "Negative Subsidy" and "Liability for Liquidating Fund Transfers."

Components of Net Cost That Are Not Part of Net Outlays

The unique nature of Ginnie Mae's business and accounting processes required to implement the Modified Credit Reform structure described in Note (1) Summary of Significant Accounting Policies requires that certain general ledger accounts be mapped differently than the suggested crosswalk published by the U.S. Treasury. These differences are summarized below:

The U.S. Treasury crosswalk suggests mapping general ledger account "Interest Receivable - Investments" to the "Accounts Receivable" line. Ginnie Mae includes the "Investments" line under "Increase (Decrease) in Assets." This is consistent with how Ginnie Mae presents its investments in the accompanying BS and Note (5) Investments, Net. The balance in this account pertains to interest receivable specifically attributable to Ginnie Mae investments.

Ginnie Mae's mortgage loans are Non-Credit Reform loans, and therefore the activity related to those loans are included within the reconciling line items in the BAR, rather than omitted in lieu of reporting the subsidy cost, as is required for entities that apply *FCRA* reporting standards.

Ginnie Mae's general ledger accounts for "Foreclosed Property" and "Foreclosed Property - Allowance" are included in the "Loans Receivable" line under "Increase (Decrease) in Assets," consistent with how Ginnie Mae presents its "Other Non-Credit Reform Loans" on the accompanying BS.

The U.S. Treasury crosswalk does not include suggested mapping for Ginnie Mae's Other Non-Credit Reform Loans general ledger accounts. For additional information, refer to Note (8) Other Non-Credit Reform Loans.

The U.S. Treasury crosswalk suggests mapping general ledger account "Other Assets" to the "Other Assets" line. Ginnie Mae includes certain "Other Assets" in the "Loans Receivable" line under "Increase (Decrease) in Assets." This is consistent with how Ginnie Mae presents its "Other Non-Credit Reform Loans" on the accompanying BS. Ginnie Mae uses certain "Other Assets" accounts to record its Properties Held for Sale. For additional information, refer to Note (8) Other Non-Credit Reform Loans.

The U.S. Treasury crosswalk suggests mapping general ledger accounts "Gains on Disposition of Assets – Other" to the "Property, Plant, and Equipment disposal & reevaluation" line. Ginnie Mae includes the impact of all costs not part of net outlays which are present in the general ledger account in the "Loans Receivable" line under "Increase (Decrease) in Assets", consistent with how Ginnie Mae presents its "Other Non-Credit Reform Loans" on the accompanying BS. Ginnie Mae uses account "Gains on Disposition of Assets - Other" to record gains and losses on disposal or liquidation of its Other Non-Credit Reform Loan assets. For additional information, refer to Note (8) Other Non-Credit Reform Loans and Note (1) Summary of Significant Accounting Policies section (L) Other Non-Credit Reform Loans.

The U.S. Treasury crosswalk suggests mapping general ledger account "Other Liabilities" to the "Other Liabilities" line. Ginnie Mae includes certain "Other Liabilities" in the "HMBS Obligations, at Fair Value" line under "Increase (Decrease) in Liabilities." This is consistent with how Ginnie Mae presents its "HMBS Obligations, at Fair Value" on the accompanying BS. For additional information, refer to Note (16B) Other Liabilities – HMBS Obligations, at Fair Value.

Ginnie Mae records impairment charges to its internal-use software using a general ledger account for impairment of assets. The U.S. Treasury's crosswalk guidance for the BAR does not include this general ledger account. Ginnie Mae has elected to present these impairment charges as part of the BAR line item "Property, Plant & Equipment – Disposition and Reevaluation."

HUD Proper's crosswalk differs from the U.S. Treasury crosswalk. The U.S. Treasury's current crosswalk excludes half of a transfer between a general receipt fund and revolving funds. The Department included the entire elimination in the BAR in order to reconcile.

Components of Net Outlays that Are Not Part of Net Cost

To determine the amount included in the "Acquisition of Capital Assets" line, Ginnie Mae computed the changes resulting from acquisition of assets in the proprietary property, plant, and equipment accounts. This was necessary as the suggested U.S. Treasury crosswalk requires the use of the memorandum account which is not used by Ginnie Mae. As part of Ginnie Mae's Modified Credit Reform accounting, Ginnie Mae maintains a non-FCRA financing account whose outlays are reported as "Disbursements, Net" on the SBR. An additional reconciling line item is included in the Reconciliation of Net Cost to Net Outlays to present the balance of outlays reported by Ginnie Mae's non-FCRA financing fund. The inclusion of this line item allows for the BAR to maintain the relationship between the Net Cost of Operations and Budgetary Net Outlays.

On the "effect of prior year credit reform subsidy reestimates" line in the BAR, FHA reports the budgetary resources required to liquidate the prior-year upward reestimates in the GI/SRI and the Hope for Homeowners funds.

FINANCIAL INFORMATION (UNAUDITED)

HUD's analysis below illustrates this reconciliation by listing the key differences between net cost and net outlays.

The Reconciliation of Net Cost to Net Outlays for September 30, 2025 were as follows:

Reconciliation of Net Cost to Net Outlays <i>(dollars in millions)</i>			
	FY 2025		
	Intra-governmental	Other than Intra-governmental	Total
Net Cost	\$ (2,608)	\$ 70,322	\$ 67,714
Components of net cost not part of budgetary outlays			
Property, plant, and equipment depreciation expense	\$ -	\$ (42)	\$ (42)
Property, plant, and equipment disposals and revaluations	-	(3)	(3)
Year-end credit reform subsidy reestimates	4,387	-	4,387
Negative Subsidy	6,336	-	6,336
Adjustments to prior year credit reform reestimates accrual	67	-	67
Increase/(Decrease) in Assets:			
Accounts receivable, Net	\$ (11,658)	\$ 9	\$ (11,649)
Loans receivable, Net (Non-FCRA)	-	(2,922)	(2,922)
Securities and investments	(1,419)	-	(1,419)
Other assets	18	204	222
(Increase)/Decrease in Liabilities:			
Accounts payable	\$ (1,599)	\$ (189)	\$ (1,788)
Insurance and guarantee program liabilities	-	(409)	(409)
Federal employee benefits payable	-	(4)	(4)
Other Liabilities	(12)	(477)	(489)
Other Liabilities - HMBS Obligations at Fair Value	-	3,186	3,186
Financing Sources:			
Imputed Cost	\$ (167)	\$ -	\$ (167)
Non-FCRA Financing Fund Disbursements	(3,217)	1,682	(1,535)
Total Components of net operating cost not part of the budgetary outlays	\$ (7,264)	\$ 1,035	\$ (6,229)
Components of the budget outlays that are not part of net operating cost			
Acquisition of capital assets	\$ 8	\$ 55	\$ 63
Effect of prior year credit reform subsidy reestimates	3,499	-	3,499
Financing Sources			
Transfers In/Out Without reimbursements	\$ (14,289)	\$ -	\$ (14,289)
Total Components of the budget outlays that are not part of the net operating cost	\$ (10,782)	\$ 55	\$ (10,727)
Other Reconciling Items			
Distributed offsetting receipts	\$ (2,144)	\$ -	\$ (2,144)
Non Custodial Non-Exchange Revenue	10	(248)	(238)
Non-Entity Activity	2,037	-	2,037
Other Temporary Timing Differences	11	-	11
Appropriated Receipts for Trust/Special Funds	-	233	233
Financing Fund Activity (FHA and HUD Proper)	(4,007)	4,007	-
Liability for Liquidating Fund Transfers	(124)	-	(124)
Other Reconciling Items	\$ (4,217)	\$ 3,992	\$ (225)
Total Net Outlays (Calculated Total)	\$ (24,871)	\$ 75,404	\$ 50,533
Budgetary Agency Outlays, Net (SBR)	-	-	\$ 50,533

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NOTE 27

Non-Custodial Non-Exchange Revenues

Non-Custodial Non-Exchange Revenue includes revenues the government obtains through the use of its sovereign powers to demand payments from the public (i.e., taxes, fines, and penalties).

HUD’s Non-Exchange Revenues as of September 30, 2025, were as follows:

Non-Exchange Revenues <i>(dollars in millions)</i>	
	FY 2025 Collections
Intragovernmental Non-Exchange Revenue	
Other Revenue	\$ 24
Total Intragovernmental Non-Exchange Revenue	\$ 24
Other than Intragovernmental Non-Exchange Revenue	
Penalties and Fines Revenue	2
Other Revenue	\$ (20)
Total Other than Intragovernmental Non-Exchange Revenue	(18)
Total Non-Exchange Revenue	\$ 6

Ginnie Mae

Ginnie Mae’s Non-Exchange Revenue includes civil monetary penalty fees collected from issuers for violation of the MBS program. Penalties may be imposed against issuers that knowingly and materially violate any provisions under *Title III of the National Housing Act of 1934, Public Law 73-479, 12 U.S.C. §1721(d)*, and any other regulations or handbooks issued by Ginnie Mae. Additionally, because the U.S. Treasury performs the collection function and Ginnie Mae is solely the recipient entity, the revenue is classified as non-custodial.

HUD Proper

HUD Proper’s Non-Exchange Revenues primarily consist of collections related to PRAC Residual Receipts, civil money penalties received from Section 8 owners due to their failure to file required annual financial statements, and payments on Flexible Subsidy Loans. Residual Receipts are defined as Multifamily Housing project funds in excess of amounts needed for project operations and required reserves. Residual Receipts are typically required by regulation or applicable PRAC to be deposited by an owner into an interest-bearing account.

NOTE DISCLOSURES RELATED TO THE SNC AND SCNP

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NOTE 28

Reclassification of Financial Statement Line Items for Financial Report Compilation Process

To prepare the *Financial Report of the U.S. Government (Financial Report)*, the Department of the Treasury requires agencies to submit an adjusted trial balance, which is a listing of amounts by U.S. Standard General Ledger account that appear in the financial statements. Treasury uses the trial balance information reported in the Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS) to develop HUD’s Reclassified Statement of Net Cost and Reclassified Statement of Changes in Net Position. Treasury eliminates all intragovernmental balances from the reclassified statements and aggregates lines with the same title to develop the *Financial Report* statements. This note shows HUD’s

FINANCIAL INFORMATION (UNAUDITED)

financial statements and HUD’s reclassified statements prior to elimination of intragovernmental balances and prior to aggregation of repeated *Financial Report* line items. A copy of the 2024 *Financial Report* can be found here: [Financial Report of the United States Government - Financial Statements of the United States Government for the Fiscal Years Ended September 30, 2024, and 2023 \(treasury.gov\)](https://www.treasury.gov/financial-statements) and a copy of the 2025 *Financial Report* will be posted to this site as soon as it is released.

The term “intragovernmental” is used in this note to refer to amounts that result from other components of the Federal Government.

The term “non-federal” is used in this note to refer to Federal Government amounts that result from transactions with non-federal entities. These include transactions with individuals, businesses, non-profit entities, and state, local, and foreign governments.

Reclassification of Statement of Net Cost to Line Items Used for the Government-wide Statement of Net Cost (dollars in millions)							
FY 2025							
FY 2025 U.S. Department of Housing and Urban Development SNC		Line Items Used to Prepare FY 2025 Government-wide SNC					
Financial Statement Line	Amounts	Dedicated Collections Combined	Dedicated Collections Eliminations	Other than Dedicated Collections (with Eliminations)	Eliminations Between Dedicated and Other than Dedicated	Total	Reclassified Financial Statement Line
Gross Costs	\$ 80,213						Non-federal Costs
		\$ 2,243	\$ -	\$ 71,895	\$ -	\$ 74,138	Non-federal Gross Cost
		2,243	-	71,895	-	74,138	Total Non-federal Costs
							Intragovernmental Costs
		10	-	302	-	312	Benefit Program Costs
		5	-	162	-	167	Imputed Costs
		212	-	396	(2)	606	Buy/Sell Costs
		7	-	-	-	7	Purchase of Assets
		13	-	4,887	-	4,900	Borrowing and Other Interest Expense
		3	-	87	-	90	Other Expenses (w/o Reciprocals)
		250	-	5,834	(2)	6,082	Total Intragovernmental Costs
<i>Total Gross Costs</i>	<i>80,213</i>	<i>2,493</i>	<i>-</i>	<i>77,729</i>	<i>(2)</i>	<i>80,220</i>	<i>Total Reclassified Gross Costs</i>
Earned Revenue	(12,499)	(3,636)	-	(180)	-	(3,816)	Non-federal Earned Revenue
							Intragovernmental Revenue
		-	-	(5)	2	(3)	Buy/Sell Revenue
		(7)	-	-	-	(7)	Purchase of Assets Offset
		(1,126)	-	(6,661)	-	(7,787)	Federal Securities Interest Revenue Including Associated Gains/Losses (Exchange)
		(12)	-	(881)	-	(893)	Borrowing and Other Interest Revenue
		(1,145)	-	(7,547)	2	(8,690)	Total Intragovernmental Earned Revenue
<i>Total Earned Revenue</i>	<i>(12,499)</i>	<i>(4,781)</i>	<i>-</i>	<i>(7,727)</i>	<i>2</i>	<i>(12,506)</i>	<i>Total Reclassified Earned Revenue</i>
Net Cost of Operations	\$ 67,714	\$ (2,288)	\$ -	\$ 70,002	\$ -	\$ 67,714	Net Cost of Operations

FINANCIAL INFORMATION (UNAUDITED)

Reclassification of Statement of Changes in Net Position to Line Items Used for Government-wide Statement of Operations and Changes in Net Position (dollars in millions)			
FY 2025			
FY 2025 U.S. Department of Housing and Urban Development SCNP	Line Items Used to Prepare FY 2025 Government-wide SCNP		
Financial Statement Line	Amounts	Total	Reclassified Financial Statement Line
UNEXPENDED APPROPRIATIONS			
Unexpended Appropriations, Beginning Balance	\$ 111,566	\$ 111,566	Net Position, Beginning of Period
Appropriations Received	89,453	89,063	Appropriations Received as Adjusted
Other Adjustments	(390)		
Appropriations Transferred In/Out	6	6	Non-expenditure Transfers-in of Unexpended Appropriations and Financing Sources
		-	Non-expenditure Transfers-out of Unexpended Appropriations and Financing Sources
<i>Total Appropriations Transferred In/Out</i>	<i>\$ 6</i>	<i>\$ 6</i>	<i>Total Reclassified Appropriations Transferred In/Out</i>
Appropriations Used	(87,168)	(87,168)	Appropriations Used
Net Change in Unexpended Appropriations	1,901		
Total Unexpended Appropriations	\$ 113,467	\$ 113,467	Total Unexpended Appropriations
CUMULATIVE RESULTS OF OPERATIONS			
Cumulative Results, Beginning Balance	\$ 209,760	\$ 209,760	Cumulative Results, Beginning Balance, as Adjusted
Appropriations Used	87,168	87,168	Appropriations Used
Non-Exchange Revenues	6		Non-federal Non-Exchange Revenues
		(18)	Other Taxes and Receipts
		\$ (18)	Total Non-federal Non-Exchange Revenues
			Intragovernmental Non-Exchange Revenue
		24	Collections transferred into a TAS Other Than the General Fund of the U.S. Government - Non-Exchange (RC15)
	\$ 24	Total Intragovernmental Non-Exchange Revenues	
<i>Total Non-Exchange Revenues</i>	<i>\$ 6</i>	<i>\$ 6</i>	<i>Total Reclassified Non-Exchange Revenues</i>
Other	(1,195)		Non-federal Non-Exchange Revenues Other
		232	Other Taxes and Receipts
		\$ 232	Total Non-federal Non-Exchange Revenues Other
			Intragovernmental Other
		(2,037)	Non-entity Collections Transferred to the General Fund
		610	Accruals for Non-entity Amounts to be Collected and Transferred to the General Fund
	\$ (1,427)	Total Intragovernmental Other	
<i>Total Other</i>	<i>\$ (1,195)</i>	<i>\$ (1,195)</i>	<i>Total Reclassified Other</i>
Imputed Financing	167	167	Imputed Financing Sources
Total Donations, Transfers, & Imputed Financing	\$ (1,028)	\$ (1,028)	Total Donations, Transfers, & Imputed Financing
Net Cost of Operations	(67,714)	(67,714)	Net Cost of Operations
Net Change in Cumulative Results of Operations	18,432		
Ending Balance - Cumulative Results of Operations	\$ 228,192	\$ 228,192	Cumulative Results of Operations
Total Net Position	\$ 341,659	\$ 341,659	Net Position

FINANCIAL INFORMATION (UNAUDITED)

REQUIRED SUPPLEMENTARY INFORMATION

U.S. Department of Housing and Urban Development															
Combining Statement of Budgetary Resources															
For the Year Ended September 30, 2025															
<i>(dollars in millions)</i>															
FY 2025	FHA	Ginnie Mae	Section 8 Rental Assistance	PIH	HAG	HED	CDBG	HOME	All Other	Budgetary Total	FHA Non- Budgetary	Ginnie Mae Non- Budgetary	Other Non- Budgetary Credit Reform Accounts	Total Non- Budgetary Credit Reform Accounts	Total
Unobligated Balance from Prior Year Budget Authority, Net (Discretionary and Mandatory) (Note 22)	\$ 155,119	\$ 25,895	\$ 3,815	\$ 1,057	\$ 5,236	\$ 765	\$ 1,377	\$ 282	\$ 3,046	\$ 196,592	\$ 17,354	\$ 3,622	\$ 109	\$ 21,085	\$ 217,677
Appropriations (Discretionary and Mandatory)	555	-	53,003	10,105	4,051	1,165	15,447	1,250	3,922	89,498	-	-	-	-	89,498
Borrowing Authority (Discretionary and Mandatory)	-	-	-	-	-	-	-	-	-	-	22,556	-	82	22,638	22,638
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	31,921	4,399	-	-	-	67	-	-	77	36,464	21,849	5,559	83	27,491	63,955
Total Budgetary Resources	\$ 187,595	\$ 30,294	\$ 56,818	\$ 11,162	\$ 9,287	\$ 1,997	\$ 16,824	\$ 1,532	\$ 7,045	\$ 322,554	\$ 61,759	\$ 9,181	\$ 274	\$ 71,214	\$ 393,768
New Obligations and Upward Adjustments (Total)	\$ 2,062	\$ 462	\$ 55,249	\$ 9,968	\$ 4,062	\$ 1,410	\$ 12,028	\$ 1,093	\$ 4,198	\$ 90,532	\$ 49,270	\$ 7,047	\$ 173	\$ 56,490	\$ 147,022
Unobligated Balance, End of Year															
Apportioned, Unexpired Accounts	24	405	1,511	1,134	4,785	485	4,788	433	1,669	15,234	3,193	1,257	23	4,473	19,707
Unapportioned, Unexpired Accounts	185,483	29,427	58	9	1	71	5	2	870	215,926	9,296	877	78	10,251	226,177
Unexpired Unobligated Balance, End of Year	\$ 185,507	\$ 29,832	\$ 1,569	\$ 1,143	\$ 4,786	\$ 556	\$ 4,793	\$ 435	\$ 2,539	\$ 231,160	\$ 12,489	\$ 2,134	\$ 101	\$ 14,724	\$ 245,884
Expired Unobligated Balance, End of Year	26	-	-	51	439	31	3	4	308	862	-	-	-	-	862
Unobligated Balance, End of Year (Total)	185,533	29,832	1,569	1,194	5,225	587	4,796	439	2,847	232,022	12,489	2,134	101	14,724	246,746
Total Budgetary Resources	\$ 187,595	\$ 30,294	\$ 56,818	\$ 11,162	\$ 9,287	\$ 1,997	\$ 16,824	\$ 1,532	\$ 7,045	\$ 322,554	\$ 61,759	\$ 9,181	\$ 274	\$ 71,214	\$ 393,768
Outlays, Net (Total) (Discretionary and Mandatory)	\$ (30,149)	\$ (4,031)	\$ 55,471	\$ 10,570	\$ 3,398	\$ 1,173	\$ 9,853	\$ 1,871	\$ 4,521	\$ 52,677	\$ -	\$ -	\$ -	\$ -	\$ 52,677
Distributed Offsetting Receipts (-)	(1,870)	-	-	-	-	-	-	-	(274)	(2,144)	-	-	-	-	(2,144)
Agency Outlays, Net (Discretionary and Mandatory) (Note 26)	\$ (32,019)	\$ (4,031)	\$ 55,471	\$ 10,570	\$ 3,398	\$ 1,173	\$ 9,853	\$ 1,871	\$ 4,247	\$ 50,533	\$ -	\$ -	\$ -	\$ -	\$ 50,533
Disbursements, Net (Total) (Mandatory)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,079	\$ 1,535	\$ 34	\$ 23,648	\$ 23,648



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INSPECTOR GENERAL
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UNITED STATES DEPARTMENT OF
HOUSING AND URBAN DEVELOPMENT

Audit of U.S Department of Housing and Urban Development Fiscal Year 2025 Financial Statements

Audit Report Number: 2026-FO-0002

December 18, 2025

Office of Audit and Evaluation | Office of Inspector General
U.S. Department of Housing and Urban Development

INDEPENDENT AUDITOR'S REPORT

Date: December 18, 2025

To: Irving Dennis
Principal Deputy Chief Financial Officer

//signed//
From: Kilah S. White
Assistant Inspector General for Audit and Evaluation

Subject: Transmittal of Independent Public Accountant's Audit Report on the U.S. Department of Housing and Urban Development's Fiscal Year 2025 Financial Statements

Attached are the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) results of the audit of HUD's fiscal year 2025 financial statements and reports on internal control over financial reporting and compliance with laws, regulations, contracts, and grant agreements and other matters.

We contracted with the independent public accounting firm of Sikich CPA LLC to audit the financial statements of HUD as of and for the fiscal year ending September 30, 2025, and to provide reports on HUD's (1) internal control over financial reporting and (2) compliance with laws, regulations, contracts, and grant agreements and other matters, including whether financial management systems complied substantially with the requirements of the Federal Financial Management Improvement Act of 1996 (FFMIA). Our contract with Sikich required that the audit be performed in accordance with U.S. generally accepted government auditing standards, Office of Management and Budget audit requirements, and the Financial Audit Manual of the U.S. Government Accountability Office and the Council of the Inspectors General on Integrity and Efficiency.

In its audit of HUD, Sikich reported

- A Disclaimer of Opinion on HUD's financial statements as of and for the fiscal year ending September 30, 2025. Management indicated in its written representations that it cannot assert to the fair presentation of the FY 2025 HUD financial statements. Since management could not make this assertion, Sikich was unable to express an opinion on the fair presentation of HUD's financial statements.
- Two significant deficiencies¹ for fiscal year 2025 in internal control over financial reporting, based on the limited procedures performed. The significant deficiencies were related to internal control deficiencies identified by the HUD AIR Program and internal control deficiencies over FHA's loans receivables.

¹ A significant deficiency is a deficiency or a combination of deficiencies in internal control over financial reporting that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

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INDEPENDENT AUDITOR'S REPORT

- No reportable noncompliance issues for fiscal year 2025 with provisions of applicable laws, regulations, contracts, and grant agreements or other matters.
- Due to the matter discussed in the Basis for Disclaimer of Opinion paragraph, Sikich was unable to obtain sufficient evidence to conclude whether HUD substantially complied with FFMIA.

In connection with the contract, we reviewed Sikich's reports and related documentation and questioned its representatives. Our review, as differentiated from an audit of the financial statements in accordance with U.S. generally accepted government auditing standards, was not intended to enable us to express and we do not express opinions on HUD's financial statements or conclusions about (1) the effectiveness of HUD's internal control over financial reporting; (2) HUD's compliance with laws, regulations, contracts, and grant agreements or other matters; or (3) whether HUD's financial management systems complied substantially with the three FFMIA requirements. Sikich is responsible for the attached Independent Auditors' Report, dated December 18, 2025, and the conclusions expressed therein. Our review disclosed no instances in which Sikich did not comply, in all material respects, with U.S. generally accepted government auditing standards.

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, as amended, requires that OIG post its reports on the OIG website. Accordingly, this report will be posted at <https://www.hudoig.gov>.



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INDEPENDENT AUDITORS' REPORT

Brian Harrison, Acting Inspector General
U.S. Department of Housing and Urban Development

Scott Turner, Secretary
U.S. Department of Housing and Urban Development

In our engagement to audit the fiscal year (FY) 2025 financial statements of the U.S. Department of Housing and Urban Development (HUD), we:

- Were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion;
- Found two (2) significant deficiencies in internal control over financial reporting as of September 30, 2025;
- Found no reportable noncompliance with provisions of applicable laws, regulations, contracts, and grant agreements that we tested; and
- Were not able to obtain sufficient evidence to conclude on whether HUD substantially complied with the Federal Financial Management Improvement Act of 1996 (FFMIA).

The following sections contain:

1. Our report on the HUD financial statements and required supplementary information included with the financial statements.
2. Other reporting required by *Government Auditing Standards*, which is our report on HUD's (a) internal control over financial reporting and (b) compliance and other matters, including certain provisions referred to in Section 803(a) of FFMIA. This section also includes HUD's comments on our report.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Disclaimer of Opinion

We were engaged to audit the accompanying financial statements of HUD, which comprise the consolidated balance sheet as of September 30, 2025, and the related consolidated statement of net cost, consolidated statement of changes in net position, and combined statement of budgetary resources for the fiscal year then ended, and the related notes to the financial statements (collectively, the financial statements).

We do not express an opinion on the accompanying financial statements of HUD. Because of the significance of the matter described in the Basis for Disclaimer of Opinion subsection of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.



Basis for Disclaimer of Opinion

Management has indicated in its written representations that it cannot assert to the fair presentation of the FY 2025 HUD financial statements. Management stated that its position is informed, in part, by the results of internal testing performed by its Accountability Integrity Risk (AIR) program, whose objective is to test HUD's system of internal control, to include operational and financial reporting controls. Since management could not make this assertion, we are unable to express an opinion on the fair presentation of HUD's financial statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP), and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of HUD's financial statements in accordance with auditing standards generally accepted in the United States of America (GAAS); standards applicable to financial statement audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and guidance contained in Office of Management and Budget (OMB) Bulletin No. 24-02, *Audit Requirements for Federal Financial Statements*, and to issue an auditors' report. However, because of the matter described in the Basis for Disclaimer of Opinion subsection of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are required to be independent of HUD and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America and OMB Circular No. A-136, *Financial Reporting Requirements*, require that the Management's Discussion and Analysis (MD&A) and other required supplementary information be presented to supplement the basic financial statements. Such required supplementary information is the responsibility of management and, although not a part of the basic financial statements, is required by the Federal Accounting Standards Advisory Board (FASAB) and OMB, who consider it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, and historical context. We were unable to apply the procedures required by auditing standards regarding required supplementary information because we did not receive the information timely. We do not express an opinion or provide any assurance on the required supplementary information.

Other Matter – Hyperlinked Data

Management has elected to include hyperlinks to information on websites outside the Agency Financial Report to provide additional information for the users of its financial statements. Such information is not a required part of the financial statements or supplementary information required by the FASAB. The information on these websites has not been subjected to auditing procedures, and accordingly we do not express an opinion or provide any assurance on it.



OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

Report on Internal Control over Financial Reporting and on Compliance and Other Matters

Internal Control over Financial Reporting

In connection with our engagement to audit HUD's FY 2025 financial statements, upon which we disclaimed an opinion because of the matter described above, we considered HUD's internal control over financial reporting as a basis for designing the audit procedures that are appropriate in the circumstances, for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of HUD's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of HUD's internal control over financial reporting. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies; therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in Appendix A, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A deficiency in internal control over financial reporting 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 material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, 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.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following control deficiencies described in Appendix A to be significant deficiencies:

- Internal Control Deficiencies Identified by the HUD AIR Program
- Internal Control Deficiencies Over the Federal Housing Administration's (FHA) Loans Receivable

We also identified deficiencies in HUD's internal control over financial reporting that we do not consider to be material weaknesses or significant deficiencies. Nonetheless, these deficiencies warrant HUD management's attention. We have communicated these matters to HUD management and, where appropriate, will report on them separately.

FHA is a material component reporting entity included in the HUD consolidated financial statements. The FY 2025 FHA component financial statement audit is in process at the time of this report. Accordingly, deficiencies may be identified during the FHA audit that are not included in this report.



Inherent Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel. The objectives of internal control over financial reporting are to provide reasonable assurance that:

- transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition
- transactions are executed in accordance with provisions of applicable laws, including those governing the use of budget authority, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements due to fraud or error.

Compliance and Other Matters

In connection with our engagement to audit HUD's FY 2025 financial statements, we performed tests of HUD's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our engagement, and accordingly, we do not express such an opinion.

Our engagement included testing whether HUD's financial management systems substantially comply with the requirements of the FFMIA. These requirements are: (1) federal financial management systems requirements, (2) federal accounting standards, and (3) the U.S. Government Standard General Ledger (USSGL) at the transaction level. Due to the matter discussed in the Basis for Disclaimer of Opinion subsection of our report, we were unable to obtain sufficient evidence to conclude whether HUD substantially complied with FFMIA.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, if the scope of our work had been sufficient to enable us to express an opinion on the basic financial statements, instances of noncompliance or other matters may have been identified and reported herein.

As noted above, the FY 2025 FHA component financial statement audit is in process at the time of this report. Accordingly, instances of noncompliance may be identified during the FHA audit that are not included in this report.

HUD's Comments

HUD's comments on our report are included in Appendix B. HUD concurred with the findings in our report. We did not audit HUD's comments, and accordingly, we express no opinion on the comments.

Purpose of the Other Reporting Required by Government Auditing Standards

The purpose of the "Other Reporting Required by *Government Auditing Standards*" is solely to describe the scope of our testing of internal control over financial reporting and compliance and



the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This other reporting is an integral part of an engagement to perform an audit in accordance with *Government Auditing Standards* in considering the entity's internal control over financial reporting and compliance. Accordingly, this other reporting is not suitable for any other purpose.

Sikich CPA LLC

Alexandria, VA
December 18, 2025



APPENDIX A: SIGNIFICANT DEFICIENCIES

During our engagement to audit the FY 2025 HUD financial statements, we identified deficiencies in internal control over financial reporting. These deficiencies include two significant deficiencies, as described in this Appendix.

SIGNIFICANT DEFICIENCY 1: Internal Control Deficiencies Identified by the HUD Accountability Integrity Risk (AIR) Program

Background: AIR is HUD's program for evaluating internal controls in accordance with Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*. On an annual basis, the Office of Chief Financial Officer for Financial Management (OCFO-FM) conducts planning activities to determine which business cycles are in scope for the annual OMB A-123 internal control evaluations, as well as the nature, timing, and extent of the testing to be performed. Based on these activities, HUD OCFO-FM conducts rotational testing each year under the AIR program by selecting specific program offices and processes for review. This approach ensures that all major areas are assessed for compliance with established internal control policies and procedures over a multi-year cycle.

Condition: HUD's internal testing performed during FY 2025 under the AIR program identified that its internal controls were not operating effectively in the selected program offices. Specific exceptions included:

- Required operational controls—such as approvals and segregation of duties—were not performed as prescribed.
- Inadequate approvals and premature or unauthorized actions occurred.
- Poor recordkeeping was observed.
- Staff operated outside their delegated authority.
- Monitoring activities were not consistently performed and there were deficiencies in controls around how grantees were selected and monitored.

The Office of Community Planning and Development (CPD) achieved only a 38 percent average passing rate, and the Office of Public and Indian Housing (PIH) achieved a 45 percent average passing rate in tests of effectiveness. These results demonstrate that controls were not effective in the areas subject to rotational testing.

While HUD communicated that it was finding issues during the year through its AIR program testing, the AIR program was delayed in completing testing, drawing conclusions, and providing us with related documentation until near the audit report date. At the conclusion of the testing, HUD had not included in its AIR report the root causes for the deficiencies it identified.

Criteria: The U.S. Government Accountability Office (GAO), *Standards for Internal Control in the Federal Government* (Green Book, GAO-14-704G, September 2014), states:

Principle 10 – Design Control Activities

10.01 Management should design control activities to achieve objectives and respond to risks.

10.02 Management designs control activities in response to the entity's objectives and risks to achieve an effective internal control system. Control activities are the policies, procedures, techniques, and mechanisms that enforce management's directives to achieve the entity's objectives and address related risks...



10.03 Management designs appropriate types of control activities for the entity's internal control system. Control activities help management fulfill responsibilities and address identified risk responses in the internal control system...

Principle 12 - Implement Control Activities

12.01 Management should implement control activities through policies.

12.02 Management documents in policies the internal control responsibilities of the organization.

12.03 Management documents in policies for each unit its responsibility for an operational process's objectives and related risks, and control activity design, implementation, and operating effectiveness...

12.05 Management periodically reviews policies, procedures, and related control activities for continued relevance and effectiveness in achieving the entity's objectives or addressing related risks. If there is a significant change in an entity's process, management reviews this process in a timely manner after the change to determine that the control activities are designed and implemented appropriately...

Operating Effectiveness

OV3.06 In evaluating operating effectiveness, management determines if controls were applied at relevant times during the period under evaluation, the consistency with which they were applied, and by whom or by what means they were applied. If substantially different controls were used at different times during the period under evaluation, management evaluates operating effectiveness separately for each unique control system. A control cannot be effectively operating if it was not effectively designed and implemented. A deficiency in operation exists when a properly designed control does not operate as designed, or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

Cause: The minimal time between HUD's completion of its AIR program and our financial statement audit report date prevented us from performing additional procedures to determine why HUD program offices did not comply with their established policies and procedures.

HUD OCFO-FM stated that delays in completing the FY 2025 AIR program were attributable to reduced program staff that had competing priorities.

Effect: The results of testing performed under the FY 2025 HUD AIR program indicate pervasive noncompliance with HUD's established policies and procedures in the selected program offices. Although the control deficiencies identified by HUD's AIR program primarily relate to operational or non-key financial controls, their prevalence indicates weaknesses in HUD's overall control environment. A weakened control environment may undermine management's ability to ensure the reliability of financial reporting and to comply with the requirements of OMB Circular A-123 and GAO's Green Book. While these specific deficiencies may not directly impact key financial reporting controls, they increase the risk that material misstatements in the financial statements could go undetected.

As a result, management was unable to provide assurance regarding the effectiveness of HUD's internal control environment and the fair presentation of HUD's FY 2025 financial statements.



Recommendations:

We recommend the Principal Deputy Chief Financial Officer:

1A. Systematically evaluate whether control deficiencies identified by the AIR program have affected the accuracy or completeness of HUD's financial statements. This assessment should include:

- a) Review relevant financial statement line items, disclosure, and account balances for misstatements attributable to ineffective controls;
- b) Document the evaluation results, including the rationale for conclusions regarding the presence or absence of misstatements;
- c) Make correcting entries to September 30, 2025 balances, as appropriate;
- d) Retain supporting analysis for both internal and external review; and
- e) Leverage test of balances results to inform remediation efforts.

1B. Work with program offices through remediation activities to determine the underlying causes of the control deficiencies identified by the AIR program.

1C. Based on the causes identified, coordinate with the program offices through remediation activities to develop corrective action plans with defined milestones, responsible parties, and timelines. Progress should be tracked, documented, and periodically reported to senior management.

1D. Require targeted, role-specific training for program office staff and managers in areas where deficiencies were identified, including approvals, segregation of duties, recordkeeping, and delegated authority. This training should reinforce the importance of compliance with internal control requirements and include HUD escalation and enforcement mechanisms.

1E. Assess and address barriers to timely and adequate responses from program offices during AIR program internal control testing. This assessment should:

- a) Identify recurring causes for delayed or incomplete responses from program offices and implement escalation protocols or incentives to ensure timely fulfillment of AIR program requests;
- b) Identify and implement efficiencies in the testing process to optimize the time program offices spend on the AIR program, such as streamlining communication, clarifying expectations, finding alternatives to time consuming tasks, and optimizing scheduling;
- c) Provide additional guidance, training, or resources to program offices as needed to improve the quality and timeliness of submissions; and
- d) Monitor response rates and timeliness, reporting persistent issues to senior leadership for corrective action.

1F. Re-examine and enhance HUD's process for evaluating the potential financial impact of control deficiencies identified by the AIR program or other sources to ensure that:

- a) Assessments of financial impact are initiated promptly upon identification of control deficiencies;



- b) The evaluation process is structured to deliver clear, actionable conclusions in sufficient time to inform any necessary adjustments to financial statements prior to the financial report date; and
- c) Documentation of the assessment process and results is maintained to support audit requirements and management's assertions.

1G. Coordinate with the Principal Deputy Assistance Secretary for each Program Office to:

- a) Define governance protocols to include reassessing HUD's escalation protocols and enforcement mechanisms for repeated or willful noncompliance with documented controls, such as additional oversight, retraining, or disciplinary action as appropriate. Based on the assessment, update those protocols and mechanisms, as warranted.
- b) Establish and resource a HUD-wide centralized digital repository for artifacts and key supporting documentation to provide consistent documentation retention and accessibility. Based on this initiative, define governance protocols for repository use, including security, version control, timely review/update requirements, and periodic audits to validate compliance.

SIGNIFICANT DEFICIENCY 2: FHA's Internal Controls Over Financial Reporting of Loans Receivable Need To Be Strengthened

Background:

FHA is a material component included in the HUD consolidated financial statements. FHA's loans receivable include mortgage notes assigned, also described as Secretary-held notes (consisting mainly of Home Equity Conversion Mortgage [HECM] notes) and notes related to single family partial claims. Secretary-held HECM notes, while not in default, are assigned to HUD when they reach 98% of their maximum claim amount. Single family partial claims are paid by FHA to mortgagees as part of its loss mitigation efforts to bring delinquent loans current.

Condition: For the HECM Secretary-held notes, FHA implemented program changes, but it did not 1) account for the changes correctly in its financial reporting or 2) update its monitoring processes to address the new requirements. Additionally, not all loan terminations were reported by the loan servicer to FHA.

For the single family partial claims, FHA implemented a process change and did not correctly consider the accounting impact. FHA's new process used a report that did not include all loans receivable that should be reclassified. We also found that FHA's loans receivable balance included nearly 9,000 invalid partial claims that had become due and payable when the related first mortgage was terminated. Further, nearly 13,000 partial claims were excluded from the control that alerts FHA when refinanced mortgages are terminated and the claim becomes due and payable. Finally, we noted various issues with the servicing of the portfolio, wherein partial claims that were not properly supported with promissory notes and mortgages were not identified or monitored for compliance.

Criteria: FHA did not follow several internal control principles in GAO-14-704G, *Standards for Internal Control in the Federal Government* and guidance promulgated in HUD Handbook



4000.1. In addition, FHA deviated from FASAB's Statement of Federal Financial Accounting Standards (SFFAS) No. 1, *Accounting for Selected Assets and Liabilities*.

Cause: FHA lacked a formal governance framework for change management and therefore implemented changes without evaluating or documenting the accounting implications of the changes on financial reporting. In addition, FHA did not have controls in place to ensure changes were accurately disclosed in the financial statements. Lastly, FHA did not have sufficient controls in place to address the risks associated with the manual and complex nature of loan servicing.

Effect: FHA's gross loans receivable balance was overstated by \$876 million as of June 30, 2025. Additionally, the HECM and single family loans receivable balances in the FY 2025 financial statement note disclosures were both misstated by \$460 million at year end. After we brought these matters to FHA's attention, FHA implemented interim processes and recorded correcting entries to adjust the loan receivable, accounts receivable and related allowance balances in the financial statements and corrected the note disclosures. These balances and disclosures are included in the HUD consolidated financial statements.

Additional details and recommendations regarding FHA's internal control over financial reporting will be included in the FHA Fiscal Year 2025 Financial Statement Audit report.

INDEPENDENT AUDITOR'S REPORT



APPENDIX B: HUD'S COMMENTS



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

OFFICE OF THE CHIEF FINANCIAL OFFICER

HUD OCFO MEMO 26-4

December 17, 2025

MEMORANDUM FOR: Brian D. Harrison, Inspector General, Acting, GAF
FROM: Irving L. Dennis, Principal Deputy Chief Financial Officer, F
SUBJECT: Management's Response to Draft Independent Auditor's Report on HUD's Fiscal Year 2025 Financial Statements

[Signature] 12/17/25

Thank you for the opportunity to review and comment on the draft Independent Auditor's Report on HUD's Fiscal Year 2025 Financial Statements. The Department remains committed to strong financial stewardship, operational excellence, and accountability in support of HUD's mission.

For fiscal year 2025, HUD received a disclaimer of opinion from its independent auditors—the first in six years—after the CFO identified a decline in financial controls and governance under the previous Administration, resulting in a material weakness across multiple program offices, and preventing management from providing reasonable assurance on the HUD consolidated financial statements. While the outcome is not what we strive for, we understand that because we cannot provide reasonable assurance on our internal controls or the fair representation on the financial statements, the auditors will issue a disclaimer on the audit opinion.

Notwithstanding the challenges reflected in this year's internal control environment, the Office of the Chief Financial Officer (OCFO) has launched a robust and comprehensive remediation program aimed at addressing the identified control weaknesses. This program is designed to significantly mitigate operational, financial, and compliance risks by strengthening internal controls, improving oversight, and enhancing financial management processes. This renewed effort underscores our ongoing commitment to continuous improvement and strengthened accountability across the Department.

As we advance these corrective actions, HUD will continue exploring innovations that reduce administrative burden, modernize financial operations, and reinforce our governance and internal control framework. The annual financial statement audit, together with our internal assessments conducted through the Accountability, Integrity and Risk (AIR) program, provides essential insight to help refine our controls, strengthen our organizational resilience, and ensure the highest level of fiscal integrity.

We appreciate the diligence and professionalism of our independent public accounting firm, Sikich, as well as the ongoing partnership and oversight provided by your office. Together, our collective efforts show the American taxpayer that HUD remains committed to safeguarding public resources and fulfilling its mission to foster strong communities that support quality, affordable homeownership opportunities, promoting economic development and self-sufficiency for all Americans.

www.hud.gov



Secretary Turner toured the construction of the Uni Tower Apartment complex on April 11, 2025, with Miami's Mayor, Francis Suarez. This complex is a public-private partnership offering affordable units located in the designated Miami Arts + Entertainment Opportunity Zone. The HUD Opportunity Zone program is designed to spur investment in economically distressed communities through tax incentives, promoting economic development and revitalization.

SECTION THREE

OTHER INFORMATION (UNAUDITED)

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OTHER INFORMATION (UNAUDITED)

SUMMARY OF FINANCIAL STATEMENT AUDIT AND MANAGEMENT ASSURANCES

HUD's independent external auditors identified no material weakness in HUD's FY 2025 Consolidated Financial Statement Audit Report. Table 1 presents a summary of the status of the independent audit of HUD's consolidated financial statements. Table 2 is a summary of HUD's FMFIA management assurances and systems' compliance with *Section 803(a) of FFMIA*.

Table 1: Summary of Financial Statement Audit

Audit Opinion	Modified (Disclaimer)				
Restatement	No				
Material Weakness	Beginning Balance	New	Resolved	Consolidated	Ending Balance
N/A	0	0	0	0	0
Total Material Weakness	0	0	0	0	0

Table 2: Summary of Management Assurances

Effectiveness of Internal Control over Financial Reporting (<i>FMFIA § 2</i>)						
Statement of Assurance	No Assurance					
Material Weakness	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Internal Control Governance Weakness	0	1	0	0	0	1
Total Material Weakness	0	1	0	0	0	1

Effectiveness of Internal Control over Operations (<i>FMFIA § 2</i>)						
Statement of Assurance	No Assurance					
Material Weakness	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
N/A	0	0	0	0	0	0
Total Material Weakness	0	0	0	0	0	0

Conformance with Federal Financial Management System Requirements (<i>FMFIA § 4</i>)						
Statement of Assurance	Federal systems conform to financial management system requirements					
Non-Conformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
N/A	0	0	0	0	0	0
Total Material Weakness	0	0	0	0	0	0

OTHER INFORMATION

Compliance with Section 803(a) of the Federal Financial Management Improvement Act (FFMIA)		
	Agency	Auditor
1. Federal Financial Management Systems Requirements	No lack of substantial compliance noted	Unable to determine
2. Applicable Federal Accounting Standards	No lack of substantial compliance noted	Unable to determine
3. USSGL at Transaction Level	No lack of substantial compliance noted	Unable to determine

TOP MANAGEMENT AND PERFORMANCE CHALLENGES



Facing the
U.S. Department of Housing
and Urban Development



FY 2026

OIG REPORT ON TOP MANAGEMENT CHALLENGES FACING HUD IN FY 2026

Memorandum

December 17, 2025

To: The Honorable Scott Turner
Secretary, S

From: Brian D. Harrison
Acting Inspector General, G

BRIAN HARRISON

Digitally signed by BRIAN
HARRISON
Date: 2025.12.17 10:25:15 -0500

Subject: Top Management and Performance Challenges Report

Attached to this memorandum is the Office of Inspector General's (OIG) report on the top management and performance challenges facing the U.S. Department of Housing and Urban Development (HUD) as it heads into Fiscal Year 2026. We identified these challenges based on the evidence obtained through our oversight work and our learned assessment of the changes HUD anticipates making to its programs and operations. By statute, this report is required to be included in HUD's Agency Financial Report.

This year's report identifies four challenges that we believe represent the most pressing concerns for HUD:

- Improving Business Operations: Modernizing IT Systems and Streamlining Procurement
- Protecting Taxpayer Funds from Fraud, Waste, and Abuse
- Modernizing the Management of Grant Funds
- Ensuring the Availability of Affordable and Quality Housing

These are not new challenges for HUD, and our work shows that HUD has taken steps to address some of the challenges and continues to develop plans to respond to those that remain. As HUD moves forward with executing its plans and its mission of supporting access to affordable, quality housing, we hope this report will aid HUD in its efforts to improve program effectiveness, enhance business operations, and address the significant challenges it faces.

We look forward to continuing to work with HUD to analyze and respond to these important issues in the year ahead.

OIG REPORT ON TOP MANAGEMENT CHALLENGES FACING HUD IN FY 2026

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OIG REPORT ON TOP MANAGEMENT CHALLENGES FACING HUD IN FY 2026



CHALLENGE 1

Improving Business Operations: Modernizing IT Systems and Streamlining Procurement

The functionality and security of HUD’s information technology (IT) systems and streamlined business operations are critical to HUD’s ability to effectively carry out its mission. HUD relies on many IT systems to operate its programs, track

how the program participants spend billions of taxpayer dollars, and protect those funds from fraud, waste, and abuse. In turn, program participants and the American people use HUD systems to access critical housing services and entrust HUD with their personally identifiable information (PII), financial data, and other records. Notwithstanding the paramount importance of these systems, many of them were developed 15 to 30 years ago, are vulnerable to breaches, and do not meet HUD’s mission-critical needs.¹ Confounding this challenge, the systems are expensive to maintain and several need replacement.²

Antiquated technology has been a longstanding challenge for HUD. The challenge has been difficult to address, in part because it is compounded by limited budgetary resources and complicated IT project management and procurement practices.³ In outlining its priorities in the Fiscal Year (FY) 2026 Annual Performance Plan (APP), HUD recognized this issue and, looking to the future, stated that it will undergo “a strategic restructuring” to upgrade its technology and streamline internal operations.⁴

The OIG’s audits and evaluations validate HUD’s focus on addressing its technology and operational needs. As described throughout this report, the OIG’s work has shown that the aging technology is struggling to adapt to the increasingly complex tasks required for HUD’s programs in the 21st century. Persistent cybersecurity threats further exacerbate weaknesses in the systems and HUD has, at times, encountered obstacles in its efforts to incorporate federally mandated requirements and key practices to mitigate the risks of social engineering threats, cyberattacks, and data breaches.⁵ For example, the OIG’s FY 2024 evaluation of HUD’s compliance with the Federal Information Security Modernization Act of 2014 (FISMA) found that although HUD improved some core metrics of its information security

¹ U.S. Department of Housing and Urban Development (HUD), Office of Inspector General (OIG). (2017). [HUD’s Fiscal Years 2017 and 2016 \(Restated\) Consolidated Financial Statements Audit](#).

² HUD OIG. (2021). [HUD IT Modernization Roadmap Evaluation Report](#).

³ See footnote 2.

⁴ HUD. (2025). [HUD Fiscal Year 2026 Annual Performance Plan](#).

⁵ Federally mandated cybersecurity requirements include those issued by the U.S. Office of Management and Budget, such as [OMB Circular A-130](#), which sets policy for federal information system management and security; those issued by the U.S. Department of Homeland Security, such as the [CISA directives](#), which establish operational security requirements and incident reporting procedures; and Executive Orders and memoranda, such as [Executive Order 14028](#), which mandates enhancements to federal cybersecurity programs, including risk-based controls, software supply chain security, and incident response capabilities. Key practices are strategies for strengthening and enhancing agency cybersecurity programs, often based on National Institute of Standards and Technology guidance, such as [SP 800-53](#) related to implementing baseline security controls and [SP 800-37](#) related to risk management.

OIG REPORT ON TOP MANAGEMENT CHALLENGES FACING HUD IN FY 2026

(InfoSec) program, HUD needed to implement additional cybersecurity measures to protect its network and platforms from breaches.⁶ Another evaluation the OIG conducted assessed security controls in several HUD information systems and applications.⁷ The evaluation identified nine weaknesses related to financial data protection and website security. Still, a different OIG evaluation found that HUD is challenged in determining the amount of PII it has and in automating a process to inventory that information.⁸

As HUD moves forward with modernizing its IT systems, it should consider the extent to which changes to its IT project management practices, including the procurement process, would enhance the technology modernization efforts. Managing IT projects at HUD has been a shared responsibility between the Office of the Chief Information Officer (OCIO), the Office of the Chief Procurement Officer (OCPO), and program offices. OCPO has been primarily responsible for procuring contracts that provide for IT applications, and program offices have shared this responsibility by notifying OCPO of their new and existing IT needs and by providing OCPO with the right information to establish contract requirements. The overlap and interdependence of these responsibilities have resulted in some discord between the teams and have negatively impacted the timing of procurement.

Although HUD has made efforts to consolidate some IT initiatives under the OCIO, the consolidation remains incomplete and the result is that OCIO, OCPO, and program offices are challenged to communicate effectively in a complex and transformative business environment. For example, the OIG's ongoing work shows that OCIO IT managers have trouble understanding program needs and coordinating the timing of and funding for IT investments.⁹ At the same time, program offices lack technology expertise to select and deploy the right IT solutions and some end up creating a patchwork of impractical systems and applications that do not effectively support their efforts to execute HUD's mission.¹⁰

In all, the weaknesses in historical IT project planning and procurement have prevented HUD from retiring or decommissioning legacy systems and timely acquiring new technology solutions. In some instances, this has resulted in expired contracts and discontinued services. Illustrative is our [2021 review](#) showing that for the period of July 2018 through June 2020, 43 IT contracts expired before HUD was able to acquire replacements. As a result, HUD discontinued IT services for 18 of these contracts and the gaps created a strain on HUD operations, including preventing the transmission of required insurance payments and limiting access to needed data during a natural disaster response.

Based on more recent audit work and discussion with senior management officials, the OIG believes that although HUD has prioritized IT modernization, many of the same conditions may persist heading into FY 2026. For instance, an ongoing OIG review has identified significant delays in HUD's efforts to modernize IMS-PIC and eVMS.¹¹ Both systems are essential platforms that HUD's Office of Public and Indian Housing relies on to administer and monitor HUD's largest rental assistance programs. In reflecting on the delays,

⁶ HUD OIG. (2024). [Fiscal Year 2024 Federal Information Security Modernization Act](#).

⁷ HUD OIG. (2024). [Fiscal Year 2024 Federal Information Security Modernization Act of 2014 Penetration Test](#).

⁸ HUD OIG. (2024). [HUD Personal Identifiable Information Risk Management in a Zero-Trust Environment](#).

⁹ HUD OIG. (2025). [Public and Indian Housing \(PIH\) Information Technology \(IT\) Modernization Resourcing Evaluation](#) [Work Start Announcement].

¹⁰ See footnote 9.

¹¹ "IMS-PIC" is the [Inventory Management System/Public and Indian Housing \(PIH\) Information Center](#). "eVMS" is the [Enterprise Voucher Management System](#).

OIG REPORT ON TOP MANAGEMENT CHALLENGES FACING HUD IN FY 2026

HUD highlighted project management as one of the root causes, although multiple contract lapses have also affected the timing of the modernization projects.

As discussed above, HUD and the OIG are aligned in noting that HUD's internal operations, coordination, and business processes—including procurement practices—affect the efficacy of its mission and need to be improved. HUD told the OIG that it is working to address recognized risks in its procurement process and has taken steps to identify inefficiencies in communications between OCPO and program offices. Further, OCPO leadership commended the Administration's plan to centralize procurements, including HUD's, at the General Services Administration and forecasted that doing so will inevitably relieve resources for HUD's procurement teams to focus on mitigating the remaining contracting challenges.

Even so, without careful planning and focused improvements to internal operations and business processes, HUD will remain at risk of persistent contracting challenges and struggle with inadequate IT systems that undermine the effectiveness of HUD's programs and expose HUD funds to the risk of fraud, waste, and abuse. Conversely, improving lapses in IT project management will aid HUD in making greater progress toward upgrading its technology and empower HUD to more effectively execute its mission.

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CHALLENGE 2

Protecting Taxpayer Funds from Fraud, Waste, and Abuse

Another top challenge and priority for HUD is protecting taxpayer funds from fraud, waste, and abuse. HUD emphasized this as a goal in its FY 2026 APP, stating that it “will increase accountability and transparency” and “improve Departmental stewardship of taxpayer dollars” by enhancing financial management procedures and focusing on effective internal controls, among other planned actions.¹² As described below, the OIG’s work has highlighted particular aspects of HUD’s program operations where recommended improvements will help HUD address this challenge and better protect taxpayer funds. These aspects are: estimating and preventing improper payments, including to ineligible recipients; avoiding wastefulness in HUD’s mortgage insurance and other program funds; and developing comprehensive fraud risk management frameworks.

Turning to the topic of improper payments, the Payment Integrity Information Act of 2019 (PIIA) requires that HUD estimate improper payments in high-risk programs.¹³ For the last 8 years, HUD has been unable to produce estimates that comply with PIIA for its two largest and highest-risk housing assistance programs—Tenant-Based Rental Assistance (TBRA) and Project-Based Rental Assistance (PBRA).¹⁴ A lack of necessary data, no effective technology platform for collecting supporting documentation, and unsuccessful attempts to manually review information appear to be at the core of HUD’s difficulties with estimating improper payments in TBRA and PBRA. In exploring solutions to this challenge, HUD should consider whether rigorous planning and coordination around IT modernization will aid HUD with correctly identifying the right data and platforms needed to produce PIIA-compliant estimates and better protect taxpayer funds.

In addition to estimating improper payments, PIIA requires HUD to comply with the Do Not Pay (DNP) Initiative—but HUD disclosed to the OIG, and a 2025 OIG audit confirmed, that HUD did not do so.¹⁵ The DNP is a U.S. Department of the Treasury’s (Treasury) tool that allows HUD to run automated, instant verification checks to prevent issuing payments to recipients who are not eligible to receive them.¹⁶ The OIG’s audit showed that HUD’s program offices did not consistently use the DNP to check eligibility, and HUD ended up paying at least \$212 million to more than 10 entities that had expired accounts on

¹² See footnote 4.

¹³ 31 U.S.C. § 3301 et seq. Payment Information Act of 2019- Public Law 116-117-3351-Definitions. Improper payments are those that should not have been made or that were made in incorrect amounts. See [31 U.S.C. § 3351](#).

¹⁴ HUD OIG. (2025). [HUD Did Not Comply With the Payment Integrity Information Act of 2019](#). TBRA and PBRA accounted for two-thirds, or approximately \$50 billion, of HUD’s annual program expenditures in FY 2024. HUD. (2024). [The Department of Housing and Urban Development FY 2024 Agency Financial Report](#). Consolidated Statement of Net Cost and Note 20: Suborganization Program Costs. In 2016, the last year when HUD produced an estimate that complied with PIIA, HUD reported approximately \$1.7 billion in improper payments for these programs. HUD OIG. (2024). [HUD Did Not Comply With the Payment Integrity Information Act of 2019](#).

¹⁵ HUD OIG. (2025). [HUD Did Not Comply With the Payment Integrity Information Act of 2019](#).

¹⁶ See footnote 15.

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SAM.gov. Further, HUD missed opportunities to use the DNP to better identify payments that program participants should not have made in several HUD programs, including TBRA and PBRA, the two programs that had been susceptible to significant improper payments in prior years.

The second aspect of operations where HUD can make improvements to protect taxpayer funds involves the Mutual Mortgage Insurance Fund (MMI Fund). Specifically, one OIG audit found that HUD unnecessarily paid from the MMI Fund the leftover principal balance, accrued interest, and holding costs for an estimated 239,000 properties for which lenders missed foreclosure and conveyance deadlines.¹⁷ Over a 5-year period, delays by these lenders cost HUD and the MMI Fund an estimated \$141.9 million in unreasonable and unnecessary interest and an estimated \$2.09 billion in unreasonable and unnecessary holding costs. In a different audit, the OIG found that HUD paid an estimated \$413 million in unnecessary interest and other costs after lenders failed to timely complete servicing actions for defaulted loans.¹⁸ These audits support HUD identifying actions it will take to safeguard the MMI Fund from paying for unnecessary and preventable costs.

Within its audit portfolio, the OIG also assessed HUD's Open Obligations Review to ascertain whether HUD timely deobligated the funds it identified as no longer needed.¹⁹ The review showed that HUD had not deobligated 835 administrative obligations totaling \$38.5 million and 101 program obligations totaling just under \$2 million. Although these amounts represent a small percentage of HUD's total open obligations, an important aspect of safeguarding taxpayer dollars is promptly deobligating unneeded funds to use for other HUD programs or services or to return to the Treasury.

Finally, the OIG found that HUD could also safeguard its funds by making certain that program participants timely spend the dollars and achieve intended outcomes. Illustrative is an OIG audit showing the City of New Orleans (New Orleans) to be significantly delayed in spending disaster recovery funds it received from HUD.²⁰ Based on the audit, the OIG concluded that New Orleans had disproportionately spent more of the funds on planning and administration than on the design and construction of its planned projects. Further, the activities that New Orleans had completed did not reduce the risk of flooding in many cases and exposed some homeowners to more flooding and physical and financial burdens.

Having described above the improvements HUD can make, the OIG recognizes that the challenge of protecting taxpayer funds is complicated by fraud schemes intentionally perpetrated against many HUD programs. For instance, the OIG's investigations identified schemes whereby loan officers, real estate agents, title companies, and others involved in mortgage origination falsify documents and cause HUD's Federal Housing Administration (FHA) to insure single family and multifamily mortgage loans for

¹⁷ HUD OIG. (2026). [FHA Paid Claims for an Estimated 239,000 Properties That Servicers Did Not Foreclose Upon or Convey on Time.](#)

¹⁸ HUD OIG. (2018). [HUD Paid an Estimated \\$413 Million for Unnecessary Preforeclosure Claim Interest and Other Costs Due to Lender Servicing Delays.](#)

¹⁹ HUD OIG. (2025). [Audit Memorandum 2025-FO-0802 HUD Open Obligations Review Results.](#)

²⁰ HUD OIG. (2024). [After More Than 6 Years, The City of New Orleans' National Disaster Resilience Project Activities Had Made Little Impact on Resilience.](#)

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ineligible borrowers.²¹ The OIG also uncovered schemes that manipulate the short sale process, creating illegitimate sales and claims to the MMI Fund, as well as those that involve equity-skimming fraud, which occurs when property owners or managers convert for personal use the funds that HUD provided for the operation and upkeep of their properties.²² Still, additional investigations uncovered embezzlement schemes at Public Housing Agencies (PHA), fraud related to Housing Assistance Payments (HAP) contracts, and theft from the elderly.²³ All of these schemes misuse taxpayer dollars for personal gain and put at risk HUD's ability to effectively operate its programs.

One important step HUD can take to better protect its programs and taxpayer funds from fraud, waste, and abuse is developing and utilizing comprehensive fraud risk management frameworks. In 2022, the OIG applied government-wide standards and found that HUD was in the early stages of developing a fraud risk management program and needed to perform an agency-wide fraud risk assessment and better integrate anti-fraud practices into its programs.²⁴ Recently, the OIG learned that some HUD program offices have made progress toward completing fraud risk assessments and response plans; however, most are still in the early stages of these endeavors at a time when HUD's personnel levels have significantly declined. Amidst these circumstances, proactive fraud risk management practices are imperative to HUD's ability to ensure that the taxpayer dollars it and its program participants spend on critical housing needs are safe from fraud, waste, and abuse.

²¹ U.S. Attorney's Office (USAO), Northern District of California. (2024, November 26). [Three Bay Area Real Estate Professionals Sentenced To Federal Prison For Their Roles In \\$55 Million Mortgage Fraud Conspiracy](#) [Press Release]; USAO, District of Connecticut. (2024, January 8). [New York Men Sentenced for Mortgage Fraud Scheme Involving Hartford Apartment Buildings](#) [Press Release].

²² USAO, Eastern District of Texas. (2024, December 3). [Self-proclaimed "Short Sale Queen" and associates indicted in federal mortgage fraud scheme](#) [Press Release]; Office of Public Affairs, U.S. Department of Justice. (2024, October 8). [Bob Dean Jr. and Affiliated Corporate Entities Agree to \\$8.2M Consent Judgment to Resolve Allegations of Financial Misconduct Stemming from Evacuation of Nursing Homes During Hurricane Ida](#) [Press Release].

²³ USAO, Northern District of Indiana. (2024, May 16). [Former Executive Director of South Bend Housing Authority Sentenced to 108 Months in Prison](#) [Press Release]; HUD OIG. (2022). [Landlord Overcharging Section 8 Tenant Fraud Scheme](#) [OIG Fraud Bulletin]; USAO, Southern District of Alabama. (2025, January 10). [Low-Income Housing Employee Sentenced For Stealing Rent Money](#) [Press Release]; USAO, District of Massachusetts. (2025, May 22). [Colombian National Charged With Voter Fraud; Federal Benefit Fraud; And Identity Theft Offenses](#) [Press Release].

²⁴ HUD OIG. (2022). [Improvements are Needed in HUD's Fraud Risk Management Program](#). A series of OIG audits found that even large, sophisticated recipients of HUD funding—like the Puerto Rico Department of Housing, the New York City Housing Authority, and ESG-CV grantees—lack comprehensive processes for identifying and addressing exposure to fraud. HUD OIG. (2023). [The Puerto Rico Department of Housing Should Enhance Its Fraud Risk Management Practices](#); HUD OIG. (2025). [The New York City Housing Authority Should Enhance Its Fraud Risk Management Practices](#); HUD OIG. (2024). [The City and County of Honolulu Should Improve Its Fraud Risk Management Practices for Its ESG CARES Act Program](#); HUD OIG. (2024). [Housing and Community Development Should Improve Its Fraud Risk Management Practices for Its ESG CARES Act Program](#).

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CHALLENGE 3

Protecting Taxpayer Funds from Fraud, Waste, and Abuse

Each year, HUD awards billions of dollars in grants to state and local governments and private organizations for a multitude of projects related to rental assistance, economic development, and disaster recovery. In turn, the grant recipients rely on subgrantees, or subrecipients, to

responsibly spend the awarded funds and successfully carry out grant activities. One ongoing challenge that HUD faces is monitoring how its grantees and subgrantees execute grant programs, spend grant funds, and ensure that the funds are safe from fraud and mismanagement. Like other challenges, HUD's ability to improve its grant management practices is dependent, at least in part, on collecting and analyzing the right information and data and timely upgrading its technology to do so.

HUD recognized this challenge in its FY 2026 APP and affirmed its commitment to address it by modernizing the management of grant programs, to include migrating the programs to "a Department-wide system that supports grants through the entire grants lifecycle."²⁵ In addition, HUD shared with the OIG its plan to begin collecting financial data from subgrantees to build a repository of information that should enable HUD to better analyze and monitor grantee and subgrantee spending. HUD envisions this repository to be a significant accomplishment in HUD's effort to modernize grant management practices. The OIG looks forward to learning more about how HUD intends to leverage the collected data to protect grant funds from fraud and waste, particularly because the OIG's work supports HUD's focus on increasing access to accurate and complete grantee and subgrantee information. For example, a recent OIG audit found that some grantees did not always report data related to subawards as required by the Federal Funding Accountability and Transparency Act (FFATA).²⁶ The audit showed that these grantees lacked knowledge of the FFATA reporting requirements, and unreported subawards limited stakeholders' and HUD's ability to fully evaluate whether grantees properly used federal funds. Through other work, the OIG also learned that recipients of HUD's Emergency Solutions Grants – Coronavirus Aid, Relief, and Economic Security Act (ESG-CV) viewed the pandemic, including its impact on staffing capacity, as having limited their ability to effectively monitor subgrantees' spending.²⁷ In total, these findings highlight the importance of HUD securing access to the right information and conducting its own oversight of subgrantees to timely correct monitoring deficiencies and identify potential mismanagement of grants.

HUD has faced similar obstacles with data in its ability to monitor disaster recovery grants, which it awards to recipients primarily through the Community Development Block Grant Disaster Recovery (CDBG-DR) program. For instance, an OIG audit identified opportunities for HUD to collect more data

²⁵ See footnote 4.

²⁶ HUD OIG. (2025). [HUD's Subaward Data on USASpending.gov Were Not Complete nor Accurate](#).

²⁷ HUD OIG. (2022). [Emergency Solutions Grants CARES Act Implementation Challenges](#); HUD OIG. (2024). [HUD Grantees Need to Enhance Monitoring of ESG CARES Act Subrecipients](#); HUD OIG. (2021). [Lessons Learned and Key Considerations From Prior Audits and Evaluations of the CDBG Disaster Recovery Program](#); HUD OIG. (2023). [The State of Georgia Did Not Adequately Monitor Its Harvey, Irma, and Maria Grants' Activities and Subrecipients](#).

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about activities for which grantees had used HUD’s disaster recovery funds to satisfy matching requirements of other federal, state, or local programs—often referred to as match activities.²⁸ This audit followed prior OIG work that found match activities to be particularly vulnerable to misuse and fraud, the risks of which significantly increase if HUD does not access and use more data.

Furthermore, because disaster recovery grants provide for long-term initiatives, such as rebuilding homes and entire communities after presidentially declared disasters, some grantees and subgrantees take decades to complete projects and spend the funds. The OIG’s audits have shown that CDBG-DR grantees struggle to monitor subgrantees’ disaster recovery progress and review their expenditures, and many lack experience and familiarity with block grant rules and do not have sufficient staffing to directly administer the programs. One OIG audit found that as of 2024, grantees who received 2016 grants through HUD’s National Disaster Resilience (NDR) program were delayed in completing their projects even though HUD extended spending and project completion deadlines.²⁹ These grantees faced obstacles in making timely disbursement due to, at least in part, a lack of adequate policies and procedures for timely expenditures and staffing and capacity issues. This audit also identified weaknesses in HUD’s monitoring of some NDR grantees, namely how HUD completed two significant monitoring checklists that had been designed to serve as HUD’s tools for reviewing data about the grantees’ performance.

Without comprehensive access to and utilization of data on grantees’ and subgrantees’ spending, billions of dollars in HUD grants are susceptible to mismanagement and, like other HUD funds, vulnerable to fraud schemes. For instance, the OIG’s investigations uncovered evidence of public corruption fraud by government officials, contractors, and employees of grantees who engage in bribery, kickbacks, embezzlement, bid-rigging, and other misallocation of grant funds intended for program administration.³⁰ The investigations also showed that individuals and organizations engage in procurement fraud by manipulating contract and award processes, or stealing and misusing HUD grant funds, for personal gain.³¹ Often, these schemes involve steering contracts to entities with whom the fraudsters have a financial conflict of interest or in exchange for bribes or kickback payments. The disaster recovery grants are also susceptible to fraud by homeowners who falsely claim or misrepresent their vacation home or second home as the primary residence to improperly qualify for CDBG-DR funds.³²

Although HUD relies on grantees and subgrantees to administer its grants and operate the programs they support, HUD remains responsible for ensuring that taxpayer dollars that fund the grants are safeguarded from fraud, waste, and mismanagement. In addition to obtaining the necessary financial data to oversee grantees and subgrantees, HUD can improve its grant management practices by making

²⁸ HUD OIG. (2025). [Opportunities Exist for CPD To Improve Collection of Disaster Recovery Grantee Data for Non-Federal Match Activities](#).

²⁹ HUD OIG. (2024). [Grantees Were Delayed in Completing National Disaster Resilience Program Activities, but Remain On Track to Accomplish Goals](#).

³⁰ USAO, District of Virgin Islands. (2024, June 13.) [Virgin Islands Government Officials Charged In \\$4 Million Dollar HUD Fraud Scheme](#) [Press Release].

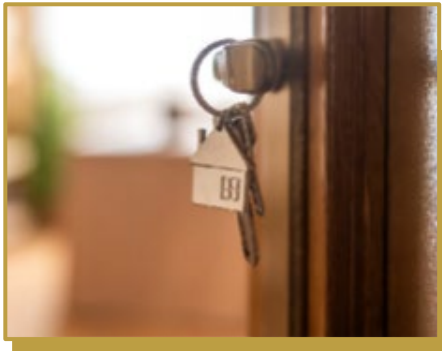
³¹ USAO, Southern District of New York. (2024, February 6.) [20 Current And Former NYCHA Employees Charged With Bribery And Extortion Offenses](#) [Press Release].

³² USAO, Southern District of Texas. (2024, June 12.) [Houstonian admits to Hurricane Harvey house fraud](#); USAO, Southern District of West Virginia. (2025, April 16.) [Mississippi Firm to Pay \\$1,207,600 to Resolve Disaster Recovery Claims](#) [Press Release].

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certain that the entities conducting business on its behalf have adequate anti-fraud controls. At a time when HUD's staffing levels are declining, strong fraud risk management frameworks and assessments, and comprehensive IT solutions that collect grantee and subgrantee spending data, are imperative to HUD's ability to modernize its grant management practices and safeguard the funds.

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CHALLENGE 4

Ensuring the Availability of Affordable and Quality Housing

Part of HUD's mission is to create and maintain affordable, quality housing for all Americans. The housing that HUD funds and insures must be decent, safe, sanitary, and in good repair, and it must comply with environmental laws and regulations. Most of HUD's housing stock is more than 50 years old and in

need of significant capital improvement. The aging stock, in addition to other factors such as economic pressures and changing communities, has created a shortage of public housing that is affordable and safe from hazards.³³ The continuing deterioration of the stock exacerbates this shortage, and the rise in homelessness compounds the issue.³⁴

HUD's challenge is to ensure that its program participants maximize the use of the existing housing supply and improve and optimize its quantity and quality. This is not a new challenge for HUD. But, as described below, HUD is advancing a new playbook to respond to it. As HUD acts on its new strategy, the OIG's work can aid HUD in making certain that it protects access to affordable and safe housing and safeguards from fraud, waste, and abuse the taxpayer dollars that fund it.

Optimizing the Use of HUD's Limited Stock of Affordable Housing

The first two priorities in HUD's FY 2026 APP highlight HUD's commitment to meet affordable housing needs by: modernizing housing information systems to improve the timeliness and accuracy of HUD data; updating the Emergency Solutions Grant (ESG) program to provide short- and medium-term housing assistance; shifting toward state-based rental assistance grants; and supporting state and local governments and community organizations in partnering with the private sector.³⁵

As HUD implements its plan and transforms its strategy for finding solutions to the affordable housing shortage, several observations the OIG gained through its work may benefit HUD. Specifically, the OIG has found that program participants on whom HUD relies to administer its public housing programs, like PHAs and Continuum of Care (CoC) grantees, do not always ensure that they use all the resources that HUD entrusted to them. In some circumstances, weaknesses in technology—whether outdated IT systems or a lack of accurate data—limit HUD's insight into program participants' deficient performance. For instance, one OIG audit showed that due to limitations in the Section Eight Management Assessment Program (SEMAP), HUD did not always know when PHAs had problems assisting the

³³ As of May 2025, HUD's public housing inventory decreased from 1.2 million units to fewer than 900,000. HUD OIG. [Assessing the Occupancy of Public Housing Units](#) [Work Start Announcement].

³⁴ In December 2024, the number of people experiencing homelessness on a single night was the highest ever recorded. U.S. Department of Housing and Urban Development. (2024). [2024 Annual Homelessness Assessment Report to Congress, Part 1: Point-in-Time Estimates of Homelessness](#).

³⁵ See footnote 4.

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greatest number of eligible families with obtaining affordable and quality housing at the correct cost.³⁶ Another OIG audit found that between 2017 and 2020, HUD had recaptured nearly \$257 million from CoC grantees because they were not able to spend their funds to address homelessness before their respective grant terms ended.³⁷ Still, a different audit showed that some PHAs did not timely lease affordable vacant units and allowed their occupancy rates to fall below the optimal level HUD established.³⁸

Echoing earlier sections of this report, a factor that compounds HUD's challenge of ensuring that program participants are fiscally responsible in their delivery of affordable housing is the prevalence of financial fraud schemes and other illegal practices by housing providers. For instance, the OIG's investigations identified landlords who exploit HUD and the economically vulnerable individuals they serve by overcharging rent or housing fees and by sexually harassing or abusing them.³⁹ The OIG and HUD should continue to partner with the U.S. Department of Justice (DOJ) to hold these providers accountable.⁴⁰

As HUD moves forward with implementing its new strategy for addressing America's affordable housing needs, HUD should make certain that it and program participants maximize the value of federal funds available for these efforts. The right technological solutions and other tools will help HUD ensure that the existing and new participants take all the steps necessary to maintain, and even grow, the affordable housing supply and the American people's access to it.⁴¹

Addressing Health and Safety Hazards in HUD Housing

HUD is responsible for ensuring that taxpayer dollars are spent on properties that are functionally adequate, operable, and free of health and safety hazards.⁴² The aging and continuously deteriorating housing stock requires HUD and program participants to be vigilant about property conditions and ensure that taxpayer funds are not misspent on units that exacerbate the existing shortage of quality housing and endanger the American people.

HUD has made progress in addressing health and safety concerns in public housing. But HUD continues to face obstacles in its effort to effectively monitor the physical conditions of properties and ensure that hazards, particularly those caused by lead, are timely identified and resolved. The OIG's work described

³⁶ HUD OIG. (2023). [HUD Could Improve Its Process for Evaluating the Performance of Public Housing Agencies' Housing Choice Voucher Programs](#). The audit showed that this occurred because PHAs used SEMAP to remotely self-report and self-certify information about their voucher use, and HUD did not have the right measures in SEMAP to identify PHAs that struggled to use all the available vouchers.

³⁷ HUD OIG. (2022). [HUD Could Improve Its Tracking and Monitoring of Continuum of Care Grantee Spending Levels](#).

³⁸ HUD OIG. (Announced March 2023). [Assessing the Occupancy of Public Housing Units](#) [Work Start Announcement].

³⁹ HUD OIG. (2024). [Landlord Overcharging Section 8 Tenant Fraud Scheme](#) [Work Start Announcement]; HUD OIG. (2023). [Sexual Harassment in Housing is ILLEGAL. Fair Housing is your RIGHT](#); USAO, Eastern District of Virginia. (2024, December 18). [Hampton landlord who racially harassed and evicted tenants sentenced to 17 years in prison](#) [Press Release].

⁴⁰ Office of Public Affairs, U.S. Department of Justice. (2025, February 13). [Justice Department Secures \\$360,000 Settlement in Sexual Harassment Lawsuit Against New Mexico Property Manager and Apartment Complex](#) [Press Release]; Office of Public Affairs, U.S. Department of Justice. (2024, November 19). [Justice Department Sues Kentucky Rental Property Manager and Owners for Sexual Harassment](#) [Press Release].

⁴¹ See footnote 4.

⁴² 24 C.F.R. § 5.703(a).

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below illustrates HUD’s challenges in this regard, and HUD should consider looking to this work as it acts on its FY 2026 APP priorities and utilizes new strategies to expand access to affordable, quality housing.

Of primary significance is the OIG’s work showing that HUD’s ability to effectively monitor the physical conditions of properties is dependent on timely inspections and access to complete and accurate data, certifications, and other information related to providers’ compliance with HUD’s inspection standards.⁴³ One OIG audit found that HUD’s Real Estate Assessment Center (REAC), which oversees the inspections process, did not have adequate policies, procedures, and controls to ensure that public housing properties, including those designated as high priority, were inspected timely.⁴⁴ According to the audit, it appeared that the IT system HUD uses to track inspections did not have the capability to alert program offices when a property needed a future inspection.⁴⁵ Two additional OIG audits found that the [Boston Housing Authority](#) and the [Columbus Metropolitan Housing Authority](#) did not have sufficient oversight of the thoroughness of housing inspections and did not have adequate controls to ensure that providers took appropriate actions to address unit deficiencies. As a result, the two housing authorities did not always ensure that the Housing Choice Voucher (HCV) units met HUD’s quality standards and did not stop payments to owners who failed to correct deficiencies in unit conditions.

Also, evidence supports HUD improving its oversight of units converted to Project-Based Vouchers (PBV) and Project-Based Rental Assistance (PBRA) under the Rental Assistance Demonstration (RAD) program.⁴⁶ Two audits found that HUD performed limited monitoring of the physical conditions of RAD PBV and PBRA projects because HUD did not have a system to collect and maintain information about the physical and financial condition of the PBV projects and did not have staffing capacity to perform oversight of the PBRA projects. Finally, based on a different audit, the OIG recommended that HUD’s Office of Multifamily Housing develop policies and procedures for the intake, monitoring, and tracking of health and safety complaints, as well as a process to ensure that complaints are resolved in a timely manner.⁴⁷

Moving ahead, key issues that HUD will need to address are timeliness of inspections, access to accurate information on unit conditions, and ability to monitor and hold accountable program participants who fail to fulfill their obligations to provide decent, safe, and sanitary housing. The OIG’s work has shown that gaps in these areas can be particularly troubling as HUD addresses the presence of lead hazards in its housing stock. Lead exposure can have devastating effects on the health of HUD’s tenants, especially children for whom even low levels of lead in the blood can carry life-altering consequences. Although HUD established guidelines and regulations to hold program participants accountable for failing to

⁴³ On May 11, 2023, HUD published the final rule “Economic Growth Regulatory Relief and Consumer Protection Act: Implementation of National Standards for the Physical Inspection of Real Estate” to align expectations of housing quality and consolidate inspection standards across HUD programs. See 88 Fed. Reg. 30442 (2023).

⁴⁴ HUD OIG. (2023). [Improvements Are Needed To Ensure That Public Housing Properties Are Inspected in a Timely Manner](#).

⁴⁵ HUD OIG. (2023). [Improvements Are Needed To Ensure That Public Housing Properties Are Inspected in a Timely Manner](#). HUD notified the OIG in July 2025 that although it has planned for and proposed the needed improvements, all developments and enhancements of this system are on hold pending leadership decisions.

⁴⁶ HUD OIG. (2025). [HUD’s Office of Public and Indian Housing Needs to Improve Its Oversight of Non-FHA-Insured PBV Projects Converted Under RAD](#); HUD OIG. (2024). [HUD’s Office of Multifamily Needs To Improve Its Oversight of PBRA and FHA-Insured PBV Properties Converted Under RAD](#).

⁴⁷ HUD OIG. (2021). [HUD’s Office of Multifamily Housing Programs’ Complaint Process Did Not Ensure That Health and Safety Complaints Were Resolved in a Timely Manner](#).

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minimize and eliminate lead hazards that exist in their properties, several OIG audits showed that HUD was not always aware when PHAs received notice of children having elevated blood lead levels, encountered problems conducting timely visual assessments of lead-based paint, had inadequate reevaluations following abatement, made unsupported “lead-free” determinations, or provided inconsistent and inaccurate lead disclosures to tenants.⁴⁸

The OIG’s investigations also identified fraud by housing providers who failed to properly protect HUD tenants from lead or other health hazards. The fraud schemes involved landlords and contractors who failed to properly disclose lead-based paint to prospective renters, and falsely certified that they had performed maintenance work, that it was done in a safe manner, or that they made critical repairs to units.⁴⁹

Altogether, HUD’s challenges with monitoring property conditions and managing hazards exacerbate the shortage of affordable and safe housing and can endanger HUD tenants. The OIG’s work supports HUD continuing to prioritize and improve its oversight of the public housing stock and maximize the quantity and quality of the properties on which HUD spends taxpayer funds.

⁴⁸ 24 C.F.R Part 35; 42 U.S.C. § 63A; HUD OIG. (2024). [Timing of PHAs’ Lead-Based Paint Visual Assessments](#); HUD OIG. (2024). [The Housing Authority of the City of Los Angeles Did Not Adequately Manage Lead-Based Paint in Its Public Housing Units](#); HUD OIG. (2024). [The Cuyahoga Metropolitan Housing Authority, Cleveland, OH, Did Not Have Adequate Oversight of Lead-Based Paint in Its Public Housing](#); HUD OIG. (2023). [The Philadelphia Housing Authority Needs To Improve Oversight Of Lead-Based Paint In Its Public Housing](#); HUD OIG. (2024). [The Columbus Metropolitan Housing Authority, Columbus, OH, Did Not Always Comply With HUD’s Requirements for Its Housing Choice Voucher Program Units](#); HUD OIG. (2024). [The Boston Housing Authority Did Not Always Comply With HUD’s Requirements for Its Housing Choice Voucher Program Units](#).

⁴⁹ USAO, Southern District of New York. (2024, December 13). [Justice Department Obtains Consent Decree Against Multiple Defendants to Abate Lead Paint and Improve Housing Conditions Across Thousands of New York Apartments](#) [Press Release]; USAO, Western District of New York. (2023, November 13). [Property Owner Sentenced for Lying About Lead Hazards](#) [Press Release]; HUD OIG. (2024, February 13). [Apex Waukegan LLC and Integra Affordable Management LLC Fined for Breach of Contract](#) [Press Release]; USAO, Southern District of Indiana . (2022, December 21). [Richmond Contractor Sentenced to over 1 Year for Violating Federal Lead Paint Laws and Obstructing Justice](#) [Press Release]; USAO, District of Montana. (2025, April 15). [Helena Real Estate Agent Convicted of Felony and Fined \\$150,000 for Failing to Provide Lead-Based Paint Disclosures for Veterans Residing in Fort Harrison Rental Housing](#) [Press Release].

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RESPONSE TO OIG REPORT ON TOP MANAGEMENT CHALLENGES

Appendix – HUD’s Response

HUD is committed to furthering its mission of fostering strong communities by supporting access to quality, affordable housing, expanding the housing supply, and unlocking homeownership opportunities for the American people. HUD continues to pursue long term solutions that support rural, tribal, and urban communities and the families who call them home.

While HUD has made significant progress in streamlining business processes to protect taxpayer funds, reduce homelessness and remove regulatory barriers to affordable housing, additional oversight and work remain. As reflected in the HUD OIG Report on Top Management Challenges (TMC) for fiscal year 2026 (FY26), HUD faces challenges related to business modernization and streamlining for procurement, IT systems, grants management, protections against fraud, waste, and abuse, and ensuring the availability of safe and affordable housing. These challenges will inform and guide efforts to strengthen internal processes and refine business practices.

The OIG’s report on TMC remains a valuable tool for assessing progress, setting priorities, and identifying areas for improvement. Compared to prior years, the FY 2026 TMC demonstrates meaningful progress, with the number of identified challenges reduced from eight to four. Unlike the FY 2025 TMC, which highlighted eight overlapping challenges, this year’s TMC is streamlined to focus on the most important and distinct themes, organized into four categories.

Across its programs and administrative offices, HUD continues to address challenges identified in the FY 2026 TMC. To improve its business operations, HUD launched a strategic restructuring initiative to modernize systems and improve efficiency. HUD is also improving its procurement processes by addressing known risks and reducing communication gaps between the Office of the Chief Procurement Officer and program offices. To protect taxpayer funds, HUD is enhancing its fraud risk management program by building on existing HUD-wide fraud risk assessment processes, which OIG has confirmed aligns with GAO’s Greenbook and Framework for Managing Fraud Risks. Additionally, HUD is improving its payment integrity and forensic analytics programs and collaborating with other federal agencies to effectively detect and prevent fraud, waste, and abuse. For grants oversight, HUD is in the process of developing a new HUD-wide system that supports grants through the entire grants lifecycle and is building a centralized repository of financial data from subgrantees. To ensure the availability of safe, quality, and affordable housing, HUD is advancing a new playbook and published new inspection standards to align expectations of housing quality and consolidate inspection standards across HUD programs. These efforts align with HUD’s Strategic Plan and reinforce HUD’s commitment to effective governance and public trust.

HUD remains steadfast in its proactive and collaborative approach to addressing known challenges through strong leadership, innovation, and mission-focused accountability. HUD will continue its collaboration with OIG to improve audit integrity, enhance mission fulfillment, streamline work processes, and better serve the American taxpayers.

PAYMENT INTEGRITY INFORMATION ACT REPORTING

HUD Enhances Rental Assistance Integrity, Uncovers Significant Deficiencies in the FY 2024 Payment Accuracy

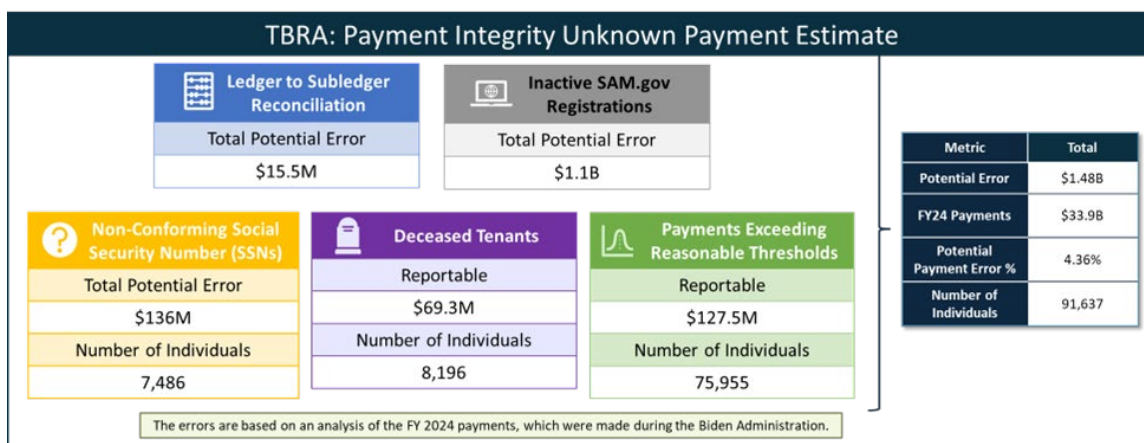
In fiscal year 2025, HUD made significant strides in enhancing the integrity of rental assistance, supported by significant collaboration between program offices across HUD.

The OCFO introduced innovative methods and advanced analytics to evaluate tenant and recipient records. This approach allowed HUD to analyze millions of payment records from FY 2024, rather than relying on traditional sampling of just a few hundred records. As a result, HUD gained greater insights into potential risks and issues while identifying problematic records and estimating payment errors. This analytical strategy enables HUD to detect eligibility and payment errors more effectively, ensuring that taxpayer dollars are used efficiently.

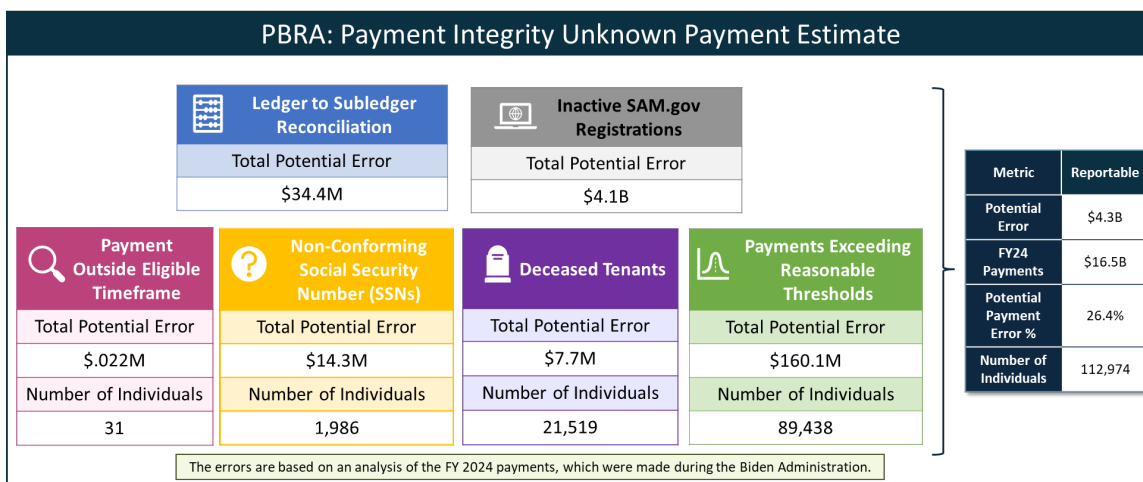
HUD disbursed just under \$50 billion in federal rental assistance to non-federal entities (i.e., housing authorities, contract administrators, and landlords) during FY 2024, including more than \$16 billion in Project-Based Rental Assistance (PBRA) and over \$33 billion in Tenant-Based Rental Assistance (TBRA), serving more than four million households. This disbursement of funding design along with complex eligibility and program requirements, increased the risk of payment errors and highlights the necessity for more robust monitoring and verification tools for the rental assistance programs.

The directive from the Biden Administration to push funding out the door with minimal oversight and the design of HUD's rental assistance programs placed substantial trust and responsibility in these non-federal entities, such as housing authorities, contract administrators, and landlords, to accurately assess tenant eligibility for two of the most complex rental assistance programs. Moreover, the Biden Administration did not provide HUD with effective tools, technology, or access to the evidence necessary to verify whether these entities were properly enforcing the intricate rules governing rental assistance. Additionally, some HUD regulations added to the complexity and weaknesses in the program design.

For the first time, HUD evaluated all 4+ million tenant records and the registration status of more than 21,000 recipient organizations, uncovering eligibility issues affecting more than 200,000 tenants and identifying questionable payments totaling \$5.8 billion (including approximately \$4.3 billion (26.4%) of PBRA payments and \$1.5 billion (4.4%) of TBRA payments).



OTHER INFORMATION (UNAUDITED)



Other Management Actions:

Throughout FY 2025, HUD undertook a series of additional initiatives to reduce fraud, waste and abuse and mitigate the causes of improper and unknown payments.

In addition, during FY 2025 the Office of Multifamily Housing and the Office of Public and Indian Housing strengthened controls with pre-award verifications to improve SAM.gov registration status, ensuring that funds were not paid to ineligible entities.

HUD reestablished its Computer Matching Agreement with the Department of the Treasury as of May 1, 2025, and is working to enable near-real-time eligibility verification through the Treasury Do Not Pay verification portal.

The OCFO established the Strike Force to enhance efforts in eliminating fraud, corruption, and immigration violations within Public Housing Agencies (PHAs) as mandated by new regulations. To fulfill these mandates, the Strike Force utilizes publicly available information, compiles data from across HUD and identifies potential risk factors associated with PHAs and their personnel. This thorough analysis allows HUD to create detailed preliminary risk assessments and intelligence reports, which are then presented to relevant law enforcement agencies. This process accelerates the detection and resolution of possible misconduct, and the tailored methodology has already significantly decreased the research and reporting time from weeks to just days. During FY 2025, this collaborative initiative has initiated reviews for 23 PHAs and made five law enforcement referrals for further investigation. Additionally, the Strike Force offers valuable insights to both HUD programs and the OCFO concerning program risks, control failures, and potential improper payments. For instance, the Strike Force has identified three risk areas related to PHAs:

- Questionable business relationships between PHA leadership and entities such as nonprofits and limited liability corporations, often lacking sufficient public information about their business purposes and funding sources
- Persistent personal legal and financial pressures on PHA leadership, which can increase their motivation to commit fraud
- Multiple PHAs engaging the same vendors, raising concerns about whether those vendors can allocate enough time to provide quality service to each specific PHA

This year, HUD conducted its first collaboration with the Department of Homeland Security to identify potential ineligible non-citizens receiving rental assistance in the Section 8 and Section 9 portfolio, including the Operating Fund, TBRA and PBRA programs. A total of 8.8 million tenant records were analyzed, confirming U.S. citizenship and non-citizen eligibility for 8.6 million citizen and non-citizen eligible tenants. The analysis of the records indicates that thousands of ineligible non-citizens are potentially receiving assistance under the programs.

While HUD made remarkable strides in FY 2025, significant issues remain, which will be remediated through Project Voucher (*See OCFO Major Accomplishment Section*). Overall, HUD's comprehensive review and Project Voucher represent a significant commitment to enhance program integrity, prevent future payment errors, and ensure federal funds are allocated to U.S. citizens and eligible non-citizens. With Project Voucher, HUD is paving the way for a more accountable and transparent rental assistance system. As the agency continues to strengthen its oversight mechanisms, it underscores a crucial message: Integrity in housing assistance is paramount for deserving communities across the nation. For more detailed information on HUD's payment integrity efforts, please visit <https://www.paymentaccuracy.gov>.

Actions Taken to Address Auditor Recovery Recommendations

HUD did not receive any recovery auditor recommendations for the FY 2025 reporting cycle, as such, no actions are needed to address recovery auditor recommendations.

OTHER INFORMATION (UNAUDITED)

CIVIL MONETARY PENALTY ADJUSTMENT FOR INFLATION

In accordance with the *Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015, Public Law 114-74*, HUD has published in the [Federal Register](#) (FR) the adjustments for inflation of civil monetary penalties under its jurisdiction. The following table summarizes the current penalty levels, which were published in the FR on June 12, 2025, with an effective date of July 14, 2025.

Statutory Authority	Penalty (Name or Description)	Year Penalty Enacted	Latest Year of Adjustment	Current Penalty Level	Location for Penalty Update Details
31 U.S. Code (U.S.C.) §3802(a)(1)	False Claims	1986	2025	\$14,308	89 FR 13614 (February 23, 2024)
31 U.S.C. §3802(a)(2)	False Statements	1986	2025	\$14,308	89 FR 13614 (February 23, 2024)
42 U.S.C. §3537a(c)	Advance Disclosure of Funding	1989	2025	\$25,132	89 FR 13614 (February 23, 2024)
42 U.S.C. §3545(f)	Disclosure of Subsidy Layering	1989	2025	\$25,132	89 FR 13614 (February 23, 2024)
12 U.S.C. §1735f-14(a)(2)	FHA Mortgages and Lenders Violations	1989	2025	Per Violation: \$12,567 Per Year: \$2,513,215	89 FR 13614 (February 23, 2024)
12 U.S.C. §1735f-14(a)(2)	Other FHA Participants Violations	1989	2025	Per Violation: \$12,567 Per Year: \$2,513,215	89 FR 13614 (February 23, 2024)
12 U.S.C. §1715z-13a(g)(2)	Indian Home Loan Guarantee Lender or Holder Violations	1992	2025	Per Violation: \$12,567 Per Year: \$2,513,215	89 FR 13614 (February 23, 2024)
12 U.S.C. §1735f-15(c)(2)	Multifamily & Section 202 or 811 Owners Violations	1989	2025	\$62,829	89 FR 13614 (February 23, 2024)
12 U.S.C. §1723i(a)	Ginnie Mae Issuers & Custodians Violations	1989	2025	Per Violation: \$12,567 Per Year: \$2,513,215	89 FR 13614 (February 23, 2024)
12 U.S.C. §1703	Title I Broker & Dealers Violations	1989	2025	Per Violation: \$12,567 Per Year: \$2,513,215	89 FR 13614 (February 23, 2024)
42 U.S.C. § 4852d(b)(1)	Lead Disclosure Violation	1992	2025	\$22,263	89 FR 13614 (February 23, 2024)
42 U.S.C. §1437z-1(b)(2)	Section 8 Owners Violations	1997	2025	\$48,833	89 FR 13614 (February 23, 2024)
31 U.S.C. §1352	Lobbying Violation	1995	2025	Min: \$25,132 Max \$251,322	89 FR 13614 (February 23, 2024)
42 U.S.C. §3612(g)(3)	<i>Fair Housing Act</i> Civil Penalties	1988	2025	No Priors: \$26,262 One Prior: \$65,653 Two or More Priors: \$131,308	89 FR 13614 (February 23, 2024)
42 U.S.C. §5410	Manufactured Housing Regulations Violation	1974	2025	Per Violation: \$3,650 Per Year: \$4,562,282	89 FR 13614 (February 23, 2024)

OTHER INFORMATION (UNAUDITED)

GRANTS PROGRAMS

In accordance with *OMB Circular A-136*, all reporting entities with federal grants programs must submit a brief high-level summary of expired, but not closed, federal grants and cooperative agreements.

The summary table below shows the total number of awards and balances still open as of September 30, 2025, for awards where the period of performance end date was September 30, 2023, or earlier.

Category	Period of Performance Lapsed		
	2-3 Years	4-5 Years	More Than 5 Years
Number of Grants/Cooperative Agreements with Zero Dollar Balances	2,493	2,137	628
Number of Grants/Cooperative Agreements with Undisbursed Balances	990	90	25
Total Amount of Undisbursed Balances (in millions)	\$113.45	\$7.56	\$0.55

Throughout FY 2025, HUD made significant progress in closing out grant awards. The OCFO continually emphasized the need for Grant Closeouts with staff that manage these programs. This focused effort has shown positive results. Due to these efforts, HUD has been able to reduce the number of outstanding Grant Closeouts by 47 percent over last year's counts.

While the reduction of outstanding Grant Closeouts is noteworthy, there are some significant challenges related to staff turnover in the various program offices which HUD will work to address.

HUD will continue to highlight the importance of Grant Closeouts and work with program staff to monitor grantee submissions.

AGENCY AUDIT RESOLUTION REPORT

In FY 2025, HUD continued executing a multi-faceted approach to bring timely and effective closure of open recommendations. Key metrics achieved and improvements made include:

- Reducing the open OIG recommendations to the lowest level since a high in FY 2016 of 2,243 to 468.
- Minimizing the number of recommendations being referred for resolution.
- Validating recommendation closures were properly executed and documented within the audit tracking system by responsible stakeholders.

HUD achieved this significant progress by:

- Utilizing a Tiger Team comprised of HUD and OIG members to facilitate the negotiation of resolving complex, aged, or otherwise difficult to resolve recommendations, as well as enhancing open discussions across groups with different perspectives. These coordinated opportunities foster understanding about current processes, resource gaps and strategies for addressing open audit recommendations, and exchanging ideas and options for overcoming barriers to closure.
- Conducting virtual roadshows and quarterly meetings with HUD stakeholders to review priority recommendations and challenges of audit workstreams, processes, and policies reaching over 246 HUD stakeholders in FY 2025.
- Holding regular touchpoint meetings with affected stakeholders and offering multiple training sessions along with customized tools to help Audit Liaison Officers better manage their resources and track the status of their open audit recommendations. This promoted audit awareness, drove deeper conversations, and helped uncover key insights toward tracking, closing, and reporting all audit-related activities across HUD.
- Working cooperatively with the OIG and HUD Office of General Counsel to close recommendations referred to the Departmental Claims Collection Officer for processing and recommendations with current repayment agreements.

The following charts provide additional details on the key metrics cited above.

Status of OIG Recommendations	
Recommendations	FY 2025
Total New Audit Recommendations	127
Total Closed Recommendations	292
Total Unresolved/Open Recommendations	468
Active Recommendations ¹¹	367
Restricted Recommendations ¹²	101
Overdue Recommendations	179

¹¹ Active Recommendations – Represent recommendations that HUD is working to resolve.

¹² Restricted Recommendations – Represent recommendations where HUD takes no action as an investigation or judicial review is underway, legislative change is needed, (I,J,L), or where a payment agreement is in place.

OTHER INFORMATION (UNAUDITED)

OIG Open Recommendations by Program Office				
Offices	End of FY 2025	FY 2025 Restricted-I, J, L ¹³	FY 2025 Restricted-Repairs	Open and Active FY 2025
Office of Community Planning and Development	202	26	1	175
Public and Indian Housing	123	22	21	80
Office of Housing	114	28	1	85
Office of the Chief Financial Officer	15	0	0	15
Office of General Counsel	2	0	2	0
Office of Lead Hazard Control and Healthy Homes	4	0	0	4
Office of the Chief Information Officer	0	0	0	0
Office of the Secretary/Deputy Secretary	1	0	0	1
Government National Mortgage Association	0	0	0	0
Office of Administration	2	0	0	2
Office of the Chief Procurement Officer	0	0	0	0
Office of Field Policy and Management	0	0	0	0
Office of Policy Development and Research	2	0	0	2
Office of the Chief Human Capital Officer	0	0	0	0
Office of Fair Housing and Equal Opportunity	3	0	0	3
Office of Departmental Equal Employment Opportunity	0	0	0	0
Total	468	76	25	367

¹³ I, J, L recommendations denote those that are under investigation, judicial review, or where legislative change is needed.

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WE ARE ONE80 PLACE
WE END AND PREVENT HOMELESSNESS

WE ARE

SAFE

PROVIDING AN ENVIRONMENT THAT IS SAFE AND SECURE

RESILIENT

RECOGNIZING EVERYONE'S STRENGTHS AND EMPOWERING THEM TO OVERCOME ADVERSITY

RESPECTFUL

DEMONSTRATING THAT ALL PEOPLE ARE WORTHY OF BEING TREATED WITH DIGNITY

DETERMINED

MEETING THE NEEDS OF OUR TEAM AND THOSE WE SERVE WITH FOCUS AND DEDICATION

One80 Place in Charleston, SC is advancing HUD-supported efforts to reduce homelessness by pairing emergency shelter with rapid rehousing and comprehensive support services. Their approach demonstrates how effective federal-local coordination helps Americans move more quickly into stable and permanent housing.

SECTION FOUR

APPENDICES (UNAUDITED)

- 180** Appendix A: Glossary of Acronyms and Abbreviations
- 183** Appendix B: Public Law Listing
- 184** Appendix C: Table of Websites

APPENDICES (UNAUDITED)

APPENDIX A: GLOSSARY OF ACRONYMS AND ABBREVIATIONS

A

AFFH	Affirmatively Furthering Fair Housing
AFR	Agency Financial Report
AI	Artificial Intelligence
APP	Annual Performance Plan
APR	Annual Performance Report
ARC	Treasury's Administrative Resource Center
ASC	Accounting Standards Codification
ASU	Accounting Standards Update

B

BAR	Budget and Accrual Reconciliation
BFS	Bureau of Fiscal Service
BS	Consolidated Balance Sheet

C

CDBG	Community Development Block Grants
CDBG-DR	CDBG Disaster Recovery
CECL	Current Expected Credit Losses
CFR	Code of Federal Regulations
CMHI	Cooperative Management Housing Insurance
CMIAA	Cash Management Improvement Act Amendments of 1992
CoC	Continuum of Care
CPA	Certified Public Accountant
CPD	Office of Community Planning and Development
CRO	Cumulative Results of Operations
CSC	Credit Subsidy Calculator
CSRS	Civil Service Retirement System

D

DMP	Development, Modernization and Enhancement
DNP	Do Not Pay Initiative
DOGE	Department of Government Efficiency
DOJ	Department of Justice
DOL	U.S. Department of Labor

E

EDI	Economic Development Initiatives
EHLP	Emergency Homeowners' Loan Program
EO	Executive Order
ESG	Emergency Solutions Grant
ESG-CV	Emergency Solutions Grants – Coronavirus Aid, Relief, and Economic Security Act

F

FASAB	Federal Accounting Standards Advisory Board
FASB	Financial Accounting Standards Board
FBWT	Fund Balance with Treasury
FCRA	Federal Credit Reform Act of 1990
FECA	Federal Employees' Compensation Act
FERS	Federal Employees Retirement System
FFATA	Federal Funding Accountability and Transparency Act
FFB	Federal Financing Bank
FFMIA	Federal Financial Management Improvement Act of 1996
FHA	Federal Housing Administration
FHEO	Office of Fair Housing and Equal Opportunity
Financial Report	Financial Report of the U.S. Government
FISMA	Federal Information Security Modernization Act of 2014
FOC	Financial Operations Center
Forward MFV	Forward Mortgage Loans, at Fair Value
FR	Federal Register
FVO	Fair Value Option
FY	Fiscal Year

G

GA	Guaranty Asset
GAAP	Generally Accepted Accounting Principles
GI	General Insurance
Ginnie Mae	Government National Mortgage Association
GL	General Ledger
GO	Guaranty Obligation

APPENDICES (UNAUDITED)

GPO	U.S. Government Publishing Office
GRRP	Green Resilient and Retrofit Program
GSA	General Services Administration
GTAS	Governmentwide Treasury Account Symbol Adjusted Trial Balance System

H

H4H	HOPE for Homeowners Loan Guarantee Program
HAG	Homeless Assistance Grants
HAP	Housing Assistance Payment
HCV	Housing Choice Voucher
HCVP	Housing Choice Voucher Programs
HECM	Home Equity Conversion Mortgage
HED	Housing for the Elderly and Disabled
HERA	Housing and Economic Recovery Act of 2008
HET	HUD Efficiency Task Force
HFAs	Housing Finance Agencies
HFI	Held for Investment
HFS	Held for Sale
HMBS	Home Equity Conversion Mortgage-Backed Securities
HOME	HOME Investment Partnerships
HOPE VI	HOPE VI Revitalization Grants
HOPWA	Housing Opportunities for Persons with AIDS
HTF	Housing Trust Fund
HUD	U.S. Department of Housing and Urban Development
HUDCAPS	HUD Central Accounting and Program System
HUGS	HUD Unified Grants System

I

IAA	Interagency Agreement
ICDBG	Indian Community Development Block Grants
IHBG	Indian Housing Block Grant
IIF	Insurance-In-Force
InfoSec	Information Security Program
IRA	Inflation Reduction Act of 2022
IT	Information Technology
IUS	Internal Use Software

L

LGL	Loan Guarantee Liability
LLG	Liability for Loan Guarantees
LLR	Loan Loss Reserve
LOCCS	Line of Credit Control System

M

MBS	Mortgage-Backed Securities
MCA	Maximum Claim Amount
MD&A	Management's Discussion and Analysis
MFDs	Multi-Functional Devices
MIP	Mortgage Insurance Premiums
ML	Machine Learning
MMI	Mutual Mortgage Insurance
MNA	Mortgage Note Assigned
MS HAP	Mainstream Housing Assistance Program
MSS	Master Sub-servicer
MTW	Moving to Work
MX	Modification and Exchange

N

NAHASDA	Title VI of Native American Housing Assistance and Self Determination Act of 1996
NCIS	New Core Interface Solution
NDR	National Disaster Resilience Program
NET	Non-Expenditure Transfers
NHHBG	Native Hawaiian Housing Block Grant
NOFA	Notice of Funding Availability
NSP	Neighborhood Stabilization Program

O

OA	Occupancy Agreements
OASDI	Old-Age, Survivors, and Disability Insurance
OCFO	Office of the Chief Financial Officer
OCIO	Office of the Chief Information Officer
OCPO	Office of the Chief Procurement Officer
OIG	Office of the Inspector General
OIPM	Office of Issuer and Portfolio Management
OLHCHH	Office of Lead Hazard Control and Healthy Homes

APPENDICES (UNAUDITED)

OMB	Office of Management and Budget
ONAP	Office of Native American Programs
ONCRL	Other Non-Credit Reform Loans Receivable
OPM	Office of Personnel Management

P

PBRA	Project-Based Rental Assistance
PBV	Project-Based Vouchers
PD&R	Office of Policy Development and Research
PH	Public Housing
PHA	Public Housing Authorities
P&I	Principal and Interest
PIH	Office of Public and Indian Housing
PII	Personally Identifiable Information
PIIA	Payment Integrity Information Act
PMM	Purchase Money Mortgages
PP&E	Property, Plant, and Equipment
PRA	Section 811 Project Rental Assistance
PRAC	Project Rental Assistance Contract
PRO Housing	Pathways to Removing Obstacles to Housing

R

RAD	Rental Assistance Demonstration
REAC	Real Estate Assessment Center
REO	Real Estate Owned
REMIC	Real Estate Mortgage Investment Conduits
Reverse MFV	Reverse Mortgage Loans, at Fair Value
RNP	Restricted Net Position

S

SBR	Statement of Budgetary Resources
SCNP	Consolidated Statements of Changes in Net Position
S&E	Salaries and Expenses
Section 202	Supportive Housing for the Elderly

Section 811	Supportive Housing for Persons with Disabilities
SEMAP	Section Eight Management Assessment Program
SER	Single Effective Rate
SF-425	Standard Form 425: Federal Financial Report
SFFAS	Statements of Federal Financial Accounting Standards
SHOP	Self Help/Capacity Building, Assisted Homeownership Opportunity Program
SNC	Consolidated Statement of Net Cost
SRI	Special Risk Insurance

T

TA	Technical Assistance
TBRA	Tenant-Based Rental Assistance
TDHE	Tribally Designated Housing Entity
TMC	Top Management Challenges
Treasury	U.S. Department of the Treasury
TSP	Thrift Savings Plan

U

U.S.	United States
USSGL	U.S. Standard General Ledger
UPB	Unpaid Principal Balance
USAO	U.S. Attorney's Office
USDA	U.S. Department of Agriculture's Rural Development Agency

V

VA	Veterans Affairs
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APPENDICES (UNAUDITED)

APPENDIX B: PUBLIC LAW LISTING

Public Law 64-267	Federal Employees' Compensation Act (FECA)	Public Law 106-569	Hawaiian Homelands Homeownership Act of 2000
Public Law 66-215	Civil Service Retirement Act	Public Law 106-569	Manufactured Housing Improvement Act of 2000
Public Law 73-479	National Housing Act of 1934	Public Law 110-289	Housing and Economic Recovery Act of 2008 (HERA)
Public Law 75-412	Housing Act of 1937	Public Law 111-5	American Recovery and Reinvestment Act of 2009
Public Law 86-372	Housing Act of 1959	Public Law 111-203	Dodd-Frank Wall Street Reform and Consumer Protection Act
Public Law 89-174	Department of Housing and Urban Development Act	Public Law 111-352	Government Performance and Results Act Modernization Act of 2010
Public Law 90-448	Housing and Urban Development Act of 1968	Public Law 114-74	Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015
Public Law 93-383	Housing and Community Development Act of 1974	Public Law 117-169	Inflation Reduction Act of 2022
Public Law 93-383	National Manufactured Housing Construction and Safety Standards Act of 1974		
Public Law 96-399	Housing and Community Development Act of 1980		
Public Law 101-508	Federal Credit Reform Act of 1990 (FCRA)		
Public Law 101-625	National Affordable Housing Act of 1990		
Public Law 102-550	Housing and Community Development Act of 1992		
Public Law 102-589	Cash Management Improvement Act Amendments of 1992 (CMIAA)		
Public Law 103-233	Housing and Community Development Amendment of 1978		
Public Law 103-356	Government Management Reform Act of 1994		
Public Law 104-155	Church Arson Prevention Act of 1996		
Public Law 104-330	Native American Housing Assistance and Self Determination Act (NAHASDA) of 1996		

APPENDIX C: TABLE OF WEBSITES

HUD's Resources for Homeowners, Renters, Citizens, and Partners

[Sign up for HUD Email Lists](#)
[HUD Toll-Free Hotlines](#)
[HUD's Local Offices](#)
[HUD's Site Index/Quick Links](#)
[Housing Choice Voucher](#)
[Native American Programs](#)
[Rental Assistance Demonstration](#)
[About Lead Based Paint](#)

Help for Mortgages

[Appraiser Selection by Lender](#)
[Single Family Mortgage Programs](#)
[Technology Open to Approved Lenders \(TOTAL\) Scorecard](#)
[Mortgagee Letters](#)
[Neighborhood Watch](#)

Access for Housing Authorities and other HUD Partners

[eCon Planning Suite](#)
[FHA Connection](#)
[Information for Housing Counselors](#)
[Public and Indian Housing One-Stop Tool for PHAs](#)

Help for Homeowners, Renters, and Citizens

[Owning a Home](#)
[Affordable Apartment Search and HUD Resource Locator](#)
[Buy Versus Rent Calculator](#)
[Fair Market Rent](#)
[FHA Mortgage Limits](#)
[Homeownership Mortgage Calculator](#)
[HUD Approved Condominium Projects](#)
[Housing Counseling Services](#)
[HUD Homes for Sale](#)
[Lender Locator](#)
[Home Affordability Estimator Calculator](#)

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<https://www.hud.gov/rss>



<http://X.com/HUDgov>



<https://www.hud.gov/>



<https://www.youtube.com/user/HUDchannel>

Thank you for your interest in HUD's FY 2025 Agency Financial Report. OCFO welcomes your comments or suggestions on how we can improve this report.



202-708-1946 AgencyFinancialReport@HUD.gov



U.S. Department of Housing and Urban
Development

451 7th Street S.W. Washington, DC 20410

Attention: Chief Financial Officer



To view the report online, please visit the link
below:

[FY 2025 AFR Link](#)

Acknowledgments

This report reflects the talent and dedication of the entire HUD team in service of the American people.

Background photo: Inaugurating Liberty Square with Secretary Turner during its Grand Opening – an event that symbolizes hope, growth, and community.

U.S. Department of Housing and Urban Development



451 7th Street S.W.
Washington, DC 20410



Telephone: 202-402-3815



WWW.HUD.GOV



About the back cover background: Taken during Secretary Turner's tour of a New York City RAD Development. The RAD program helps to preserve and improve affordable housing.