



# ANNUAL PERFORMANCE PLAN

FISCAL YEAR 2008



U.S. Department of Housing  
and Urban Development

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**FISCAL YEAR 2008  
ANNUAL PERFORMANCE PLAN**

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**September 2007**

## How To Use this Document

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The FY 2008 Annual Performance Plan (APP) has been organized to enhance readability and achieve stronger budget integration. It is divided into three sections, plus appendices.

### Section One: Quick Reference

Consult this section to find the key information organized for easy reference. The three elements included are:

- **APP Introduction:** Introduces HUD strategic goals and objectives, and highlights key performance indicators for FY 2008.
- **Table of Indicators:** Provides the full list of HUD FY 2008 performance indicators, with page number references to the detailed descriptions of each measure in Section Three.
- **Budget Resources Tables:** Shows how HUD FY 2008 budget resources are allocated to support each of HUD's six strategic goals.

### Section Two: Means and Strategies

Read this section to discover the way key programs and initiatives will be contributing toward HUD strategic goals in FY 2008.

### Section Three: Performance Indicators

View this section for detailed information about each performance measure including its background, past performance, data sources, and limitations of the data.

### Appendices:

- **Appendix A:** Lists Amendments to the FY 2007 Annual Performance Plan.
- **Appendix B:** Provides summary descriptions of major HUD programs.
- **Appendix C:** Offers detail on the validation/verification of select data sources.

### Related Documents

The APP is closely aligned with HUD's FY 2008 budget request and a number of other documents, which can be reviewed for a deeper understanding of HUD's goals and strategies for the future. The APP is integrated with HUD's FY 2006–2011 Strategic Plan. The FY 2006–2011 Strategic Plan can be viewed at <http://www.hud.gov/offices/cfo/stratplan.cfm>.

HUD's performance on each APP indicator is reported at the end of each fiscal year in the Performance and Accountability Report (PAR). The FY 2006 PAR can be viewed at <http://www.hud.gov/offices/cfo/reports/2006/2006par.cfm>. The FY 2007 PAR will be published on November 15, 2007.

The APP also dovetails with HUD's Human Capital Strategic Plan for FY 2003–2008, and with each program office's Management Plan, which provides operations-level annual goals.

U.S. Department of Housing  
and Urban Development

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**September 2007**



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# MESSAGE FROM SECRETARY JACKSON

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Fiscal Year (FY) 2008 will be an exciting and purposeful time at HUD as the Department continues to meet the challenges of serving this nation's most vulnerable populations under the Department's mission, "To increase homeownership, support community development and increase access to affordable housing free from discrimination." The Department requested \$35.2 billion for FY 2008. To ensure stewardship of these funds, this Annual Performance Plan (APP) sets forth the means and strategies that enable accomplishment of our mission, with performance indicators that measure the results of the assistance provided through HUD programs to families and communities across this great nation.



HUD remains committed to continual outstanding progress in departmental management and operations to ensure maximum program results. The President's Management Agenda (PMA) provides the context within which HUD addresses the management challenges and high-risk programs in order to pursue the mission defined in its Strategic Plan and this APP. Within this framework, HUD continues to strengthen management controls over its administrative resources and core program delivery systems, with positive results. The Department and its partners have much to be proud of and to report. Notable tangible results include the following:

- Removal of HUD from the watch list of high-risk government programs by the Government Accountability Office. This external review confirms HUD's stellar progress and reflects years of diligent work on the part of the entire Department.
- Receipt of a "green" rating for financial performance by the Office of Management and Budget, indicating transparent, accountable, and effective use of financial information to make management decisions. Improvement in financial performance is a top priority effort that the Department undertakes daily, because maintaining credibility in its financial management practices and controls is essential to gaining support and funding for HUD's critically needed housing and community development missions.
- Receipt of unqualified financial audit opinions for the seventh consecutive year, as well as no auditor-reported material internal control weaknesses for the first time. Continued clean financial audit opinions are a notable achievement and providing audits by 45 days after the end of the fiscal year reflects better performance than in most of private industry.
- Recognition for HUD's leadership in expanding E-government by the Congress and the Office of Management and Budget. The E-government initiative of the PMA seeks innovative technological solutions to improve both HUD's internal functions and deliver services to the public more effectively and efficiently. HUD continues to work towards improving the way in which it does business and has been rated "green" by the Office of Management and Budget for its accomplishments. HUD will continue working to provide improved electronic information to the public and its business partners and customers to ensure HUD succeeds in accomplishing its mission.

- Receipt of an A+ on the Federal Information Security Management Act Report Card for the Department's information security efforts by the House Committee on Oversight and Government Reform.
- Full compliance with the Improper Payments Information Act of 2002, which requires federal agencies to annually assess improper payment risks and to measure improper payment levels, and report on progress in reducing those levels. HUD was the first agency to achieve the President's goals for eliminating improper payments, and annually has exceeded its goals for reducing improper payments. The Department has received multiple awards for both use of technology and interagency cooperation for the solution that resulted in our reduced improper payments.

In addition to HUD's demonstrated commitment to efficient and effective administration of public funds, the FY 2008 APP will encompass measuring performance for the following key outcomes:

- Meeting the President's commitment to increase minority homeowners, as well as reducing the homeownership gap between minorities and the non-minorities rate. Although housing trends are currently in flux, HUD projects making further significant contributions to maximizing the national homeownership rate for those interested and ready for homeownership. Additional efforts will target continuing improvements in opportunities for households with incomes less than median family income as well as for central city households.
- Expanding and improving affordable housing opportunities for American families. Approximately 70 percent of requested budget resources provide assistance for approximately 4.8 million units in the current HUD inventory of affordable housing units. Further assistance will be targeted to low income elderly and persons with disabilities, as well as developing additional units of affordable housing through various income targeted HUD programs including HOME, Self-help Homeownership Opportunities Program, and the Community Development Block Grant (CDBG) program.
- Utilizing the more than \$16 billion of supplemental CDBG funding appropriated to assist the Gulf Coast states in recovery from hurricanes Katrina, Rita and Wilma. Recovery of the Gulf Coast region is a priority for HUD. The Department remains committed to assisting the hundreds of thousands of displaced residents of the Gulf Coast region by administering supplemental disaster funding.

- Pending congressional approval, FHA modernization efforts will allow FHA to continue to meet its strategic goals and expand homeownership opportunities. Key components of modernization include: flexible downpayment options, risk-based insurance premium structures, and increasing insurable mortgage amounts while continuing to provide low interest rates and consumer protections. FHA modernization will provide the needed flexibility to address a changing marketplace and reach more prospective buyers while also providing a safe alternative to certain types of non-prime mortgage products containing terms and conditions unfavorable to borrowers.
- Expanding homeownership opportunities for low- and moderate-income families through the Government National Mortgage Association (Ginnie Mae) by channeling global capital into the nation's housing markets. Ginnie Mae's newly-implemented guarantee of securities backed by FHA insured Home Equity Conversion Mortgages will help underserved and elderly borrowers.
- Increasing full access to the nation's housing stock for all Americans through concerted anti-discrimination enforcement and education and outreach efforts, thus providing citizens with a full understanding of their rights and responsibilities under the Fair Housing laws.
- Improving human capital resources, information technology and data security investments, financial reporting, and data and financial systems. Human capital investments will ensure a workforce renown for professional leadership, management, and technical competency. Improved information systems and data reporting will reduce redundant or obsolete systems as well as make for more effective and efficient interactions between HUD employees, business partners, and citizens. Improvements in the financial area will ensure the continuation of clean audits with no material weaknesses, finalize the elimination of all non-compliant financial systems, and further the development of a modernized and integrated HUD-wide financial system.
- Furthering successes in the participation of faith-based and community organizations in public-private partnerships. The FY 2008 faith-based and community organization activities will continue to reflect those activities commensurate with the "getting to green" Office of Management and Budget score achieved in recent years.

Importantly, the FY 2008 budget continues to contain a number of legislative proposals that will allow HUD to administer public funds more effectively, thereby increasing HUD's impact on the residents of this nation's communities. These legislative proposals include the following:

- Modernizing and broadly transforming the Federal Housing Administration program (FHA) to expand homeownership for low and moderate income families;
- Reforming the Housing Choice Voucher and Public Housing programs to help preserve and maximize affordable housing opportunities;
- Reforming the Community Development Block Grant program to better target resources through an improved formula and other related program improvements;
- Consolidating HUD homeless programs into a single, more streamlined program; and
- More equitably distributing the formula funds of the Housing Opportunities for Persons With AIDS program to better assist its beneficiaries with special needs.

Getting off the Government Accountability Office's high-risk list, eliminating auditor-reported material weaknesses, being a leader in the federal government in E-government and in reducing improper payments, and getting to Green on the PMA are all major indications that HUD is a credible steward of the taxpayer's funds. Focusing on measurable results to be achieved through this APP will help ensure the Department's commitment to housing and community development benefits free of discrimination. The Department is proud to work with the Congress and HUD's state, local, non-profit, and for-profit partners to make a real contribution to the lives of individuals, families, and communities all across this nation.

Alphonso Jackson

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# **SECTION ONE**

## *Quick Reference*

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**HUD's Strategic Framework**

**Introduction**

**Table of Indicators**

**Resources Supporting HUD's Goals**

## HUD'S STRATEGIC FRAMEWORK

### HUD's FY 2006–2011 Strategic Framework

	<b>A: Increase homeownership opportunities</b>	<b>B: Promote decent affordable housing</b>	<b>C: Strengthen communities</b>
<b>Programmatic Strategic Goals</b>	<p>A1: Expand national homeownership opportunities.</p> <p>A2: Increase minority homeownership.</p> <p>A3: Make the homebuying process less complicated and less expensive.</p> <p>A4: Reduce predatory lending through reform, education, and enforcement.</p> <p>A5: Help HUD-assisted renters become homeowners.</p> <p>A6: Keep existing homeowners from losing their homes.</p>	<p>B1: Expand access to and availability of decent, affordable rental housing.</p> <p>B2: Improve the management accountability and physical quality of public and assisted housing.</p> <p>B3: Improve housing opportunities for the elderly and persons with disabilities.</p> <p>B4: Promote housing self-sufficiency.</p> <p>B5: Facilitate more effective delivery of affordable housing by reforming public housing and the Housing Choice Voucher program.</p>	<p>C1: Assist disaster recovery in the Gulf Coast region.</p> <p>C2: Enhance sustainability of communities by expanding economic opportunities.</p> <p>C3: Foster a suitable living environment in communities by improving physical conditions and quality of life.</p> <p>C4: End chronic homelessness and move homeless families and individuals to permanent housing.</p> <p>C5: Address housing conditions that threaten health.</p>
<b>Cross-Cutting Strategic Goals</b>	<b>D: Ensure equal opportunity in housing</b>		
	<p>D1: Ensure access to a fair and effective administrative process to investigate and resolve complaints of discrimination.</p> <p>D2: Improve public awareness of rights and responsibilities under fair housing laws.</p> <p>D3: Improve housing accessibility for persons with disabilities.</p> <p>D4: Ensure that HUD-funded entities comply with fair housing and other civil rights laws.</p>		
	<b>E: Embrace high standards of ethics, management, and accountability</b>		
	<p>E1: Strategically manage HUD's human capital to increase employee satisfaction and improve HUD performance.</p> <p>E2: Improve HUD's management and internal controls to ensure program compliance and resolve audit issues.</p> <p>E3: Improve accountability, service delivery, and customer service of HUD and its partners.</p> <p>E4: Capitalize on modernized technology to improve the delivery of HUD's core business functions.</p>		
	<b>F: Promote participation of faith-based and community organizations</b>		
<p>F1: Reduce barriers to faith-based and community organizations' participation in HUD-sponsored programs.</p> <p>F2: Conduct outreach and provide technical assistance to strengthen the capacity of faith-based and community organizations to attract partners and secure resources.</p> <p>F3: Encourage partnerships between faith-based/community organizations and HUD grantees and subgrantees.</p>			

## INTRODUCTION

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The FY 2008 APP reflects HUD's continuing commitment to inform the American people, the Congress, its partners and employees about the mission, goals, and work the Department seeks to accomplish, as well as the ways that HUD will measure performance and implement improvements in FY 2008. The APP is fully integrated with the Department's Strategic Plan for fiscal years 2006–2011. The mission statement and the six Strategic Goals of the Department are integral parts of both of these documents, reflecting and helping to ensure the continuity of HUD's policies and operations.

There are a number of different but related processes involving performance measurement. In recent years the President's Management Agenda (PMA) and the Program Assessment Rating Tool (PART) have been added to HUD's performance management structure. Nearly all of the Department's programs have received PART reviews, and with the PMA in place for several years now, HUD's performance measurement processes are increasingly synchronized. These efforts are now becoming more focused on better indicators, particularly outcome indicators, and on streamlining the overall effort. In succeeding years, this synchronization will continue to produce a clearer, more consistent, and even more effective approach to measuring the results of the Department's programs.

The Department has made every effort to present its plans in a clear manner and to establish goals and individual performance indicators that capture the real results of the Department's efforts, both outputs and significant outcomes. In addition, HUD is committed to improving its data and measurements to provide a clearer picture of the performance of its programs.

- Included in this Quick Reference section is a table displaying budget resources broken out by strategic goal.
- The next section explains the general means and strategies that enable the Department to accomplish the goals in this APP.
- The final section of the APP details the performance indicators, with explanations, by strategic goal.
- The document includes appendices that describe revisions to the FY 2007 APP, brief descriptions of selected HUD programs, and a discussion of data issues related to the APP.

The overall discussions and individual performance indicators also address the ways that HUD works with other federal agencies to achieve important outcomes, as well as the external factors that affect the degree of control that the Department has in attaining outcomes. These external factors can vary greatly from indicator to indicator.

The Department welcomes any comments or questions that may arise and these can be addressed to the Department's Office of the Chief Financial Officer, Mr. James Martin, at (202) 708-1946.



## Goal A: Increase Homeownership Opportunities

### Strategic Objectives:

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#### **A1. Expand national homeownership opportunities.**

HUD has many programs that actively help increase homeownership opportunities. HUD's Federal Housing Administration, which is the largest insurer of mortgages in the world and a key HUD program for advancing homeownership, has insured more than 34.2 million single-family mortgages since its inception in 1934. The Department is proposing important legislative reforms for the Federal Housing Administration (FHA) program to enhance its impact.

#### **A2. Increase minority homeownership.**

The homeownership rate for minorities remains approximately 25 percentage points below the homeownership rate for non-minority households. This objective reflects HUD's specific commitment to reducing this imbalance over the long term, particularly through the presidential initiative to add 5.5 minority homeowners by the end of 2010.

#### **A3. Make the homebuying process less complicated and less expensive.**

Under this strategic objective, HUD will work with the housing community and federal and state agencies to further consumer-friendly efforts to improve the settlement process.

#### **A4. Reduce predatory lending through reform, education and enforcement.**

Predatory lending practices in the homeownership finance market involve deception or fraud, manipulating the borrower through aggressive sales tactics, or taking unfair advantage of a borrower's lack of understanding of loan terms. HUD is committed to working with other federal and state agencies and to vigorously enforcing the Real Estate Settlement Procedures Act and the Fair Housing Act in order to reduce predatory lending practices.

#### **A5. Help HUD-assisted renters become homeowners.**

In recent years HUD has strengthened efforts in this area because HUD programs are assisting approximately 4.8 million renter households. The Department is committed to helping more HUD-assisted renters become homeowners by providing greater flexibility for public housing agencies and by expanding use of Housing Choice Vouchers for homeownership. Several other HUD programs, including previously appropriated rounds of HOPE VI, further contribute to expanded homeownership opportunities.

#### **A6. Keep existing homeowners from losing their homes.**

HUD is supporting homeowners in maintaining their homeownership status through housing counseling and foreclosure prevention activities.

## Goal B: Promote Decent Affordable Housing

### Strategic Objectives:

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#### **B1. Expand access to and availability of decent, affordable rental housing.**

This strategic objective captures HUD's efforts in maintaining over 4.8 million units of public and assisted housing, as well as increasing affordable housing opportunities through the HOME Investment Partnerships, Housing Opportunities for Persons With AIDS, FHA multifamily, and other HUD rental assistance programs. Also important is the targeting of HUD assistance to persons and families with very low, and low- and moderate-incomes.

#### **B2. Improve the management accountability and physical quality of public and assisted housing.**

This objective continues to stress improving the quality of HUD's public and assisted housing and also focuses on management accountability. These efforts will increase the availability of affordable rental units.

#### **B3. Improve housing opportunities for the elderly and persons with disabilities.**

This strategic objective focuses on HUD's efforts to promote community-based living opportunities, where appropriate, and to make supportive services available to residents of rental housing to enable them to live as independently as possible. The Section 202 and Section 811 programs support these efforts, as does additional assistance provided through HUD's public housing and voucher programs.

#### **B4. Promote housing self-sufficiency.**

This objective reflects the Department's efforts to maximize the role of public and assisted housing as a springboard to advance families who are ready to move toward self-sufficiency, new affordable rental housing, and homeownership opportunities. Achieving this objective accomplishes important outcomes for families and stretches limited budget resources.

#### **B5. Facilitate more effective delivery of affordable housing by reforming public housing and the Housing Choice Voucher program.**

This objective focuses on proposed regulatory and statutory changes that will improve the efficiency, effectiveness, and long-term sustainability of public housing and the Housing Choice Voucher program. It includes a transition to asset-based management for Public Housing Agencies (PHAs) and proposed legislative reforms. These reforms would simplify housing delivery, give PHAs greater flexibility while requiring more accountability, make limited budget resources more effective, lessen intrusion into families' lives, and encourage tenant work contributions.

## Goal C: Strengthen Communities

### Strategic Objectives:

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#### **C1. Assist disaster recovery in the Gulf Coast region.**

This strategic objective reflects the need to address the unprecedented impact of the hurricanes in the Gulf Coast region in 2005. Congress has provided substantial supplemental HUD disaster funding to aid in the reconstruction of affected communities. HUD will ensure that families have equal opportunity in housing.

#### **C2. Enhance sustainability of communities by expanding economic opportunities.**

This strategic objective relates to how HUD's community and economic development programs help strengthen and improve economic conditions in distressed communities. The core program supporting this objective is the Community Development Block Grant (CDBG) program. Proposed reforms will better target resources and increase the measurable impact of the program.

#### **C3. Foster a suitable living environment in communities by improving physical conditions and quality of life.**

This strategic objective involves a range of HUD programs that target funds to address quality-of-life issues in low-income communities and households. Efforts are focused on improving public services and amenities, providing safe, clean streets and adequate infrastructure, and eliminating blight.

#### **C4. End chronic homelessness and move homeless families and individuals to permanent housing.**

HUD is committed, through its Continuum of Care programs, to ending chronic homelessness and reducing overall homelessness. The Department is proposing legislative reforms to increase its impact in this area. HUD's emphasis on chronic homelessness will ultimately free up resources for broader homeless reduction efforts. This objective also includes the housing stability and increased access to care outcomes of the Housing Opportunities for Persons With AIDS program, which will be further aided by a HUD-proposed legislative formula improvement for this program.

#### **C5. Address housing conditions that threaten health.**

This strategic objective continues the focus on safe housing stock as a critical precondition for safe, livable communities. The Department is committed to eliminating the poisoning of children by lead-based paint and has achieved notable successes to date. This objective addresses health and hazard issues that exist in housing, and covers research to improve housing construction and resist natural disasters.

## Goal D: Ensure Equal Opportunity in Housing

### Strategic Objectives:

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**D1. Ensure access to a fair and effective administrative process to investigate and resolve complaints of discrimination.**

HUD is responsible for enforcement of the Fair Housing Act and for ensuring that HUD programs promote fair housing and comply with civil rights laws.

**D2. Improve public awareness of rights and responsibilities under fair housing laws.**

Heightened public awareness is key to accomplishing greater compliance with fair housing laws. It can also result in increased willingness of victims to report discrimination and expanded availability of housing to all.

**D3. Improve housing accessibility for persons with disabilities.**

This strategic objective reflects a concerted effort by HUD to reduce barriers that limit the housing options for persons with disabilities and create more accessible units.

**D4. Ensure that HUD-funded entities comply with fair housing and other civil rights laws.**

Title VI of the Fair Housing Act requires federal agencies to ensure that their programs provide equal opportunity in housing. This strategic objective focuses on the cross-cutting nature of fair housing issues and invigorates the Department's compliance enforcement activities, including accessibility of housing for persons with disabilities under Section 504.

## Goal E: Embrace High Standards of Ethics, Management, and Accountability

### Strategic Objectives:

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**E1. Strategically manage HUD's human capital to increase employee satisfaction and improve HUD performance.**

This strategic objective highlights the opportunity to invest in and make HUD's workforce even more effective and valuable. The Government Accountability Office has recognized human resource issues as a government-wide challenge. HUD views it as an opportunity to address issues such as retention, training and recruitment. The effort reflects HUD's implementation of its Strategic Human Capital Management Plan.

**E2. Improve HUD’s management and internal controls to ensure program compliance and resolve audit issues.**

This strategic objective remains centered on continuous improvement of the organization and its functions, with a focus on financial systems and financial performance, as well as program operations and compliance. The objective strengthens HUD’s ability to prevent fraud, waste and abuse, to solve remaining audit findings, and to further improve overall departmental performance.

**E3. Improve accountability, service delivery, and customer service of HUD and its partners.**

This strategic objective reflects HUD’s extensive use of the partnership model as a fundamental aspect of the Department’s operations. HUD’s partners include state and local governments, non-profit and for profit organizations, and other federal agencies, as well as Congress, for developing the course of departmental policies and providing budget resources. Desired management improvements and accountable, measurable performance improvements must both be developed in conjunction with and accomplished through the actions of our partners.

**E4. Capitalize on modernized technology to improve the delivery of HUD’s core business functions.**

This strategic objective captures the importance of information technology in a modern society and in improving government operations and results. The objective aims to continue modernization improvements that are reflected in operational improvements by the Department and in quantifiable benefits tied to specific strategic investments.

**Goal F: Promote Participation of Faith-Based and Community Organizations****Strategic Objectives:**

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**F1. Reduce barriers to faith-based and community organizations’ participation in HUD-sponsored programs.**

This objective continues the successful work in recent years to “open doors” to advance and maximize the participation of faith-based and community organizations in HUD-sponsored programs. HUD has essentially removed existing regulatory barriers to participation and will continue to identify and eliminate any remaining barriers that might influence further participation.

**F2. Conduct outreach and provide technical assistance to strengthen the capacity of faith-based and community organizations to attract partners and secure resources.**

This objective reflects ongoing outreach efforts to faith-based and other community organizations to provide information, training, technical assistance and capacity building so that there is open opportunity for these organizations to participate in HUD-sponsored programs. Participation by faith-based and other community organizations will continue to contribute to further increasing the results of HUD's programs.

**F3. Encourage partnerships between faith-based community organizations and HUD grantees and subgrantees.**

This objective builds on and expands the accomplishments to date of faith-based and community organizations, such as projects working with selected mayors and cities. Continued and expanded efforts will include pilot projects that HUD will analyze in order to provide successful models and policies that HUD and its partners can further utilize and build upon.

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B1.9: Implement Phase II of HUD’s plan for increasing the energy performance and reducing utility costs in HUD-supported housing.	108

B1.10: Improve the utilization rate of Housing Choice Voucher funding to 97 percent by Calendar Year 2011.	110
<b>Objective B2: Improve the management accountability and physical quality of public and assisted housing.</b> .....	<b>111</b>
B2.1: Reduce the average number of observed exigent deficiencies per property for substandard multifamily housing properties by 5 percent.	111
B2.2: The share of public housing units that meet HUD established physical inspection standards will be 85 percent.	112
B2.3: The share of assisted and insured privately owned multifamily properties that meet HUD-established physical standards are maintained at no less than 95 percent.	114
B2.4: Key measures under the Public Housing Assessment System including (a) the unit-weighted average score, (b) observed exigent deficiencies per property among PHAs that are designated as troubled and have five or more deficiencies per property for public housing, and (c) the share of units that have functioning smoke detectors.	114
B2.5: For households living in assisted and insured privately owned multifamily properties, the share of properties that meets HUD's financial management compliance is maintained at no less than 98 percent.	116
B2.6: The percent of public housing units under management of troubled housing agencies.	117
B2.7: The proportion of the Housing Choice Voucher Program funding administered by troubled housing agencies.	118
B2.8: The HOPE VI Revitalization program for public housing relocates 300 households, demolishes 980 units, completes 4,979 new and rehabilitated units, and occupies 4,562 units.	118
B2.9: Ensure that unit production of HOPE VI projects is completed on average within 7.76 years from the grant agreement execution, and unit production for 89 grants awarded from FY 1993 through FY 2004.	119
B2.10: The HOPE VI Program will leverage \$650 million of other financing.	120
B2.11: Approve \$50 million of leveraged funds through the Capital Fund Financing Program.	121
B2.12: Ensure 10 percent of PHAs have realistic emergency preparedness plans in place.	121
<b>Objective B3: Improve housing opportunities for the elderly and persons with disabilities. . .</b>	<b>122</b>
B3.1: Increase the availability of affordable housing for the elderly and persons with disabilities by bringing 4,000 Section 202 units (100 projects) and 1,100 Section 811 units (100 projects) to initial closing.	122
B3.2: The number of elderly households living in private assisted housing developments served by a service coordinator is maintained at the FY 2007 level.	123
B3.3: For both Section 202 and Section 811, at least 70 percent of projects that are initially closed in FY 2008 will have completed the process within 24 months; and, of these, 25 percent will have completed the process within 18 months.	123
B3.4: The number of Section 202 units serving the elderly and Section 811 units serving persons with disabilities is maintained for each program at 98 percent of those at the FY 2007 level, excluding new units that are added to the inventory.	124
<b>Objective B4: Promote housing self-sufficiency.....</b>	<b>124</b>
B4.1: By FY 2008, increase the proportion of those who transition from HUD's public housing and Housing Choice Voucher programs by 20 percent and decrease the proportion of active participants who have been in HUD's housing assistance programs for 10 years or more by 10 percent.	124

B4.2: The number of residents counseled through the Resident Opportunity and Self Sufficiency program in homeownership readiness will increase by 209, and the number of counseled residents who purchased homes will increase by 19 during FY 2008. 125

**Objective B5: Facilitate more effective delivery of affordable housing by reforming public housing and the Housing Choice Voucher program. .... 126**

B5.1: Implement changes based on completed analysis of the Section Eight Management Assessment Program and development of a more accurate and efficient assessment tool. 126

B5.2: Asset-based accounting will be implemented in 99 percent of PHAs by FY 2008. 127

B5.3: Asset management will be implemented in 5 percent of PHAs with 250 or more units by FY 2008. 127

**Objective C1: Assist disaster recovery in the Gulf Coast region. .... 129**

C1.1: Assist disaster recovery in the Gulf Coast Region. 129

C1.2: CDBG disaster recovery funds will be used to make homeowner compensation payments to 130,000 households in Louisiana and Mississippi by September 2008. 130

C1.3: Facilitate restoration and enhancement of infrastructure throughout the Gulf Coast. 130

**Objective C2: Enhance sustainability of communities by expanding economic opportunities. 131**

C2.1: A total of 52,409 jobs will be created or retained through CDBG. 131

C2.2: Increase economic opportunity through the use of CDBG funds in communities that have unemployment rates above the national unemployment rate. 133

C2.3: The share of CDBG entitlement funds that benefit low- and moderate-income persons remains at or exceeds 92 percent. 134

C2.4: The share of state CDBG funds that benefit low- and moderate-income persons remains at or exceeds 96 percent. 134

C2.5: Propose legislation to reform the CDBG formula and authorize bonus funds, then implement the reforms when passed. 135

C2.6: Renewal Communities and Urban Empowerment Zones expand economic opportunity in communities characterized by pervasive poverty, unemployment, and general distress. 135

C2.7: Conduct monitoring and compliance reviews or provide technical assistance under Section 3 to 20 housing authorities and other recipients of HUD financial assistance. 137

C2.8: HUD will monitor recipients' efforts to create training, employment, and contracting opportunities at Section 3-covered projects for qualifying low- and very-low-income residents and Section 3 businesses by increasing the proportion of recipient agencies submitting HUD Form 60002 by 10 percentage points. 137

**Objective C3: Foster a suitable living environment in communities by improving physical conditions and quality of life. .... 138**

C3.1: At least 35 percent of single-family mortgages endorsed for insurance by FHA are in underserved communities. 138

C3.2: The share of multifamily properties insured by FHA in underserved areas is maintained at 33 percent of initial endorsements. 139

C3.3: HUD will continue to monitor and enforce Fannie Mae's and Freddie Mac's performance in meeting or surpassing HUD-defined geographic targets for mortgage purchases in underserved areas. 140

C3.4: Median loan amounts as reported in Home Mortgage Disclosure Act data will increase in 10 percent of the CDBG Neighborhood Revitalization Strategy Areas that have concentrated community development investments. 141

C3.5: Eliminate the blighting influence of 5,000 vacant, boarded up, or abandoned properties by the end of FY 2008. 142

C3.6: FHA mortgage insurance enables at least seven hospitals to obtain affordable financing for construction or modernization projects. 143

**Objective C4: End chronic homelessness and move homeless families and individuals to permanent housing..... 143**

C4.1: At least 415 Continuum of Care communities will have a functional Homeless Management Information System by FY 2008. 143

C4.2: The percentage of formerly homeless individuals who remain housed in HUD permanent housing projects for at least 6 months will be at least 71.5 percent. 144

C4.3: The percentage of homeless persons who have moved from HUD transitional housing into permanent housing will be at least 63.5 percent. 145

C4.4: The employment rate of persons exiting HUD homeless assistance projects will be 19 percent. 146

C4.5: Create 4,000 new permanent housing beds for chronically homeless persons. 146

C4.6: The percentage of Housing Opportunities for Persons With AIDS program clients who maintain housing stability, avoid homelessness, and access care will reach 80 percent by 2008. 147

C4.7: Overcrowded households in Indian Country shall be reduced by one percent. 148

**Objective C5: Address housing conditions that threaten health ..... 149**

C5.1: The share of units that have functioning smoke detectors and are in buildings with functioning smoke detectors will be 92.8 percent or greater for multifamily housing. 149

C5.2: The number of children under the age of six who have elevated blood lead levels will be less than 220,000 in 2008. 150

C5.3: As part of a 10-year effort to eradicate lead hazards, the Lead Hazard Control Grant programs will make 11,500 units lead safe in FY 2008. 151

C5.4: At least 787 housing units will have a reduction in allergen levels in FY 2008 through interventions using healthy homes principles. 152

C5.5: As part of a 10-year effort to eradicate lead hazards, 9,600 units will be made lead safe in FY 2008 pursuant to enforcement of the Department’s lead safety regulations. 153

C5.6: By September 30, 2008, HUD will establish fully operational dispute resolution and installation programs in HUD-administered states. 155

**Objective D1: Ensure access to a fair and effective administrative process to investigate and resolve complaints of discrimination. .... 156**

D1.1: HUD will close 65 percent of fair housing complaints in 100 days, excluding recommended cause, pattern and practice, and systemic complaints. 156

D1.2: Fair Housing Assistance Program agencies will close 53 percent of fair housing complaints referred by HUD in 100 days, excluding recommended cause and systemic complaints. 157

D1.3: In order to increase the nation’s capacity to provide coordinated enforcement of fair housing laws, certify two new substantially equivalent agencies under the Fair Housing Act. 157

D1.4: By the end of FY 2008, at least 350 fair housing professionals will receive training (training “weeks 1-4”) at the National Fair Housing Training Academy, and a cumulative number of 300 fair housing professionals will receive certificates of completion to ensure effective, efficient, and consistent complaint investigations.	158
<b>Objective D2: Improve public awareness of rights and responsibilities under fair housing laws.</b>	<b>159</b>
D2.1: Recipients of Fair Housing Initiative Program education and outreach grants will hold at least 300 public events, to include outreach to faith-based and grassroots organizations, reaching at least 180,000 people.	159
<b>Objective D3: Improve housing accessibility for persons with disabilities.</b>	<b>160</b>
D3.1: HUD will conduct 80 Section 504 disability compliance reviews or formal Voluntary Compliance Agreement monitoring reviews of HUD recipients and take appropriate corrective action.	160
D3.2: Increase the number of HUD-assisted units made accessible as a result of Voluntary Compliance Agreements.	161
<b>Objective D4: Ensure that HUD-funded entities comply with fair housing and other civil rights laws.</b>	<b>161</b>
D4.1: HUD program offices will conduct limited civil rights monitoring reviews of HUD-funded entities and make referrals to the Office of Fair Housing and Equal Opportunity for review and appropriate action.	161
D4.2: Conduct 57 compliance reviews or formal monitoring reviews of Voluntary Compliance Agreements, either exclusively or concurrently under Title VI and Section 109, and take appropriate corrective action.	162
<b>Objective E1: Strategically manage HUD’s human capital to increase employee satisfaction and improve HUD performance.</b>	<b>163</b>
E1.1: HUD will reduce mission critical skill gaps by reducing targeted competency gaps by 50 percent in its four core business program offices: Public and Indian Housing; Housing; Community Planning and Development; and Fair Housing and Equal Opportunity.	163
E1.2: HUD will reduce mission critical skill gaps by 25 percent in the identified leadership and management competency of the Management Competency plan.	164
E1.3: Eighty percent of HUD fellows and interns are retained and targeted for mission-critical positions in HUD offices.	164
E1.4: HUD employees continue to become increasingly satisfied with the Department’s performance and work environment.	165
E1.5: Resource Estimation and Allocation Process, the Total Estimation and Allocation Mechanism, and the Corrective Action Plan System will complete five milestones in support of strategic human capital management.	166
<b>Objective E2: Improve HUD’s management and internal controls to ensure program compliance and resolve audit issues.</b>	<b>167</b>
E2.1: Sustain progress in eliminating non-compliant financial management systems.	167
E2.2: Ensure timely management decisions and final actions on audit recommendations by the HUD Office of Inspector General.	168
E2.3: HUD financial statements receive an unqualified audit opinion.	169
E2.4: HUD will conduct training and exercise the Continuity of Operations Program.	170

E2.5: The Accelerated Claim and Asset Disposition demonstration program (Section 601) will exceed the rate of net recovery received through the conveyance program on the sale of single family assets.	170
E2.6: Use the structure established by Vision 2010 and the Department’s enterprise architecture transition strategy to modernize HUD’s business and information management environment, maintain well-managed information technology investments, and promote collaboration between business mission areas.	172
E2.7: HUD will meet specified information technology-related security requirements.	173
E2.8: The share of completed CDBG activities for which grantees satisfactorily report accomplishments is maintained at 94 percent.	174
E2.9: The share of HOME-assisted rental units for which occupancy information is reported shall be at least 90 percent.	175
E2.10: A minimum of 20 percent of active CPD program grantees will be monitored for compliance with statutory and regulatory requirements.	175
E2.11: The Office of the Chief Information Officer will perform Data Management Maturity assessments of four major HUD information systems and report on their level of maturity.	176
E2.12: Respond to 2,000 inquiries, complaints and subdivision registrations related to the Interstate Land Sales Full Disclosure Act.	177
E2.13: By the end of FY 2013, HUD will have an enterprise-wide financial management system that is compliant with all laws and regulations.	178
<b>Objective E3: Improve accountability, service delivery, and customer service of HUD and its partners.</b>	<b>179</b>
E3.1: HUD partners become more satisfied with the Department’s performance, operations, and programs.	179
E3.2: At least 85 percent of key users (including researchers, state and local governments, and private industry) will be satisfied with the quality and usefulness of the Office of Policy Development and Research work products.	180
E3.3: More than 6.2 million files related to housing and community development topics will be downloaded from the Office of Policy Development and Research’s website.	181
E3.4: One hundred percent of HUD Grantees in competitive programs will have moved to performance-based management and program evaluation through use of the eLogic Model.	182
E3.5: Ensure appropriate use of funds among 100 percent of Fair Housing Initiatives Program and the Fair Housing Assistance Program grantees in compliance with cooperative and grant agreements.	183
E3.6: The FHA Mutual Mortgage Insurance fund meets congressionally mandated capital reserve targets.	183
<b>Objective E4: Capitalize on modernized technology to improve the delivery of HUD’s core business functions.</b>	<b>184</b>
E4.1: The rate of program errors and improper payments in HUD’s rental housing assistance programs will continue to be reduced.	184
E4.2: PHAs will submit accurate tenant characteristics data on 97 percent of the households in accordance with established time frames and 95 percent of the required financial statements on a timely basis.	187
E4.3: By taking aggressive civil or administrative enforcement actions, the Departmental Enforcement Center will assist the Office of Housing maintain the insured and/or assisted Multifamily housing properties in physically acceptable condition by closing 80 percent of the physical referral cases in the Departmental Enforcement Center as of October 1, 2007, by September 30, 2008.	188

**Objective F1: Reduce barriers to faith-based and community organizations’ participation in HUD-sponsored programs. .... 189**

F1.1: The Center for Faith-Based and Community Initiatives will measure the participation of faith-based and community organizations, through new and past relationships with public-private partners and through the Department’s SuperNOFA process for FY 2008 compared to FY 2007. 189

**Objective F2: Conduct outreach and provide technical assistance to strengthen the capacity of faith-based and community organizations to attract partners and secure resources..... 190**

F2.1: Comprehensive outreach programs are conducted for faith-based and community organizations throughout the nation to increase partnerships and provide information on HUD programs and resources. 190

**Objective F3: Encourage partnerships between faith-based/community organizations and HUD grantees and subgrantees. .... 191**

F3.1: The Center for Faith-based and Community Initiatives will work cooperatively with the HUD program offices to build and expand partnerships between Faith-based and Community Organizations and our traditional local grantees and sub-grantees. 191

## RESOURCES SUPPORTING HUD'S MISSION

### Summary of Resources By Strategic Goal

*Budget Authority (BA) and Salaries and Expenses (S&E) are in thousands of dollars. Full Time Equivalents (FTE) represent the number of paid positions.*

	2006 Actual	2007 Approp.	2008 Request
<b>Strategic Goal A: Increase Homeownership Opportunities</b>			
Discretionary BA	\$3,184,087	\$3,119,769	\$2,614,622
FTE	1,142	1,189	1,162
S&E Cost	\$124,503	\$130,065	\$133,733
<b>Strategic Goal B: Promote Decent Affordable Housing</b>			
Discretionary BA	\$24,449,640	\$25,430,726	\$25,215,898
FTE	2,948	2,888	2,817
S&E Cost	\$317,726	\$315,636	\$328,639
<b>Strategic Goal C: Strengthen Communities</b>			
Discretionary BA	\$21,490,254	\$4,734,080	\$4,254,608
FTE	795	797	815
S&E Cost	\$79,631	\$87,505	\$94,261
<b>Strategic Goal D: Ensure Equal Opportunity in Housing</b>			
Discretionary BA	\$46,040	\$46,040	\$45,500
FTE	565	559	570
S&E Cost	\$60,201	\$59,777	\$66,319
<b>Strategic Goal E: Embrace High Standards of Ethics, Management, and Accountability</b>			
Discretionary BA	\$4,729,209	\$4,947,580	\$4,983,105
FTE	3,306	3,275	3,508
S&E Cost	\$773,491	\$846,566	\$897,182
<b>Strategic Goal F: Promote Participation of Faith-Based and Community Organizations</b>			
FTE	8	8	8
S&E Cost	\$1,725	\$1,508	\$1,865
<b>Total Resources</b>			
Total BA	\$53,899,230	\$38,278,195	\$37,113,733
FTE	8,764	8,716	8,880
S&E Cost	\$1,357,277	\$1,441,057	\$1,521,729

Fiscal Year 2006 Discretionary BA includes supplemental disaster funding totaling \$17,063,300. FTEs and S&E are not included in the Total Resources for the Inspector General's office and the Office of Federal Housing Enterprise Oversight because each has independent budget presentations. S&E and FTEs for the Working Capital Fund are reflected as part of the overall resources.

## Strategic Goal A: Increase Homeownership Opportunities.

*Budget Authority (BA) and Salaries and Expenses (S&E) are in thousands of dollars. Full Time Equivalents (FTE) represent the number of paid positions.*

	2006 Actual	2007 Approp.	2008 Request	2007 vs. 2008
<b>Office of Public and Indian Housing</b>				
<b>Tenant-Based Rental Assistance</b>				
Discretionary BA	\$1,580,822	\$1,592,000	\$1,600,000	\$8,000
FTE	79	78	48	-30
S&E Cost	\$9,035	\$9,058	\$6,016	-\$3,042
<b>Project-Based Rental Assistance</b>				
Discretionary BA	\$20,313	\$20,313	\$16,671	-\$3,642
<b>Native American Housing Block Grants</b>				
Discretionary BA	\$280,665	\$280,665	\$282,134	\$1,469
FTE	62	62	61	-1
S&E Cost	\$7,080	\$7,305	\$7,505	\$200
<b>Indian Housing Loan Guarantee Fund</b>				
Discretionary BA	\$3,960	\$6,000	\$7,450	\$1,450
FTE	24	24	23	-1
S&E Cost	\$2,786	\$2,862	\$2,918	\$56
<b>Native Hawaiian Loan Guarantee Fund</b>				
Discretionary BA	\$891	\$891	\$1,044	\$153
FTE	1	1	1	0
S&E Cost	\$52	\$62	\$58	-\$4
<b>Native Hawaiian Housing Block Grant</b>				
Discretionary BA	\$8,727	\$8,727	\$5,940	-\$2,787
FTE	1	1	1	0
S&E Cost	\$30	\$37	\$31	-\$6
<b>Revitalization of Severely Distressed Public Housing</b>				
Discretionary BA	\$29,700	\$29,700	-\$29,700	-\$59,400
FTE	23	24	23	-1
S&E Cost	\$2,659	\$2,757	\$2,913	\$156
<b>PIH TOTAL</b>				
Discretionary BA	\$1,925,078	\$1,938,296	\$1,883,539	-\$54,757
FTE	189	189	156	-33
S&E Cost	\$21,612	\$22,044	\$19,410	-\$2,634

*Budget Authority (BA) and Salaries and Expenses (S&E) are in thousands of dollars. Full Time Equivalents (FTE) represent the number of paid positions.*

	2006 Actual	2007 Approp.	2008 Request	2007 vs. 2008
<b>COMMUNITY PLANNING AND DEVELOPMENT</b>				
<b>Community Development Block Grants</b>				
Discretionary BA	\$417,780	\$377,199	\$303,657	-\$73,542
FTE	30	29	28	-1
S&E Cost	\$4,481	\$3,191	\$3,266	\$75
<b>HOME Investment Partnership Program</b>				
Discretionary BA	\$456,885	\$456,885	0	-\$456,885
FTE	36	37	0	-37
S&E Cost	\$5,358	\$4,067	0	-\$4,067
<b>Self-Help Homeownership Opportunity Program</b>				
Discretionary BA	\$60,390	\$19,800	\$39,700	\$19,900
FTE	5	5	5	0
S&E Cost	\$744	\$550	\$583	\$33
<b>CPD TOTAL</b>				
Discretionary BA	\$935,055	\$853,884	\$343,357	-\$510,527
FTE	71	71	33	-38
S&E Cost	\$10,583	\$7,808	\$3,849	-\$3,959
<b>OFFICE OF HOUSING</b>				
<b>FHA-GI/SRI</b>				
Discretionary BA	\$20,184	\$20,068	\$20,942	\$874
FTE	72	70	75	5
S&E Cost	\$7,584	\$7,424	\$8,305	\$881
<b>FHA-MMI/CHMI</b>				
Discretionary BA	\$276,751	\$277,985	\$292,393	\$14,408
FTE	650	665	679	14
S&E Cost	\$66,528	\$70,254	\$75,143	\$4,889
<b>Housing Counseling Assistance</b>				
Discretionary BA	[\$31,421]	[\$31,715]	\$39,381	\$39,381
FTE	71	77	89	12
S&E Cost	\$7,141	\$7,974	\$9,817	\$1,843
<b>Interstate Land Sales (and RESPA)</b>				
FTE	25	33	43	10
S&E Cost	\$3,289	\$4,086	\$5,547	\$1,461
<b>HOUSING TOTAL</b>				
Discretionary BA	\$296,935	\$298,053	\$352,716	\$54,663
FTE	818	845	886	41
S&E Cost	\$84,542	\$89,738	\$98,812	\$9,074

<i>Budget Authority (BA) and Salaries and Expenses (S&amp;E) are in thousands of dollars. Full Time Equivalents (FTE) represent the number of paid positions.</i>	2006 Actual	2007 Approp.	2008 Request	2007 vs. 2008
<b>GNMA</b>				
Mortgage-Backed Securities				
Discretionary BA	\$5,297	\$8,474	\$8,560	\$86
FTE	33	54	57	3
S&E Cost	\$3,973	\$6,518	\$7,622	\$1,103
<b>OFFICE OF POLICY DEVELOPMENT AND RESEARCH</b>				
Discretionary BA	\$21,722	\$21,062	\$26,450	\$5,388
FTE	31	30	30	0
S&E Cost	\$3,793	\$3,957	\$4,040	\$83
<b>Total for Strategic Goal A</b>				
Discretionary BA	\$3,184,087	\$3,119,769	\$2,614,622	-\$505,147
FTE	1,142	1,189	1,162	-27
S&E Cost	\$124,503	\$130,065	\$133,733	\$3,668
<b>OFFICE OF FEDERAL HOUSING ENTERPRISE OVERSIGHT</b>				
FTE	226	256	259	+3
S&E Cost	\$60,000	\$62,000	\$66,000	+\$4,000

## Strategic Goal B: Promote Decent Affordable Housing.

*Budget Authority (BA) and Salaries and Expenses (S&E) are in thousands of dollars. Full Time Equivalents (FTE) represent the number of paid positions.*

	2006 Actual	2007 Approp.	2008 Request	2007 vs. 2008
<b>OFFICE OF PUBLIC AND INDIAN HOUSING</b>				
<b>Tenant-Based Rental Assistance</b>				
Discretionary BA	\$12,646,575	\$12,743,000	\$12,800,000	\$57,000
FTE	553	546	310	-236
S&E Cost	\$63,244	\$63,408	\$42,110	-\$21,298
<b>Project-Based Rental Assistance</b>				
Discretionary BA	\$162,502	\$162,502	\$133,370	-\$29,132
<b>Native American Housing Block Grants</b>				
Discretionary BA	\$280,665	\$280,665	\$282,134	\$1,469
FTE	62	62	61	-1
S&E Cost	\$7,080	\$7,305	\$7,505	\$200
<b>Public Housing Operating Fund</b>				
Discretionary BA	\$1,426,000	\$1,546,000	\$1,600,000	\$54,000
FTE	54	55	223	168
S&E Cost	\$6,152	\$6,318	\$27,975	\$21,657
<b>Public Housing Capital Fund</b>				
Discretionary BA	\$2,438,964	\$2,438,964	\$2,024,000	-\$414,964
FTE	352	356	244	-112
S&E Cost	\$40,567	\$41,559	\$30,474	-\$11,085
<b>Revitalization of Severely Distressed Public Housing</b>				
Discretionary BA	\$69,300	\$69,300	-\$69,300	-\$138,600
FTE	54	55	55	0
S&E Cost	\$6,204	\$6,433	\$6,797	\$364
<b>PIH TOTAL</b>				
Discretionary BA	\$17,024,006	\$17,240,431	\$16,770,204	-\$470,227
FTE	1,076	1,075	894	-181
S&E Cost	\$123,277	\$125,060	\$114,892	-\$10,168

Budget Authority (BA) and Salaries and Expenses (S&E) are in thousands of dollars. Full Time Equivalents (FTE) represent the number of paid positions.

	2006 Actual	2007 Approp.	2008 Request	2007 vs. 2008
<b>OFFICE OF COMMUNITY PLANNING AND DEVELOPMENT</b>				
<b>Community Development Block Grants</b>				
Discretionary BA	\$626,670	\$565,785	\$455,486	-\$110,299
FTE	45	44	43	-1
S&E Cost	\$5,501	\$4,814	\$5,015	\$201
<b>HOME Investment Partnerships Program</b>				
Discretionary BA	\$1,124,640	\$1,124,640	\$1,769,976	\$645,336
FTE	90	93	131	38
S&E Cost	\$10,966	\$10,176	\$15,220	\$5,044
<b>Housing Opportunities for Persons With AIDS</b>				
Discretionary BA	\$231,177	\$231,177	\$242,481	11,304
FTE	36	37	40	3
S&E Cost	\$4,430	\$4,045	\$4,712	\$667
<b>Rural Housing and Economic Development</b>				
Discretionary BA	\$16,830	\$16,830	0	-\$16,830
FTE	15	15	14	-1
S&E Cost	\$1,828	\$1,641	\$1,633	-\$8
<b>CPD TOTAL</b>				
Discretionary BA	\$1,999,317	\$1,938,432	\$2,467,943	\$529,511
FTE	187	189	228	39
S&E Cost	\$22,725	\$20,676	\$26,580	\$5,904
<b>OFFICE OF HOUSING</b>				
<b>Section 202, Housing for the Elderly</b>				
Discretionary BA	\$668,265	\$668,511	\$524,663	-\$143,848
FTE	272	263	271	8
S&E Cost	\$27,283	\$27,050	\$29,632	\$2,582
<b>Section 811, Housing for the Disabled</b>				
Discretionary BA	\$223,270	\$222,784	\$117,958	-\$104,826
FTE	134	129	134	5
S&E Cost	\$13,510	\$13,303	\$14,661	\$1,358
<b>FHA-GI/SRI</b>				
Discretionary BA	\$216,700	\$215,300	\$214,722	-\$578
FTE	773	751	769	18
S&E Cost	\$78,514	\$78,437	\$84,463	\$6,026
FTE	6	6	6	0
S&E Cost	\$594	\$609	\$655	\$46

*Budget Authority (BA) and Salaries and Expenses (S&E) are in thousands of dollars. Full Time Equivalents (FTE) represent the number of paid positions.*

	2006 Actual	2007 Approp.	2008 Request	2007 vs. 2008
<b>Rent Supplement Program</b>				
Discretionary BA	\$7,500	\$7,500	\$7,900	\$400
FTE	5	5	5	0
S&E Cost	\$507	\$521	\$549	\$28
<b>Rental Housing Assistance Program (Section 236)</b>				
Discretionary BA	\$18,600	\$18,600	\$19,700	\$1,100
FTE	26	26	26	0
S&E Cost	\$2,585	\$2,655	\$2,837	\$182
<b>Project-Based Rental Assistance</b>				
Discretionary BA	\$4,281,185	\$5,116,159	\$5,077,959	-\$38,200
FTE	358	352	393	41
S&E Cost	\$36,011	\$36,588	\$43,095	\$6,507
<b>Housing Counseling Assistance</b>				
Discretionary BA	[\$10,179]	[\$9,885]	\$10,619	\$10,619
FTE	23	24	24	0
S&E Cost	\$2,319	\$2,485	\$2,645	\$160
<b>HOUSING TOTAL</b>				
Discretionary BA	\$5,415,520	\$6,248,854	\$5,973,521	-\$275,333
FTE	1,597	1,556	1,628	72
S&E Cost	\$161,323	\$161,648	\$178,537	\$16,889
<b>GINNIE MAE</b>				
<b>Mortgage Backed Securities</b>				
Discretionary BA	\$5,297	\$2,119	\$2,140	\$21
FTE	33	13	14	1
S&E Cost	\$3,973	\$1,630	\$1,905	\$275
<b>OFFICE OF POLICY DEVELOPMENT AND RESEARCH</b>				
<b>Research and Technology</b>				
Discretionary BA	\$5,500	\$890	\$2,090	\$1,200
FTE	55	55	53	-2
S&E Cost	\$6,428	\$6,622	\$6,455	-\$167
<b>Total for Strategic Goal B</b>				
Discretionary BA	\$24,449,640	\$25,430,726	\$25,215,898	-\$214,828
FTE	2,948	2,888	2,817	-71
S&E Cost	\$317,726	\$315,636	\$328,369	\$12,733

## Strategic Goal C: Strengthen Communities.

*Budget Authority (BA) and Salaries and Expenses (S&E) are in thousands of dollars. Full Time Equivalents (FTE) represent the number of paid positions.*

	2006 Actual	2007 Approp.	2008 Request	2007 vs. 2008
<b>OFFICE OF COMMUNITY PLANNING AND DEVELOPMENT</b>				
<b>Community Development Block Grants</b>				
Discretionary BA (1)	\$19,517,604	\$2,568,593	\$2,064,868	-\$503,725
FTE	205	194	192	-2
S&E Cost	\$19,771	\$21,246	\$22,390	\$1,144
<b>Homeless Assistance Grants</b>				
Discretionary BA	\$1,189,960	\$1,293,115	\$1,422,633	\$129,518
FTE	244	254	266	12
S&E Cost	\$23,566	\$27,805	\$30,967	\$3,162
<b>Housing Opportunities for Persons With AIDS</b>				
Discretionary BA	\$37,480	\$37,480	\$39,313	\$1,833
FTE	6	6	7	1
S&E Cost	\$569	\$660	\$764	\$104
<b>Brownfields Redevelopment Program</b>				
Discretionary BA	\$9,900	\$9,900	0	-9,900
FTE	7	7	7	0
S&E Cost	\$676	\$767	\$816	\$49
<b>Section 4</b>				
Discretionary BA	0	\$29,590	\$30,000	\$410
FTE	0	3	2	-1
S&E Cost	0	\$329	\$233	-\$96
<b>Community Renewals</b>				
Discretionary BA	0	0	0	0
FTE	18	19	15	-4
S&E Cost	\$1,739	\$2,081	\$1,749	-\$332
<b>CPD TOTAL</b>				
Discretionary BA	\$20,754,944	\$3,938,678	\$3,556,814	-\$381,864
FTE	480	483	488	5
S&E Cost	\$46,321	\$52,888	\$56,920	\$4,032

*Budget Authority (BA) and Salaries and Expenses (S&E) are in thousands of dollars. Full Time Equivalents (FTE) represent the number of paid positions.*

	2006 Actual	2007 Approp.	2008 Request	2007 vs. 2008
<b>OFFICE OF HOUSING</b>				
<b>Section 202, Housing for the Elderly</b>				
Discretionary BA	\$66,335	\$66,089	\$50,337	-\$15,752
FTE	27	26	26	0
S&E Cost	\$2,722	\$2,669	\$2,837	\$168
<b>Section 811, Housing for the Disabled</b>				
Discretionary BA	\$13,330	\$13,816	\$7,042	-\$6,774
FTE	8	8	8	0
S&E Cost	\$828	\$826	\$875	\$49
<b>FHA-GI/SRI</b>				
Discretionary BA	\$44,293	\$44,436	\$44,676	\$240
FTE	158	155	160	5
S&E Cost	\$16,059	\$16,055	\$17,519	\$1,464
<b>FHA-MMI/CHMI</b>				
Discretionary BA	\$2,555	\$2,508	\$2,584	\$76
FTE	6	6	6	0
S&E Cost	\$843	\$664	\$674	\$10
<b>Manufactured Home Inspection and Monitor Program</b>				
Discretionary BA	\$13,000	\$12,900	\$16,000	\$3,100
FTE	11	11	11	0
S&E Cost	\$1,228	\$1,233	\$1,344	\$111
<b>Project-Based Rental Assistance</b>				
Discretionary BA	\$361,596	\$421,509	\$372,458	-\$49,051
FTE	29	28	28	0
S&E Cost	\$2,904	\$2,884	\$3,060	\$176
<b>HOUSING TOTAL</b>				
Discretionary BA	\$501,109	\$561,258	\$493,097	-\$68,161
FTE	239	234	239	5
S&E Cost	\$24,584	\$24,331	\$26,309	\$1,978
<b>OFFICE OF PUBLIC AND INDIAN HOUSING</b>				
<b>Native American Housing Block Grants</b>				
Discretionary BA	\$62,370	\$62,370	\$62,697	\$327
FTE	13	15	12	-3
S&E Cost	\$1,574	\$1,623	\$1,667	\$44

*Budget Authority (BA) and Salaries and Expenses (S&E) are in thousands of dollars. Full Time Equivalents (FTE) represent the number of paid positions.*

	2006 Actual	2007 Approp.	2008 Request	2007 vs. 2008
<b>OFFICE OF POLICY DEVELOPMENT AND RESEARCH</b>				
<b>Research and Technology</b>				
Discretionary BA	\$21,351	\$21,294	\$26,000	\$4,706
FTE	19	18	18	0
S&E Cost	\$2,325	\$2,374	\$2,424	\$50
<b>OFFICE OF FAIR HOUSING AND EQUAL OPPORTUNITY</b>				
<b>Other FHEO Programs</b>				
FTE	NA	5	7	2
S&E Cost	NA	\$569	\$796	\$227
<b>LEAD HAZARD CONTROL</b>				
Discretionary BA	\$150,480	\$150,480	\$116,000	-\$34,480
FTE	44	42	51	9
S&E Cost	\$4,827	\$5,720	\$6,145	\$425
<b>Total for Strategic Goal C</b>				
Discretionary BA	\$21,490,254	\$4,734,080	\$4,254,608	-\$479,472
FTE	795	797	815	18
S&E Cost	\$79,631	\$87,505	\$94,261	\$6,756

(1) The amount for fiscal year 2006 Community Development Block Grants discretionary BA includes \$17,063,300.

## Strategic Goal D: Ensure Equal Opportunity in Housing.

*Budget Authority (BA) and Salaries and Expenses (S&E) are in thousands of dollars. Full Time Equivalents (FTE) represent the number of paid positions.*

2006 Actual      2007 Approp.      2008 Request      2007 vs. 2008

### OFFICE OF POLICY DEVELOPMENT AND RESEARCH

#### Research and Technology

Discretionary BA	\$500	\$500	\$500	0
FTE	2	2	2	0
S&E Cost	\$245	\$264	\$269	\$5

### FAIR HOUSING AND EQUAL OPPORTUNITY

#### Fair Housing Initiatives Program

Discretionary BA	\$19,800	\$19,800	\$20,180	\$380
FTE	23	23	23	0
S&E Cost	\$2,435	\$2,523	\$2,661	\$138

#### Fair Housing Assistance Program

Discretionary BA	\$25,740	\$25,740	\$24,820	-\$920
FTE	25	25	25	0
S&E Cost	\$2,630	\$2,724	\$2,876	\$152

#### Other FHEO Programs

FTE	515	509	520	11
S&E Cost	\$54,891	\$54,266	\$60,513	\$6,247

#### FHEO TOTAL

Discretionary BA	\$45,540	\$45,540	\$45,000	-\$540
FTE	563	557	568	11
S&E Cost	\$59,956	\$59,513	\$66,050	\$6,537

#### Total for Strategic Goal D

Discretionary BA	\$46,040	\$46,040	\$45,500	-\$540
FTE	565	559	570	11
S&E Cost	\$60,201	\$59,777	\$66,319	\$6,542

## Strategic Goal E: Embrace High Standards of Ethics, Management, and Accountability.

*Budget Authority (BA) and Salaries and Expenses (S&E) are in thousands of dollars. Full Time Equivalents (FTE) represent the number of paid positions.*

	2006 Actual	2007 Approp.	2008 Request	2007 vs. 2008
<b>OFFICE OF PUBLIC AND INDIAN HOUSING</b>				
<b>Tenant-Based Rental Assistance</b>				
Discretionary BA	\$1,580,822	\$1,592,000	1,600,000	\$8,000
FTE	154	153	123	-30
S&E Cost	\$18,070	\$18,116	\$12,031	-\$6,085
<b>Project-Based Rental Assistance</b>				
Discretionary BA	\$20,313	\$20,313	\$16,671	-\$3,642
<b>Public Housing Operating Fund</b>				
Discretionary BA	\$2,138,000	\$2,318,000	\$2,400,000	\$82,000
FTE	79	81	336	255
S&E Cost	\$9,228	\$9,477	\$41,962	\$32,485
<b>PIH TOTAL</b>				
Discretionary BA	\$3,739,135	\$3,930,313	\$4,016,671	\$86,358
FTE	233	234	459	225
S&E Cost	\$27,298	\$27,593	\$53,993	\$26,400
<b>OFFICE OF COMMUNITY PLANNING AND DEVELOPMENT</b>				
<b>Community Development Block Grants</b>				
Discretionary BA	\$292,446	\$264,033	\$212,560	-\$51,473
FTE	21	21	20	-1
S&E Cost	\$2,276	\$2,269	\$2,333	\$64
<b>HOME Investment Partnerships Program</b>				
Discretionary BA	\$175,725	\$175,725	\$196,664	\$20,939
FTE	14	15	15	0
S&E Cost	\$1,513	\$1,625	\$1,691	\$66
<b>Homeless Assistance Grants</b>				
Discretionary BA	\$136,640	\$148,485	\$163,357	\$14,872
FTE	28	29	30	1
S&E Cost	\$3,027	\$3,145	\$3,556	\$411
<b>Housing Opportunities for Persons With AIDS</b>				
Discretionary BA	\$17,453	\$17,453	\$18,306	\$853
FTE	3	3	3	0
S&E Cost	\$297	\$326	\$356	\$30

*Budget Authority (BA) and Salaries and Expenses (S&E) are in thousands of dollars. Full Time Equivalents (FTE) represent the number of paid positions.*

	<b>2006 Actual</b>	<b>2007 Approp.</b>	<b>2008 Request</b>	<b>2007 vs. 2008</b>
<b>CPD TOTAL</b>				
Discretionary BA	\$622,264	\$605,696	\$590,887	-\$14,809
FTE	66	68	68	0
S&E Cost	\$7,113	\$7,365	\$7,935	\$570
<b>OFFICE OF HOUSING</b>				
<b>FHA-GI/SRI</b>				
Discretionary BA	\$35,322	\$36,696	\$35,461	-\$1,235
FTE	126	128	127	-1
S&E Cost	\$13,503	\$14,246	\$14,224	-22
<b>FHA-MMI/CHMI</b>				
Discretionary BA	\$134,118	\$132,931	\$133,924	\$993
FTE	315	318	311	-7
S&E Cost	\$34,004	\$35,578	\$35,303	-\$275
<b>Project-Based Rental Assistance</b>				
Discretionary BA	\$191,657	\$235,603	\$196,162	-\$39,441
FTE	17	17	16	-1
S&E Cost	\$1,753	\$1,802	\$1,790	-\$12
<b>HOUSING TOTAL</b>				
Discretionary BA	\$361,097	\$405,230	\$365,547	-\$39,683
FTE	458	463	454	-9
S&E Cost	\$49,260	\$51,626	\$51,317	-\$309
<b>OFFICE OF POLICY DEVELOPMENT AND RESEARCH</b>				
<b>Research and Technology</b>				
Discretionary BA	\$6,713	\$6,341	\$10,000	\$3,659
FTE	38	37	38	1
S&E Cost	\$7,025	\$6,950	\$7,696	\$746
<b>OFFICE OF FAIR HOUSING AND EQUAL OPPORTUNITY</b>				
<b>Other FHEO Programs</b>				
FTE	34	33	34	1
S&E Cost	\$3,746	\$4,031	\$4,031	0
<b>DEPARTMENTAL EQUAL EMPLOYMENT OPPORTUNITY</b>				
FTE	26	26	26	0
S&E Cost	\$3,048	\$3,069	\$3,437	\$368
<b>DEPARTMENTAL MANAGEMENT</b>				
FTE	176	170	171	1
S&E Cost	\$22,233	\$22,203	23,742	\$1,539

*Budget Authority (BA) and Salaries and Expenses (S&E) are in thousands of dollars. Full Time Equivalents (FTE) represent the number of paid positions.*

	2006 Actual	2007 Approp.	2008 Request	2007 vs. 2008
<b>CHIEF FINANCIAL OFFICER</b>				
FTE	214	215	211	-4
S&E Cost	\$39,211	\$39,666	\$43,747	\$4,081
<b>GENERAL COUNSEL</b>				
FTE	672	652	661	9
S&E Cost	\$81,142	\$82,497	\$86,823	\$4,326
<b>ADMINISTRATION AND STAFF SERVICES</b>				
FTE	577	537	604	67
S&E Cost	\$250,912	\$238,238	\$253,493	\$15,255
<b>CHIEF PROCUREMENT OFFICER</b>				
FTE	49	114	119	5
S&E Cost	\$5,407	\$11,940	\$13,504	\$1,564
<b>FIELD POLICY AND MANAGEMENT</b>				
FTE	455	412	383	-29
S&E Cost	\$52,205	\$51,754	\$47,734	-\$10,020
<b>WORKING CAPITAL FUND</b>				
FTE	308	314	280	-34
S&E Cost	\$224,891	\$299,634	\$299,730	\$96
<b>Total for Strategic Goal E</b>				
Discretionary BA	\$4,729,209	\$4,947,580	\$4,983,105	\$35,525
FTE	3,306	3,275	3,508	233
S&E Cost	\$773,491	\$846,566	\$897,182	\$50,616
<b>OFFICE OF INSPECTOR GENERAL</b>				
FTE	646	634	650	+16
S&E Cost	\$113,940	\$105,600	\$112,000	+\$6,400

## Strategic Goal F: Promote Participation of Faith-Based and Community Organizations.

*Budget Authority (BA) and Salaries and Expenses (S&E) are in thousands of dollars. Full Time Equivalents (FTE) represent the number of paid positions.*

	2006 Actual	2007 Approp.	2008 Request	2007 vs. 2008
<b>CENTER FOR FAITH-BASED AND COMMUNITY INITIATIVES</b>				
FTE	8	8	8	0
S&E Cost	\$1,725	\$1,508	\$1,865	\$357
<b>Total for Strategic Goal F</b>				
FTE	8	8	8	0
S&E Cost	\$1,725	\$1,508	\$1,865	\$357



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# SECTION TWO

## Means and Strategies

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(Discussed by strategic goal)



The means and strategies section identifies the role of individual programs in achieving HUD strategic goals and objectives in FY 2008. It describes new initiatives, major policy changes, and other strategies that the Department will implement to improve outcomes, as well as key areas of coordination and partnership with other agencies. Finally, this section assesses the potential for external factors to affect performance.

## Strategic Goal A: Increase Homeownership Opportunities

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A home is the largest purchase most Americans will ever make—a tangible asset that builds equity, good credit, borrowing power, and overall wealth. For many families, the American Dream means owning their own home. HUD is dedicated to helping more Americans—especially minorities and low- and moderate-income families—realize the dream for themselves. Homeownership inspires civic responsibility, as homeowners are more likely to vote and get personally involved with local issues. Homeownership also offers children a stable living environment and influences their personal development in many positive, measurable ways—at home and at school.

HUD brings a wide variety of tools to bear on the goal of increasing homeownership opportunities. The overall strategy is to carefully apply public-sector dollars, whether through mortgage insurance, grants, loans, or direct subsidies, to leverage the private market to make it easier for low- and moderate-income Americans to buy and keep their own homes.

Assisted by a range of HUD programs supporting homeownership, nearly 70 percent of American families now own their homes, and minority homeownership has surpassed 51 percent for the first time in history. Recognizing recent rapid growth in home prices and the evolution of new and sometimes riskier products in the mortgage finance industry, HUD is committed to helping renter households avoid the potential pitfalls and experience the available benefits of homeownership for those who desire this opportunity.

The following are some of the key performance goals HUD has established to track its continued progress in increasing homeownership opportunities in FY 2008:

- **Creating homeownership opportunities through FHA single-family insurance.** The Federal Housing Administration (FHA) operates the federal government's single largest program to extend access to homeownership to individuals and families who lack the savings, credit history, or income to qualify for a conventional mortgage. FY 2007 and FY 2008 are projected to be important years for FHA as legislation is pending in Congress to modernize and invigorate the program to be more responsive to the current needs of American families. HUD tracks several indicators, such as the number of mortgage insurance endorsements made and the share of single family mortgage loans endorsed to first-time homebuyers and minority families. FHA is expected to provide substantial new and first time homeownership opportunities and to assist in meeting important needs for segments of the population, such as sub-prime borrowers who are experiencing difficult financial conditions.
- **Increasing minority homeownership.** In June 2002, President Bush announced a goal of increasing the number of minority homeowners by at least 5.5 million by 2010. At the end of 2006, the nation is ahead of pace to accomplish this objective, having added a net 2.7 million

minority homeowners. During FY 2008, HUD will sustain and track progress toward this presidential commitment by measuring the change in minority homeownership rates.

- **Providing downpayment assistance.** For FY 2008, HUD requested \$50 million for the American Dream Downpayment Initiative. Over time these funds will help approximately 6,500 low-income families—for whom coming up with a downpayment is the most significant obstacle to homeownership—with the downpayment on their first home. HUD has set a goal of assisting 5,000 families with these funds in FY 2008.
- **Expanding voucher homeownership.** In FY 2008, proposed rental assistance simplification will provide greater flexibility to PHAs and will continue to allow housing choice vouchers to be used for one-time downpayment assistance or monthly homeownership subsidies to families participating in this program. HUD's FY 2008 goal is to help a cumulative 9,200 families become homeowners through this program.
- **Improving decisions and opening doors through housing counseling.** Housing counseling has proven to be an extremely important element in both the purchase of a home and in helping homeowners keep their homes in times of financial stress. The FY 2008 budget proposes increasing funding for the Housing Counseling Assistance program to \$50 million, which is anticipated to assist over one million low- and moderate-income individuals and families in 2009, when those funds are to be expended. This effort will fully use faith-based and community organizations. For FY 2008, HUD has continue its outcome goal of having at least 30 percent of clients receiving pre-purchase counseling purchase a home or be mortgage ready, i.e., completed a pre-purchase curriculum prescribed by a HUD-approved housing counseling agency and certified by that agency as ready to assume homeownership responsibilities, within 90 days.
- **Supporting affordable homeownership through government-sponsored enterprises.** Fannie Mae and Freddie Mac, two housing government-sponsored enterprises, were chartered by Congress to achieve public purposes that include providing stability in the secondary market for residential mortgages and improving access to mortgage credit, including mortgage credit for very low and low- and moderate-income families and those living in underserved areas. To ensure that Fannie Mae and Freddie Mac play a leadership role in financing affordable housing, Congress established three affordable housing goals and mandated that HUD set annual targets for each goal. In FY 2005, HUD established new higher housing goal levels to increase the government-sponsored enterprises' purchases of mortgages that finance housing for very low and low- and moderate-income households and underserved communities. HUD also established new home purchase subgoals under each housing goal to increase the government-sponsored enterprises' purchases of loans that finance homeownership opportunities for families targeted by the housing goals. During FY 2008, HUD will closely monitor Fannie Mae's and Freddie Mac's performance in meeting these housing goals and subgoals.

To improve the efficiency of the market, HUD continues to strengthen its regulatory role in enforcing and reforming the Real Estate Settlement Procedures Act. HUD also assists in actions to prevent unfair and abusive lending, as well as efforts to ensure a ready supply of capital through the secondary mortgage market.

HUD is committed to taking appropriate action within its statutory authority in order to help eliminate unfair and abusive lending practices. Recent studies have shown that minorities, women, and the elderly are disproportionately steered to the sub-prime mortgage market even

when their credit scores warrant participation in the prime market. The Office of Fair Housing and Equal Opportunity has developed special initiatives to identify and take action when complaints are filed alleging lending discrimination. HUD may also use the authority of the Secretary to initiate investigations when there is reason to believe that unfair or predatory lending practices are occurring. The Office of General Counsel and the Office of Housing will assist in these and other efforts to eliminate unfair and abusive lending.

### Federal Housing Administration

FHA administers the federal government's single largest program to extend access to homeownership to individuals and families who lack the savings, credit history or income to qualify for a conventional mortgage. FHA offers a wide variety of insurance products, with single-family mortgage insurance being the most prominent. FHA insures mortgages for single family homes and condominiums, home rehabilitation loans, energy efficiency loans, and reverse mortgages for homeowners aged 62 and older.

During FY 2006, FHA's single family programs insured more than 502,000 loans (including refinanced loans) to homeowners, of whom 79.3 percent were first-time homebuyers. Among first-time homebuyers served by FHA single family programs, 31.7 percent were minority homeowners.

FHA has employed a number of means to help homeowners recover from the recent hurricanes in the Gulf Coast region: issuing and extending foreclosure moratoriums and requiring lenders to employ loss mitigation tools to prevent unnecessary defaults; by providing housing rehabilitation loan products to help homeowners repair damaged properties; by offering 100 percent financing under the 203(h) program for the purchase of a new home by disaster victims whose residences have been destroyed or severely damaged; and by making arrangements with FEMA and HUD management and marketing contractors to hold some of the real estate owned properties in the Department's inventory off the market for lease to disaster victims at no cost.

The Department is proposing major reform legislation that will expand homeownership opportunities through a strengthened and more flexible FHA. Under the new legislation, FHA will balance the borrower's needs, financial profile, and mortgage terms with an appropriate mortgage insurance premium. For example, borrowers will be able to choose a downpayment amount, mortgage period, or premium options to fit their long-term goals. Each borrower will pay his or her own way with a reasonably priced premium. Charging premiums commensurate with risk allows sound pricing and portfolio diversity to sustain the financial strength of the FHA fund.

The legislation also sets new loan limits, new minimum cash requirements and maximum loan terms, and individual premium reductions that will allow the mortgagor to more easily afford the mortgage. With these changes, FHA can continue to serve hardworking, creditworthy Americans. The proposed reforms also will aid minorities and other underserved populations who are significantly over-represented in the usage of high cost loans.

A number of ongoing programs will continue to help families and individuals attain homeownership:

- ***Housing counseling.*** HUD funds housing counseling organizations to help families and individuals become aware of basic requirements and potential stumbling blocks to

homeownership, including predatory lending risks. Research shows that housing counseling reduces the risk of default, and during FY 2006, 92.5 percent of mortgagors who sought counseling to resolve or prevent delinquency successfully avoided foreclosure. Over 700,000 minority households have benefited from HUD-funded housing counseling since FY 2001.

- ***Adjustable rate mortgages.*** HUD has expanded adjustable-rate products on FHA-insured mortgages, offering new options with longer fixed-payment periods of three, five, seven or ten years. Some 40,000 families are expected to take advantage of the hybrid products annually.
- ***FHA loss mitigation.*** FHA will continue to require loss mitigation techniques to minimize claims and property disposition costs when borrowers default on their mortgages. Loss mitigation was used on 61 percent of total claims in FY 2006, preventing thousands of families from losing their homes through foreclosure while reducing costs for FHA.
- ***FHA Neighborhood Watch Early Warning System.*** The Neighborhood Watch Early Warning system assists homeowners by providing an Internet-based lender monitoring service that allows prospective buyers an opportunity to track the default and claim rate performance of mortgage lenders in the area they are considering. The system also helps lenders monitor themselves as well as current and potential business partners.
- ***Claims process reform.*** Under the Accelerated Claims Disposition demonstration program, FHA will continue to sell defaulted notes to the private sector for servicing and/or disposition, thereby eliminating most of the real property that FHA currently acquires. Because the private sector will handle dispositions, this will help in ensuring that properties foreclosed on by the private sector remain vacant for shorter periods of time so they are less likely to destabilize communities. The demonstration includes careful evaluation of key performance characteristics of the innovative approach.
- ***Credit Watch Termination and Appraiser Watch.*** FHA has a two-pronged approach to improving loan origination in the fight against predatory lending. The Credit Watch Termination program identifies FHA lenders that make mortgage loans with excessive default and claim rates relative to their geographic area, and terminates the ability of the worst offenders to originate FHA-insured mortgages. Appraiser Watch similarly targets appraisers associated with excessive claims and default rates for further review by HUD field staff.
- ***FHA Reverse Mortgages.*** FHA's Home Equity Conversion Mortgage program allows homeowners ages 62 and older to borrow against the equity in their homes. Unlike ordinary home equity loans, an FHA-insured reverse mortgage does not require repayment as long as the owner lives in the home. Reverse mortgage loans are repaid, with interest, when the home is sold. This program gives homeowners an option to keep their own homes as long as possible. Continued growth in this important source of equity financing is expected as mortgage lenders and homeowners continue to become more familiar with this product.

### **HOME Investment Partnerships**

The HOME Investment Partnerships program plays a key role in addressing the shortage of affordable housing in America. Recipients of these program funds have substantial discretion to determine how the funds are spent. These funds can be used to expand access to homeownership by subsidizing down payment and closing costs, as well as the costs of acquisition, rehabilitation, and new construction for homebuyers, existing homeowners, and renters. HOME Investment Partnerships program grantees have provided homebuyer assistance to more than 312,000 lower-income households, more than half of whom were families earning less than 60 percent of median income. Further, 152,000 lower-income homeowners have been able to rehabilitate their homes with HOME Investment Partnerships program assistance.

A key component of the HOME Investment Partnerships program is the American Dream Downpayment Initiative, which provides low- and moderate-income families with the funds and support needed to purchase their first home. In 2003, President Bush signed the American Dream Downpayment Initiative into law. The budget provides \$50 million for this initiative, which will assist approximately 5,000 families in FY 2008 (resulting from funding provided in FY 2006-FY 2008).

### **Housing Counseling Assistance**

More than ever before, potential homebuyers need help from knowledgeable housing counselors in order to make smart choices regarding homeownership. Many homebuyers are simply unaware of less expensive and safer options, such as FHA, for which they could qualify. Counseling helps families evaluate their readiness for homeownership and learn about the loan products and services available to them and how to identify and avoid predatory lending practices. Counseling has also demonstrated success in helping homeowners keep their homes in times of financial stress. It is anticipated that the \$50 million FY 2008 budget request for housing counseling assistance will enable an estimated one million families to receive counseling services, including counseling to homebuyers, existing homeowners, renters, and homeless persons.

### **Voucher Homeownership**

The Voucher Homeownership Program has successfully paved a path for low-income Americans to become homeowners. Strong and committed collaboration among public housing agencies, local nonprofit organizations, and lenders, as well as pre- and post-homeownership counseling for families has proven essential in making the program work. The greatest challenge to the success of the program is finding lenders who are willing to participate. Although the Voucher Homeownership Program is voluntary, annual goals have been exceeded consistently since the program began. In its first four years, the program helped more than 2,000 low-income families that were renting through the voucher program to become homeowners. For FY 2008, the program plans to cumulatively assist 9,200 families in achieving homeownership.

### **Self-help Homeownership Opportunity Program**

The Self-help Homeownership Opportunity Program increases low-income homeownership by providing competitive grants to national and regional nonprofit organizations to subsidize the

costs of land acquisition and infrastructure improvements. Homebuyers must contribute significant amounts of sweat equity to the construction or rehabilitation of the property. The FY 2008 HUD budget requests \$39.7 million for this program. Grantee organizations such as Habitat for Humanity play a critical role in motivating volunteer resources, supporting affiliates, and ultimately achieving the results accomplished with the Self-help Homeownership Opportunity Program. Approximately 1,500 families will be assisted in FY 2008.

### Homeownership Programs for Native Americans and Native Hawaiian Communities

Five HUD programs help to promote homeownership for Native Americans and Native Hawaiian Communities. (Greater detail on these programs is presented in Appendix B.)

- ***Indian Housing Block Grants.*** The Indian Housing Block Grant program provides grants to Indian tribes and tribally designated housing entities to provide and maintain housing for low-income Native Americans. Over 5,350 homeownership units will be constructed, acquired, or rehabilitated under this program in FY 2008.
- ***Title VI Federal Guarantees for Tribal Housing.*** This program provides guarantees in support of private sector loans to Indian Housing Block Grant recipients, Indian tribes, and tribally designated housing entities. The loans allow Indian Housing Block Grant grantees to accelerate completion of their Indian Housing Plan by pledging future program funds as collateral. The guarantee loan limitation is proposed at \$17 million in FY 2008.
- ***Indian Home Loan Guarantee (Section 184).*** Section 184 helps Native Americans obtain private mortgage financing for the purchase, construction, refinance, or rehabilitation of single-family homes on Indian trust or restricted land and in designated Indian areas. The program guarantees payments to lenders in the event of default. The goal for FY 2008 is to insure a record \$247.5 million of mortgages.
- ***Native Hawaiian Home Loan Guarantee Fund (Section 184A).*** The Hawaiian Homelands Homeownership Act of 2000 established a loan guarantee program modeled after the Section 184 program. The guarantees secure private financing for infrastructure, or to purchase, construct, or rehabilitate single-family homes on Hawaiian home lands. For this program, HUD has a goal of insuring \$19.2 million in loans in FY 2008.
- ***Native Hawaiian Housing Block Grant.*** This program, modeled after the Indian Housing Block Grant, provides block grant funding to the Department of Hawaiian Home Lands to carry out affordable housing activities for Native Hawaiian families who are eligible to reside on the Hawaiian home lands. The target is to provide 101 homeownership units through this program in FY 2008.

### Government National Mortgage Association (Ginnie Mae)

Through its Mortgage-Backed Securities program, Ginnie Mae, a wholly owned government corporation within HUD, helps to ensure that mortgage funds are available for low- and moderate-income families served by FHA, Office of Public and Indian Affairs, Veterans Affairs, and the Department of Agriculture. Ginnie Mae guaranteed \$81.7 billion in mortgage-backed

securities in FY 2006, which supported capital for an additional 660,000 units of housing for low- and moderate-income American families.

In FY 2006, Ginnie Mae exceeded its goal to guarantee at least 90 percent of eligible FHA and VA single family fixed rate loans, for a third consecutive year. Approximately 92 percent of all VA single family loans were placed into Ginnie Mae securities. Over 96 percent of eligible FHA multifamily mortgages were placed into Ginnie Mae securities during FY 2006, exceeding Ginnie Mae's goal of 90 percent by 6 percentage points.

Ginnie Mae has set a target of securitizing at least 93.5 percent of FHA single family fixed rate loans, 84 percent of VA single family loans, 95 percent of eligible FHA multifamily mortgages in FY 2008, and at least 29 percent of all Ginnie Mae single family pools issued in FY 2008 are Targeted Lending Initiative pools. Securitizing a high share of eligible FHA and VA loans increases the liquidity of funds in the market for mortgage credit, and the presence of government-backed securities lowers market cost, creating homeownership incentives.

America's aging population makes Home Equity Conversion Mortgages (HECM) an increasingly attractive product for lenders, and Ginnie Mae has a capital market solution to support this population (and prospective Ginnie Mae qualified lenders). Home Equity Conversion Mortgages allow homeowners aged 62 and older to tap into their home equity without repaying the money as long as they live in their homes. Currently, FHA insures approximately 95 percent of all reverse mortgages. This allows Ginnie-Mae-qualified lenders to help underserved and elderly borrowers while tapping into a safe, secure, and guaranteed capital markets solution. Ginnie Mae will be guaranteeing Home Equity Conversion Mortgages securities in FY 2008.



### **Government Sponsored Enterprises: Fannie Mae and Freddie Mac**

See discussion on page 38 relating to supporting affordable homeownership through government-sponsored enterprises.



### **Real Estate Settlement Procedures Act Reform**

HUD will continue to work with the housing community to improve the homebuying process and make it less complicated and less expensive for consumers. This will allow consumers better opportunities to shop for lower-cost mortgages and settlement services. HUD has regulatory authority under the Real Estate Settlement Procedures Act, a consumer protection statute first passed in 1974. The Act requires that consumers receive timely disclosures in the transaction, and prohibits practices, such as paying kickbacks, that increase the cost of settlement services. In FY 2008, HUD's goal is to respond to 3,000 complaints or inquiries from consumers and industry regarding the homebuying and mortgage loan process. The Department also expects to publish a proposed rule to make the homebuying process more transparent, and to provide more reliable settlement disclosures for consumers.



### **Predatory Lending**

Tightly interwoven with reform of the mortgage origination process is HUD's commitment to stopping predatory lending. The Administration is targeting unscrupulous lenders, in part by pooling the resources of the federal government and helping agencies work together to fight abusive lending practices. As a result, HUD and its partners are becoming much more effective

in tracking down lenders who target first-time homebuyers, senior citizens, and minorities for predatory practices. HUD's Office of Inspector General continues to work closely with law enforcement in many states to target unscrupulous lenders and better combat abusive lending practices. In many of these areas, HUD is working with coalitions of community groups.

### Coordination with Other Federal Agencies

In addition to private partners and state and local government, HUD relies on other federal agencies to help accomplish its goals. Highlights of interagency coordination associated with Strategic Goal A, "Increase Homeownership Opportunities," are presented below.

- Ginnie Mae will continue to guarantee mortgage-backed securities backed by pools of mortgages that are insured by the FHA and the USDA's Rural Housing Service or guaranteed by the Department of Veterans Affairs.
- HUD has primary responsibility for enforcing the Fair Housing Act, and works closely with the Department of Justice in enforcing its provisions. HUD also cooperates with the Department of Justice and other federal agencies to enforce other civil rights laws that affect the availability of housing because of race, color, national origin, sex, religion, familial status, disability, and age. HUD serves on the Interagency Task Force on Fair Lending, whose members include the Departments of Justice and the Treasury, the Federal Deposit Insurance Corporation, Federal Housing Finance Board, Federal Reserve Board, Federal Trade Commission, National Credit Union Administration, Office of Federal Housing Enterprise Oversight, Office of the Comptroller of the Currency, and Office of Thrift Supervision. The Task Force coordinates fair lending activities across all federal agencies, including initiatives to address predatory lending.
- To implement and enforce the Real Estate Settlement Procedures Act effectively, HUD will enhance coordination with the major banking regulators including the Federal Deposit Insurance Corporation, the Comptroller of the Currency, the Office of Thrift Supervision, and the Federal Reserve Board. In addition, HUD will work with the Department of Justice, the Federal Trade Commission, state attorneys general, insurance commissioners, and financial institution regulators on joint enforcement actions.
- HUD will continue to work cooperatively with several federal regulatory agencies to collect data under the Home Mortgage Disclosure Act. These data show how mortgage credit is provided across the country and are invaluable in assessing disparities in lending practices among mortgage lenders that affect underserved groups.
- HUD will continue to partner with the Department of Veterans Affairs and the Department of Agriculture in the e-government operation of [HomeSales.gov](http://HomeSales.gov). The website provides consolidated information for prospective homebuyers about all homes for sale by these agencies.

### External Factors

Several factors influence the outcomes and performance reporting for HUD's homeownership programs.

- National and regional economic conditions significantly affect the homeownership rate and several performance measures related to HUD homeownership programs. Interest rates,

availability of credit, and employment conditions are among the factors that can have a meaningful impact.

- Historical patterns of discrimination and differences in schooling and income levels make it more difficult for minorities and other disadvantaged households to secure the income and credit history needed to become homeowners.
- With respect to predatory lending, a variety of state and federal agencies regulate home mortgage lending, and none have a formal definition of predatory lending. Therefore it is difficult to quantify the scope of predatory lending practices, whether market-wide or specific to FHA.
- The impacts of HUD efforts may be limited by structural, economic, and social influences on neighborhood housing markets. These include the lack of financial sophistication of disadvantaged households, language barriers to understanding the intricacies of the American real estate finance and lending markets, and the numerous factors in and inherent complexity of the home purchase and mortgage processes.
- HUD has proposed legislative reform of the FHA program that will help increase homeownership that requires enactment into law by Congress.

## Strategic Goal B: Promote Decent Affordable Housing

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The largest component of HUD's budget promotes affordable housing for families and individuals who rent. HUD programs expand opportunities for affordable, quality housing by assisting approximately 4.8 million families. These are important outcomes for HUD's largest program area and without these efforts the number of American families experiencing worst case housing needs due to severe rent burdens and/or physically substandard housing would be substantially larger. In addition to providing housing stability, several smaller HUD programs seek to foster self-sufficiency by linking families in affordable housing to services in the community that help them improve their skills, find work, and overcome obstacles to full employment.

In FY 2008, HUD will continue its commitment to public and assisted housing programs, as well as to expand opportunities for unassisted rental housing through FHA's mortgage insurance program and HUD's oversight of Fannie Mae and Freddie Mac. One of HUD's central strategies is to partner with states and local communities to reduce regulatory barriers to the development of affordable housing. In addition, the HOME Investment Partnerships program will continue to expand affordable housing opportunities through rehabilitation, building, and purchase of affordable housing units. Important affordable housing efforts and contributions will continue to be realized under the CDBG program, for which a considerable portion of funding is associated with expanding housing opportunities.



### Rental Assistance Simplification

The FY 2008 budget continues to propose the reform of the Section 8 program as a top priority for the Department. Despite tight overall fiscal constraints, approximately 62 percent of the

FY 2008 budget will be targeted to affordable housing under Section 8 Housing programs. State and local PHAs administer the existing Housing Choice Voucher program. This program, funded through the Tenant Based Rental Assistance fund, provides housing to over two million households with low incomes.

HUD's Section 8 reform proposal returns flexibility to local agencies. For example, PHAs will be able to set and adjust subsidies based on local market rents, rather than depend on HUD-determined rents. PHAs will be encouraged to design their own tenant rent policies to reward work, and HUD will eliminate many of the complex forms that are now required.

The reform will support HUD's strategic objective of promoting self-sufficiency for families. The new program's features will reduce program costs and give PHAs greater flexibility to effectively administer their programs to meet the housing needs of low-income families.

### **Public Housing**

During FY 2008, HUD will continue to subsidize approximately 1.2 million public housing units. These units are under the direct management of approximately 3,100 local PHAs. HUD provides operating subsidies to PHAs to cover the remaining costs after the required tenant contributions, and also subsidizes modernization costs to keep the existing public housing stock in good condition. Several initiatives and program changes will enhance public housing operations beginning in FY 2007 with a key contribution provided under the transition to asset management over a multi-year period.

- **Public Housing Operating Fund.** During FY 2008, HUD plans to continue implementing the recommendations of the three-year study by Harvard University on the cost of operating a well-run PHA. The factors taken into account for determining reasonable operating costs include the size, location, and age of stock, and its occupancy. HUD will use a new Operating Fund formula to provide operating subsidies based on the profile and needs of each public housing project. This new formula method will provide a sound, efficient, project-based management approach. The operating fund is supported by a \$4.0 billion request in FY 2008.
- **Public Housing Capital Fund.** This program provides formula grants to PHAs for major repairs and modernization of its units (\$2.0 billion has been requested for FY 2008). The Department continues to promote the Capital Fund Financing Program, which allows PHAs to borrow from banks or issue bonds using their Capital Fund grants as collateral or debt service, subject to annual appropriations.
- **Revitalization of Severely Distressed Public Housing (HOPE VI).** A principal goal of the HOPE VI program has been the demolition, replacement, and rehabilitation of the nation's severely distressed public housing units, as identified in the 1992 final report issued by the National Commission on Severely Distressed Public Housing. The Department's goal of demolishing 100,000 such units has been achieved. Therefore, the FY 2008 budget continues to propose no new appropriations for HOPE VI. The FY 2008 budget focuses on completing projects and producing important outcomes with the significant funds that constitute the remaining pipeline for the program. The FY 2008 budget does propose to recapture funds of projects that are not advancing and to reuse those funds for appropriate HOPE VI activities.



## **Other Rental Assistance Programs and Affordable Housing Efforts**

***FHA multifamily insurance and project-based Section 8.*** FHA anticipates supporting a significant number of housing units through its multifamily insurance program. FHA multifamily housing insurance is a priority because it produces additional affordable housing by focusing on gaps where existing needs are not being fully met. Section 8 project-based housing assistance provides affordable housing for about 1.3 million low-income households in FHA-insured projects and is important in providing affordable housing opportunities and preserving affordable housing infrastructure.

***HOME Investment Partnerships.*** In addition to the extensive use of program funds for homeownership, the HOME Investment Partnerships program invests heavily in the creation of new affordable rental housing. This program has supported the building, rehabilitation, and purchase of 279,000 rental units, as well as provided direct rental assistance to 154,000 households. The HOME Investment Partnerships program is expected to assist almost 29,563 rental households with FY 2008 funds.

***Community Development Block Grant.*** CDBG grantees use a substantial amount of their funds to support rental housing activities that benefit low- and moderate-income households. During FY 2006, grantees assisted slightly more than 33,000 households through assistance for rehabilitation of multi-unit residential properties, the classification that best captures rehabilitation of rental units in the CDBG programs.

***Indian Housing Block Grant.*** This block grant is a flexible source of funding to tribes or tribally designated entities for a wide variety of affordable-housing activities. For FY 2008, \$627 million is requested. Authorized uses include both rental and homeownership assistance. Additional funds are available to Indian Housing Block Grant grantees through the Title VI Federal Guarantees for Tribal Housing. It is anticipated that the Indian Housing Block Grant will assist approximately 1,420 rental households in FY 2008.

***Office of Regulatory Reform.*** In FY 2004, HUD created a new Office of Regulatory Reform. Through this office, HUD will continue to conduct research and provide guidance about the nature and extent of regulatory obstacles to affordable housing, as well as improve coordination among stakeholders. Researchers have developed tools and information needed to measure and reduce barriers that restrict affordable housing and unnecessarily increase the cost of housing development at the local level. Information is shared with state and local governments through the Regulatory Barriers Clearinghouse (<http://www.huduser.org/rbc/index.html>).

***Energy Action Plan.*** Wasted energy contributes directly to the operating costs of housing. HUD's Energy Action Plan, developed by a departmental task force, comprises a number of actions that support the energy efficiency and conservation goals of the President's National Energy Policy. These actions are designed to encourage energy efficiency in housing units that are assisted, insured, or subsidized through HUD's programs (including housing financed through HUD formula grant programs such as CDBG and HOME Investment Partnerships). For FY 2008, HUD will implement Phase II of the Energy Action Plan, and further develop performance indicators that can measure energy savings.

## Housing Persons with Special Needs

*Programs for the elderly and persons with disabilities.* Nearly two million households headed by an elderly individual or a person with a disability receive HUD rental assistance. A majority of these households are assisted through HUD's Section 8 and public housing programs. This assistance provides them with the opportunity to afford a decent place to live and often helps them to live independent lives.

HUD also funds housing for the elderly through competitive awards to private nonprofit organizations to develop new housing units through new construction or rehabilitation (Section 202). HUD then provides the facilities with rental assistance, enabling them to accept very low-income residents. The FY 2008 budget requests \$575 million for rental assistance contracts, capital advances, renewal need, and other costs related to Section 202 housing.

Many of the residents live in the Section 202 facilities for years; over time, these individuals are likely to become frailer and less able to live in rental facilities without additional services. Therefore, HUD also provides grants to convert all or part of existing properties to assisted-living facilities, which allows individual elderly residents to remain in their units. Grants also fund service coordinators who help elderly residents obtain supportive services from the community. Housing for the elderly will also be supported in FY 2008 by the HUD Public and Indian Housing Clearinghouse Center, which helps public and Indian housing agencies that may have an interest in modernizing or constructing elderly public housing, as well as other related services.

A similar program funds housing for persons with disabilities (Section 811) to enable them to live in mainstream environments. The FY 2008 Budget requests \$125 million for rental assistance contracts, capital advances, voucher, renewal need and other costs related to Section 811 housing.

*Housing Opportunities for Persons With AIDS.* This program remains the only federal program solely dedicated to providing rental housing assistance and coordinated supportive services for persons and their families living with HIV/AIDS. Funding supports local long-term comprehensive strategies. Most grants (90 percent) are allocated by formula based on the number of cases and highest incidence of AIDS, with the remainder provided through competition for the renewal of permanent supportive housing projects, and for demonstration projects of national significance, and for non-formula areas. The number of formula grantees has risen from 97 in FY 1999 to 124 in FY 2007. In FY 2008, it is anticipated that the Housing Opportunities for Persons With AIDS program housing subsidies will support about 67,000 households. Of the households served, about 81 percent have extremely low incomes (incomes less than 30 percent of area median) or very low incomes (incomes of 30–50 percent of area median).

## Promoting Housing Self-Sufficiency

HUD not only ensures that households live in a healthy and secure environment, but also they have the opportunity to achieve housing self-sufficiency. Because HUD cannot serve every American family who would be eligible for its programs, the Department is working toward a better solution for transitioning people to housing self-sufficiency so others can benefit from this resource. HUD has proposed legislation that would authorize PHAs to simplify how they charge tenant rents, allowing rents based on local conditions, increased expectations, and efforts to

promote housing self-sufficiency. HUD's basic programs contribute to this goal by providing individuals and families with the housing and services that allow them to focus on recovery, job-related skill development, and obtaining work or increasing income.

### Coordination with other Federal Agencies

In addition to private partners and state and local government, HUD relies extensively on other federal agencies to help accomplish its goals. The interagency coordination associated with Strategic Goal B, "Promote Decent Affordable Housing," is summarized below.

- HUD has a memorandum of understanding with the Department of the Treasury to cooperate on research related to the Low-Income Housing Tax Credit, a program that makes substantial annual additions to the stock of affordable rental housing. HUD's Office of Policy Development and Research has done significant research on the tax credit program to inform that policy. HUD publishes estimates of area median income limits that are used to determine income eligibility and maximum rents for Low-Income Housing Tax Credit units, and identifies Difficult Development Areas and Qualified Census Tracts—areas where tax credits can be taken on a higher percentage of a project's "eligible basis." HUD also works closely with the Treasury Department on tax-exempt bond regulations and other tax policy rulings that affect the continued provision of quality multifamily housing with affordable rents.
- HUD is working with the Environmental Protection Agency and the Department of Energy in a partnership to promote energy-efficient affordable housing. The partnership supports the goals of the President's National Energy Policy by promoting more widespread use of Energy Star products in HUD's inventory of public, assisted, and insured housing, as specified in HUD's Energy Action Plan.
- HUD will continue to work closely with a number of federal agencies, including the Departments of Health and Human Services and Labor, to ensure the successful implementation of welfare reform policies. HUD also encourages subsidized housing providers to (1) establish and maintain Neighborhood Networks centers for the implementation of such programs; and (2) coordinate and partner with the Department of Labor's national system of One-Stop Employment Centers.
- HUD has worked with the Department of Health and Human Services to develop guidance and a model cooperative agreement for PHAs and local welfare agencies. PHAs are encouraged to enter into cooperative agreements with local welfare agencies to target services to welfare families who receive housing assistance.
- HUD and the Department of Health and Human Services work collaboratively to increase the availability of assisted living facilities for low-income seniors, especially through coordination with states that have Medicaid waivers and can spend Medicaid funds on assisted living services.
- HUD signed a memorandum of understanding with the Federal Deposit Insurance Corporation to establish a national partnership to promote financial education using Money Smart, its financial education curriculum.
- HUD is working with the Federal Emergency Management Agency to assist families affected by Hurricanes Katrina, Rita, and Wilma. In September 2007, HUD will begin operating the Disaster

Assistance program previously administered by that agency to assist victims of Hurricanes Katrina, Rita, and Wilma.

### **External Factors**

Many external factors affect the supply of affordable rental housing for low-income families and for the elderly and persons with disabilities. These factors include local rental markets, building codes and land use regulations, local zoning requirements, state and local program decisions, high construction costs, and the actions of HUD's many other partners. The activity in the national housing market, whether private or subsidized, is affected by macroeconomic conditions including, importantly, interest rates and employment activity. Broad economic factors also affect employment opportunities for low-income workers, which may in turn influence HUD's efforts to promote self-sufficiency among assisted renters. In addition, accelerating growth in the number of elderly persons caused by aging of the baby-boom generation will pose a challenge for ensuring diverse housing opportunities for this population.

## **Strategic Goal C: Strengthen Communities**

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HUD is committed to preserving, stabilizing, and revitalizing America's cities as vibrant hubs of commerce, to aiding recovery efforts in the Gulf Coast region, and to making communities better places to live, work, and raise a family. HUD's programs provide states and localities with tools they can put to work improving economic health and promoting community development.

One of HUD's strategies for strengthening communities is to improve economic and community development opportunities to low- and moderate-income households. In particular, the strategy focuses on improving coordination of federal resources for neighborhood revitalization, elimination of blight, and other community development efforts by local partners. As a part of this effort, the Administration is proposing to reform the CDBG program, one of HUD's largest programs and a key component of this goal, in order to improve its effectiveness and create more incentives for communities. CDBG reform will be a significant step in targeting CDBG resources to communities that need the funds the most, such as those with high poverty and housing overcrowding issues.

HUD is working on significant improvements in the Integrated Disbursement and Information System, which is CPD's major performance reporting system. In early 2006, HUD published an outcome performance measurement framework that was jointly developed and approved by key national public interest groups, HUD, and the Office of Management and Budget. This framework applies to the four CPD formula programs—CDBG, HOME Investment Partnerships, Emergency Shelter Grants, and Housing Opportunities for Persons With AIDS—and has been incorporated into the improved data system. In addition, HUD continues to work with local stakeholders to identify performance measures that make the CPD programs more results-oriented and useful to communities in assessing their own progress toward addressing the problems of low-income areas.

Another major effort for HUD in FY 2007 and FY 2008 will be to focus resources on disaster recovery in areas affected by hurricanes Katrina, Rita, and Wilma. To achieve this objective, HUD is currently administering \$16.7 billion in supplemental CDBG funding to states and cities in these areas, and is working with the Federal Emergency Management Agency to meet emergency housing needs of people in the region. A number of HUD programs waived requirements immediately following the hurricanes in order to provide flexibility to the hardest-

hit areas. HUD requires grantees to affirmatively further fair housing, and expects them to provide housing and housing services on a non-discriminatory basis.

Neighborhood health is also affected by both the physical stock of housing and the social service network for those in need. In FY 2008 HUD will continue to work to streamline HUD's homeless programs and carry out activities aimed at alleviating chronic and other forms of homelessness. In addition, HUD will assess how its own mainstream housing assistance programs can better serve the homeless population.

Finally, HUD has multifaceted programs to support abatement of lead-based paint hazards, provide grants for prevention of housing-related childhood diseases, and promote widespread educational efforts in both areas. Over the past several years, these programs have greatly reduced the number of children under the age of six that have elevated blood lead levels. The current long-term goal is to reduce the number from 434,000 children in 2000 to 220,000 children in FY 2008, working to eliminate lead poisoning in children by 2010.

Specific program activities will include the following:



### **Community Development Block Grants**

The CDBG Reform proposal includes (1) a proposed formula change that will direct a higher proportion of resources to areas with greater need and ensure that areas with similar needs will receive more equal funding than occurs under the existing formula; (2) bonus funds for communities that demonstrate the greatest progress in expanding homeownership and economic opportunity for residents; and (3) improved grantee accountability requirements that will lead to a more effective national program and greater local impacts. The use of CDBG resources will continue to produce significant accomplishments that benefit low- and moderate-income persons, including those resulting from job creation and housing assistance activities. Grantees may also use CDBG funds to invest in infrastructure investments and housing improvements, which can spur further economic growth. The \$16.7 billion in supplemental funding provided by Congress through the CDBG program is one of the most important ways that HUD will assist hurricane recovery efforts in the Gulf Coast.



### **Programs to Help the Homeless**

The Administration is deeply engaged in meeting the challenge of homelessness that confronts many American communities. HUD is leading a government-wide commitment to an unprecedented goal to end chronic homelessness. The Administration is fundamentally changing the way the nation manages the issue of homelessness by focusing more resources on providing permanent housing and supportive services for the homeless population, instead of simply providing more shelter beds. To support the overall effort, the FY 2008 budget proposes a record level of funding of \$1.59 billion, reflecting a \$144 million increase over FY 2007 funding levels.

HUD has a multi-part strategy to assist individuals experiencing chronic and families experiencing temporary homelessness. First, to consolidate the number of homeless assistance grants and reduce the administrative burden on jurisdictions to administer multiple programs; second, to continue to focus HUD's resources on housing while working with other agencies to ensure that the supportive service needs of homeless people are met through mainstream programs; third, to increase the budget resources available for the Homeless Assistance Grants

program; and, fourth, to continue to focus on ending chronic homelessness and thereby free up additional resources to reduce overall homelessness.

Several homeless assistance program initiatives that are underway will provide new direction and streamline the delivery of funds to the local and nonprofit organizations that serve the homeless population in FY 2008 and beyond:

- **Legislation to Consolidate Homeless Assistance Programs.** In 2007, HUD transmitted proposed legislation (the Homeless Assistance Consolidation Act of 2007) to Congress to consolidate its current competitive homeless assistance programs into a single program. The consolidated program will significantly streamline homeless assistance in this nation.
- **Samaritan Initiative.** The FY 2008 budget requests funding for an initiative to help address the President's goal of ending chronic homelessness. The Samaritan Initiative, as a bonus within the Continuum of Care competition, would provide resources for new housing options and case management services to chronically homeless persons. In 2005, based upon Continuum of Care application data, approximately 175,000 persons experienced chronic homelessness. The chronically homeless often have an addiction or suffer from a disabling physical or mental condition, and are homeless for extended periods of time or experience multiple episodes of homelessness. Research indicates that although these individuals may make up only 20 percent of the homeless population, they consume more than half of all emergency homeless services because their needs are not comprehensively addressed.
- **Prisoner Re-Entry Initiative.** The FY 2008 budget includes \$25 million in HUD funding, to help individuals exiting from prison make a successful transition to community life and long-term employment. This initiative will be carried out through the collaborative efforts of the Departments of Labor, Housing and Urban Development, and Justice.



### Housing Opportunities for Persons With AIDS

In FY 2008, the Housing Opportunities for Persons With AIDS program will serve an estimated 67,000 persons, of whom many are the most vulnerable clients of AIDS housing efforts. Resources will be targeted to help clients achieve the important outcomes of maintaining housing stability, avoiding homelessness, and accessing care. At the same time, this program encourages grantees to place greater emphasis on permanent supportive housing. Incentives have been provided to emphasize housing assistance while encouraging grantees to access funding for supportive services through mainstream health and human welfare programs.

The Department proposes to update the statutory Housing Opportunities for Persons With AIDS program formula, which is used to distribute 90 percent of the appropriated funding. A revised formula would enhance the effectiveness of targeting Housing Opportunities for Persons With AIDS program resources to address the housing needs of low-income persons currently living with HIV/AIDS by: (1) utilizing updated Centers for Disease Control and Prevention data that identifies the number of persons currently living with AIDS rather than the current approach of using cumulative AIDS cases and area incidence data; and (2) incorporating a housing cost adjustment factor to reflect differences in local area rental costs. In addition, the proposed formula revision is consistent with the Office of Management and Budget's Program Assessment Rating Tool review recommendation, including the use of updated HIV/AIDS surveillance data and an adjustment for local housing needs.

### Health and Safety Programs

- ***Lead-Based Paint program.*** This program is the central element of the President's program to eradicate childhood lead-based paint poisoning. In FY 2008, \$116 million in funding has been requested for the lead-based paint program and the FY 2008 target is to reduce the number of lead exposed children to 216,000, down from 270,000 in FY 2006. Grant funds are targeted to low-income, privately owned homes most likely to expose children to lead-based paint hazards.
- ***Healthy Homes Initiative.*** The Healthy Homes Initiative targets approximately \$9 million in funding per year to prevent other housing-related childhood diseases and injuries such as asthma and carbon monoxide poisoning. A report of the President's Task Force on Environmental Health Risks and Safety Risks to Children notes that asthma alone costs the nation over \$6 billion each year. Working with other agencies such as the Centers for Disease Control and Prevention, Environmental Protection Agency, and the U.S. Department of Agriculture, HUD is bringing to the table comprehensive expertise in housing rehabilitation and construction, architecture, urban planning, public health, environmental science, and engineering to address a variety of childhood problems that are associated with housing.
- ***FHA mortgage insurance for health care facilities.*** FHA provides mortgage insurance for specialized programs such as nursing homes, assisted-living facilities, and hospitals. This insurance allows the construction of much-needed facilities that have little access to private-sector credit enhancement because of perceived risk.

### Research and Technology

- ***University Partnership grant programs.*** The FY 2008 budget continues the University programs as part of the Office of Policy Development and Research program budget. Through these programs, HUD helps colleges and universities, including minority institutions, engage in a wide range of community development activities. These programs build resources to support the outcome of neighborhood revitalization across the nation.

### Coordination with Other Federal Agencies

In addition to private partners and state and local government, HUD relies extensively on other federal agencies to help accomplish its goals. The interagency coordination associated with Strategic Goal C, "Strengthen Communities," is summarized below.

- HUD is working with the Corporation for National and Community Service on the Universities Rebuilding America Partnership. The new program will offer resources and support to engage college and university students, faculty, and staff in helping rebuild the Gulf Coast region.
- Through the White House Office of Faith-Based and Community Initiatives, an Administration-wide effort to better support the work of faith-based and community organizations, HUD and 11 other agencies are working to coordinate a national effort to strengthen the capacity of faith-based and other community organizations to better meet the social and economic needs in America's communities.

- HUD is an active member of the Interagency Council on Homelessness. HUD is working with 20 other federal agencies of the Council to coordinate federal programs supporting homeless families and individuals to minimize duplication and improve overall results.
- HUD will continue to work with the Departments of Health and Human Services and Veterans Affairs to better integrate HUD housing for homeless persons with service resources from these Departments. In FY 2008, HUD will work in collaboration with the Departments of Labor and Justice on the multi-year program to help individuals exiting from prison make a successful transition to community life and long-term employment.
- HUD is collaborating with the Department of Health and Human Services in coordinating federal resources to address challenges of the HIV/AIDS epidemic. This effort continues to involve collaborations on training for grantees under the HIV/AIDS related federal programs that assist beneficiaries with improved access to housing, health care, and other social services. In addition, research is being developed as the next part of a HUD collaboration with the Centers for Disease Control and Prevention. As initiated at three HOPWA sites in 2003, a health and housing study has been underway to gain better understanding on the connections of homelessness or risks of homelessness in comparison to stable housing on HIV transmission and the progression of HIV disease. Information will help support more effective HIV prevention and support efforts on finding cost effective interventions. During 2007, the effort is expected to result in the issuance of papers that address the knowledge gained in assisting this special needs population. The Centers for Disease Control and Prevention collection of data at three HOPWA projects has been completed and the information obtained is under review and analysis by research staff. Preliminary information on this effort has been shared in training conducted with Housing Opportunities for Persons With AIDS program grantees.
- HUD works with the Department of Justice and the Environmental Protection Agency to enforce the Lead Disclosure Rule of the Residential Lead-Based Paint Hazard Reduction Act of 1992, which requires that landlords and sellers of housing constructed prior to 1978 provide each purchaser or tenant with information about lead hazards.
- HUD is working on the Healthy Homes Initiative with the Centers for Disease Control and Prevention, the Environmental Protection Agency, the U.S. Department of Agriculture, and the National Institute of Environmental Health Sciences. Under the initiative, HUD awards grants to public and private organizations and makes agreements with other federal agencies for evaluation studies and demonstration projects to address housing conditions responsible for diseases and injuries.
- HUD has entered into a memorandum of agreement with the Department of Agriculture to commit mutual efforts and resources to improving the quality of life in the Southwest Border Region. An Interagency Task Force includes other federal agencies to better direct limited resources to the region, address jurisdictional issues, and enhance collaborative efforts.
- HUD is continuing joint research with the Federal Emergency Management Agency that will help reduce the risk and economic impacts of floods, and study alternative disaster housing options.
- HUD administers the Hospital Mortgage Insurance program pursuant to Section 242 of the National Housing Act. By helping hospitals get low-interest financing for needed construction

and modernization projects, the program strengthens communities, creates jobs, and reduces the cost of health care. Currently HUD insures 79 hospital loans totaling \$5.9 billion.

- HUD’s budget contains legislative proposals that would reform the CDBG, Housing Opportunities for Persons With AIDS, and Homeless Assistance grant programs. Enactment of these reforms is dependent upon timely congressional action.

### External Factors

***Community and economic development.*** The success of distressed communities in improving their economic conditions depends heavily on national and regional economic trends. Economic slowdowns can lead to higher unemployment rates, reduced revenues, and lower spending on public services by states and localities. A rapidly changing global economy has made it challenging for Americans to compete when capital is highly mobile, markets for goods and services are widely dispersed, and wages for low-skilled employment are much lower in many locations abroad. Local shortages of low-skilled jobs may result from mismatches between the locations of available jobs and the residences of the unemployed. Many older urban communities have adopted aggressive strategies to alleviate these mismatches and strengthen neighborhoods, but they face numerous barriers including tax base issues, scarcity of land, scattered or absentee ownership of vacant properties, and large concentrations of poor residents. Rural communities often face different challenges because of the changing structure of the farming industry, underinvestment in infrastructure, limited services, and few community institutions.

***Homelessness.*** The incidence of homelessness is driven by macroeconomic forces such as unemployment levels, the supply of low-skilled jobs, and the availability of low-cost housing. Personal factors such as domestic violence, mental illness, substance abuse, disabilities, HIV/AIDS, other chronic health issues, and the extent of a person’s educational or job skills also contribute to homelessness. Discrimination against persons with disabilities can also lead to homelessness. The Department’s success in achieving this objective also depends critically on the efforts of a wide variety of community partners.

## Strategic Goal D: Ensure Equal Opportunity in Housing

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HUD is committed to working cooperatively with all stakeholders to promote and enforce U.S. fair housing and civil rights laws. These laws help ensure that all households, regardless of race, color, religion, sex, national origin, disability and familial status, have fair and equal access to rental housing and homeownership opportunities. HUD’s Office of Fair Housing and Equal Opportunity contributes to fair housing enforcement and education by directly enforcing federal fair housing laws, which involves, among other things, investigating complaints brought by victims of discrimination or fair housing organizations. In appropriate cases, HUD’s Office of the General Counsel issues charges of discrimination, and litigates cases on behalf of the complainant before an administrative law judge. Central HUD strategies in ensuring equal opportunity in housing are to encourage local creativity in promoting housing choice, to educate the public about fair housing rights and responsibilities, and to increase attention to accessibility

of housing for persons with disabilities that is mandated by civil rights laws. These efforts support the outcome of increasing access to the nation's housing stock so that all Americans can choose to live where they want to live, and are reflected in the following two primary grant programs that fund state and local fair housing efforts:

### Fair Housing Assistance Program

The Fair Housing Assistance Program provides funds to state and local government entities that administer laws substantially equivalent to the Federal Fair Housing Act. The requested FY 2008 appropriations of \$24.8 million, will sustain the following: (1) funding for the National Fair Housing Training Academy to effectively train civil rights professionals and housing partners, including HUD investigators, in conducting fair housing investigations; (2) funding for discrimination cases processed by a projected 111 state and local fair housing agencies; and (3) funding to assist new state and local enforcement agencies with start-up costs. The Department will continue to focus on the efficient processing of complaints by substantially reducing the number of "aged" complaints under both HUD and Fair Housing Assistance Program responsibility in order to support the goal of ending housing discrimination.

The Department supports Fair Housing Assistance Program agencies by providing funds for capacity building, complaint processing, technical assistance, administration, and training. An estimated 350 fair housing professionals will be certified by the end of FY 2008 as a result of courses completed at the National Fair Housing Training Academy.

### Fair Housing Initiatives Program

This program provides grant funds for nonprofit Fair Housing Initiatives Program agencies nationwide to directly target discrimination through education, outreach, and enforcement. The program for FY 2008 is funded at \$20.2 million and is structured to respond to the findings of the three-year Housing Discrimination Study and related studies that reflect the need to expand education and enforcement efforts nationally as a result of continuing high levels of discrimination. The requested funds also will continue to support the following special initiatives:

- ***Education and Outreach Initiative.*** Education and outreach are critical components of HUD's ongoing efforts to prevent or eliminate discriminatory housing practices. Recent studies have demonstrated the continuing need for public education on fair housing laws. The FY 2008 budget provides \$2.38 million for fair housing education and outreach, which will enable grantees to conduct at least 300 community events that reach 180,000 individuals with information about their rights and responsibilities under the Fair Housing Act.
- ***Fair Housing Accessibility FIRST.*** Promoting the fair housing rights of persons with disabilities is a departmental priority and will remain an important initiative within the Fair Housing Initiatives Program. Fair Housing Act accessibility design and construction training and technical guidance are being implemented through *Fair Housing Accessibility First* (formerly called the Project on Training and Technical Guidance). For FY 2008, the Department is requesting \$0.8 million to advance priority accessibility goals.
- ***Private Enforcement Initiative.*** This initiative provides funding to private, tax-exempt organizations to investigate reports of discrimination, develop evidence on behalf of victims, and

pursue complaints with government agencies and in the courts. Most significantly, private enforcement initiative grantees are the nation's experts in "testing." Because housing discrimination is rarely overt, these grantees investigate complaints of discrimination by sending trained "testers" to inquire about housing availability and record their experiences. In FY 2005, HUD created a "Performance Based Funding Component" for the private enforcement initiative, which it will continue in FY 2008. This component will allow high-performing enforcement agencies to receive continuous funding for three years to support agencies in implementing their strategic plans and developing long-term systemic investigations. For FY 2008, \$17 million is budgeted for the private enforcement initiative.



### **Ensuring that HUD-funded entities comply with fair housing and civil rights laws**

HUD regularly monitors a number of funded housing programs. The Department is increasing attention on training and monitoring funded entities, conducting "front-end reviews" of documents such as fair housing marketing plans, and enforcing civil rights related program requirements, such as site and neighborhood standards. Competitive grant applications are reviewed to ensure that applicants meet affirmative fair housing, nondiscrimination, and Section 504 accessibility requirements in their programs and activities.

HUD's Office of Fair Housing and Equal Opportunity designed a series of review guides to assist other program offices to identify whether a funded entity has implemented civil rights related requirements. Program offices forward their concerns and observations to the Office of Fair Housing and Equal Opportunity for further review, voluntary efforts to resolve compliance problems, and, if necessary, enforcement action to ensure full compliance with fair housing laws.



### **Coordination with Other Federal Agencies**

In addition to private partners and state and local government, HUD relies extensively on other federal agencies to help accomplish its goals. The interagency coordination associated with Strategic Goal D, "Ensure Equal Opportunity in Housing," is summarized below.

- HUD serves on the Interagency Task Force on Fair Lending, which coordinates enforcement of fair lending laws across the federal government. Through the Interagency Task Force on Fair Lending, HUD works with the Departments of Justice and the Treasury, the Federal Deposit Insurance Corporation, Federal Housing Finance Board, Federal Reserve Board, Federal Trade Commission, National Credit Union Administration, Office of Federal Housing Enterprise Oversight, Office of the Comptroller of the Currency, and Office of Thrift Supervision to provide guidance to lenders consistent with the Fair Housing Act and the Equal Credit Opportunity Act and their implementing regulations.
- HUD and the Department of Justice continue to coordinate their fair housing enforcement activities, especially with respect to responding quickly and effectively to Fair Housing Act complaints that involve criminal activity (e.g., hate crimes), a pattern and practice of housing discrimination, or the legality of state and local zoning or other land use laws or ordinances.
- HUD also works with the Justice Department to promote fair housing for persons with disabilities. The Department of Justice's Civil Rights division has filed a number of lawsuits enforcing the accessible design and construction provisions of the Fair Housing Act as well as

ensuring availability of group homes for individuals with disabilities. The Civil Rights division's program, the Multi-Family Housing Access Forum, assists building professionals to better understand their legal obligations under the Fair Housing Act's accessibility requirements and to promote compliance.

- HUD will continue to work with the Departments of Justice and the Treasury to ensure that low-income housing tax credit projects are in compliance with the Fair Housing Act. Pursuant to memoranda of understanding, the three agencies formalized a compliance process to ensure that these properties do not violate the Fair Housing Act.
- The Office of the Assistant Attorney General, Civil Rights Division, of the Department of Justice chairs the Interagency Working Group on Limited English Proficiency. The working group comprises representatives from all federal civil rights offices who are working together to ensure effective and efficient implementation of Executive Order 13166 and Title VI of the Civil Rights Act of 1964 as it relates to limited English proficiency issues. The working group will ensure that persons with limited English proficiency will have meaningful access to federally funded and federally conducted programs and activities.



### External Factors

Social, cultural, and economic conditions influence the acceptance of minorities, persons with disabilities, and other protected classes. Local policies and practices affecting the development and construction of housing will continue to have some influence on the levels of discrimination, income isolation, and disparate homeownership rates. The need for accessible housing and housing linked with supportive services in community settings will be greater than before. In 1999, the Supreme Court ruled that states must place persons with disabilities in community settings rather than institutions when treatment professionals determine that community placement is appropriate (*Olmstead v. L.C.*). As a result of this decision, more persons with disabilities are moving into communities at a time when affordable housing is increasingly scarce.

## **Strategic Goal E: Embrace High Standards of Ethics, Management, and Accountability**

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HUD's goal of embracing high standards of ethics, management, and accountability is achieved through rebuilding and better managing its human capital, as well as improving its internal controls and systems. HUD is also committed to improving accountability and service delivery through creating and fostering constructive partnerships with PHAs and other intergovernmental bodies. HUD's priorities under this goal are largely reflected in specific agreements made by the Department as part of the President's Management Agenda (PMA), which is designed to improve the efficiency and effectiveness of the federal government and to address significant management deficiencies at individual agencies. The PMA serves as a performance assessment structure for several of HUD's administrative functions.

The PMA addresses HUD's management challenges and high-risk programs through five government-wide initiatives to improve government performance. The PMA also includes a

sixth HUD-specific initiative to correct long-standing program risks and management control weaknesses. A multi-agency initiative (discussed under Strategic Goal F, “Promote Participation of Faith-Based and Community Organizations”) focuses on improving HUD’s program delivery by enabling increased participation by faith-based and community organizations. Under an eighth initiative, HUD seeks to eliminate improper payments in federally funded activities. HUD continues to be a leader in the federal government on this initiative. A ninth initiative that focuses on credit program management was added as a multi-agency initiative. A summary of the means and strategies for Goal E by PMA initiative follows:

### Strategic Management of Human Capital

Strategic management of HUD’s most important asset, its “human capital,” is the key to management accountability. HUD’s three strategic priorities for human capital are: 1) a mission-focused agency, 2) a high-quality workforce, and 3) an effective succession plan. HUD is committed to ensuring that its employees have the skills and knowledge they need to achieve HUD’s mission and that institutional knowledge is sustained. Clear lines of succession will help the Department recruit high-performing employees and ensure that customer service will not suffer due to retirements and staff turnovers. The means and strategies that HUD will apply to better utilize its human capital include the following:

- Continued monitoring of the implementation of HUD’s Strategic Human Capital Management plan by the Human Capital Steering committee, which is chaired by the Assistant Secretary for Administration and comprised of executives from all major program areas.
- Continued implementation of the workforce plans that address mission-critical skill gaps, developed as a result of the Department’s comprehensive workforce analysis conducted for each of its core business program offices.
- Continued use of the Resource Estimation and Allocation Process (a departmental resource management process) and the Total Estimation and Allocation Mechanism (an automated information system that validates the Resource Estimation and Allocation Process) and the Corrective Action Plan system in developing budget requests and as part of the process of assessing hiring needs and making hiring decisions.
- Continued improvement in internal communications and employee involvement to allow HUD to be a more cohesive organization that exhibits greater comprehension of, commitment to, and capacity for achieving departmental goals.
- Continued support of the workforce through expanded opportunities for professional development, including the enhancement of such initiatives as the creation of a comprehensive training curriculum using the HUD Virtual University, the Emerging Leaders program, the HUD Intern program, and Operation Brain Trust—a program that captures the critical knowledge of experienced HUD professionals before they retire, transferring it to new or less experienced employees. In addition, the Department participates in other leadership programs such as the Council for Excellence in Government, the Senior Executive Service Candidate program, and a host of other internal and external leadership programs to ensure continuity of operations and transfer of knowledge.

### Competitive Sourcing

Competitive Sourcing is a government wide initiative designed to ensure that the government acquires commercially available services at the best value for the taxpayer, regardless of whether such services are provided by the private sector or federal government. The Department is committed to using competitive sourcing as a means of achieving efficiencies, increasing cost-effectiveness, and improving services, while minimizing program risks. Because HUD already has significant outsourced services, the Department must carefully consider the impact of any further outsourcing on program risk. HUD continues to consider possible “in-sourcing” competitions in areas where it might be in HUD’s best business interest to consider the cost-benefit of bringing certain outsourced functions back in-house, via a public-private competition.

### Improved Financial Management

This initiative is designed to improve controls over financial transactions and the quality of financial information so that agencies and the Congress can use the information to make informed decisions about federal programs; reduce the risk of fraud, waste, and abuse; and manage federal programs more effectively. Success is measured against clear and specific performance criteria, including:

- Accurate and timely financial information;
- Integrated financial and performance management systems that support day-to-day operations;
- Financial systems that meet federal requirements; and
- Continuation of clean and timely audit opinions with no material weaknesses.

A major initiative of the Department is the modernization of its core financial systems through the HUD Integrated Financial Management Improvement Project. The goal is to provide a user-friendly system that improves the availability and use of financial information to better inform HUD’s business decision making process. This initiative is a multiyear effort that will result in more seamless and integrated financial management processes throughout the Department.

Recent significant improvements in financial management systems and controls have enabled HUD to receive clean financial statement audit opinions from the Inspector General for the past seven years. The Department also has eliminated the remaining material weaknesses cited by the Inspector General as part of the audit of HUD’s financial statements, and as a result of these financial efforts and improvement, HUD has received a “green” score under the President’s Management Agenda for financial performance.

### Expanded Electronic Government

HUD continues to be an active partner in the federal electronic government initiatives to improve the efficiency of public sector business through the use of the Internet. As an active interagency partner, HUD is capitalizing on efforts to introduce shared solutions, retire redundant or obsolete systems, and provide innovative technological tools to increase access to programs, services, and information. Three examples of HUD’s use of e-government to provide citizens better services follow:

**Grants.gov.** This federal portal allows potential grantees to receive email notification of funding opportunities from every federal agency, identify the opportunity, and apply on line using a single registered identification number and password. HUD has made available on Grants.gov all HUD competitive funding opportunities that the system is able to accommodate.

**E-Rulemaking.** HUD is one of the first agencies to migrate to E-Rulemaking's Federal Docket Management System, collaboratively designed to assist federal agencies in managing and organizing materials and comments associated with rulemakings. The system provides a single electronic point for citizens to participate in the federal government's rulemaking function.

**HomeSales.gov.** HUD and its multi-agency partners launched the e-government project HomeSales.gov in September 2004. HomeSales.gov integrates information from the three largest inventories of federal real property assets—HUD, Veterans Affairs, and United States Department of Agriculture—to provide a single point of entry for prospective homebuyers to access all homes for sale from these agencies. HomeSales.gov is the first joint government online listing of homes for sale by the government and provides a link to over 95 percent of the single family homes for sale by government agencies.

The expanding Electronic Government initiative also requires federal agencies to develop secure Information Technology systems and strictly adhere to project cost, schedule, and performance projections. The following are examples of improvements to the management of HUD's Information Technology portfolio that are underway:

**Information Technology Project Management.** Vision 2010 is a multi-year plan that will modernize HUD's business and information management environment. HUD's Enterprise Architecture transition strategy outlines a methodology for this modernization. Access to business information will increase through simple, self-service utilities, which will improve the efficiency and effectiveness of interactions between HUD employees, business partners, and citizens.

**Data Quality Improvement.** Reliable information is critical for effective management and accountability. HUD's Enterprise Data Management Group, which operates under the oversight of an agency-wide Data Control Board, continues to make strides in addressing data quality deficiencies. The Enterprise Data Management Group has focused initial efforts on assessing critical data elements that HUD uses to measure and manage performance. In recent years, the Department has greatly expanded the use of performance information to manage programs and operations, to guide budget decisions, to inform stakeholders about program results, and to strengthen enforcement actions against partners who fail to act with integrity.

**Information Security.** The Federal Information Security Management Act of 2002 establishes specific security standards and requires federal agencies to take specific steps to ensure the security of federal information systems. HUD's Information Technology Security Office will continue to reduce risks and vulnerabilities and protect HUD's information systems and resources from unauthorized access, use, and modification, which will include these actions:

- Continue the Certification and Accreditation effort to ensure that 100 percent of major applications documented in the Inventory of Automated Systems have been certified and accredited;
- Prioritize and remedy high priority risks; and

- Ensure 90 percent of HUD employees and contractors will have completed information technology security and awareness training.



### Performance Improvement Initiative

The Performance Improvement initiative requires agencies to use performance goals and results as an integral element in program operations and budget formulation. This initiative has heightened awareness of the need for clear, measurable program goals and indicators to make budget and resource allocation decisions based on performance results. HUD again developed its FY 2008 budget submission to the Office of Management and Budget with an emphasis on collecting and using higher quality performance information. Program evaluations, research, and a focus on outcome indicators continue to better allow decision-makers to make connections between budget dollars and what programs actually produce. HUD has completed the Office of Management and Budget's Program Assessment Rating Tool evaluation on 34 major program areas, representing nearly 100 percent of HUD's budget, to identify areas in need of actions to improve the focus of performance measures and establish efficiency measures. In addition, the six resource tables that appear in this Annual Performance Plan show the allocation of budget resources and staff resources that are devoted to achieving each strategic goal, and enable the linking of resources with the results.



### HUD Management and Performance

This HUD-specific initiative contains four parts that allow the Department to aggressively address its high-risk program and material weakness issues that are not covered by other PMA initiatives. These efforts are summarized below:

***Improved performance of housing intermediaries.*** HUD surpassed initial goals for improving adherence to housing physical condition standards for public and assisted housing properties and reducing improper payments in rental housing assistance programs by setting clear and measurable goals and corrective actions, and working collaboratively with the housing industry and local housing program administrators. Further significant progress in improving the physical condition of public housing is projected to result under the multi-year implementation of project-based asset management.

***Improved FHA risk management.*** With consistent implementation of corrective actions by FHA, HUD eliminated the Government Accountability Office's high-risk program designation of the Single Family Housing Mortgage Insurance program in early 2007. FHA's Single Family Mortgage Insurance programs enable millions of first time, minority, low-income, elderly and other underserved households to realize the dream and benefits of homeownership. Continued efforts will protect the self-sustaining FHA funds as well as populations served by FHA that are particularly vulnerable to predatory lending practices that are harmful to those homebuyers.

***Reduced meaningless compliance burdens.*** HUD has worked closely with grantees, program stakeholders, and public interest groups to develop techniques for streamlining the Consolidated Planning process to make it more results-oriented and useful to communities in assessing their own progress toward addressing the problems of low-income areas. Communities use the Consolidated Plan to identify community and neighborhood needs, actions that will address those needs, and measures to gauge their performance. HUD developed and released the

Consolidated Plan Management Process Tool, which introduced an automated approach to managing the consolidated planning and reporting process.

***Improved Acquisition Management.*** HUD acquires more than \$1 billion in contracted services and goods each year. As part of an overarching strategy to improve HUD's acquisition management, two actions are notable:

- HUD's centralized contracting management information system contains reliable data on the number of active contracts, the expected cost of the contracts, and the types of goods and services acquired; and
- HUD's financial management information systems provide complete and reliable obligation and expenditure information on its contracting activities.

Other aspects of HUD's acquisitions management improvement strategy are being addressed through the human capital strategic implementation plan, which incorporates actions to enhance HUD's procurement staff capacity and improve guidance and training for HUD's acquisition workforce.

### **Elimination of Improper Payments**

This initiative was established in conjunction with the requirements of the Improper Payments Information Act of 2002. The Act requires agencies to annually assess improper payment risks and measure and report programs/activities that may be susceptible to improper payment levels in excess of a \$10 million threshold. The specific objectives are as follows:

- Establish an annual agency-wide risk assessment process that identifies all programs at risk of significant improper payments;
- Provide for annual estimates of improper payment levels in at-risk programs;
- Analyze the causes of improper payments in at-risk programs to serve as the basis for setting reduction goals and corrective action plans;
- Provide annual reporting of progress and results in attaining improper payment reduction goals.

HUD is considered the leader in this effort since it was the first federal agency to achieve a "green" score for the PMA goals for reducing improper payments. Improper payments in HUD programs occur primarily in public and assisted housing programs. In 2000, a HUD Quality Control Study estimated approximately \$3.2 billion in gross improper payments and \$2 billion in net annual subsidy overpayments attributed to the combination of program administrator errors and tenant income reporting errors. By the end of 2005, follow-up studies showed that gross improper payments due to program administrator and income reporting errors had decreased to approximately \$1.2 billion, a reduction of 69 percent over five years. Continued success in this area is contingent on the expansion of computer matching processes to verify tenant income, on HUD's ability to sustain adequate level of monitoring of program administrator performance, and on the proposed legislative action to simplify the overly complicated rent calculations.

## Faith-based and Community Organizations

HUD is one of several Departments that are leading the government-wide effort to promote participation of faith-based and other community organizations. This effort will strengthen the governments' efforts and results through the increased participation of new organizations with energy, vision and important mission goals.

**Additional Strategies.** In addition to the PMA initiatives, HUD pursues several strategies for helping employees and partners effectively deliver results to customers:

- Supporting accomplishment of goals in the Annual Performance Plan by helping managers shape the annual Management Plan. HUD's Management Plan defines specific operational goals that dovetail with this Annual Performance Plan while providing substantial emphasis and specificity about plans of individual field offices. The Management Plan reflects the integration of performance management principles and processes throughout the Department, including hands-on involvement of the Secretary, Deputy Secretary, principal staff, and top-level program managers of the Department. HUD continues to examine ways to increase the authority of field offices to provide quicker decisions for partners and customers.
- Reducing regulatory burdens on PHAs through the proposed Rental Assistance Simplification Act, which would allow local agencies to establish rent subsidies and policies while rewarding good management through performance-based incentives.
- Maintaining a strong research program focused on program evaluations to assess the effectiveness of HUD programs and develop recommendations for program improvements.

## Coordination with Other Federal Agencies

In addition to private partners and state and local government, HUD relies extensively on other federal agencies to help accomplish its goals. Examples of interagency coordination associated with Strategic Goal E, "Embrace High Standards of Ethics, Management, and Accountability," follow:

- HUD will continue to coordinate with, and rely on, the Department of Justice to accept civil referrals of multifamily development owners who have troubled management. Criminal referrals are sent to HUD's Office of the Inspector General.
- HUD will continue to show leadership in housing and community development policy by supporting cooperative research efforts. These include memoranda of understanding with the Internal Revenue Service to work closely in efforts to link low-income individuals and families to free tax preparation, electronic filing, and asset building assistance from the Internal Revenue Service; and coordination with the Department of State to enter into memoranda of understanding to facilitate information exchange with counterpart housing officials from other countries.
- HUD continues to participate in the interagency FedStats task force to facilitate electronic data dissemination. FedStats is intended to provide an interagency clearinghouse for statistical data that will transform existing information searches from a fragmented, agency-focused process to a

more unified and customer-oriented one. Additionally, HUD has taken a leadership role in extending FedStats with city data and linking HUD applications with FedStats applications.

- HUD will implement a computer matching program with the Rural Housing Service of the Department of Agriculture. This matching program will compare income, family size, family address, family identity, and benefit data for individuals participating in HUD assisted housing programs and subsidized multifamily housing programs with Rural Housing Service assistance data to verify that tenants are not receiving excessive or duplicate rental assistance.

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## Strategic Goal F: Promote Participation of Faith-Based and Community Organizations

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HUD continues to successfully facilitate intra-departmental and interagency cooperation geared toward meeting the needs of faith-based and community organizations. The Department has achieved notable success in eliminating regulatory barriers to program participation by faith based and other community organizations. The primary focus of HUD's Center for Faith-Based and Community Initiatives is on research, expanding outreach, training, technical assistance, and coalition building. To further HUD's overall strategic goals and objectives as they relate to partnerships with faith-based and community organizations, the Center initiated a range of activities promoting connections between the extensive resources within the Department. Furthermore, HUD is concerned with acknowledging the value of the vision, commitment, and expertise of faith-based and community organizations throughout the country. The Center will further the national effort to expand opportunities for, and strengthen the capacity of, faith-based and other community organizations so that they may better meet needs of America's communities.

### Outreach and Technical Assistance to Faith-Based and Community Groups

HUD will continue to execute a comprehensive outreach and technical assistance plan for faith-based and community organizations, helping more of these organizations apply for HUD's formula and competitive grants. Gaining access to local funds will be facilitated by making grant application processes more transparent. This will also be accomplished in part by conducting approximately 40, cost-free, two-day grant writing trainings, public speaking sessions, "Unlocking Doors Initiative" forums, workshops, and by publicizing local grant opportunities, points of contact, and examples of recent grants to faith-based and community grassroots organizations. The Center will keep faith-based and community organizations informed of educational and grant opportunities through its website, web casts, e-mail, and public forums. Faith-based organizations are competing more widely and effectively for funding, as they form successful partnerships and increase their knowledge of HUD grant programs and opportunities. HUD will continue to help faith- and community-based hospitals obtain low-interest financing for construction and modernization projects. These hospitals deliver health care and social services to large and small communities across the country.

## Annual Department-Wide Inventory

In coordination with the White House Office of Faith-Based and Community Initiatives, an annual department-wide inventory is conducted to identify barriers to participation of faith-based and community organizations in the delivery of social services. This review may include conducting studies of barriers created by rules, regulations, executive orders, internal policies and practices, and outreach activities that either discriminate against or otherwise discourage the participation of faith-based and community organizations in HUD programs.

## Pilot Projects and Partnering with HUD Program Offices

The Center will continue to partner with HUD program offices to establish mutual goals and identify opportunities to assist the offices in carrying out their strategic plans and objectives, with particular emphasis on strengthening and expanding faith-based and community partnerships. The Center will continue to propose and develop innovative pilot and demonstration programs to increase the participation of faith-based and other community organizations in programming changes, contracting opportunities, and other departmental initiatives.

HUD will expand its “Unlocking Doors” initiative to work with more mayors across the nation to identify what methods and practices were used that have made their cities successful in its community housing efforts, highlighting effective partnerships with faith and community-based organizations. In addition to working with HUD program offices to incorporate the findings in HUD programs, HUD also provided support to these cities to enable them to reach more people, expand their successful partnerships, and further their efforts to promote affordable housing and homeownership.

## Educating Government Personnel

The Center participates in HUD field conferences, training sessions, and seminars to educate HUD personnel and state and local governments on the faith-based and community initiatives and compliance with Executive Order 13279 and other equal treatment regulations.

## Coordination with Other Federal Agencies

In addition to private partners and state and local government, HUD relies on other federal agencies to help accomplish its goals. HUD’s Center for Faith-Based and Community Initiatives will plan, participate in, and conduct interagency and local government events. These events will be designed to educate and train faith-based and community organizations on partnership opportunities, launch pilot and demonstration projects, and build partnerships between corporations, foundations, and nonprofit organizations.

 **External Factors**

More than 85 percent of HUD funds are distributed to local governments and PHAs via block grants, contract renewals, and vouchers. Faith-based and community organizations are typically eligible as sub-recipients for HUD funds, but must apply through their respective local governments. While HUD encourages certain uses of funds, and while funds are targeted to low- and moderate-income residents as the primary beneficiaries, each jurisdiction makes its own decision (within HUD guidelines) about how to use block grant funds.



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**SECTION THREE**  
*Performance Indicator Detail*

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## Strategic Goal A: Increase Homeownership Opportunities

### *Strategic Objectives:*

- A1 Expand national homeownership opportunities.*
- A2 Increase minority homeownership.*
- A3 Make the home-buying process less complicated and less expensive.*
- A4 Reduce predatory lending through reform, education, and enforcement.*
- A5 Help HUD-assisted renters become homeowners.*
- A6 Keep existing homeowners from losing their homes.*

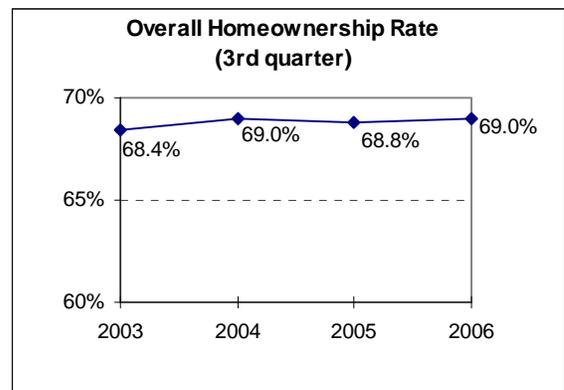
### Objective A1: Expand national homeownership opportunities.

#### A1.1: Improve national homeownership opportunities.

**Indicator background and context.** This is a tracking indicator for which no numeric target is established because of the current dominant impact of the macroeconomy. The overall homeownership rate indicates the share of households that have achieved the “American dream” of homeownership. Increased homeownership produces beneficial outcomes by creating stronger neighborhoods, providing better opportunities for child development, and encouraging good citizenship.

The homeownership rate has reached record levels

in recent years, but there is evidence that excesses in the subprime mortgage market have contributed to increased defaults among recent homebuyers. HUD programs helped families take advantage of strong economic conditions to purchase homes while avoiding subprime financing in recent years. At the end of FY 2006, the homeownership rate was 69.0 percent, equivalent to the record third-quarter rate set in FY 2004, and significantly greater than the 67.7 percent rate achieved in FY 1999 under HUD’s first Annual Performance Plan.



HUD is promoting overall homeownership by striving to increase homeownership among subgroups that face greater barriers, including minority and low-income families, as well as families in central cities. Each 0.1 percentage point increase in the national homeownership rate translates to about 100,000 new homeowners (if total households remain constant). Such results are well within the scope of HUD program impacts reported through a number of performance indicators. For example, at the end of FY 2006, FHA had approximately \$395.8 billion of mortgage insurance in force, of which 80 percent was supporting homeownership through the Mutual Mortgage Insurance fund. Proposed legislation to modernize FHA programs will, if adopted, begin improving financing options for vulnerable homebuyers during FY 2008. A range of other HUD programs contribute to homeownership, including CDBG, HOME, the Self-help Homeownership Opportunities Program, public housing homeownership program, HOPE VI grants, various Indian assistance programs, and HUD's fair housing activities.

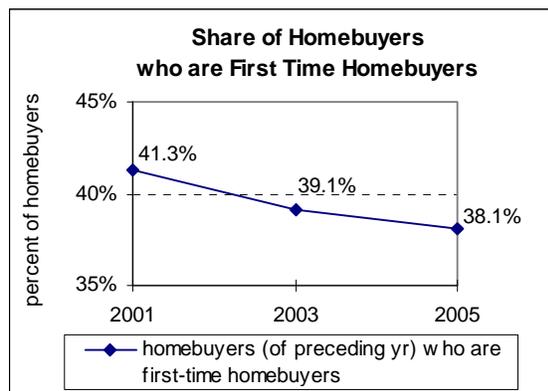
**Data source.** Third-quarter calendar year estimates from the Current Population Survey, conducted monthly by the Bureau of Census. This corresponds to the final quarter of the fiscal year.

**Limitations/advantages of the data.** Current Population Survey data have the advantage of being nationally representative, reliable and widely recognized. Changes in estimated rates exceeding 0.25 percentage points are statistically significant with 90 percent confidence. Beginning with the first quarter of 2003, the Bureau of Census implemented changes to estimation procedures. The changes are inconsequential for this indicator.

**Validation, verification, improvement of measure.** See discussion of the Current Population Survey in Appendix C.

## A1.2: The share of all homebuyers who are first time homebuyers.

**Indicator background and context.** This is a tracking indicator for which no numeric target is established because of the current dominant impact of the macroeconomy. This indicator is an important intermediate outcome leading to higher homeownership. Homeownership rates generally increase when better opportunities become available for first-time homebuying by low- and moderate-income households. The most recent available data show that 38.1 percent of homebuyers in calendar year 2005 (purchasing homes during the previous year) were first time homebuyers. HUD programs supporting first time homeownership include FHA mortgage insurance downpayment assistance provided through homeownership vouchers and the American Dream Downpayment Initiative. A number of economic factors not controlled by HUD affect this outcome, especially changes in mortgage interest rates.



**Data source.** The American Housing Survey, conducted for HUD by the Bureau of Census. The data represent homeowners who reported, during the (odd) year shown, that they moved during the previous (even) year.

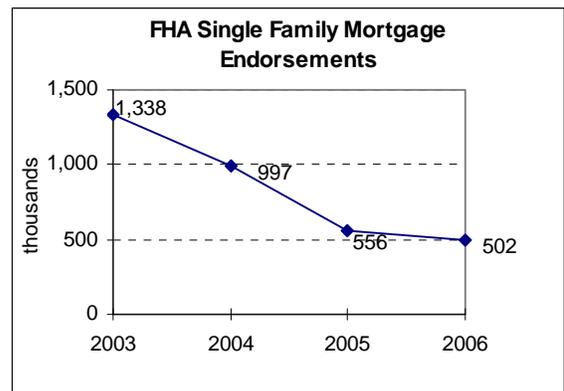
**Limitations/advantages of the data.** American Housing Survey data are available only biennially with a time lag. Calendar year 2007 data will become available in the third quarter of 2008. Information on first time status was missing for 4.4 percent of homebuyers surveyed in 2003; such households are excluded.

**Validation, verification, improvement of measure.** See discussion of the American Housing Survey in Appendix C.

### A1.3: The number of FHA single family mortgage insurance endorsements nationwide.

**Indicator background and context.** This indicator tracks FHA’s contribution to the homeownership rate through the annual volume of FHA-insured loans, and thus, is a key component of the Department’s priority outcome of improving the national homeownership rate and fulfilling the President’s 2002 commitment to create 5.5 million new minority homeowners by 2010. FHA insures mortgages issued by private lenders, thereby increasing access to mortgage capital so overall homeownership opportunities increase, which also has important implications for first time and minority homeownership rates because a significant proportion of FHA participants are first time minority homeowners.

Currently the Department is seeking congressional enactment of legislation to modernize FHA single family mortgage insurance activities to better achieve its mission of reducing barriers to homeownership. FHA Modernization efforts would assist FHA in recapturing a portion of market share it has lost because of existing structural limitations. Modernization would allow FHA to reach more prospective homeowners, as well as provide a safe alternative from sub-prime and exotic loan products. Balancing the importance of reporting this key measure of HUD activity, with an appreciation of the dominant effect of market factors in the annual volume achieved, the Department has decided to continue tracking the results of this measure without establishing a numeric goal for FY 2008.



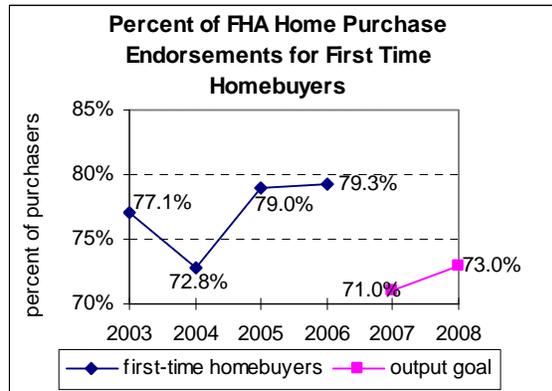
**Data source.** The data originate in the Computerized Homes Underwriting Management System and for convenience are reported from FHA’s Single Family Housing Enterprise Data Warehouse.

**Limitations/advantages of the data.** The data have no deficiencies affecting this measure.

**Validation, verification, improvement of measure.** Direct-endorsement lenders enter FHA data, with monitoring by FHA. As part of the Department’s data quality initiative, the Computerized Homes Underwriting Management System was identified by the Enterprise Data Management Group as passing 6-sigma quality tests (reflecting fewer than 3.4 errors per million) for validity, completeness, and consistency.

**A1.4: The share of first time homebuyers among FHA home purchase endorsements is 73 percent.**

**Indicator background and context.** FHA is a major source of mortgage financing for first time homebuyers as well as for minority and lower-income buyers. In the past 10 years, FHA has endorsed over 7.5 million purchase endorsements. HUD will help achieve the outcome of increasing the overall homeownership rate, as well as reducing the homeownership gap between whites and minorities, by maximizing FHA endorsements for first time homebuyers. Consequently, this indicator, which measures the share of first time homebuyers



among FHA endorsements for home purchases, contributes to the President’s goal of adding 5.5 million new minority homeowners by 2010. The FY 2008 goal is to ensure that 73 percent of home purchase mortgages endorsed for insurance by FHA are to first time homebuyers. This performance measure is strongly influenced by macroeconomic factors beyond FHA’s control, which include interest rate changes and lender choices concerning the type of mortgage transactions on which they focus their business. With the loss of FHA market share in recent years, current market conditions, and pending legislative changes, FHA has kept this indicator’s goal at an attainable level.

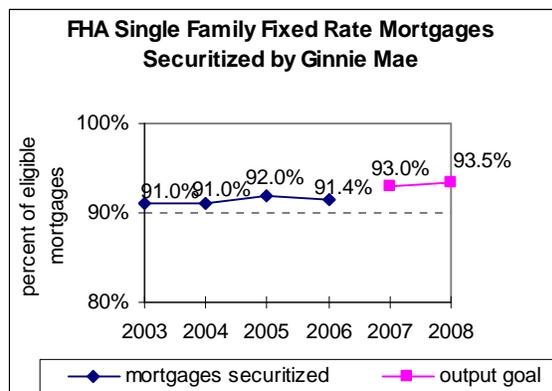
**Data source.** The data originate in the Computerized Homes Underwriting Management System and for convenience are reported from the FHA Single Family Housing Enterprise Data Warehouse.

**Limitations/advantages of the data.** FHA data on first time homebuyers are more accurate than estimates of first time homebuyers in the conventional market.

**Validation, verification, improvement of measure.** Direct-endorsement lenders enter client data, with monitoring by FHA. As part of the Department’s data quality initiative, the Computerized Homes Underwriting Management System was identified by the Enterprise Data Management Group as passing 6-sigma quality tests (reflecting fewer than 3.4 errors per million observations) for validity, completeness, and consistency.

**A1.5: Ginnie Mae securitizes at least 93.5 percent of eligible single family fixed rate FHA loans.**

**Indicator background and context.** Ginnie Mae helps create a secondary market for residential mortgages by securitizing a high share of eligible fixed rate FHA loans. The securitization of FHA fixed rate mortgages increases the availability of funds for lenders making these loans and thereby decreases the cost associated with making and servicing the loans. The outcome is lower mortgage



costs for homebuyers who use federal government housing credit, thereby increasing the number of potential homeowners.

Since 1970, Ginnie Mae has guaranteed the issuance of \$2.5 trillion in mortgage-backed securities that have provided affordable housing for over 33 million households. In FY 2008, Ginnie Mae is requesting \$100 billion in new commitment authority that will provide housing for more than one million additional families.

**Data source.** Ginnie Mae database of monthly endorsements by FHA and the loan level data collected by Ginnie Mae in its Mortgage-Backed Security Information System.

**Limitations/advantages of the data.** No data limitations are known to affect this indicator.

**Validation, verification, improvement of measure.** Both Ginnie Mae and FHA numbers are subject to annual financial audits because they represent an obligation on the part of the United States.

### A1.6: Ginnie Mae securitizes at least 84 percent of VA single family fixed-rate loans.

**Indicator background and context.** Ginnie Mae creates a secondary market for residential mortgages. Securitizing a high share of Veteran’s Affairs loans increases the liquidity of funds in the market for mortgage credit, and the presence of government-backed securities lowers market cost, creating homeownership incentives. This indicator reflects the ratio between the reported value of VA guarantees and the total value of Ginnie Mae Veteran’s Affairs single family fixed-rate securities guaranteed. Other players in the secondary market, including Fannie Mae, Freddie Mac, and the Federal Home Loan Bank System, have increased the level of competition for Veteran’s Affairs loans in recent years.

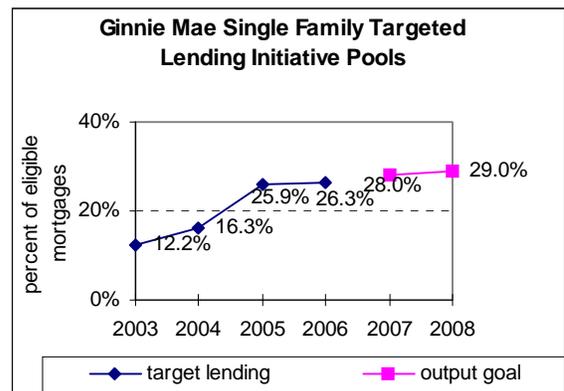
**Data source.** Ginnie Mae database of monthly Veteran’s Affairs guarantees and the loan level data collected by Ginnie Mae in its Mortgage-Backed Security Information System.

**Limitations/advantages of the data.** Historical data are currently unavailable to provide context and a performance baseline, but data collection efforts are beginning in FY 2007.

**Validation, verification, improvement of measure.** Ginnie Mae numbers are subject to annual financial audits because they represent an obligation on the part of the United States.

### A1.7. At least 29 percent of all Ginnie Mae single family pools issued in FY 2008 are Targeted Lending Initiative pools.

**Indicator background and context.** Ginnie Mae established the Targeted Lending Initiative in FY 1996 in order to provide incentives for lenders to increase loan volumes in the following traditionally under-served areas: HUD-designated Renewal Communities, Urban Enterprise Zones, Urban Empowerment Zones, Native American Lands, Rural Empowerment Zones, and Rural Enterprise Communities. Ginnie Mae expanded the Targeted



Lending Initiative in FY 2004 to include the colonias (poor rural communities, almost always unincorporated, that lie in a 150-mile-wide strip along the U.S.-Mexico border between Texas and California). In FY 2006, there were 77,673 families served, with a mortgage amount of \$10.1 billion. Most recently, Ginnie Mae expanded the program to include those census tracts that were declared disaster areas as a result of Hurricane Katrina.

The Targeted Lending Initiative program offers discounts ranging from one to three basis points on Ginnie Mae’s six basis point guaranty fee, depending on the percentage of Target Lending Initiative—eligible loans within the security. The reduced guaranty fee gives lenders an incentive to originate loans in Target Lending Initiative areas. In FY 2006 there were 77,673 loans.

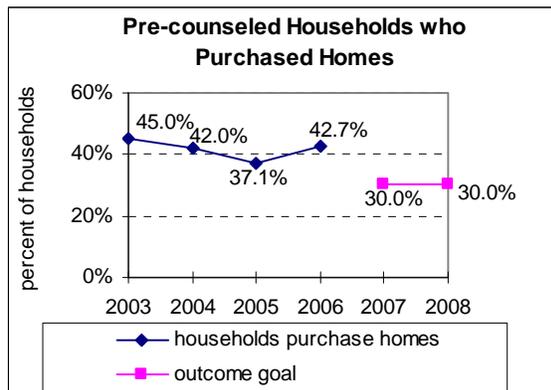
**Data source.** Ginnie Mae monthly Master Pool file detailing characteristics of pools securitized by Ginnie Mae.

**Limitations/advantages of the data.** No data limitations are known to affect this indicator.

**Validation, verification, improvement of measure.** Ginnie Mae numbers are subject to annual financial audits because they represent an obligation on the part of the United States.

**A1.8: At least 30 percent of clients receiving pre-purchase counseling will purchase a home or become mortgage-ready within 90 days.**

**Indicator background and context.** Clients tracked through this indicator include those individuals receiving housing counseling for pre-purchase reasons, including clients preparing to purchase a home or working to become mortgage-ready. Counseling has a critical role in the home buying process because it helps educate homebuyers so that they make smart choices regarding the myriad of mortgage financing options available. Housing counseling will strongly support the Department’s FHA modernization efforts by helping borrowers benefit from FHA mortgage insurance products and avoid more expensive and riskier financing options. The FY 2008 performance goal is to ensure that at least 30 percent of clients receiving pre-purchase counseling achieve the outcome goal of purchasing a home or becoming mortgage-ready within 90 days.



Economic conditions and housing market homeownership rates vary and so the demand for specific types of counseling may vary for reasons outside of HUD’s control. The Department, however, through its monitoring and training efforts, is confident that HUD-approved agencies are providing quality counseling services that will help clients who are ready for homeownership to achieve it. As of FY 2006, pre-purchase homebuying counseling constituted approximately 32 percent of HUD-funded housing counseling activities.

**Data source.** The data are electronically submitted to HUD’s Housing Counseling System through the Housing Counseling Agency Fiscal Year Activity Reports (Form HUD-9902). The data include the total

number of clients, the type of counseling received, and the results of the counseling. Beginning in FY 2008, an additional source for this data will be the Housing Counseling Program Outcome Logic Model, form HUD-96010.

**Limitations/advantages of the data.** A major limitation of the data collection instrument is that it does not differentiate the level of counseling given to each client. The level of counseling provided to individual clients can vary significantly.

**Validation, verification, improvement of measure.** To improve the quality of the housing counseling activity information received by HUD, the Department will be implementing an automated data collection instrument that will enable it to collect client-level data beginning in FY 2008. In FY 2007, HUD is completing the development of the client level data database and electronic client level data submission is being piloted by agencies participating in the program.

**A1.9: The number of homebuyers who have been assisted with the HOME Investment Partnerships program is maximized.**

**Indicator background and context.** During FY 2008, 29,464 households are projected to become homeowners with HOME Investment Partnerships program assistance. Of this number, 5,000 households will be assisted through the use of funds provided under the American Dream Downpayment Initiative. Enacted by Congress in 2003, this initiative is a set-aside under the HOME Investment Partnerships program that provides downpayment assistance to first time homebuyers. The first funds were distributed to participating jurisdictions in FY 2004. Based upon the history of the HOME Investment Partnerships program funding, the number of minority homebuyers assisted with program funds will be 14,143—48 percent of the 29,464 new homeowners. In addition to assisting homebuyers, the program will help 8,675 existing homeowners rehabilitate their homes up to standard condition in FY 2008, and also supports homeownership by assisting current homeowners in retaining that status. The FY 2008 goal shows a decrease from the estimated FY 2007 level due to the effects of inflation on housing production—calculated at 3 percent annually—together with the reduction in HOME Investment Partnerships program funding in recent years.

HOUSEHOLDS ASSISTED THROUGH HOME	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007 goal	FY 2008 goal
New Homebuyers, not Downpayment Initiative	25,867	28,517	23,413	46,556	25,221	24,464
New Homebuyers, Downpayment Initiative	NA	2,263	8,894	9,096	5,000	5,000
Minority Homebuyers Assisted	NA	14,774	15,507	25,622	14,506	14,143
Existing-homeowner rehabilitation	NA	10,112	14,832	16,821	8,943	8,675

**Data source.** Integrated Disbursement and Information System – HOME Module, which contains completion reports submitted by participating jurisdictions.

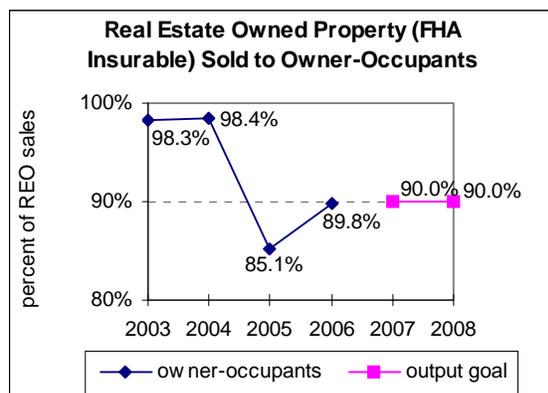
**Limitations/advantages of the data.** HUD relies on participating jurisdictions to enter data into the Integrated Disbursement and Information System. By regulations, participating jurisdictions have

120 days to enter data into the system after a project's final funds are drawn upon. Thus, historically, there has been a time lag between the time when project construction is complete or assistance is provided and the time when this information is entered into the data system.

**Validation, verification, improvement of measure.** CPD field staff verifies program data when monitoring grantees, and grantee reports are subject to independent audits.

#### A1.10: The share of FHA-insurable real estate owned properties that are sold to owner-occupants is 90 percent.

**Indicator background and context.** This indicator is a measure of the Department's success in achieving the outcomes of expanding homeownership opportunities and helping stabilize neighborhoods. FHA acquires real estate owned properties when owners default on FHA-insured mortgages. These properties become departmental assets and are a resource for increasing the availability of affordable homes to potential homebuyers. HUD will continue to focus on increasing sales of its FHA-insurable real estate



owned homes directly to families who will occupy them rather than to investors. The FY 2008 goal is to ensure that at least 90 percent of FHA-insurable real estate owned properties are sold to owner-occupants.

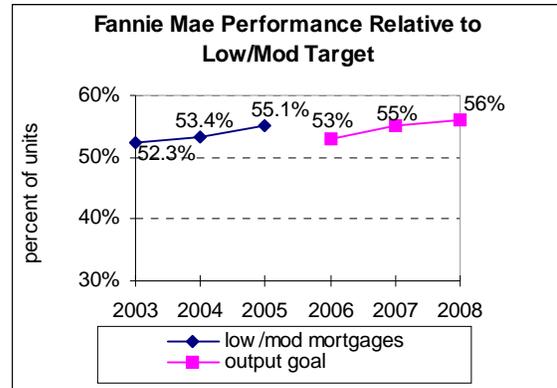
**Data source.** The data for this indicator are from FHA's Single Family Acquired Asset Management System, which will remain the primary data source until December 1, 2007. A tentative implementation date of January 1, 2008, has been established for the Asset Management Information System. Once implemented, the system will become the primary data source for the Department's real estate owned properties. The Asset Information Management System is a web-based, user friendly system set to replace the current costly outdated system.

**Limitations/advantages of the data.** The data have no limitations affecting the reliability of this measure. The data will be used as a part of the overall monitoring of FHA's portfolio and as a component of the internal controls of FHA. This performance indicator considers only properties in a physical condition acceptable to qualify for FHA insurance at the time of sale. HUD regulations require that properties be sold "as-is" without repairs. By excluding sales of properties that, on the basis of their physical condition, are not appropriate for owner occupant purchasers, FHA is able to measure the expansion of homeownership opportunities to this segment of the homebuyer market more effectively.

**Validation, verification, improvement of measure.** Real estate owned data are covered by the Inspector General's audit.

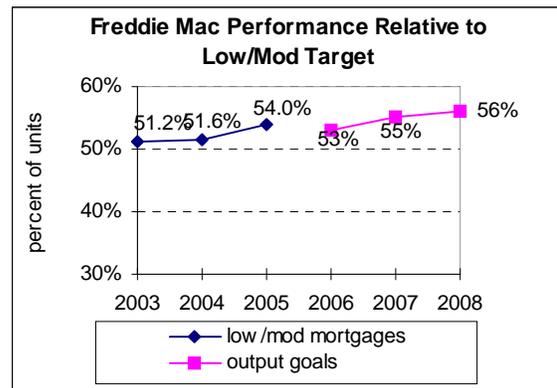
**A1.11: HUD will continue to monitor and enforce Fannie Mae’s and Freddie Mac’s performance in meeting or surpassing HUD-defined targets for low- and moderate-income mortgage purchases.**

**Indicator background and context.** Fannie Mae and Freddie Mac, two housing government-sponsored enterprises that HUD oversees, are private corporations with public purposes that include providing stability in the secondary market for residential mortgages and promoting access to mortgage credit throughout the nation. To fulfill their public purposes, Congress requires that each government-sponsored enterprise achieve annual affordable housing goals, including a goal that targets families with low and moderate incomes.



HUD sets the level of an annual Low- and-Moderate Income goal target. HUD’s targets for low- and moderate-income mortgage purchases for these two government-sponsored enterprises aid in expanding homeownership and rental opportunities for these income groups (defined as households with incomes less than or equal to the area median income).

Beginning in 2005, HUD increased the Low- and Moderate-Income goal from 50 percent to 52 percent. The Low- and Moderate-Income goals for 2006, 2007, and 2008 also were increased to 53, 55, and 56 percent respectively. HUD set the goals with the objective of ensuring that Fannie Mae and Freddie Mac fulfill their mandate to provide leadership to the mortgage market. By 2008, the goal level will match HUD’s calculation of market share averages for goals-eligible mortgages in 1999–2003 and will be at the high end of HUD’s



estimated market share range for 2005–2008. HUD’s low- and moderate-income targets measure the two government-sponsored enterprises’ purchase performance relative to all eligible mortgages that finance housing for families earning no more than the area median income. These include mortgages for both purchasing and refinancing single family and multifamily residential properties, and loans in metropolitan and non-metropolitan areas.

In addition to the broader low- and moderate-income target, HUD has also implemented a home purchase subgoal under the Low- and Moderate-Income housing goal. This subgoal targets Fannie Mae’s and Freddie Mac’s performance in serving the homeownership segment of the low- and moderate-income market. The home purchase subgoal is expressed as a percentage of the total number of mortgages purchased by Fannie Mae and Freddie Mac that finance the purchase of single family, owner-occupied properties located in metropolitan areas. In 2006, the Low- and Moderate-Income Home Purchase subgoal was 46 percent for each government-sponsored enterprise. This target increases to 47 percent for

2007 and 2008. HUD established the home purchase subgoal to encourage the government-sponsored enterprises to improve their efforts in expanding homeownership opportunities for these income groups (defined as households with incomes less than or equal to the area median).

**Data source.** HUD analysis of loan-level data from Fannie Mae and Freddie Mac systems.

**Limitations/advantages of the data.** The data are compiled directly from government-sponsored enterprise records on single family and multifamily loan purchases, and include mortgages for multifamily rental properties. The data are based on calendar year rather than fiscal year activity, and are presented for performance reporting purposes on a one-year lagged basis.

**Validation, verification, improvement of measure.** Fannie Mae and Freddie Mac apply quality control measures to the data elements provided to HUD. The Department verifies the data through comparison with independent data sources, replication of government-sponsored enterprise goal performance reports, and independent reviews of Fannie Mae and Freddie Mac data quality control procedures.

#### **A1.12: The number of households receiving homeownership assistance and homeowners receiving housing rehabilitation assistance from the Community Development Block Grant, the Indian Housing Block Grant, and the Native Hawaiian Housing Block Grant.**

**Indicator background and context.** The CDBG program is a flexible block grant program that provides grantees wide discretion in their use of funds, yet the use of CDBG funds for the rehabilitation of owner-occupied housing units continues to be one of the primary activities assisted by grantees. Such rehabilitation, along with the use of CDBG to assist low- and moderate-income persons to become homeowners, helps to maintain and expand existing housing stock and reduce demand for rental housing. For FY 2008, HUD has two separate goals under this category: owner-occupied units rehabilitated, 123,148, and assistance directly contributing to homeownership, 7,143. The CDBG goals are based on historical accomplishments reported by grantees, the proposed FY 2008 appropriation, the actual FY 2007 appropriations, estimated spend-out rates, and a three percent reduction due to the impact of inflation.

The Indian Housing Block Grant and Native Hawaiian Housing Block Grant programs address the severe shortages of affordable housing in Indian country and in Hawaii. The measures for these programs track the affordable homeownership units built, acquired, or rehabilitated with the funds. For each of the programs represented by this indicator, achieving the targets shown is subject to appropriations as well as economic conditions and local discretion.

**Data source.** Data on CDBG accomplishments are from the Integrated Disbursement and Information System – CDBG Module.

Indian Housing Block Grant data come from grant recipients through annual performance reports. The data are captured in the performance-tracking database of each regional Office of Native American Programs and then aggregated into a national database at headquarters.

Native Hawaiian Housing Block Grant data come from the grantee's annual performance report. The data are captured in the Performance Tracking database at headquarters.

Homeownership/Home Rehabilitation Assistance	2003	2004	2005	2006	2007 goal	2008 goal
CDBG (homeownership assistance)	NA	NA	7,530	7,628	7,400	7,143
CDBG (owner-occupied rehabilitation)	NA	116,285	124,544	131,508	127,563	123,148
Indian Housing Block Grant (homeownership assistance and owner-occupied rehabilitation)	NA	5,544*	8,043*	6,140	5,350	5,350
Native Hawaiian Housing Block Grant (homeownership assistance and owner-occupied rehabilitation)	NA	NA	72	23	101	101

\*These figures have been revised from those reported in the Performance and Accountability Report due to subsequent adjustments to the database.

**Limitations/advantages of the data.** CPD has pursued a variety of enhancements to the Integrated Disbursement and Information System, which, along with on-going data clean-up efforts, have resulted in continuous improvements in data quality for the CDBG program.

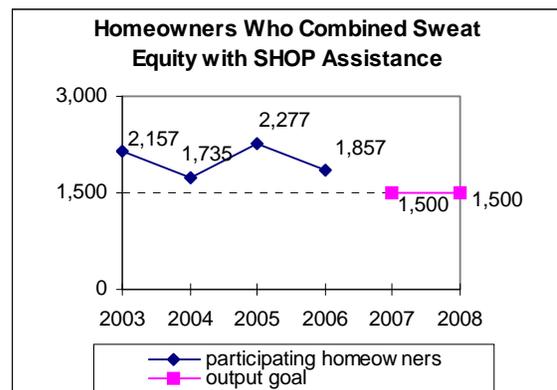
Accomplishments for the Indian Housing Block Grant program recorded in the database by October 1 each year include only reports from grantees whose fiscal year ended June 30 or earlier because grantees have 60 days after their year-end to submit their annual report.

Because the Native Hawaiian Housing Block Grant program has a single grantee, the Department of Hawaiian Home Lands, the data are consistently reported.

**Validation, verification, improvement of measure.** Field staff from CPD and the Office of Native American Programs verify program data when monitoring grantees. To simplify reporting for Indian Housing Block Grant, HUD officials and grantees have been collaborating to revise the annual data collection forms.

**A1.13: The number of homeowners who have used sweat equity to earn assistance with Self-help Homeownership Opportunity Program funding reaches 1,500.**

**Indicator background and context.** This indicator tracks the number of homeowners assisted with funding from the Self-help Homeownership Opportunity Program reflecting completed units. This program, using sweat-equity, makes homeownership possible for families with incomes below 50 to 65 percent of area median income who otherwise would not likely be able to achieve this desirable goal. Under this program, grant funds are combined with local funding and donated materials, and prospective homeowners perform construction-related work with volunteers, which vastly reduce labor costs. Grantee organizations such as Habitat for Humanity play a critical role in motivating volunteer resources, supporting affiliates, and ultimately achieving the results accomplished with the Self-help Homeownership Opportunity Program.



FY 2008 results will continue to reflect the FY 2004 increase from \$10,000 to \$15,000 in the program's allowable average assistance level per unit. Consequently, the FY 2008 assistance goal is maintained at 1,500 households. The doubling in program funding requested in FY 2008, compared to the FY 2007 appropriation level, will begin to affect results in FY 2009, as FY 2008 funds will be awarded on a competitive basis during the fourth quarter of FY 2008.

**Data source.** Self-help Homeownership Opportunity Program data are from progress reports submitted by grantees.

**Limitations/advantages of the data.** No data limitations are known to affect this measure. The data shown above for FY 2004 and FY 2005 are not entirely consistent with the FY 2003 data, and also differ from data reported in the Department's Performance and Accountability Report, due to data cleanup; the data shown above are tallied on a fiscal year basis (October 1 through September 30) rather than the July 1–June 30 basis. The FY 2006 result previously reported in the Performance and Accountability Report has changed due to a subsequent adjustment to the database.

**Validation, verification, improvement of measure.** HUD Headquarters staff monitors grantees to ensure that reported accomplishments are accurate.

#### **A1.14: The Self-help Homeownership Opportunity Program will maintain a default rate that is lower than that under the comparable US Department of Agriculture 502 loan program.**

**Indicator background and context.** The Self-help Homeownership Opportunity Program has established this outcome measure to indicate the extent to which assisted households that were otherwise unable to afford their own home but for this program are able to manage monthly mortgage and other housing expenses successfully and remain in their homes. This indicator will measure the stability of this homeownership both for the new owners and as an addition to the total national homeownership housing stock. The current U.S. Department of Agriculture 502 default rate, net of recoveries, is 3.21 percent. Given the fact that loan qualification criteria for low-income homebuyers of units assisted by the Self-help Homeownership Opportunity Program, such as credit history, are applied more liberally than is the case with federal insured loan programs, such as the U.S. Department of Agriculture 502 loan program, the target for maintaining a lower default rate is ambitious. This is especially true considering that almost 80 percent of homebuyers of the Self-help Homeownership Opportunity Program assisted units have incomes under 50 percent of median for their area.

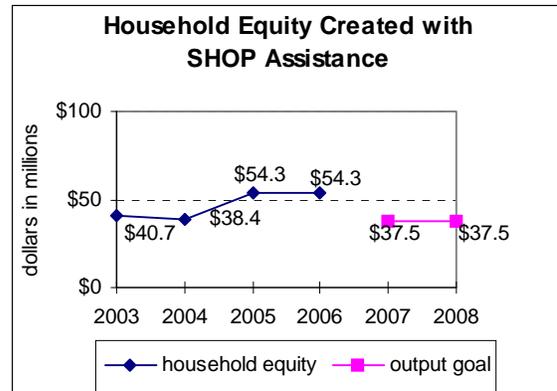
**Data source.** Data are from progress reports submitted by grantees.

**Limitations/advantages of the data.** The default rates for the Self-help Homeownership Opportunity Program are collected and compiled by the grantees from numerous local affiliates which may delay reporting.

**Validation, verification, improvement of measure.** HUD Headquarters staff monitors grantees to ensure that reported accomplishments are accurate.

**A1.15: Create net household equity of \$37.5 million through the Self-help Homeownership Opportunity Program.**

**Indicator background and context.** This outcome indicator measures the extent to which assisted households that were otherwise unable to afford their own home but for the Self-help Homeownership Opportunity program become homeowners and accumulate equity in their home. A minimum of \$37.5 million in home equity (total of purchase price less outstanding mortgage balance at closing for assisted households) that is projected to be created annually for low-income homebuyers assisted by this program through 2011 is premised



on an average of \$25,000 per household, to be achieved largely though the sweat equity contributions of the households themselves. By any measure, this is a significant amount of wealth created within a relatively short period of time, and an ambitious target for any housing assistance program at any level of government especially considering the relatively low level of federal assistance per unit. Approximately \$2 of household equity would be created for each \$1 of program funds invested.

**Data source.** Self-help Homeownership Opportunity Program data are from progress reports submitted by grantees.

**Limitations/advantages of the data.** No data limitations are known to affect the reliability of this indicator.

**Validation, verification, improvement of measure.** HUD Headquarters staff monitors grantees to ensure that reported accomplishments are accurate.

**A1.16: Through the HOPE VI Community and Supportive Services program, 117 public housing residents will become homeowners.**

**Indicator background and context.** The Community and Supportive Services component of the HOPE VI program encompasses all activities that are designed to promote upward mobility, housing self-sufficiency and improved quality of life for the residents of the public housing project involved. Many of these activities assist public housing residents in becoming homeowners, which is a key indicator of housing self-sufficiency.

Cumulatively, as of March 31, 2006, 2,559 public housing residents had purchased homes in connection with a HOPE VI Revitalization plan. During FY 2008, 117 additional public housing residents will become homeowners through the HOPE VI Community and Supportive Services program. Furthermore, the Department’s Strategic Plan outcome goal is that between FY 2006–FY 2011, 800 additional public housing residents will become homeowners through this program component. This goal is based on HOPE VI plans submitted by PHAs. The President’s FY 2008 budget proposes no additional funds for HOPE VI and proposes to rescind all FY 2007 HOPE VI appropriations. Therefore this goal will be met with available prior year funds.

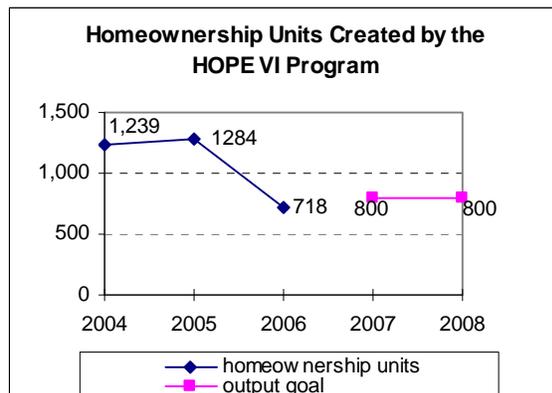
**Data source.** Until June 2006, the program office used the PIH HOPE VI Progress Reporting system, consisting of quarterly progress reports submitted by grantees. Due to the delayed approval of the Department’s technical assistance plan, the contract for this system lapsed and no replacement contract could be put in place at that time. At present, the program office anticipates having a new contract by fall of 2007. In the intervening time, the program office is manually collecting data submitted by grantees for the quarters missed.

**Limitation/advantages of the data.** Data in the PIH HOPE VI Progress Reporting system are judged to be reliable for this measure. However, the manual data collection that is needed until the new contract is in place may necessitate future refinement.

**Validation, verification, improvement of measure.** Submitted data are reviewed by HUD staff and verified through grant management activities and site visits. HUD Headquarters staff review progress reports each quarter and compare these reports to previously stated goals. On-site visits are also conducted by HUD staff and, in some cases, the Army Corps of Engineers. The collection of progress data by construction and financing phase has supported improvements in the validity of performance targets.

**A1.17: The HOPE VI Program will create 800 new homeownership units.**

**Indicator background and context.** Many families are prevented from purchasing a home due to some combination of low income, low savings, poor credit history, and lack of awareness of opportunities. The Department addresses these issues, in part, through its Strategic Plan outcome measure to create 10,000 new homeownership units through the HOPE VI program between FY 2006 and FY 2011. Cumulatively, as of March 31, 2006, 6,164 homeownership units had been produced. In FY 2007, the HOPE VI program, through the use of grant and leveraged funds, will create 800 new homeownership units. This goal will be achieved through a variety of means, including construction, rehabilitation, lease-purchase, Section 32 (selling existing public housing rental units or acquired units), and provision of direct financing to purchasers (e.g., downpayment or closing cost assistance, or subordinate mortgages).



This goal is based on HOPE VI plans submitted by PHAs. The President’s FY 2008 budget proposes no additional funds for HOPE VI and proposes to rescind all FY 2007 HOPE VI appropriations. Therefore this goal will be met with available prior year funds.

**Data source.** Until June 2006, the program office used the PIH HOPE VI Progress Reporting system, consisting of quarterly progress reports submitted by grantees. Due to the delayed approval of the Department’s technical assistance plan, the contract for this system lapsed and no replacement contract could be put in place at that time. At present, the program office anticipates having a new contract by fall

of 2007. In the intervening time, the program office is manually collecting data submitted by grantees for the quarters missed.

**Limitation/advantages of the data.** Data in the PIH HOPE VI Progress Reporting system are judged to be reliable for this measure. However, the manual data collection that is needed until the new contract is in place may necessitate future refinement. The 2006 data in the graph is for the nine months ended March 31, 2006.

**Validation, verification, and improvement of data.** Submitted data are reviewed by HUD staff and verified through grant management activities and site visits. HUD headquarters staff reviews the reports each quarter and compares progress to stated goals and the results of on-site visits by HUD staff and, in some cases, the Army Corps of Engineers. The collection of progress data by construction and financing phase has supported improvements in the validity of performance targets.

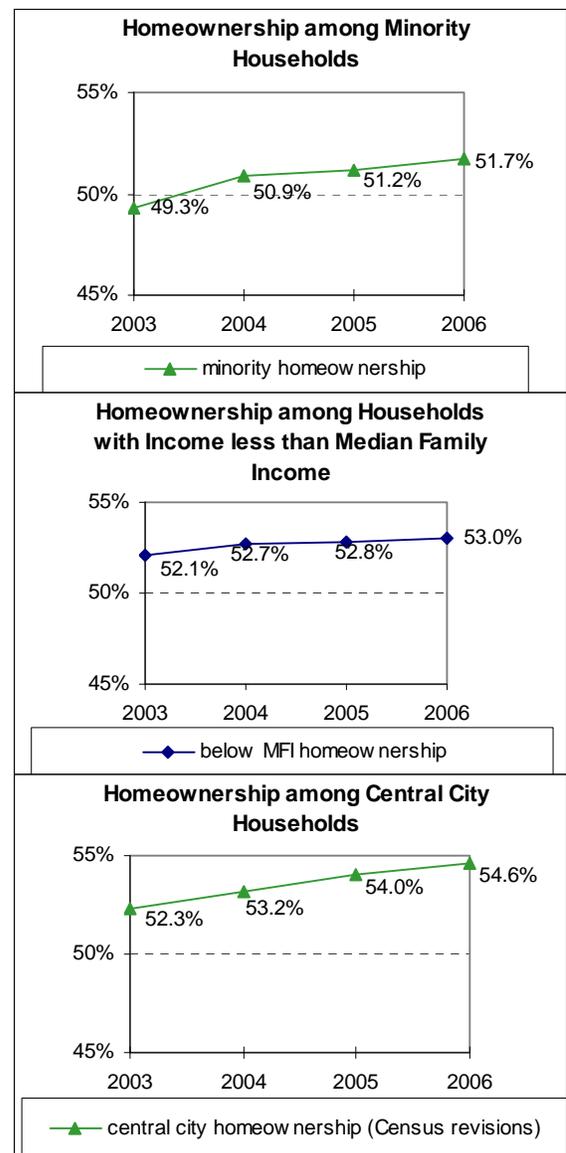
## Objective A.2: Increase minority homeownership.

### A2.1: The homeownership rate among targeted households.

**Indicator background and context.** Three tracking indicators help HUD understand the degree of progress in promoting homeownership among underserved populations. These are measures of homeownership outcomes among racial and ethnic minority households, households with incomes below the area median income, and households in central cities. Targets are not established for these indicators because of the current dominant impact of the macroeconomy.

Homeownership rates have increased for each of these populations in recent years during periods of low mortgage interest rates, and HUD's programs have played a significant supporting role. The 31.7 percent of FHA-insured first time homebuyers who were minority households in FY 2006 contributed to the fourth consecutive annual increase in the national minority homeownership rate, as it reached 51.7 percent in the final quarter of FY 2006.

HUD's strategies to increase minority homeownership include increased outreach and continued enforcement of equal opportunity in housing. The Department's programs support the homeownership rate of households with incomes below median family income, which again



increased, albeit insignificantly, to 53.0 percent during FY 2006. HUD's efforts especially have borne fruit in central cities, where the homeownership rate again increased by a substantial 0.6 percentage point to 54.6 percent during FY 2006.

HUD's Housing Counseling program helps more members of minority and other underserved groups to build the knowledge to become homeowners and to sustain their new tenure by meeting the ongoing responsibilities of homeownership. CDBG and HOME Investment Partnerships block grant programs are among the Department's largest programs, and each has a sizable homeownership component. Nearly half of households who are assisted through the HOME Investment Partnerships program receive homebuyer assistance, or roughly 29,000 homebuyers annually.

**Data source.** The indicators are based on third-quarter estimates from the Current Population Survey, conducted monthly by the Bureau of Census. This time period corresponds to the last quarter in HUD's fiscal year.

**Limitations/advantages of the data.** Current Population Survey data are free of serious problems, and the sample size is sufficient to report this measure with low variance. Changes in homeownership rates are statistically significant with 90 percent confidence when they exceed 0.53 percentage points for minority homeownership and 0.43 points for households with incomes below median family income. The estimates shown reflect Census 2000 population information and housing unit controls and survey procedures that allow respondents to select more than one race.

**Validation, verification, improvement of measure.** See discussion of the Current Population Survey in Appendix C.

## **A2.2: Add 5.5 million minority homeowners between 2002 and 2010.**

**Indicator background and context.** This indicator supports the goal of the President's Minority Homeownership Initiative of adding 5.5 million minority homeowners by the end of the decade (that is, the last quarter of 2010 compared with the second quarter of 2002). This presidential priority is an important theme and outcome goal in HUD's Strategic Plan and supports the Department's long-term objectives to expand national homeownership opportunities and increase minority homeownership. From the beginning of the President's Initiative through the end of calendar 2006, the 4-1/2 years that have elapsed represent 53 percent of the performance period, and the 3.49 million additional minority homeowners is 64 percent of the 5.5 million goal. The FY 2008 goal is to remain on pace in adding minority homebuyers through the end of the fiscal year.

An important component for achieving this goal is to maintain first time minority homebuyers as a substantial proportion of FHA's mortgage insurance business, in part by implementing FHA reform to make lower-interest rate FHA-insured loans available to more households. Numerous other HUD programs also contribute to this effort, including pre- and post-purchase housing counseling, loss mitigation and foreclosure prevention programs, and grant programs, including HOME Investment Partnerships, CDBG, and the Self-help Homeownership Opportunity Program. In addition, thousands of state, local, nonprofit and for-profit partners play critical roles. Also, strong fair housing efforts are key to maximizing homeownership opportunities.

Economic factors may restrain progress in the near term. Rising interest rates make homeownership less affordable for new purchasers, and could trigger defaults among recent purchasers with adjustable rate mortgages. In addition, high energy costs pose financial strains on households.

**Data source.** Gross additions of minority homeowners are measured biennially with the American Housing Survey and updated on an interim basis by adding positive net changes based on the Current Population Survey.

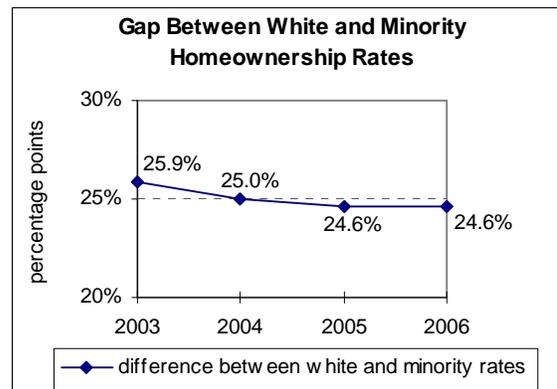
**Limitations/advantages of the data.** American Housing Survey data are available only biennially with a time lag. Calendar year 2007 data will become available in the third quarter of 2008. Current Population Survey data have the advantage of being nationally representative, reliable and widely recognized. The data are based on a sample survey and thus are subject to sampling and nonsampling error.

**Validation, verification, improvement of measure.** Interim estimates of gross additions based on the Current Population Survey are verified and replaced when updated American Housing Survey data become available. See the discussion of the Current Population Survey in Appendix C.

### A2.3: The gap in homeownership rates of minority and non-minority households.

**Indicator background and context.** This tracking indicator assesses progress for one of HUD’s central objectives, removing homeownership barriers and increasing homeownership among minorities. Progress toward this important outcome represents advancement in the core American value of equality of opportunity. No numeric target is established because of the current dominant impact of the macroeconomy.

In 2002, President Bush launched an initiative to increase the number of minority homeowners by 5.5 million by 2010, and progress toward this goal remains on track during FY 2007 (see A2.2 above). Homeownership rates are most susceptible to policy intervention among renters who are marginally creditworthy, discouraged by discrimination, or unaware of the economic benefits of homeownership. This indicator measures the difference in percentage points between the homeownership rate of households who are “non-Hispanic white alone” and the homeownership rate of minority households. The homeownership gap remained at a record low level of 24.6 percentage points for FY 2006, reflecting continuing strength in minority home purchases.



**Data source.** Quarterly estimates from the Current Population Survey are averaged on a fiscal year basis to allow timely reporting.

**Limitations/advantages of the data.** Current Population Survey data have the advantage of being nationally representative, reliable, and widely recognized.

**Validation, verification, improvement of measure.** See discussion of the Current Population Survey in Appendix C.

#### A2.4: The mortgage disapproval rates of minority applicants.

**Indicator background and context.** This indicator tracks lender disapproval rates of minority home purchase mortgage applications, an important early indicator of trends in minority homeownership. Equal access to home loans is critical for decreasing disparities in homeownership rates. However, specific targets are not being established because lender decisions about which applications to accept or deny are primarily beyond HUD’s control.

Mortgage disapproval rates for minority applicants remain substantially higher than disapproval rates for non-minority white applicants. The most recent data, for calendar year 2005, show that among primary borrowers reported as a single race, black alone households experienced the highest denial rate of 21.4 percent. Denial rates were 16.9 percent for American Indian/Alaskan Natives alone, 13.7 percent for Asian alone, and 14.7 percent for Native Hawaiian/Pacific Islander alone. Denial rates were 18.0 percent for Hispanics and 14.7 percent for two or more races, compared with 10.5 percent for white alone.

The primary causes of disparities in mortgage denial rates are differences in average disposable income and creditworthiness. In some cases lenders have been shown to discriminate against minority applicants for mortgages by disapproving their mortgages while approving non-minorities who were less creditworthy or had less income. In such cases HUD takes fair housing enforcement actions. The goals that HUD has established for the two largest secondary mortgage market lenders, Fannie Mae and Freddie Mac, encourage increased lending to minorities. In addition, FHA can endeavor to increase minority lending through targeted marketing and counseling to potential home purchasers.

**Denial Rates\* for Mortgage Applications by Race and Ethnicity**

<b>Race/Ethnicity of Primary Borrower</b>	<b>2004</b>	<b>2005</b>
Hispanic/Latino	16.3%	18.0%
Native American/Alaska Native alone	15.8%	16.9%
Asian alone	11.7%	13.7%
Black/African American alone	19.6%	21.4%
Native Hawaiian/Pacific Islander alone	13.9%	15.2%
White alone	9.5%	10.5%
Two or more races	12.4%	14.7%
Other/Unknown/Missing	17.3%	16.9%
<b>Total</b>	<b>12.5%</b>	<b>13.8%</b>
<b>All minority**</b>	<b>16.5%</b>	<b>18.4%</b>

\* Excludes denials at the preapproval stage.

\*\* Includes “two or more races,” but excludes “other/unknown/missing.”

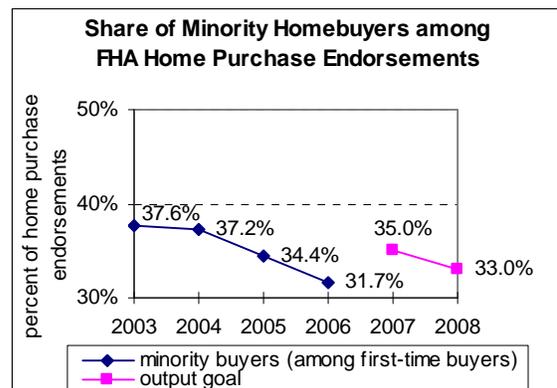
**Data source.** Home Mortgage Disclosure Act database, consisting of calendar-year data submitted by lenders to the Federal Financial Institutions Examination Council and HUD. The mortgage applications counted are conforming loans or loans insured by FHA, Veterans Administration, or the Rural Housing Service and are limited to owner-occupied single-family home purchases. Beginning with 2004 data, the covered loans are limited to owner-occupied single-family home purchases in core-based statistical areas. This measure excludes refinance mortgages, which have a higher proportion of subprime lenders, and manufactured home mortgages, because a recent increase of reporting by manufactured home lenders under the Home Mortgage Disclosure Act causes difficulties in interpreting the overall data.

**Limitations/advantages of the data.** Home Mortgage Disclosure Act data are available with a one-year lag (calendar 2006 data will become available in August 2007). New Census Bureau race and ethnicity categories are used for this indicator beginning with 2004, so the 2004 estimates are not directly comparable with those for preceding years. Although largely reliable, the data do not in themselves demonstrate discriminatory practices for several reasons. First, minority status is correlated with other characteristics of applicants that affect their creditworthiness. Second, lender outreach to minorities sometimes increases the denial rates even as it increases the number of minority homeowners. Further, there is no reliable way to identify loans from subprime lenders in Home Mortgage Disclosure Act data, and the effect of subprime loan applications on home purchase denial rates is unclear. Loan denials at the pre-approval stage are excluded, although new but incomplete data suggest that initially denied or unaccepted pre-approvals may account for at least one percent of all loans. Finally, about 11.5 percent of applications had missing or unknown race and ethnicity data in 2004.

**Validation, verification, improvement of measure.** The Federal Financial Institutions Examination Council and HUD use automated data quality procedures and other checks to verify that data submissions are reasonable and accurate. HUD assessed the impact of several technical factors on the reported results. New data for 2004 made possible the direct exclusion of manufactured home loans rather than loans by manufactured home loan specialists. This change contributes 0.6 percentage point to the denial rate of white alone households, reducing disparities in denial rates. In addition, estimates are based on rounding the “conforming” loan limit for government-sponsored enterprise mortgage purchases up to the nearest \$1,000, which has negligible impact.

**A2.5: The share of first time minority homebuyers among FHA first time home purchase endorsements is 33 percent.**

**Indicator background and context.** FHA is a major source of mortgage financing for minority as well as lower-income buyers. Increasing the number of FHA endorsements for first time minority homebuyers will help fulfill the President’s commitment of adding 5.5 million new minority homeowners by 2010 and reducing the homeownership gap between whites and minorities as well as increasing the overall homeownership rate. During FY 2006, the minority homeownership



gap sustained the record low of 24.6 percentage points. The FY 2008 goal is to ensure that first time minority homebuyers represent 33 percent of first time home purchase mortgages endorsed for insurance by FHA. This is an aggressive goal that is significantly constrained by the housing market and economic conditions. FHA wishes to recapture a portion of the market share that was lost to subprime lenders in recent years. Many first time minority homebuyers acquired subprime loans to finance their homes. With the current uncertainty surrounding the subprime market, FHA believes it can recapture a portion of the market share and achieve the goal in FY 2008.

**Data source.** The data originate in the Computerized Homes Underwriting Management System, based on data submitted by direct-endorsement lenders, and for convenience are reported from FHA’s Single Family Housing Enterprise Data Warehouse.

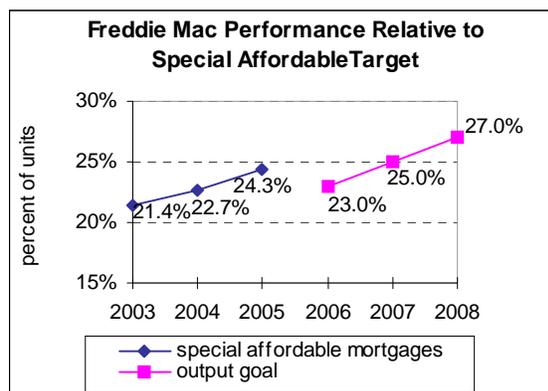
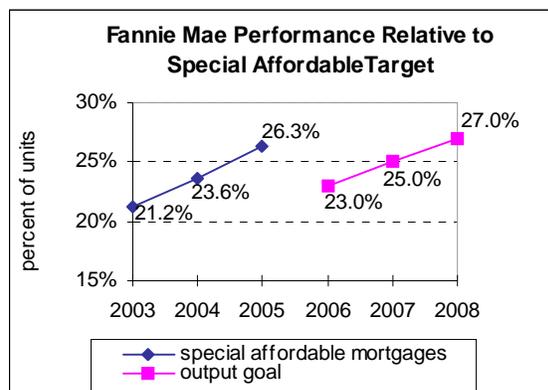
**Limitations/advantages of the data.** The data have no deficiencies affecting this measure.

**Validation, verification, improvement of measure.** Direct-endorsement lenders enter FHA data with monitoring by FHA. As part of the Department’s data quality initiative, the Computerized Homes Underwriting Management System was identified by the Enterprise Data Management Group as passing 6-sigma quality tests (reflecting fewer than 3.4 errors per million observations) for validity, completeness, and consistency.

## A2.6: HUD will continue to monitor and enforce Fannie Mae’s and Freddie Mac’s performance in meeting or surpassing HUD-defined targets for mortgages financing special affordable housing.

**Indicator background and context.** One of the three public purpose goals that HUD sets for Federal National Mortgage Association (Fannie Mae) and Federal Home Loan Mortgage Corporation (Freddie Mac) (two housing government-sponsored enterprises) is a Special Affordable Housing goal that targets families earning very low incomes no greater than 60 percent of area median income, or families earning low incomes no greater than 80 percent of area median income and living in low income areas.

For this indicator, low-income areas are defined as: (1) metropolitan census tracts where the median income does not exceed 80 percent of area median income, and (2) non-metropolitan census tracts where median income does not exceed 80 percent of the county median income or the statewide metropolitan median income, whichever is greater. Increasing homeownership and rental opportunities for these families will contribute to the outcome of



increasing affordable housing opportunities for lower income families.

The Special Affordable Housing goal was increased to 23 percent for 2006 and will rise to 25 percent for 2007. For 2008 and beyond, the goal is capped at 27 percent. HUD set the goals with the objective of ensuring that Fannie Mae and Freddie Mac fulfill their mandate to provide leadership to the mortgage market. By 2008, the goals match HUD's calculation of market share averages for goals-eligible mortgages in 1999–2003 and will be at the high end of HUD's estimated market share range for 2005–2008. HUD's special affordable housing targets measure the two government-sponsored enterprises' purchase performance relative to all eligible mortgages. These include mortgages for both purchasing and refinancing single family and multifamily residential properties, and loans in metropolitan and non-metropolitan areas.

In addition to the broader target for special affordable housing, HUD has implemented a home purchase subgoal under the Special Affordable Housing goal. This subgoal targets the two government-sponsored enterprises' performance in serving the homeownership segment of the special affordable housing market. The home purchase subgoal is expressed as a percentage of the total number of mortgages purchased by Fannie Mae and Freddie Mac that finance the purchase of single family owner-occupied properties located in metropolitan areas. In 2006, the Special Affordable Home Purchase subgoal was 17 percent for each of the two government-sponsored enterprises. This target increases to 18 percent in 2007 and 2008. The purpose of this subgoal is to encourage Fannie Mae and Freddie Mac to improve homeownership opportunities in metropolitan areas for very low-income families and low-income families living in low-income metropolitan areas.

**Data source.** HUD analysis of loan-level data from Fannie Mae and Freddie Mac systems.

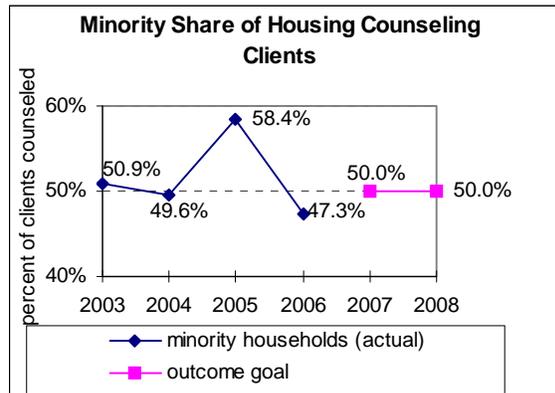
**Limitations/advantages of the data.** The data are compiled directly from government-sponsored enterprise records on single family and multifamily loan purchases. The data are based on calendar year rather than fiscal year activities, and are presented for performance reporting purposes on a one-year lagged basis.

**Validation, verification, improvement of measure.** Fannie Mae and Freddie Mac apply quality control measures to the data elements provided to HUD. HUD verifies the data through comparison with independent data sources, replication of government-sponsored enterprise goal performance reports, and independent reviews of Fannie Mae and Freddie Mac data quality control procedures.

#### **A2.7: Minority clients are at least 50 percent of total clients receiving housing counseling in FY 2008.**

**Indicator background and context.** The Housing Counseling Assistance program is an integral part in helping to achieve the outcome of increasing the minority homeownership rate. It supports the President's initiative to add 5.5 million minority homebuyers by 2010. The FY 2008 performance goal is to ensure that minority clients are at least 50 percent of total clients receiving HUD-funded housing counseling. More than 700,000 minority households have benefited from HUD-funded housing counseling activities since FY 2001.

Clients tracked through this indicator include those receiving various forms of housing counseling—from homebuyer education, pre-purchase, and loss mitigation/default counseling to rental, fair housing, and homeless counseling. Economic conditions and housing market homeownership rates vary and so the demand for specific types of counseling may vary for reasons outside of HUD’s control. The Department, however, through its monitoring and training efforts, is confident that HUD-approved agencies are providing quality counseling services that will help clients that are ready for homeownership achieve it.



**Data source.** The data are electronically submitted to HUD’s Housing Counseling System through the Housing Counseling Agency Fiscal Year Activity Reports (Form HUD-9902). The data include the total number of clients, the type of counseling they received, and the results of the counseling. Beginning in FY 2008, an additional source for this data will be the Housing Counseling Program Outcome Logic Model, form HUD-96010.

**Limitations/advantages of the data.** A major limitation of the data collection instrument is that it is difficult for counselors to collect demographic information from individuals participating in group education sessions. The lack of confidentiality and privacy discourages many client responses.

**Validation, verification, improvement of measure.** HUD is working with counselors to encourage greater confidentiality in the collection of demographic information from clients.

### A2.8: Section 184A mortgage financing of \$19.2 million is guaranteed for Native Hawaiian homeowners during FY 2008.

**Indicator background and context.** This indicator tracks the volume of Section 184A guaranteed loans. This program supports the President’s goal of adding 5.5 million minority homeowners by 2010. Currently, the homeownership rate for Native Hawaiians is 13.5 percent compared with a statewide homeownership rate of 56.6 percent. With an estimated average home loan of \$160,000, the Department’s goal is to guarantee \$19.2 million in Section 184A financing in FY 2008 (approximately 120 loans). These loans can be made to construct, acquire, or rehabilitate single-family housing for Native Hawaiians located on the Hawaiian Home Lands. Eligible borrowers include individual Native Hawaiians, the Department of Hawaiian Home Lands, the Office of Hawaiian Affairs, or a private nonprofit organization experienced in Native Hawaiian affordable housing.

**Data source.** Administrative records of the Office of Native American Programs’ Office of Loan Guarantee.

**Limitations/advantages of the data.** The Office of Loan Guarantee data consist of a straightforward and easily verifiable count of administrative records.

**Validation, verification, improvement of measure.** The director of the Office of Loan Guarantee will verify counts.

**A2.9: Section 184 mortgage financing of \$247.5 million is guaranteed for Native American homeowners during FY 2008.**

**Indicator background and context.** The Section 184 mortgage guaranteed program promotes homeownership among Native Americans by providing access to market-rate financing. It also supports the President’s goal of adding 5.5 million minority homeowners by 2010.

Because of the unique legal status of reservation lands, lenders have been hesitant to assume the risk of providing mortgage financing for property that cannot be used as collateral. Other constraints include weak local economies, a lack of

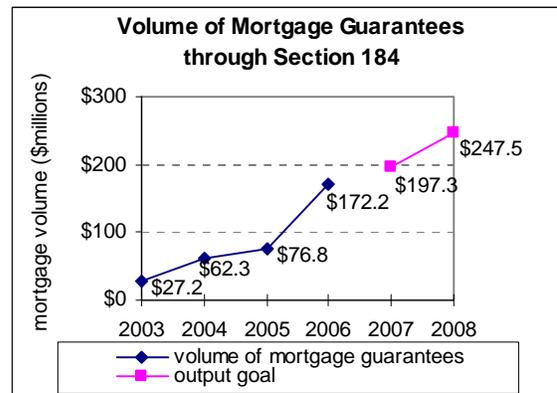
infrastructure, high building costs in rural areas, and a shortage of homebuilders and developers. The Indian Housing Loan Guarantee fund provides credit subsidies that support loan guarantees to address these issues. The guaranteed loans can be used to purchase, construct, refinance, or rehabilitate single family homes on Indian trust or restricted land and in designated Indian areas.

This indicator tracks the annual volume of homeownership loans for Native Americans guaranteed under the Section 184 program. The Department’s FY 2008 goal is to issue guarantees for new mortgages of \$247.5 million (approximately 1,500 loans), building on a goal of \$197.25 million for FY 2007 (approximately 1,300 loans). These goals represent an ambitious expansion of efforts to promote homeownership among Native Americans.

**Data source.** Administrative data of the Office of Native American Programs.

**Limitations/advantages of the data.** The indicator uses a straightforward and easily verifiable count of administrative records.

**Validation, verification, improvement of measure.** The director of the Office of Loan Guarantee will verify counts.



**Objective A3: Make the homebuying process less complicated and less expensive.**

**A3.1: Respond to 3,000 inquiries and complaints from consumers and industry regarding the Real Estate Settlement Procedures Act and the homebuying and mortgage loan process.**

**Indicator background and context.** The Real Estate Settlement Procedures Act is a consumer protection statute administered by HUD. This Act helps consumers be better shoppers in the homebuying and mortgage loan process by requiring that consumers receive disclosures at various times in the transaction and by prohibiting practices, such as paying kickbacks, which increase the cost of settlement services. The Act also provides consumers with protections relating to the servicing of their

loans, including proper escrow account management. The Department currently receives questions and complaints from consumers, industry, and other state and federal regulatory agencies by mail, telephone, and email. It also receives requests for assistance from consumers. The Department's responses to the inquiries and complaints received are a measure of its public assistance and enforcement activities.

HUD's Office of Real Estate Settlement Procedures Act and Interstate Land Sales tracks inquiries and responses regarding the homebuying and mortgage process, as well as questions and complaints from industry, consumers, and state and federal regulators regarding practices that violate the Real Estate Settlement Procedures Act. Recent efforts by this office to increase public awareness of its enforcement of the Act have helped bring additional violations to HUD's attention, and have enabled the Department to provide greater assistance to the public, particularly consumers.

**Data source.** Real Estate Settlement Procedures Act complaint and response data will be compiled from the PO 30 Case Tracking System and website e-mail box.

**Limitations/advantages of data.** The complaints received give the Department an indication of specific violations and types of violations occurring, which assists enforcement.

**Validation, verification, improvement of measure.** Management reviews tracking system and e-mail data on an ongoing basis.

## **Objective A4: Reduce predatory lending through reform, education and enforcement.**

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**A4.1: FHA ensures that the percentage of at risk loans that substantively comply with FHA program requirements is at least 85 percent.**

**Indicator background and context.** This indicator monitors efforts to reduce fraud and compliance problems in FHA relative to the number of "at risk" single family loans reviewed that do not contain substantive findings. A substantive finding is defined as a failure to adhere to FHA program requirements (pertaining to the origination and/or servicing of mortgage loans) such that it materially affects the insurability of the loan. FHA's Quality Assurance Division reviews lenders on the basis of a methodology that focuses on high early default and claim rates in addition to other risk factors that represent "at risk" loans. Samples of defaulted loans (90 days or more delinquent) that are originated by the targeted lenders are then evaluated for findings. This indicator represents the number of loans without material findings divided by the number of loans reviewed. Because this is a new indicator, HUD established the initial target on the basis of the three-year average for FY 2002 – FY 2004, which is 85 percent.

**Proportion of FHA “At Risk” Loans Found in Compliance**

	<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>
<b>At-Risk Loans Reviewed</b>	21,115	21,442	18,451	15,724
<b>Loans without Material Findings</b>	17,605	18,866	16,565	14,866
<b>Proportion Complying</b>	0.83	0.838	0.89	0.95

**Data source.** Loan review and findings data are drawn from FHA Approval, Review & Recertification Tracking System.

**Limitations/advantages of the data.** Data are generated independently and entered into the Approval, Review & Recertification Tracking System by out-stationed Quality Assurance Division monitors operating throughout the country, with secondary review and verification by FHA Homeownership Centers.

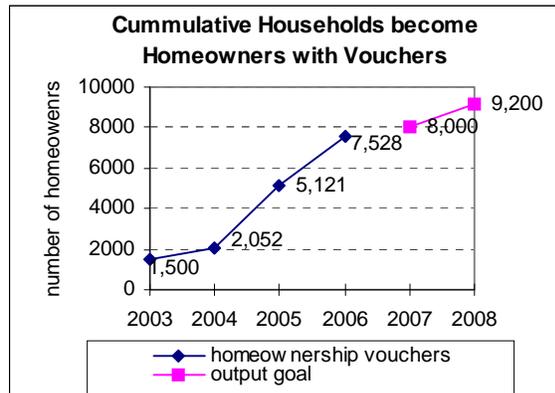
**Validation, verification, improvement of measure.** Data submitted by Quality Assurance Division monitors are subject to secondary review and verification by FHA Homeownership Centers. Quality Assurance Division functions and data are included in the annual FHA financial statements audit. Results of the indicator and the underlying data will be analyzed to: 1) determine the causes of compliance findings and corrective actions necessary to mitigate risk, and 2) set new performance targets that reflect commitment to continuous improvement.

## Objective A5: Help HUD-assisted renters become homeowners.

**A5.1: Increase the cumulative public and assisted housing homeownership closings under the homeownership option of the Housing Choice Voucher, Family Self Sufficiency, and Moving to Work programs to 9,200 by the end of FY 2008.**

**Indicator background and context.** Increasing homeownership among low-income and minority households is one of the Department’s most important initiatives. The outcomes associated with this effort are increased homeownership and resident mobility from the rental program. The homeownership option under the Housing Choice Voucher, Family Self-Sufficiency, and Moving to Work programs helps accomplish this objective by allowing PHAs to provide voucher assistance to low-income first-time homebuyers for monthly homeownership expenses rather than for monthly rental payments, the most typical use of voucher assistance. This indicator tracks the annual number of homeowners assisted with voucher funds. The FY 2008 goal is to increase the cumulative number of homeownership closings to 9,200 households from the FY 2007 goal of 8,000.

Since its inception in 2001, this homeownership option has grown annually. As of FY 2006, 7,528 households have become homeowners through homeownership vouchers. The Department plans to significantly expand homeownership voucher utilization in FY 2008 through the use of an administrative fee incentive. However, the actual increase achieved in FY 2008 will continue to be affected by several other factors, including PHA capacity, availability of financing for first-time low- and-moderate-income homebuyers, Congressional appropriation of administrative fee funds, market forces, and interest rates.



**Data Source.** The data are from the Public and Indian Housing Information Center – 50058 module, consisting of household data reported by PHAs.

**Limitations/advantages of the data.** The status of a household receiving homeownership vouchers is a relatively straightforward and easily verifiable statistic. The long-term success of households to remain homeowners cannot be captured by this measure.

**Validation and verification.** Automated checks on data ranges and internal consistency are performed to help ensure the accuracy of tenant data. The Department has developed an Internet-based resident characteristics report that has made monthly Form 50058 data and summary statistics available to housing agencies and field offices for verification, validation, data analysis, and monitoring purposes. An Office of Policy Development and Research voucher homeownership program evaluation has also been published and distributed to HUD PHAs. The program evaluation provides detailed information on long-term success of homeownership vouchers. In addition, a detailed homeownership guidebook is currently being drafted to provide detailed information to PHAs on how to create and implement a successful voucher homeownership program.

#### A5.2: HUD works to expand public housing agencies’ use of the Section 32 homeownership program, resulting in the submission of 12 proposals in FY 2008.

**Indicator background and context.** The Quality Housing and Work Responsibility Act permits PHAs, through Section 32 of the U.S. Housing Act of 1937, to make public housing dwelling units and other units available for purchase by low-income families as their principal residence. This indicator tracks HUD’s efforts to expand the use of the Section 32 homeownership program and, thereby, the homeownership opportunities available to public housing residents and other low-income individuals. Under Section 32, a PHA may:

- Sell all or a portion of a public housing development to eligible public or non-public housing residents,
- Provide Capital Fund assistance to public housing families to purchase homes, or
- Provide Capital Fund assistance to acquire homes that will be sold to low-income families.

By expanding awareness of this program, the Department plans to have at least 12 new Section 32 proposals in FY 2008.

**Data source.** Public and Indian Housing Information Center and records of the Office of Public Housing Investments, specifically including those of the Special Applications Center.

**Limitations/advantages of the data.** The data consist of a straightforward count of proposals received and are judged to be reliable for this measure.

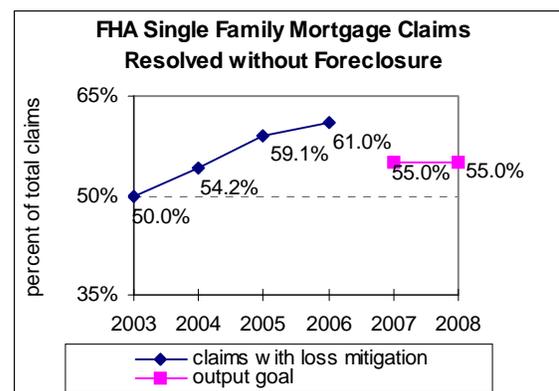
**Validation, verification, improvement of measure.** Section 32 homeownership proposals are submitted to the Office of Public Housing Investments for review and approval. Activities under the program are monitored and verified by the HUD field offices and through the use of data from the Public and Indian Housing Information Center.

## Objective A6: Keep existing homeowners from losing their homes.

### A6.1: Loss mitigation claims are 55 percent of total claims on FHA-insured single family mortgages.

**Indicator background and context.** This indicator measures the success of FHA loan servicers in implementing statutorily required loss-mitigation techniques when borrowers default on their FHA mortgages. Improved loss-mitigation efforts, such as enhanced borrower counseling, help borrowers keep their current homes or permit them to buy another home sooner. Avoidance of foreclosure also reduces FHA's insurance losses, keeps FHA financially sound, and enables it to help more borrowers. The net benefit of \$152 million paid in home retention claims in FY 2006 equates to \$2 billion in loss avoidance for the FHA insurance funds. Reductions in foreclosure claim expenses are a key component of departmental budget estimates for FY 2008. For these reasons, achieving this outcome goal will help HUD increase the overall homeownership rate.

A borrower can resolve a default (90-day delinquency) in several ways short of foreclosure, including by paying down the delinquency (cure), by completing a pre-foreclosure sale with FHA paying an insurance claim in the amount of the shortfall, or by surrendering a deed in lieu of foreclosure. The use of loss mitigation as a share of total claims increased from 46.1 percent in FY 2001 to 61.0 percent in FY 2006. The FY 2008 goal is to ensure that 55 percent of the total number of claims is resolved through loss mitigation techniques.



While loss mitigation actions do not permanently stabilize many borrowers' financial status, approximately 60 percent of borrowers who receive the benefits of loss mitigation remain current on their mortgage for at least a 12-month period. HUD's programmatic objective is to sustain the high level of

participation in loss mitigation, even as the Office of Housing tightens programmatic requirements designed to increase the ultimate success rate of loss mitigation in helping borrowers avoid foreclosure.

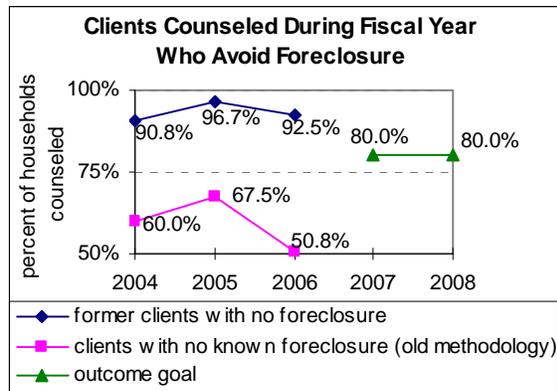
**Data source.** The data originate in the Single Family Insurance System – Claims Subsystem, and for convenience are reported from FHA Single Family Housing Enterprise Data Warehouse, Loss Mitigation Table. The resolutions that are counted as loss mitigation are forbearance agreements, loan modifications, partial claims, pre-foreclosure sales, and deeds-in-lieu of foreclosure. A small and decreasing number of “other” resolutions that were previously counted, along with supplemental claims, are now excluded. Total claims comprise loss mitigation claims plus conveyance claims.

**Limitations/advantages of the data.** No data limitations are known to affect this indicator.

**Validation, verification, improvement of measure.** FHA data are entered by the loan servicers, with monitoring by FHA.

**A6.2: More than 80 percent of total mortgagors that complete counseling for resolving or preventing mortgage delinquency will successfully avoid foreclosure.**

**Indicator background and context.** Default counseling is a cost-effective way to address the rising number of families nationwide at risk of foreclosure, while contributing to economic growth and stability of individuals, families, and communities across the country. This indicator measures the outcome of FHA-funded housing counseling in preventing foreclosure for homeowners who are at risk of default or have already defaulted, and are seeking help to remain in their homes and meet the responsibilities of homeownership. The FY 2008 performance goal is to ensure that more than 80 percent of mortgagors that complete counseling for resolving or preventing mortgage delinquency successfully avoid foreclosure.



Beginning with FY 2007, HUD is using an improved methodology to calculate this measure so that only clients who have completed counseling are counted. The prior method included those still receiving counseling as well as those that prematurely left counseling or for whom follow-up information could not be attained and the outcome is unknown. Excluding incomplete data provides a more valid measure of the intended outcome. For comparison, both the old and new measures are presented in the chart. Each data point represents clients who participated in counseling during that particular fiscal year.

**Data source.** The data are electronically submitted to the Housing Counseling System through the Housing Counseling Agency Fiscal Year Activity Reports (Form HUD-9902). The data include the total number of clients, the type of counseling they received, and the results of the counseling. Beginning in FY 2008, an additional source for this data will be the Housing Counseling Program Outcome Logic Model, form HUD-96010.

**Limitations/advantages of the data.** Grantees report results 90 days after the fiscal year end, creating a reporting lag for this indicator. Mortgagors can go in and out of default status, so a mortgagor whose outcome was recorded as “reinstated” in a given year could actually result in “foreclosure” in another year.

**Validation, verification, improvement of measure.** The revisions described above have made this indicator more robust by reducing unmeasurable bias caused by attrition. Beginning in FY 2008, HUD will implement an automated data collection instrument that will enable it to collect client-level information. During FY 2007, HUD is completing the development of the client level data database, and electronic client level data submission is being piloted by agencies participating in the program.

## Strategic Goal B: Promote Decent Affordable Housing

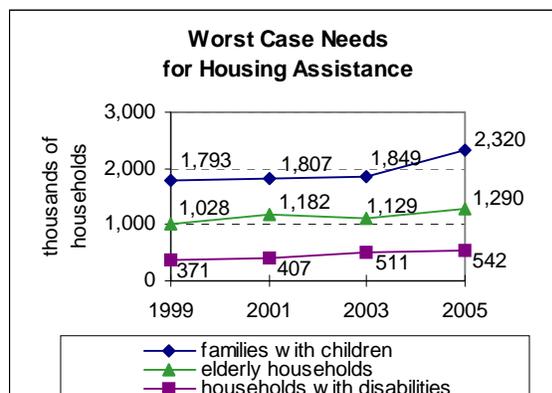
### *Strategic Objectives:*

- B1 Expand access to and availability of decent, affordable rental housing.*
- B2 Improve the management accountability and physical quality of public and assisted housing.*
- B3 Improve housing opportunities for the elderly and persons with disabilities.*
- B4 Promote housing self-sufficiency.*
- B5 Facilitate more effective delivery of affordable housing by reforming public housing and the Housing Choice Voucher program.*

### Objective B1: Expand access to and availability of decent, affordable rental housing.

**B1.1:** The number of households with worst case housing needs among families with children, the elderly, and non-elderly persons with disabilities.

**Indicator background and context.** Due to the strong effect of macroeconomic conditions on worst case housing needs, this is a tracking indicator. Households with “worst case needs” are defined as unassisted very-low-income renters who pay more than half of their income for housing or live in severely substandard housing. The most recent available data show that in 2005, an increasingly tight rental market increased the number of worst case needs nationwide. There were 2.32 million families with children who had worst case needs, 1.29 million elderly households, and 542,000 households with disabilities, in each case increased from 2003 levels.



A very substantial portion of HUD’s budget helps program partners meet the affordable housing needs of very low-income renters. Contributing programs include vouchers, project-based Section 8, public housing, HOME Investment Partnerships program, CDBG, Housing Opportunities for Persons With AIDS, homeless assistance programs, multifamily mortgage insurance, and capital advances for

supportive housing under Sections 202 and 811. Collectively these programs produce a critical outcome, keeping many of the 5 million households supported out of worst case status.<sup>1</sup>

This indicator focuses on three groups with special vulnerabilities: families with children, elderly households, and households containing non-elderly persons with disabilities. National and regional economic conditions affect worst case needs by changing the number of very low-income households and the availability of affordable private-market rental units.

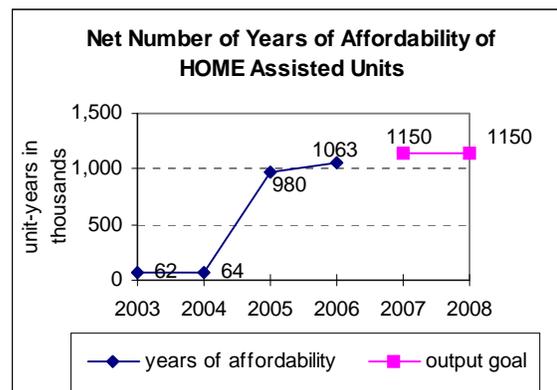
**Data source.** The American Housing Survey, conducted for HUD by the Census Bureau.

**Limitations/advantages of the data.** National American Housing Survey data are available biennially. Calendar year 2007 data will become available during FY 2008. Changes in estimated worst case needs are statistically significant (with 90 percent confidence) when the difference from year to year exceeds 170,000 households for families with children, 140,000 households for elderly families, or 90,000 households containing persons with disabilities. Estimates of households containing non-elderly persons with disabilities are based on HUD’s tabulation of households that reported receiving Supplemental Security Income.

**Validation, verification, improvement of measure.** Estimating the extent of worst case needs has numerous complexities that are addressed in detail in the 2007 Policy Development and Research report “Affordable Housing Needs 2005: Report to Congress.” The preceding report, “Affordable Housing Needs: Report to Congress on the Significant Need for Housing” (2005) included an analysis intended to verify the most important component of worst case needs by comparing the 2001 American Housing Survey with the 2001 Survey of Income and Program Participation (Exhibit 3-6). Estimates of very low-income renters with severe rent burdens produced with Survey of Income and Program Participation data showed 37 percent fewer elderly households, 11 percent fewer families with children, and 2 percent more households with disabilities. See also the discussion of the American Housing Survey in Appendix C.

**B1.2: The net number of years of affordability remaining for all HOME Investment Partnerships program-assisted units is maximized.**

**Indicator background and context.** This indicator tracks the net number of years of affordability produced for low-income households residing in units developed through the investment of the HOME Investment Partnerships program funds. The greater the number of years a unit remains affordable, the greater the rent stability for low-income households and, as a consequence, the greater the likelihood that their disposable income for non-rent expenses will increase.



The FY 2008 goal is to reach a level of 1.15 million net unit-years of affordability, the same as the FY 2007 goal. In FY 2006, the net unit years of

<sup>1</sup> See the table “HUD Assisted Housing Units by Program” in HUD’s FY 2006 Performance and Accountability Report, page 370.

affordability achieved by the program was 1,062,775. Rental and homebuyer units produced with HOME Investment Partnerships funds must remain affordable, through rent and other restrictions, to low-income households for a minimum of five and for as many as 20 years—depending upon the amount of the program investment. The net number of years of affordability remaining at any point in time is calculated by multiplying the number of units assisted by the remaining number of years of affordability attached to those units.

**Data source.** Integrated Disbursement and Information System – HOME Module, which contains completion reports submitted by participating jurisdictions.

**Limitations/advantages of the data.** HUD relies on grantees to enter data into Integrated Disbursement and Information System.

**Validation, verification, improvement of measure.** CPD field staff will monitor grantees on a random-sample basis.

### **B1.3: The number of rental households and rental housing units assisted with CDBG, HOME Investment Partnerships, Housing Opportunities for Persons With AIDS, and Indian Housing Block Grants.**

**Indicator background and context.** This indicator tracks rental housing assistance—including rehabilitation of rental housing units—provided through a number of formula block grants and other programs. Because of shortages of affordable rental housing and the need to maintain existing housing units, it is desirable to increase the number of households aided with housing assistance, including through rental housing production. The level of these housing outputs is subject to appropriations as well as economic conditions and local discretion. In prior years, this performance indicator included all types of housing assistance.

Grantees use their discretion to decide what types of housing assistance to provide with CDBG, HOME Investment Partnerships, Housing Opportunities for Persons With AIDS, and Indian Housing Block Grants. Primary types of assistance include new construction, rehabilitation, acquisition, and tenant-based assistance. Funds used to preserve existing owner-occupied housing also may improve the availability of affordable rental housing by helping homeowners remain in their homes.

In the case of CDBG funds, the rental assistance goal reflects CDBG assistance used solely for multi-unit rehabilitation. Under the CDBG program, grantees conduct housing rehabilitation projects of all sizes, ranging from small weatherization improvements and emergency repairs to the rehabilitation of major household systems, such as roofing, heating, and siding. The FY 2008 HOME Investment Partnerships program goal shows a decrease from the FY 2007 projected level due to the effects of inflation on housing production—calculated at three percent annually—together with the reduction in HOME Investment Partnerships program funding in recent years.

There is a severe shortage of affordable rental housing in Indian country; most tribal housing developments have long waiting lists.

Rental Households/Rental Units Receiving Assistance	2004	2005	2006	2007 goal	2008 goal
CDBG (rental units rehabilitated)	31,186	34,918	38,178	37,032	36,041
HOME (tenant-based assistance)	15,479	20,554	23,325	9,779	9,486
HOME (rental units completed)	23,392	33,612	47,598	20,698	20,077
Housing Opportunities for Persons With AIDS	71,145	67,012	67,000	67,000	67,000
Indian Housing Block Grant	2,758*	1,485*	1,664	1,420	1,420

\* These figures previously reported in the Performance and Accountability Report have changed due to subsequent adjustments to the database.

**Data source.** CDBG values in this table are based on historical accomplishments reported by grantees in the Integrated Disbursement and Information System.

HOME Investment Partnerships program units produced and direct assistance provided are reported by participating jurisdictions in the Integrated Disbursement and Information System.

The Housing Opportunities for Persons With AIDS program data are based on annual grantee performance reports from both formula and competitive grantees, and on accomplishment information reported by formula grantees through the Integrated Disbursement and Information System.

Tribal recipients report annually on their accomplishments. The data are captured in the performance tracking database of each regional Office of Native American Programs and then are aggregated into a national database at headquarters.

**Limitations/advantages of the data.** CDBG, HOME Investment Partnerships, and Housing Opportunities for Persons With AIDS data come from grantees through the Integrated Disbursement and Information System. CPD has pursued a variety of enhancements to the system, which, along with data clean-up efforts, have resulted in a continuous improvement in data quality. Data reliability will be further enhanced by the system re-engineering that is underway.

For the Housing Opportunities for Persons With AIDS program, technical assistance training on measurement of performance outcomes has been provided for grantees to clarify project objectives and ensure consistent and accurate reporting by recipients.

For Indian Housing Block Grants, accomplishments recorded in the database by October 1 each year include only reports from grantees whose fiscal year ended June 30 or earlier because grantees have 60 days after their year-end to submit their annual report.

**Validation, verification, improvement of measure.** Field staff from the CPD and the Office of Native American Programs verifies program data when monitoring grantees.

#### B1.4: FHA endorses at least 1000 multifamily mortgages.

**Indicator background and context.** Maintaining FHA multifamily volume supports the desired outcome goal of making more decent rental housing available to consumers at a modest cost. This indicator measures FHA's annual output of initial multifamily endorsements.

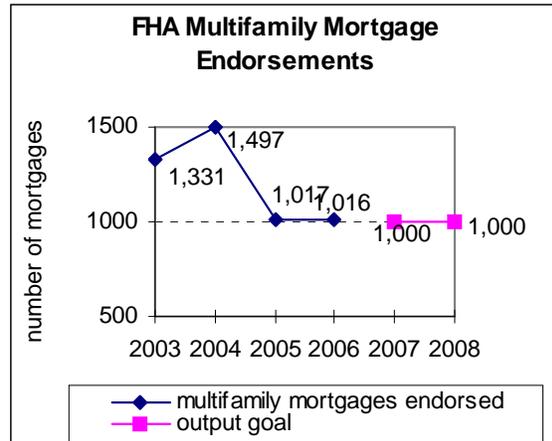
FHA brings stability to the mortgage market for multifamily housing and is especially important for a number of crucial but higher-risk entities, including small builders, buyers or owners of aging inner-city

properties, and nonprofit sponsors. FHA’s unique and valuable products include insurance that covers both the construction financing and long-term permanent financing of modest-cost rental housing, insurance for assisted living facilities, and a vehicle to help lenders obtain the benefits of Ginnie Mae securitization.

Many conventional multifamily loans that otherwise would have gone into default as they reached maturity during the credit crunch of the early 1990s were successfully refinanced with FHA. FHA also retains a leadership position in the market for high loan-to-value and long-term fully amortizing multifamily loans, which can help in the provision of affordable rental housing.

While FHA Multifamily endorsed slightly more than 1,000 loans in FY 2005 and FY 2006, FHA is projecting to end FY 2007 with approximately 870 endorsements instead of the expected target of 1,000 endorsements.

Endorsements are down due to an increase in interest rates, general decline in housing markets, and the fact that many loans needing refinancing and repairs (including Section 202 elderly loans) have already refinanced. The reduction is not limited to FHA. Both FHA and conventional markets are experiencing decline. In FY 2008, FHA will endorse 1000 multifamily mortgages.



**Data source.** The data originate in the Office of Housing’s Multifamily Insurance System, and for convenience are reported from the Real Estate Management System.

**Limitations/advantages of the data.** The data, which are based on a straightforward and easily verifiable count of endorsements completed, are judged to be reliable for this measure.

**Validation, verification, improvement of measure.** FHA monitors the quality of data submitted by lenders. An independent assessment in 1999 showed that Real Estate Management System data passed automated tests for validity, completeness, and consistency. A data quality assessment completed for the Real Estate Management System in FY 2001 identified no problems that compromise this measure.

**B1.5: Ginnie Mae securitizes at least 95 percent of eligible FHA multifamily mortgages.**

**Indicator background and context.** Ginnie Mae expands affordable housing options through enhancing the liquidity of the mortgage market. This outcome is accomplished by providing multifamily mortgage-backed securities for investors to purchase in the secondary market. Ginnie Mae-guaranteed securities accomplish the important outcome of increasing the availability of capital for multifamily mortgages, thereby making loans less costly and easier to obtain, and ultimately broadens homeownership opportunities. In FY 2006, 7,273 loans were issued for a total amount of \$8 billion. Some types of FHA multifamily loans (risk sharing and bond-financed hospitals) are not eligible for securitization by Ginnie Mae.

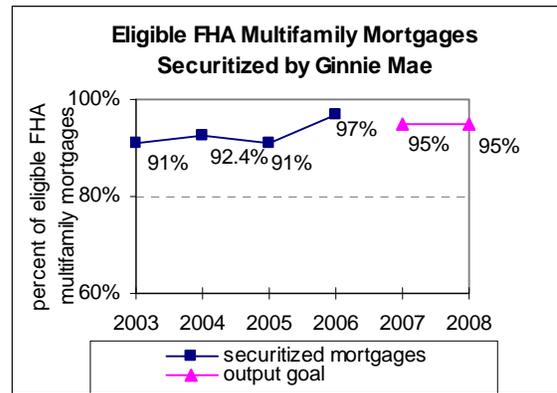
Additionally, increased regulatory emphasis on assisting low- and moderate-income housing by other secondary market agencies, including Fannie Mae and Freddie Mac, has significantly increased the level of competition for FHA guaranteed loans.

**Data source.** Ginnie Mae’s database of multifamily loan securities, compared with the FHA multifamily database, adjusted to remove ineligible projects.

**Limitations/advantages of the data.** Both Ginnie Mae and FHA data are tabulations of activity that the organizations track continually. FHA

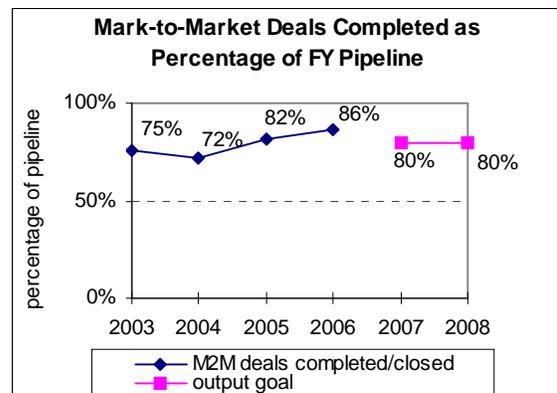
endorsement data are based on the endorsement date, while Ginnie Mae loan level data are based on the pool issue date.

**Validation, verification, improvement of measure.** Both Ginnie Mae and FHA data are subject to annual financial audits because they represent an obligation on the part of the federal government.



**B1.6: HUD will complete 80 percent of the initial FY 2008 Mark-to-Market pipeline during the fiscal year, reducing rents and restructuring mortgages where appropriate.**

**Indicator background and context.** The Mark-to-Market program preserves crucial and limited affordable housing stock by maintaining the long-term physical and financial integrity of such housing and reduces the Section 8 rental assistance costs and the costs of FHA insurance claims. Housing subsidy contracts are expiring on thousands of privately-owned multifamily properties with federally insured mortgages. Many of these contracts set rent at amounts higher than those at the local market. Under the Mark-to-Market program,



the Office of Affordable Housing Preservation analyzes the properties for which Section 8 rents exceed comparable market rents, and reduces the Section 8 rents to comparable market rents or levels that preserve financial viability. Properties also are eligible for debt restructuring, consisting of a write-down of the existing mortgage in conjunction with the reduced rent levels. Rent adjustments and mortgage restructuring reduce the average cost of providing housing assistance and preserve good quality, affordable housing, a crucial outcome and major issue in housing policy. Since FY 2000, more than 2,900 properties have been completed/closed under the Mark-to-Market program, resulting in Section 8 savings (non-incurrence of cost) of approximately \$216 million and more than 238,000 units preserved. The FY 2008 goal is based on an Office of Affordable Housing Preservation projection of anticipated workload, which is, in part, based on an estimate of market rents for contracts expiring in the future. These projections may be affected by owner decisions, real estate market trends, accuracy of the Real

Estate Management System database, and future legislative changes relative to Mark-to-Market eligible properties.

**Data source.** Office of Affordable Housing Preservation’s Mark-to-Market information data system.

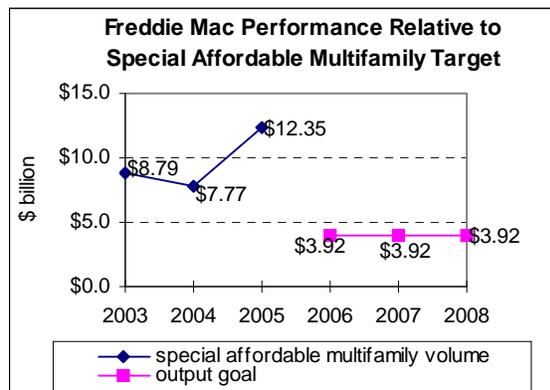
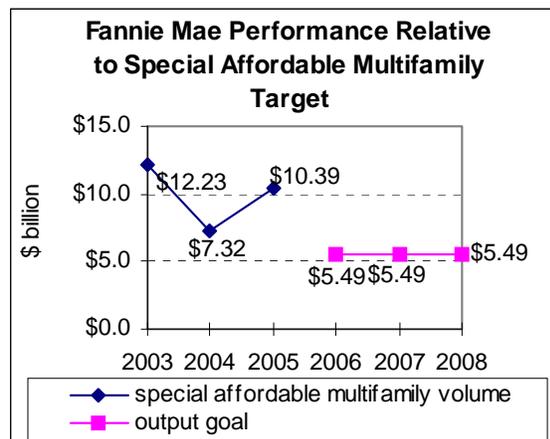
**Limitations/advantages of the data.** The Mark-to-Market system tracks the milestones completed and final rent determinations for each Mark-to-Market property, enabling the Office of Affordable Housing Preservation to measure performance, estimate savings, and provide budget projections.

**Validation, verification, improvement of measure.** Participating administrative entity files are subject to independent audits. The Office of Affordable Housing Preservation has developed participating administrative entity oversight and audit procedures that are used by the office or contract staff in conducting periodic reviews of each participating administrative entity. Mark-to-Market data that are used by the Office of Affordable Housing Preservation to determine progress and status of properties and participating administrative entities are validated and verified by HUD data integrity team members.

**B1.7: HUD will continue to monitor and enforce Fannie Mae’s and Freddie Mac’s performance in meeting or surpassing HUD-defined targets for special affordable multifamily mortgage purchases.**

**Indicator background and context.** Fannie Mae and Freddie Mac are housing government-sponsored enterprises that were established by Congress to create a secondary market for residential mortgages. To ensure that the government-sponsored enterprises devote a portion of their business to financing affordable rental housing, HUD established a Special Affordable Multifamily goal. The indicator measures the performance of the government-sponsored enterprises in providing capital, measured in billions of dollars, for affordable multifamily housing. In 2006 the Special Affordable Multifamily goal was \$5.49 billion for Fannie Mae and \$3.92 billion for Freddie Mac. These goals will remain at these levels through 2008.

Qualifying multifamily mortgages finance properties consisting of five or more units that are affordable at incomes less than or equal to 60 percent of area median, or less than or equal to 80 percent of area median for properties located in low-income areas. Low-income areas are defined as: (1) metropolitan census tracts where the median income does not exceed 80 percent of area median income and (2) nonmetropolitan census tracts where median income does not exceed 80 percent of the county median income or the statewide metropolitan median income, whichever is greater.



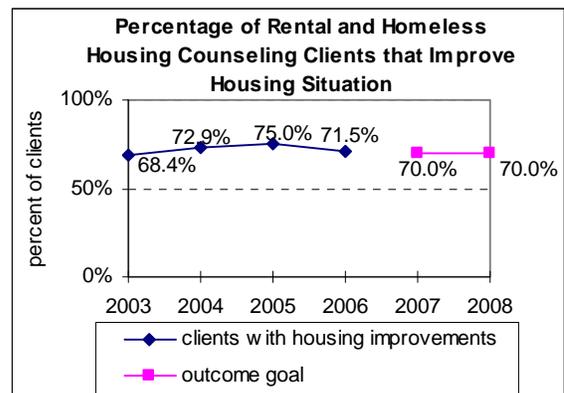
**Data source.** HUD analysis of loan-level data from Fannie Mae and Freddie Mac systems.

**Limitations/advantages of the data.** The data are compiled directly from government-sponsored enterprise records on multifamily loan purchases. The data are based on calendar year rather than fiscal year activities, and verified data become available on a one-year lagged basis.

**Validation, verification, improvement of measure.** Fannie Mae and Freddie Mac apply quality control measures to the data elements provided to HUD. HUD verifies the data through comparison with independent data sources, replication of their goal performance reports, independent data integrity reviews, and reviews of their data quality control procedures.

**B1.8: At least 70 percent of clients receiving rental or homeless counseling either find suitable housing or receive social service assistance to improve their housing situation.**

**Indicator background and context.** In addition to supporting the Presidential initiative to increase homeownership, the Department’s Housing Counseling program supports efforts related to help end chronic homelessness. This indicator focuses on housing counseling for homeless clients and families seeking affordable rental housing. The FY 2008 performance goal is to ensure that at least 70 percent of clients receiving rental or homeless counseling either find suitable housing or receive social service assistance to improve their housing situation.



Economic conditions and housing market homeownership rates vary and so the demand for specific types of counseling may vary for reasons outside of HUD’s control. The Department, however, through its monitoring and training efforts, is confident that HUD-approved agencies are providing quality counseling services that will help clients successfully resolve their housing problems regardless of how many clients are served in a given year. As a result, HUD will focus on outcomes associated with clients receiving rental or homeless counseling, rather than the number of clients served.

**Data source.** The data are electronically submitted to the Housing Counseling System through the Housing Counseling Agency Fiscal Year Activity Reports (form HUD-9902). The data include the total number of clients, the type of counseling received, and the results of the counseling. Beginning in FY 2008, an additional source for this data will be the Housing Counseling Program Outcome Logic Model, form HUD-96010.

**Limitations/advantages of the data.** A major limitation of the data collection instrument is that it does not differentiate the level of counseling given to each client. The level of counseling provided can vary significantly.

**Validation, verification, improvement of measure.** To improve the quality of the housing counseling information that is used by HUD, the Department will be implementing an automated data collection

instrument that will enable it to collect client-level data beginning in FY 2008. In FY 2007, HUD is completing the development of the client level data database and electronic client level data submission is being piloted by agencies participating in the program.

### **B1.9: Implement Phase II of HUD's plan for increasing the energy performance and reducing utility costs in HUD-supported housing.**

**Indicator background and context.** This indicator measures an increasingly important public outcome: the savings in energy costs achieved through HUD's Energy Action Plan. HUD spends more than \$4 billion each year on energy—more than 10 percent of its budget—primarily through utility allowances to renters, housing assistance payments to private building owners, and operating grants to public housing agencies. Energy efficiency improvements could yield significant cost savings; a 5 percent reduction could save \$2 billion over the next 10 years.

HUD successfully completed implementation of the Phase I Energy Action Plan in 2005. In August 2006 HUD submitted a report to Congress, which, pursuant to Section 154 of the Energy Policy Act of 2005, describes a strategy (Phase II) for energy efficiency in public and assisted housing, as well as housing funded through HUD's formula and competitive grant programs.<sup>2</sup>

HUD's Energy Action Plan is primarily an operational plan aimed at upgrading the energy efficiency of existing (as well as new) HUD-assisted and HUD-financed housing, using an established inventory of proven energy-efficient products and appliances, with a strong emphasis on expanding the use of the Energy Star label for both products and new homes. Phase II of this plan is designed to accomplish the following five objectives: (1) Strengthen partnerships with federal agencies and local communities to promote Energy Star and energy efficiency in the residential sector; (2) Strengthen incentives and implement new statutory requirements for energy efficiency through HUD programs; (3) Provide training and technical assistance on energy efficiency to homeowners, renters, and property owners; (4) Establish measures to track progress in reducing energy consumption and ensure accountability; and (5) Support further research and technology development.<sup>3</sup>

HUD began implementation of the actions described in the report to Congress in FY 2007.<sup>4</sup> During FY 2008, HUD will complete implementation of the 25 Phase II actions, and continue to develop and implement indicators that will allow HUD to assess actual performance in reducing energy costs associated with HUD program activities. Key strategies include consumer education and outreach,

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<sup>2</sup> Section 154 states that "(t)he Secretary of Housing and Urban Development shall develop and implement an integrated strategy to reduce utility expenses through cost-effective energy conservation and efficiency measures and energy efficient design and construction of public and assisted housing. The energy strategy shall include the development of energy reduction goals and incentives for public housing agencies. The Secretary shall submit a report to Congress, not later than 1 year after the date of the enactment of this Act, on the energy strategy and the actions taken by the Department of Housing and Urban Development to monitor the energy usage of public housing agencies and shall submit an update every 2 years thereafter on progress in implementing the strategy."

<sup>3</sup> Offices responsible for implementing the Phase II Plan are: Public and Indian Housing, Community Planning and Development, Housing, Field Policy and Management, Policy Development and Research, Healthy Homes and Lead Hazard Control, Office of Native American Programs.

<sup>4</sup> See Report to Congress at [www.hud.gov/energy](http://www.hud.gov/energy).

interagency cooperation, market-based incentives, public-private partnerships, and, on a limited basis, policy analysis and research and development of energy-efficient technologies.

In addition, HUD will explore establishing targets for energy savings consistent with President Bush's January 24, 2007, Executive Order, "Strengthening Federal Environmental, Energy and Transportation Management."<sup>5</sup> The order directs federal agencies to reduce greenhouse gases through a reduction in energy intensity of 3 percent a year, or 30 percent by the end of fiscal year 2015 compared to the base year 2003. While the order is primarily targeted at federally-owned facilities, given the significant expenditure of federal funds on energy costs in its public and assisted housing portfolio, HUD believes that significant benefits could accrue to the taxpayer, customers and partners through the adoption of similar goals for HUD-assisted or HUD-financed housing. Even a 20 percent reduction in HUD's energy costs in 2015 could net an estimated annual energy savings of \$800 million from current costs, or the equivalent of approximately 100,000 new Section 8 vouchers.

In support of the Energy Action Plan, HUD signed a Memorandum of Understanding with the Environmental Protection Agency and the Department of Energy to promote the use of Energy Star products and appliances through HUD programs. In addition, in July 2005 Secretary Jackson announced a new Partnership for Home Energy Efficiency with these agencies to reduce utility consumption in existing housing by 10 percent by 2010.

**Data source.** Progress on and completion of Phase II actions that are included in the FY 2008 Management Plan will be reported through HUD's Integrated Performance Reporting System; remaining actions will be reported quarterly by program and regional office representatives to the Energy Task Force. Data from both sources will be compiled and verified by the Office of Policy Development and Research. Energy savings will be estimated by the same office based on the extent to which Energy Star appliance and construction standards are in place or other energy efficiency practices have been adopted in HUD-public and assisted or insured housing, and the extent to which program offices are able to put in place procedures for collecting information on the number of properties adopting such practices. Average savings produced through Energy Star will be based on studies conducted by the Environmental Protection Agency and the Department of Energy.

For public housing, energy efficiency achieved through energy performance contracting will be based on reports from public housing agencies. Total savings and energy investments will be identified by PIH by aggregating all performance contracts. Under asset management, PIH also will be collecting project-based utility consumption data, but it is not clear whether this information will be available for estimating savings in FY 2008.

For assisted or insured multifamily housing, the number of Section 202 projects committing to Energy Star will be compiled from FY 2008 grant awards. The number of new mortgage applicants including energy efficiency improvements will be tracked through the Development Application Processing system, subject to availability of funds to enhance this system. The number of existing properties projects approved for a release of replacement reserves, or a rent increase or adjustment, to fund energy efficiency improvements will be reported quarterly by multifamily field offices using new tracking forms provided to each field office.

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<sup>5</sup> <http://www.whitehouse.gov/news/releases/2007/01/20070124-2.html>

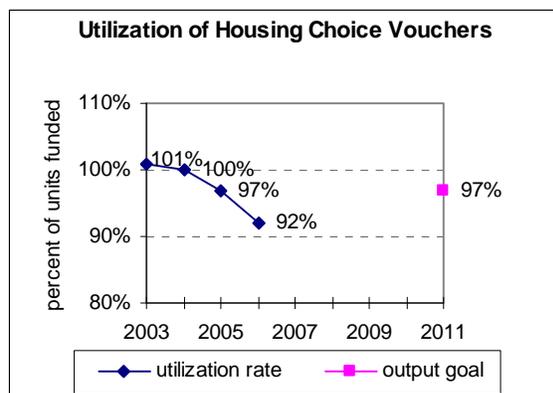
The number of Energy Efficient Mortgages will be tracked and reported quarterly by the Office of Housing (Single Family) through FHA's Computerized Homes Underwriting Management System. The number of units funded through the Home Investment Partnerships or CDBG programs meeting the Energy Star standard for new homes will be tracked by HUD's Integrated Disbursement and Information System.

**Limitations/advantages of the data.** Actual savings achieved through Energy Star may vary from estimates developed through research done by the Environmental Protection Agency and the Department of Energy. (The standard for Energy Star New Homes is intended to generate savings of 15 percent over the most recently adopted International Energy Conservation Code. Actual savings will be dependent on quality of construction, sound property management, and other factors.) Data from energy performance contracting in public housing will generally reflect activity only in larger public housing agencies, because smaller PHAs until recently have not been able to take advantage of this mechanism. Under the shift to asset management, public housing authorities will report project-based utility consumption (in addition to expenditures) in an automated system. However, it is not clear whether this information will be available for tracking and monitoring purposes in FY 2008, or whether, without additional adjustments for degree days and other inputs, it will be useful in identifying reductions in energy consumption. There are no mechanisms for tracking energy efficiency in properties with Section 8 tenant-based rental assistance.

**Validation, verification, improvement of measure.** The Environmental Protection Agency and the Department of Energy continue to conduct research to verify savings produced through Energy Star. HUD will review baseline reports of Energy Star applications to assess data reliability and will seek to improve reporting mechanisms based on initial results.

**B1.10: Improve the utilization rate of Housing Choice Voucher funding to 97 percent by Calendar Year 2011.**

**Indicator background and context.** The objective of this goal is to ensure that substantially all of the funding provided by Congress for Housing Choice Vouchers is effectively used. The Housing Choice Voucher program provides low-income participants with the ability to seek rental housing of their choice, with certain rent parameters and portability features enabling families to take their vouchers to other rental market in pursuit of available job and other economic opportunities.



While most of the Housing Choice Voucher program annual budget authority is currently being used to assist low-income families, some PHAs are not fully using all the budget authority allocated to them. Increasing PHAs use of voucher funds remains a key HUD priority. In Calendar Year 2008, the Department intends to allocate administrative fee funding based on a formula tied to the number of assisted households. PHAs currently receive a flat amount per year for administrative costs based on a percentage of rental payments, which does not

provide an incentive to increase the number of families served. The current administrative fee structure is not tied to the number of families served or to the workload related to Housing Choice Voucher program administration. This indicator will track progress on utilization of the vouchers.

The Office of Public and Indian Housing is in the process of revising the assessment tool for this program from 16 indicators to four core indicators. The four indicators will measure accuracy of reporting, financial condition of a PHA, utilization of budget authority, and quality of units. Until such time as asset management and the new assessment system are implemented, the Department will report the utilization of Housing Choice Voucher funding as a tracking indicator.

**Data Source.** The Voucher Management system will be the primary source to measure annual budget authority utilization. The primary purpose of this system is to monitor and manage PHA's use of vouchers. The Voucher Management system collects data that enables the Department to budget, fund, and obligate voucher funding based on actual PHA activity.

**Limitation/advantages of the data.** The current Voucher Management system data lay-out and additional fields added ad-hoc through the years have provided some confusion. Housing Choice Voucher staff is currently working on improving this system and providing clearer instructions to the PHAs. The Office of Public and Indian Housing anticipates releasing a new version of the system that will improve PHA reporting and ensure data integrity.

**Validation and verification.** Quality Assurance Division analysts will conduct on-site reviews to verify the Voucher Management system reporting accuracy and data integrity. This verification will be accomplished through the visual inspection of the PHAs' source documentation that was used to support Voucher Management system data entry. The Quality Assurance Division analyst will review a random sample of actual Housing Assistance Payment contracts and compare the data to the PHA's financial systems. In addition, Quality Assurance Division analyst will provide on-site technical assistance to assist PHAs with the identification of reporting errors, and to provide guidance and technical assistance related to improving the Voucher Management system reporting.

## **Objective B2: Improve the management accountability and physical quality of public and assisted housing.**

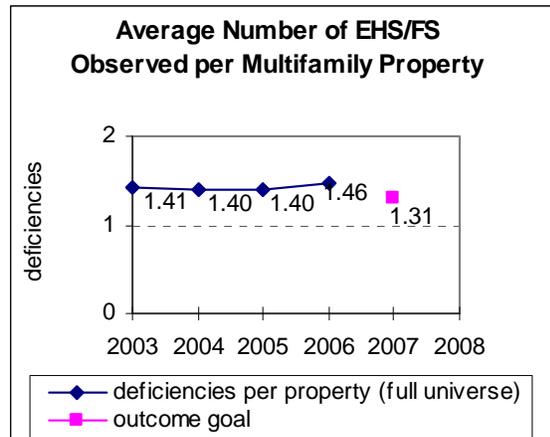
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**B2.1: Reduce the average number of observed exigent deficiencies per property for substandard multifamily housing properties by 5 percent.**

**Indicator background and context.** HUD's Real Estate Assessment Center conducts physical inspections that identify exigent health and safety or fire safety deficiencies. Exigent health and safety hazards include: 1) air quality, gas leaks; 2) electrical hazards, exposed wires/open panels; 3) water leaks on or near electrical equipment; 4) emergency/fire exits/blocked/unusable fire escapes; 5) blocked egress/ladders; and 6) carbon monoxide hazards. Fire safety hazards include: 1) window security bars preventing egress and 2) fire extinguishers expired. (Smoke detectors are excluded from exigent health and safety or fire safety for this measure because they are covered in Indicator C5.1.). A significant majority of the deficiencies for both public housing and multifamily housing are represented by three

categories: locked emergency/fire exit egress, missing/broken electrical cover plates/switches/outlets, and exposed wires/missing covers.

In prior years the Department focused on the reductions in exigent health and safety or fire safety on an overall basis. From FY 2001 to FY 2005, the average number of exigent health and safety or fire safety deficiencies observed per property was reduced from 1.81 to 1.40 for multifamily housing. Due to scarce monitoring resources, the Department shifted and targeted its focus to the reduction of deficiencies at the worst properties in FY 2006. The goal for FY 2008 is to reduce the average defects per property for substandard properties with a Physical Assessment Subsystem score of less than



60 by 5 percent from the FY 2007 actual. Nevertheless, the Department will continue to track and report on the status of the average number of observed exigent deficiencies per property for all multifamily housing properties, as a means of determining the overall compliance of multifamily property owners and the need for any further corrective action.

**Data source.** The Real Estate Assessment Center’s Physical Assessment Subsystem, consisting of electronically coded and transmitted results of independent physical inspections of units, buildings, and sites, stored in the National Inspection Contract – Central Integrated Data Repository. Unit-level data are estimated on the basis of project-level sample observations, extrapolated to the universe of all units.

**Limitations/advantages of the data.** FHA multifamily housing properties are under what is commonly referred to as the “3-2-1 rule.” The rule stipulates that inspections of multifamily developments occur at intervals of 1, 2, or 3 years depending on the Physical Assessment Subsystem inspection score that the property receives. As a result, not every property in the portfolio and the units associated with those properties are reflected in the Exigent Health and Safety or Fire Safety percentages. There may also be a distortion of the data since many of the properties that receive a Physical Assessment Subsystem score of less than 60 may be inspected more than once annually.

**Validation, verification, improvement of measure.** Owners and managers validate Exigent Health and Safety Report contents by acknowledging receipt at the time of inspection and reporting corrective actions. In addition, the Real Estate Assessment Center re-inspects units and properties on a sample basis for quality assurance.

## B2.2: The share of public housing units that meet HUD established physical inspection standards will be 85 percent.

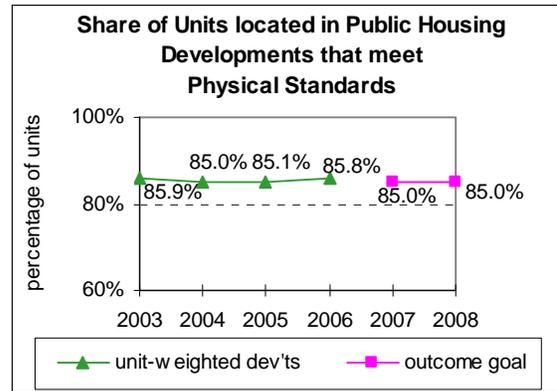
**Indicator background and context.** The target for FY 2008 is lower than in prior years. The original FY 2007 target of 85.5 percent was based on the actual performance of 85.1 percent in FY 2005 and 85.8 percent for FY 2006. The adjusted target for FY 2008 takes into consideration the reduction in actual resources available for improvements and maintenance, significant delays in the federal budget process, which excessively delayed FY 2007 inspection activities, as well as new, more stringent inspection

standards that brought down scores in FY 2004 and FY 2005. Furthermore, there is a significant multi-year effort to convert all PHAs with 250 or more units to asset management by FY 2011. Because of this major increase in effort, for which PHAs were not given more resources, the reduction in performance in this area is expected.

**Data source.** The Real Estate Assessment Center’s Physical Assessment Subsystem, consisting of electronically coded and uploaded results of independent physical inspections of properties (sites, buildings, and dwelling units), stored in the National Inspection Contract – Central Integrated Data Repository. The subsystem is a component of the overall Public Housing Assessment System.

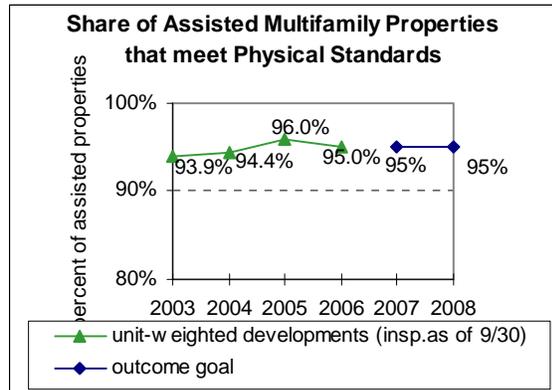
**Limitations/advantages of the data.** Inspections are conducted independently and are based on a statistically valid random sample of selected buildings and dwelling units within a property. Improvements to Physical Assessment Subsystem may alter slightly the selection and weighting of individual inspection items from year to year. There were some changes to the baseline physical condition standards used in FY 1999 that would account for modest project score increases of a few points in the FY 2001 results, but most of the increases in scores are attributed to actual improvements to project physical conditions. The subsystem scoring for public housing was revised in FY 2001 to reflect negotiations with public housing agencies. As noted above, there was a significant delay in the commencement of inspection activities in FY 2007. These delays and the subsequent “catch-up” effort may make comparability of the results in this area problematic.

**Validation, verification, improvement of measure.** As reported to Congress in the March 1, 2001, Conferee Report titled *PHAS-Physical Inspection System*, the Real Estate Assessment Center physical assessment program ensures the proper application and interpretation of the inspection protocol and the accuracy of inspection scores, thereby enabling effective and successful implementation of the public housing assessment system. An independent engineering firm, as reflected in the subject report, validated the results.



**B2.3: The share of assisted and insured privately owned multifamily properties that meet HUD-established physical standards are maintained at no less than 95 percent.**

**Indicator background and context.** This performance goal builds on recent successes and exceeds the benchmark established in the President’s Management Agenda, setting a goal that at least 95 percent of assisted multifamily properties will continue to meet HUD’s standards for physical condition in FY 2008. Sustaining this very high performance rate reflects the important outcome goal of providing healthy, quality, and safe housing for HUD’s multifamily inventory.



**Data source.** The Real Estate Assessment Center’s Physical Assessment Subsystem consists of electronically coded and transmitted results of physical inspections of units, buildings, and sites, and is stored in the National Inspection Contract – Central Integrated Data Repository. The Physical Assessment Subsystem is a component of the overall Public Housing Assessment System, and is used separately for private multifamily housing.

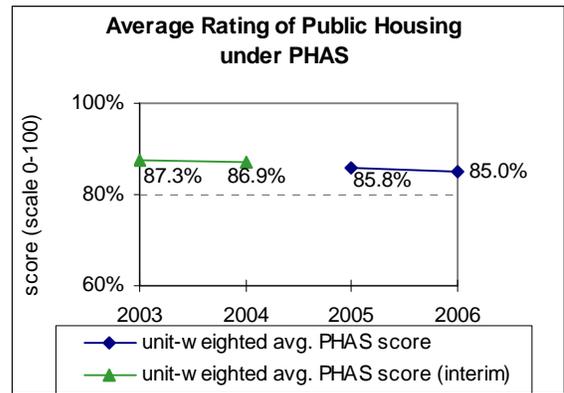
**Limitations/advantages of the data.** Inspections are conducted independently and are statistically representative of assisted private multifamily housing. Because of the necessity of evaluating common areas, the number of passing units is determined by multiplying passing projects by the number of units they contain. Improvements to the Physical Assessment Subsystem may alter slightly the selection and weighting of individual inspection items from year to year.

Under the “3–2–1 Rule” that took effect in August 2000, inspections of multifamily developments occur at longer intervals of two or three years if their scores are high enough in the first year. Because some multifamily scores accordingly carry over from previous years, the average score will change about 40 percent less than it would if the measure were limited to projects that were present in both samples.

**Validation, verification, improvement of measure.** As reported to Congress in the March 1, 2001, Conferee Report titled *PHAS-Physical Inspection System*, the Real Estate Assessment Center’s physical assessment program ensures the proper application and interpretation of the inspection protocol and the accuracy of inspection scores, which were validated by an independent engineering firm as reflected in the subject report.

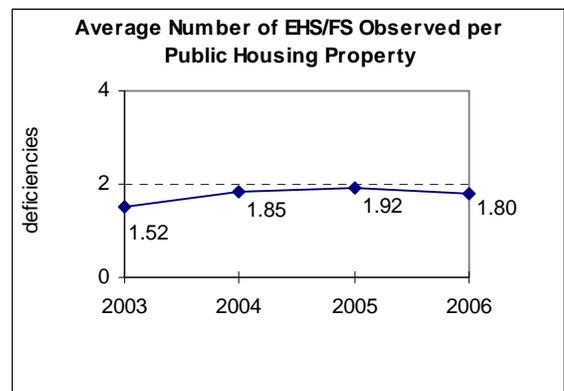
**B2.4: Key measures under the Public Housing Assessment System including (a) the unit-weighted average score, (b) observed exigent deficiencies per property among PHAs that are designated as troubled and have five or more deficiencies per property for public housing, and (c) the share of units that have functioning smoke detectors.**

**Indicator background and context.** These tracking indicators display the overall status of public housing on several key assessment measures. The first outcome measure summarizes the overall management and conditions affecting public housing units. The second measure tracks the number of exigent health and safety or fire safety deficiencies observed in the average public housing development. The third measure tracks the proportion of public housing units that have functional smoke detectors and are in buildings with functional smoke detectors.



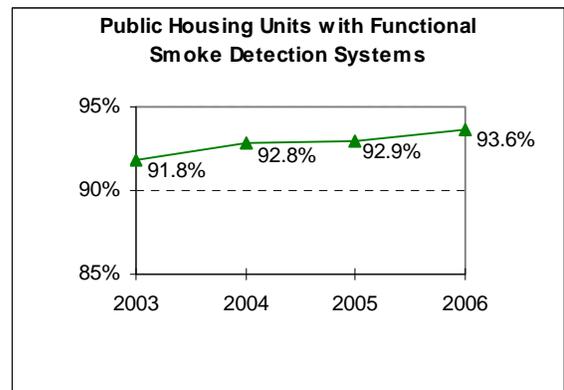
The Department is in the midst of significant changes in its assessment systems and a conversion of PHAs to asset management. Until such time as operations are normalized, the Department will report these key indicators for tracking purposes. Thereafter the Department will develop and report against new, yet to be developed, performance measures which may or may not include the measures herein.

**Data source.** For (a), the Public Housing Assessment System – Integrated Assessment Subsystem module, which comprises scores, determined by the Physical, Management, Financial, and Resident Satisfaction subsystems. For (b) and (c), unit-level data are estimated on the basis of project-level sample observations, extrapolated to the universe of all units. To measure the results in public housing, HUD will take an inventory of substandard properties at the beginning of each fiscal year and compare the next inspections. The average defects on both samples will be calculated and the change computed.



**Limitations/advantages of the data.** The Physical Assessment and Resident Assessment scores are based on statistically valid random samples that are representative of public housing projects and households respectively.

The scoring methodology for the Public Housing Assessment System was modified during FY 2002. For FY 2003 and FY 2004, interim scoring procedures for the Physical and Financial subsystems generally resulted in improved scores for many PHAs. A thorough review of the

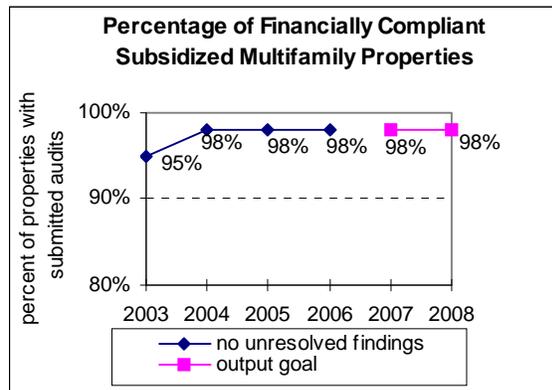


assessment system was completed and, effective FY 2004, the scoring methodology reverted back to the scoring system similar to that utilized in FY 2001. The scores for FY 2005 were lower than the two prior years since the interim methodology was no longer effective.

**Validation, verification, improvement of measure.** The Management Assessment and Financial Assessment submissions are subject to verification by independent audit. The Financial Assessment methodology is a process validated by the American Institute of Certified Public Accountants. The Physical Assessment scores are based on independent inspections of the PHAs properties by HUD trained/certified contract inspectors, and are verified through HUD’s Quality Assurance Program.

**B2.5: For households living in assisted and insured privately owned multifamily properties, the share of properties that meets HUD’s financial management compliance is maintained at no less than 98 percent.**

**Indicator background and context.** The FY 2008 goal is to maintain high compliance and successful resolutions so that at least 98 percent of the properties submitting audited financial statements either have no compliance issues or audit findings, or have such issues or findings closed (resolved) by the end of each fiscal year. Financial reporting has the important outcome of protecting FHA funds and supports both the quantity and quality of the affordable housing inventory. Property owners must submit annual financial statements so the



Department can ensure that project owners are in compliance with their business agreements, i.e., the regulatory agreement, mortgage and note, and any subsidy contracts. These compliance factors are used in the evaluation of project operations and guide business and operating decisions and have the important outcome of protecting subsidy and FHA funds. Multifamily project managers in the field offices are responsible for resolving all compliance issues or findings identified by HUD’s Real Estate Assessment Center, to achieve the outcome of ensuring that there is the necessary financial information to make business and operating decisions. Owners not submitting their audited financial statements in a timely manner are referred to the Departmental Enforcement Center.

HUD’s Real Estate Assessment Center evaluates the financial management of both public housing agencies and privately owned multifamily properties based on generally accepted accounting principles. The Real Estate Assessment Center Financial Assessment Subsystem involves Internet-based submission of audited financial information in a standardized format. Data are validated, reviewed, and scored, resulting in standard and substandard designations. While PHA scores represent an aggregate of all properties owned or controlled by the agency, multifamily financial scores are determined at the project level for every multifamily development.

**Data source.** The data come from the Office of Housing’s Real Estate Management System and the Real Estate Assessment Center’s Financial Assessment Subsystem.

**Limitations/advantages of the data.** The financial assessment is a process validated by the American Institute of Certified Public Accountants. Further refinements may be necessary as the assessment process matures.

**Validation, verification, improvement of measure.** The Real Estate Assessment Center performs quality assurance reviews of the audited financial statements of multifamily property owners submitted by independent public accountants. The quality assurance review provides assurance that the audited statements are accurate and reliable and that audits are conducted in accordance with government and professional standards. The Financial Assessment Subsystem incorporates extensive data checks and both targeted and random review by independent auditors.

## **B2.6: The percent of public housing units under management of troubled housing agencies.**

**Indicator background and context.** The Office of Public and Indian Housing and the Real Estate Assessment Center use the Public Housing Assessment System to evaluate the performance of PHAs based on four categories: physical condition, management operations, financial condition, and resident satisfaction. Housing agencies with composite scores below 60 percent are classified as “troubled” under the Public Housing Assessment System rating. A low score for physical condition, management operations, or financial condition alone also triggers a “troubled/substandard” designation. This indicator tracks the share of units managed by “troubled” agencies and thus the portion of HUD provided funding that is at greatest risk because the funds are under the control of a PHA with less than acceptable results. The Department is in the process of the re-design and implementing changes in the assessment systems for both its public housing and voucher programs during the FY 2007 to FY 2009 timeframe. During this period a comparison of results from year-to-year will be problematic. Additionally, after the new assessment system is functional, the Department will develop new performance goals which will support PHA operations under asset management. Until such time as asset management and the new assessment system are implemented, the Department will report the utilization of Housing Choice Voucher funding as a tracking indicator.

**Data source.** The data originate in the Public Housing Assessment System – Integrated Assessment Subsystem module, comprising scores determined by the Physical, Management, Financial, and Resident Satisfaction Assessment Subsystems. For convenience, the indicator is reported using the Troubled Agencies Portfolio, a database that captures the date a PHA is designated troubled based on Public Housing Assessment System scores. As noted above, there was a significant delay in the commencement of inspection activities in FY 2007. These delays and the subsequent “catch-up” effort may make comparability of the results in this area problematic.

**Limitations/advantages of the data.** The Physical and Rental Satisfaction Assessment Subsystems rely on statistically representative samples of public housing projects and of households respectively.

**Validation, verification, improvement of measure.** The Management and Financial Assessment systems submissions are subject to verification by independent audit. The Physical Assessment system scores are based on independent inspections of the PHA’s properties by HUD, and are verified through HUD’s Quality Assurance Program.

**B2.7: The proportion of the Housing Choice Voucher Program funding administered by troubled housing agencies.**

**Indicator background and context.** As noted under B2.6 above, the Department is the midst of significant changes in its assessment systems and development of new benchmarks to report results. During FY 2006 and FY 2007, HUD developed the methodology for assessing whether a PHA is troubled. During FY 2008 a new assessment system will be implemented (see B5.1 below). HUD will determine the baseline percentage of Housing Choice Voucher Program funding that is administered by PHAs that are determined to be troubled under this new performance assessment system. At that point, the Department will implement Annual Performance Plan goals to manage PHA performance. Until such time as asset management and the new assessment system are implemented, the Department will report the utilization of Housing Choice Voucher funding as a tracking indicator.

**Data source.** The data source for this goal will be the new performance assessment system for the Housing Choice Voucher Program established in accordance with revised regulations.

**Limitations/advantages of the data.** The assessment system and the data elements have yet to be determined.

**Validation, verification, improvement of measure.** The new performance assessment system will incorporate lessons learned in the development and operation of the current assessment system.

**B2.8: The HOPE VI Revitalization program for public housing relocates 300 households, demolishes 980 units, completes 4,979 new and rehabilitated units, and occupies 4,562 units.**

**Indicator background and context.** HOPE VI is HUD’s primary program for eliminating distressed public housing by demolishing unsustainable developments and rebuilding in accordance with community-sensitive principles. However, because of the extensive planning and partnering involved, PHAs have been slower in implementing HOPE VI revitalization plans than was anticipated. The Department established this annual indicator to track the number of HOPE VI revitalization plans that are being implemented in terms of four key outputs: tenants relocated to permit redevelopment, units demolished, new and rehabilitated units completed, and units occupied. These goals are based on HOPE VI plans submitted by PHAs. The President’s FY 2008 budget proposes no additional funds for HOPE VI and proposes to rescind all FY 2007 HOPE VI appropriations. Therefore this goal will be met with available prior year funds.

<b>HOPE VI Achievements</b>	<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007 goal</b>	<b>FY 2008 goal</b>
Households relocated	6,859	4,618	4,702	2,962	1,378	300
Units demolished	7,468	4,919	8,765	2,305	4,209	980
Units constructed or rehabilitated	8,611	4,132	9,632	7,085	8,745	4,979
Units occupied	7,512	4,210	8,467	8,081	8,293	4,562

Note: FY 2006 data are as reported in the FY 2006 Performance and Accountability Report. The data reflect only three quarters (July 1, 2005 – March 31, 2006) due to the lapse of the contract for the PIH HOPE VI Progress Reporting System.

**Data source.** Until June 2006, the program office used the PIH HOPE VI Progress Reporting System, consisting of quarterly progress reports submitted by grantees. Due to the delayed approval of the Department's technical assistance plan, the contract for this system lapsed and no replacement contract could be put in place at that time. At present, the program office anticipates having a new contract by fall of 2007. In the intervening time, the program office is manually collecting data submitted by grantees for the quarters missed.

**Limitation/advantages of the data.** Data in the PIH HOPE VI Progress Reporting System are judged to be reliable for this measure. However, the manual data collection that is needed until the new contract is in place may necessitate future refinement.

**Validation, verification, improvement of measure.** Submitted data are reviewed by HUD staff and verified through grant management activities and site visits. HUD Headquarters staff reviews the reports each quarter and compares progress to stated goals and the results of on-site visits by HUD staff and, in some cases, the Army Corps of Engineers. The collection of progress data by construction and financing phase has supported improvements in the validity of performance targets.

### **B2.9: Ensure that unit production of HOPE VI projects is completed on average within 7.76 years from the grant agreement execution, and unit production for 89 grants awarded from FY 1993 through FY 2004.**

**Indicator background and context.** Through its Strategic Plan, the Department continues to emphasize the importance of timeliness and accountability in its programs, including HOPE VI. That is, the more quickly projects are completed the more quickly homeownership and affordable housing opportunities will become available. However, because of the extensive planning and partnering involved, as well as extenuating circumstances, grantees have been implementing their HOPE VI redevelopment plans more slowly than was anticipated. Nevertheless, HUD has worked diligently with grantees to shorten the time they need to finish projects, and to increase the total number of projects completed, as measured by completion of all units (whether public housing, tax credit, market-rate, or homeownership) proposed in the revitalization plan.

The Strategic Plan establishes a target of seven years from the execution of the Grant Agreement as the average length of time for completion of all units in HOPE VI projects. Of the 225 total HOPE VI grants awarded between FY 1993 and FY 2004, 89 grants will have completed all unit production by the end of FY 2008 and the average completion time will be 7.6 years. These goals are based on HOPE VI plans submitted by grantees. The President's FY 2008 budget proposes no additional funds for HOPE VI and proposes to rescind all FY 2007 HOPE VI appropriations. Therefore this goal will be met with available prior year funds.

**Data source.** Until June 2006, the program office used the PIH HOPE VI Progress Reporting System, consisting of quarterly progress reports submitted by grantees. Due to the delayed approval of the Department's technical assistance plan, the contract for this system lapsed and no replacement contract could be put in place at that time. At present, the program office anticipates having a new contract by fall

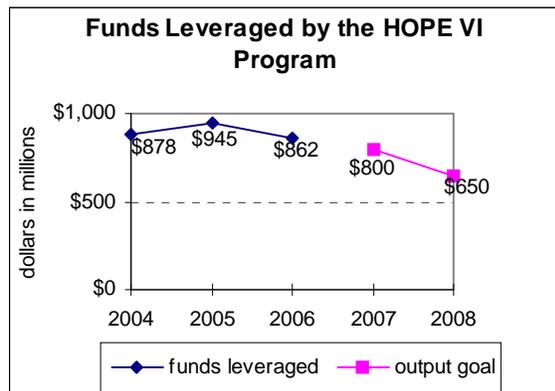
of 2007. In the intervening time, the program office is manually collecting data submitted by grantees for the quarters missed.

**Limitation/advantages of the data.** Data in the PIH HOPE VI Progress Reporting System are judged to be reliable for this measure. However, the manual data collection that is needed until the new contract is in place may necessitate future refinement.

**Validation, verification, improvement of measure.** Submitted data are reviewed by HUD staff and are verified through grant management activities and site visits. HUD Headquarters staff review progress reports each quarter and compare these reports to previously stated goals. On-site visits are also conducted by HUD staff and, in some cases, the Army Corps of Engineers. The collection of progress data by construction and financing phase has supported improvements in the validity of performance targets.

## B2.10: The HOPE VI Program will leverage \$650 million of other financing.

**Indicator background and context.** The mixed-financing approach to replacement public housing development is the single most important development tool currently available to PHAs implementing HOPE VI revitalization projects. It emphasizes the formation of new public and private partnerships to ensure long-term sustainability of public housing developments and the leveraging of public and private resources to transform the isolated communities in which many public housing residents live into vibrant and sustainable mixed-



income communities with a wide range of family incomes. Accordingly, in FY 2008, the HOPE VI program will leverage \$650 million of other financing. Such financing will help ensure the realization of HOPE VI goals and their contribution toward the Department's strategic goals for homeownership and affordable housing and integrating these efforts into strengthening communities.

This goal is based on HOPE VI plans submitted by PHAs. The President's FY 2008 budget proposes no additional funds for HOPE VI and proposes to rescind all FY 2007 HOPE VI appropriations. Therefore, this goal will be met with available prior year funds.

**Data source.** Until June 2006, the program office used the PIH HOPE VI Progress Reporting System, consisting of quarterly progress reports submitted by grantees. Due to the delayed approval of the Department's technical assistance plan, the contract for this system lapsed and no replacement contract could be put in place at that time. At present, the program office anticipates having a new contract by fall of 2007. In the intervening time, the program office is manually collecting data submitted by grantees for the quarters missed. The 2006 result shown in the graph is for the nine months ended March 31, 2006.

**Limitation/advantages of the data.** Data in the PIH HOPE VI Progress Reporting System are judged to be reliable for this measure. However, the manual data collection that is needed until the new contract is in place may necessitate future refinement.

**Validation, verification, improvement of measure.** Submitted data are reviewed by HUD staff and are verified through grant management activities and site visits. HUD Headquarters staff review progress reports each quarter and compare these reports to previously stated goals. On-site visits are also conducted by HUD staff and, in some cases, the Army Corps of Engineers. The collection of progress data by construction and financing phase has supported improvements in the validity of performance targets.

### **B2.11: Approve \$50 million of leveraged funds through the Capital Fund Financing Program.**

**Indicator background and context.** The Capital Fund Financing Program is an appropriations-based financing program that makes financing available to PHAs. This indicator reflects the importance of leveraging private sector resources in order to develop and preserve scarce decent, affordable housing. The agencies borrow funds from the private markets, pledge their capital funds subject to the availability of appropriations, and then repay the financing as they receive their capital funds. Proceeds from Capital Fund Financing Program transactions are used for modernization and development of public housing, thus protecting and enhancing the affordable housing stock.

This goal measures the dollar amount of Capital Fund Financing Program transactions approved by the Office of Capital Improvements. In FY 2008, the Office of Capital Improvements will approve \$50 million of leveraged funds through the Capital Fund Financing Program.

**Data source.** The data are collected by HUD and based on the Capital Fund Financing Program proposals received from PHAs.

**Limitation/advantages of the data.** Data are judged to be reliable for this measure. The measure focuses on the key element of the Capital Fund Financing Program, which is the amount of funds raised through the program.

**Validation, verification, and improvement of measure.** Data are derived from the financing packages and is reviewed by HUD during its approval process.

### **B2.12: Ensure 10 percent of PHAs have realistic emergency preparedness plans in place.**

**Background and context.** As demonstrated during the 2005 hurricane season, it is imperative that public housing agencies have viable emergency preparedness plans. The Department learned that, while reviewing the shortcomings in reaction to these disasters, many communities lacked any comprehensive plan to deal with the evacuation of a large number of families. An adequate plan should address continuity of operations as well as how the housing authority will handle both evacuees from their area or the receipt of evacuees from other disaster impacted areas. These emergency preparedness plans will support HUD's strategic goal of strengthening communities through the goal of assisting in disaster recovery in the Gulf Coast region.

During FY 2007, HUD appointed six regional disaster coordinators who will survey their regions to determine whether their respective PHAs have emergency preparedness plans, as well as to serve as

technical advisors to help the PHAs develop or improve such plans. During FY 2008, 10 percent of the PHAs will have realistic emergency preparedness plans.

**Data Source.** HUD’s disaster coordinators will survey their regions to determine which PHAs have a plan and assist those that do not in developing a comprehensive plan. The disaster coordinators will forward the status of all PHAs in their region to the Housing Choice Voucher Operations and Management division for APP reporting. PHA plans will be collected and reviewed in each of the six regions by the appropriate disaster coordinator.

**Limitation/advantages of the data.** Because HUD has neither mandated the requirement for PHA disaster plans nor established a template of required data, the plans may vary by PHA.

**Validation and verification.** The review of the PHA plans by the disaster coordinator will verify whether an acceptable plan exists.

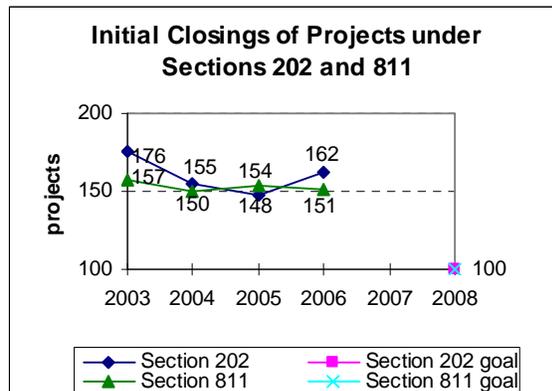
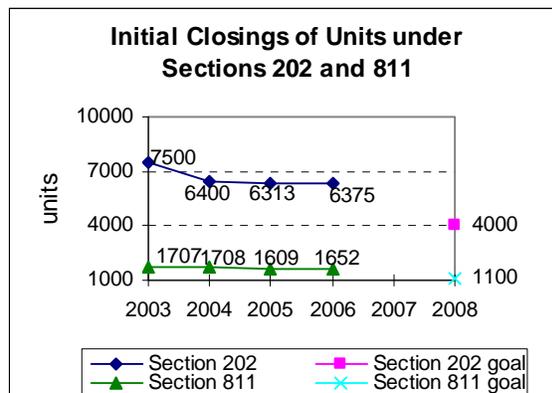
## Objective B3: Improve housing opportunities for the elderly and persons with disabilities.

**B3.1: Increase the availability of affordable housing for the elderly and persons with disabilities by bringing 4,000 Section 202 units (100 projects) and 1,100 Section 811 units (100 projects) to initial closing.**

**Indicator background and context.** The Section 202 and Section 811 programs provide capital advances for multifamily housing for elderly and disabled households, respectively. The outcome of this funding is the expansion of affordable rental housing for very low-income elderly persons and persons with disabilities and the expansion of opportunities for independent living, particularly for frail elderly. Significant medical care-related savings are achieved, also.

Section 202 and 811 projects can be difficult to bring to closing. Sponsors are usually required to find other sources of funding to pay for costs that exceed the amount of those that can be covered by the Section 202 or Section 811 funds, and for project features that are not able to be funded by the programs. In addition, neighborhoods sometimes oppose the developments.

This indicator measures the number of units each year that reach the initial closing stage (when the project design has been approved and all of the local community requirements have been met). The combined number of units to be generated by the 200



initially closed Section 202 and Section 811 projects in FY 2008 is 5,100 (4,000 for the elderly and 1,100 for persons with disabilities, respectively).

**Data source.** The data are captured in the Office of Housing Development Application Processing system and the Housing Enterprise Real Estate Management System.

**Limitations/advantages of the data.** The indicators of project status during the development process stage consist of straightforward and easily verifiable counts. The data are judged to be reliable for this measure. Historical data are currently unavailable to provide context and a performance baseline.

**Validation, verification, improvement of measure.** Submitted data are reviewed, verified, and approved by HUD field office staff. The Office of Housing receives copies of the closing documents that will be used to verify data system entries.

### **B3.2: The number of elderly households living in private assisted housing developments served by a service coordinator is maintained at the FY 2007 level.**

**Indicator background and context.** This indicator tracks the number of Section 202 projects that receive funding for the employment of service coordinators. A service coordinator is a social service staff person who is hired or contracted for by the development's owner for the purpose of helping elderly residents, especially those who are frail and at risk, obtain needed supportive services that will further enable independent living and aging in place. The baseline will be established by the end of FY 2007.

**Data source.** The data will be captured in the Real Estate Management System, surveys, and management reviews.

**Limitations/advantages of the data.** Data for this performance indicator, which the Department will begin to collect in FY 2007, will be reviewed, verified, and approved by HUD field office staff. Activities for FY 2008 and future fiscal year performance targets will be measured against that established baseline.

**Validation, verification, improvement of measure.** Tabulations will be reviewed and any problems or discrepancies will be reported.

### **B3.3: For both Section 202 and Section 811, at least 70 percent of projects that are initially closed in FY 2008 will have completed the process within 24 months; and, of these, 25 percent will have completed the process within 18 months.**

**Indicator background and context.** The outcome of Section 202 and Section 811 capital advance funding is the expansion of quality and affordable housing for the elderly and persons with disabilities. This efficiency indicator is a measure of the Department's success in achieving the intended outcome by minimizing the time needed for Section 202 and Section 811 projects to proceed from fund reservation to initial closing.

The FY 2008 target has been established on the premise that beginning in FY 2008 and by the end of FY 2010, the number of projects closed within 24 months will be at least 80 percent and the number closed within 18 months will be at least 35 percent.

**Data source.** The data are captured in the Office of Housing Development Application Processing system.

**Limitations/advantages of the data.** The indicators of project status during the development process stage consist of straightforward and easily verifiable counts. The data are judged to be reliable for this measure.

**Validation, verification, improvement of measure.** Data for this performance indicator, which the Department will begin to collect in FY 2007, are reviewed, verified and approved by HUD field office staff. The Office of Housing receives copies of the closing documents that will be used to verify data system entries.

**B3.4: The number of Section 202 units serving the elderly and Section 811 units serving persons with disabilities is maintained for each program at 98 percent of those at the FY 2007 level, excluding new units that are added to the inventory.**

**Indicator background and context.** The Department is committed to preserving existing low-income rental housing for the elderly and persons with disabilities. This indicator reports on the number of Section 202 and Section 811 units in multifamily housing developments that serve the elderly and persons with disabilities, excluding new units added to the Department's inventory. The aggressive target established for FY 2008 builds upon the prior year's performance and reflects the Department's commitment. The baseline will be established in FY 2007.

**Data source.** The data are captured in the Real Estate Management System.

**Limitations/advantages of the data.** The indicator consists of straightforward and easily verifiable counts. By the end of the third quarter of FY 2007, data will be collected by the program office to establish a baseline for this performance indicator. Activities for FY 2008 and future fiscal year performance targets will be measured against the established baseline. The data are judged to be reliable for this measure.

**Validation, verification, improvement of measure.** Submitted data are reviewed by HUD staff.

## **Objective B4: Promote housing self-sufficiency.**

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**B4.1: By FY 2008, increase the proportion of those who transition from HUD's public housing and Housing Choice Voucher programs by 20 percent and decrease the proportion of active participants who have been in HUD's housing assistance programs for 10 years or more by 10 percent.**

**Indicator background and context.** HUD's public and assisted housing programs provide low-income families with temporary, transitional housing and provide an opportunity for families to gain housing self-sufficiency. This indicator tracks the percentage of *all* recipients who leave public housing and the Housing Choice Voucher program each year for *any* reason. The goal is to improve the annual "transition" percentage from the 2003 baseline of 11.1 percent to at least 13.3 percent in FY 2008.

Additionally, HUD will reduce the proportion of households who have been in HUD's public housing and Housing Choice Voucher programs for ten years or more from 20.6 percent in FY 2003 to 18.5 percent or less by FY 2008. The movement of families to adequate shelter of their own allows HUD to serve more families in need of housing assistance.

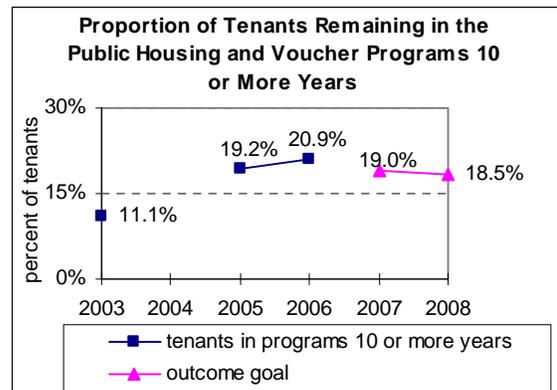
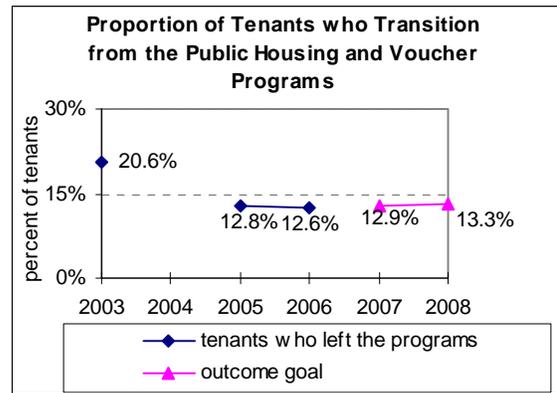
**Data source.** HUD will use occupancy data taken from the Public and Indian Housing Information Center database to track these measures. PHAs submit data to the Public and Indian Housing Information Center on each household in their programs.

**Limitations/advantages of the data.** The Public and Indian Housing Information Center is the most complete data source available on low-income assisted households in the public housing or voucher programs. Incomplete reporting to PIC may introduce some error to these measures, but this is not anticipated to be a substantial problem. The length of stay measure will not accurately capture tenure for the small number of families who change programs or move between jurisdictions because their length of stay starts over at zero. In addition, PHAs that participate in the Moving To Work Demonstration project have not been required to submit household data into the Public and Indian Housing Information Center database. FY 2004 data currently are not available.

**Validation, verification, improvement of measure.** The Public and Indian Housing Information Center performs automated validations on data ranges submitted through the Form 50058 Family Report to help ensure the internal consistency of tenant data.

**B4.2: The number of residents counseled through the Resident Opportunity and Self Sufficiency program in homeownership readiness will increase by 209, and the number of counseled residents who purchased homes will increase by 19 during FY 2008.**

**Indicator background and context.** The Resident Opportunity and Self Sufficiency program provides funds to PHAs, tribes/tribally designated housing entities, and qualified nonprofit organizations to deliver homeownership training, counseling, and other supportive services to residents of public and Indian housing. The grant assistance is designed to build upon other self-sufficiency efforts by providing participating residents with the supportive services they need in order to move from rental housing to self-sufficiency, which may include homeownership.



As of the end of FY 2005, data had been collected by the program office that established baselines of 3,363 residents that had received counseling and 298 that had purchased a home. Activity for future years' goals will be measured against these baselines.

**Data source.** Data currently come from reports that grantees submit to field offices. The program office collects these data for analysis through communication with the grantees and field offices. In the future, grantees will report through a Resident Opportunity and Self Sufficiency Internet-based logic model.

**Limitations/advantages of the data.** As of the end of FY 2005, due to lack of funding and other limitations, the Department had not been able to implement an Internet-based logic model reporting system for Resident Opportunity and Self Sufficiency. Until this system is operational, the program office will continue to collect data on affected grantees in order to track this goal.

**Validation, verification, improvement of measure.** The field office monitors grant implementation. The goal may need recalibration once the Internet-based reporting system is operational.

## **Objective B5: Facilitate more effective delivery of affordable housing by reforming public housing and the Housing Choice Voucher program.**

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**B5.1: Implement changes based on completed analysis of the Section Eight Management Assessment Program and development of a more accurate and efficient assessment tool.**

**Background and context.** Currently, Section 8 funding is based on a fixed annual budget, yet the program's underlying law and regulations mandate a restrictive, cumbersome program that makes managing within budget very difficult. The present program monitoring tool, the Section Eight Management Assessment Program, is based on self-reported management indicators. As envisioned, a Section 8 assessment would be basic and results-oriented. Under the proposed program, PHAs would be measured on four main standards: housing quality, fund utilization, financial condition of the agency, and the accuracy of reports. The Secretary may determine additional indicators. During FY 2007, both programs have completed the analysis of the changes needed to the assessment tools. The goal is to implement the changes during FY 2008.

**Data source.** Implementation will consist of the issuance of all applicable rules and regulations and software changes to the Section Eight Management Assessment program.

**Limitations /advantages of data.** The accurate and timely reporting by the PHAs into the database may distort the actual condition of the PHA for any rated criteria. An advantage of the system is that the PHAs are rated against the data they provide and have a vested interest in accurate and timely reporting.

**Validation, verification, improvement of measure.** The PHAs will enter and validate their data. PHAs whose data do not meet the (yet to be developed) criteria will be subject to sanctions as well as field office review and validation. Financial data will be validated by independent public accountants. Independent inspections will address the quality of units. PHAs will be subject to annual on-site review/certification by both the field offices and the Section 8 program's Quality Assurance Division.

### B5.2: Asset-based accounting will be implemented in 99 percent of PHAs by FY 2008.

**Background and context.** Congress has mandated the transition to asset-based budgeting and accounting for all PHAs that operate federal public housing. Under the final rule on the Operating Fund Program, published September 19, 2005, PHAs with fiscal years beginning July 1, 2007, must begin their fiscal years with project-based budgets and are required to submit to HUD a certification of compliance. At year-end, they must include project-level financial statements along with their Financial Data Schedule submission to the Real Estate Assessment Center's Financial Assessment Subsystem (i.e., project-based accounting). Un-audited statements are due within two months after close of the fiscal year and audited statements within nine months. Thus, by July 1, 2007, approximately 25 percent of PHAs will have certified that they have prepared project-level budgets. By April 1, 2008, an additional 75 percent (cumulatively, approximately 100%) of PHAs will have submitted un-audited project-level financial statements. The establishment of asset-based accounting will help to ensure the efficient and timely delivery of the operating subsidy.

**Data source.** The Real Estate Assessment Center Financial Assessment Subsystem for public housing.

**Limitation/advantages of the data.** Although the Department has created incentives for the timely implementation of asset management, it does not directly control the actions of those entities responsible for implementation. Local, higher priorities could cause delays in implementation.

**Validation, verification, improvement of measure.** The Real Estate Assessment Center has quality control procedures that validate PHA submissions. The implementation of asset-based accounting will be verified at the end of the PHA's fiscal year through the submission of project-level financial statements and, if required, an independent audit report; however, the certification that asset-based budgets were prepared is deemed the point that implementation occurred.

### B5.3: Asset management will be implemented in 5 percent of PHAs with 250 or more units by FY 2008.

**Background and context.** The Department is implementing asset management as a new strategy to ensure efficiency in the management of public housing agencies. Asset management includes project-based budgeting, project-based accounting, and project-based management. The new Operating Fund rule issued September 19, 2005, requires all PHAs with 250 or more units to convert to asset management by FY 2011. As an incentive for early adoption, PHAs who experience a decline in funding under the new formula can avert their decline in operating subsidy by demonstrating a successful conversion to asset management. Of the approximately 800 PHAs with 250 or more units, about 150 are "decliners." The Department estimates about half of these decliners will apply on October 15, 2007, and April 15, 2008, (the first two dates where application is permitted). Of this group, it is further estimated half will be approved by the end of FY 2008. As a result, approximately 40 of the 800 PHAs with 250 or more units (5%) will have successfully converted to asset management in FY 2008.

**Data source.** Based on a count of applications received/reviewed by the Real Estate Assessment Center.

**Limitation/advantages of the data.** This tracking goal is based upon an estimate of the potential applications. Although there is a strong incentive, but no requirement to convert early, the potential range of conversions is between 0 and 150 PHAs.

**Validation, verification, improvement of measure.** A contractor will be engaged to perform on-site reviews to verify actual implementation by the PHA.

## Strategic Goal C: Strengthen Communities

*Strategic Objectives:*

- C1 Assist disaster recovery in the Gulf Coast region.*
- C2 Enhance sustainability of communities by expanding economic opportunities.*
- C3 Foster a suitable living environment in communities by improving physical conditions and quality of life.*
- C4 End chronic homelessness and move homeless families and individuals to permanent housing.*
- C5 Address housing conditions that threaten health.*

### Objective C1: Assist disaster recovery in the Gulf Coast region.

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#### C1.1: Assist disaster recovery in the Gulf Coast Region.

**Indicator background and context.** In response to the disaster on the Gulf Coast as a result of Hurricanes Katrina, Wilma, and Rita, Congress provided \$11.5 billion through the CDBG program in December 2005. The Congress provided additional supplemental funding of \$5.2 billion for community development and continued housing assistance for Alabama, Florida, Louisiana, Mississippi, and Texas in June 2006, for a total of \$16.7 billion. Under this objective, HUD will use supplemental appropriations to support the recovery of housing and critical infrastructure in the Gulf region so the citizens can rebuild their communities and lives. HUD will assist Louisiana, Mississippi, Alabama, Texas, and Florida in planning and implementing programs to aid in community and economic recovery of the areas destroyed by the hurricanes.

The statute provides that quarterly progress reports be submitted to the Congress and HUD. The statute also maintains broad flexibility in activities authorized under the CDBG program and maintains local discretion on the use of funds via the plans submitted through the states with local collaboration. It is expected that housing and infrastructure activities will predominate the rebuilding effort as well as economic development and other related activities. This is a new effort and metrics need to be established during FY 2007 to determine data gathering needs and goals based on submitted local plans and real world experience.

**Data source.** Grantees submit quarterly performance reports online in the Disaster Recovery Grant Reporting System.

**Limitations/advantages of the data.** This is a new data effort involving areas that have been devastated and involving new recipients of assistance. Data quality will be an important focus area. HUD is

enhancing management reports and planning other system enhancements to increase the timeliness of the information and prevent waste, fraud, and mismanagement. Historical data are currently unavailable to provide context and a performance baseline.

**Validation, verification, improvement of measure.** CPD staff in Headquarters and the field review grantee reports to assess accuracy and monitor to ensure that reported performance measures are accurate and that the results are produced in compliance with program requirements.

### **C1.2: CDBG disaster recovery funds will be used to make homeowner compensation payments to 130,000 households in Louisiana and Mississippi by September 2008.**

**Indicator background and context.** The states of Louisiana and Mississippi requested eligibility waivers to allow them to use their CDBG disaster recovery funds for homeowner compensation and incentive programs. HUD granted these statutory and regulatory waivers during 2006, after which the states launched homeowner compensation programs. The states estimated in their Action Plans for Disaster Recovery that combined, they would provide compensation to approximately 130,000 households by the end of 2008. HUD estimates that 85,000 households will receive these payments by the end of calendar year 2007.

These are innovative programs operating in complex and unstable economic environments. HUD is establishing this measure to underscore and acknowledge the importance of carrying out these programs in a timely manner and will encourage these grantees to continue striving to exceed these timing goals. Achieving this goal should benefit the economy as a whole and homeowners individually.

**Data source.** Grantees submit quarterly performance reports online in the Disaster Recovery Grant Reporting system. In addition, HUD receives more frequent updates from Louisiana (daily and weekly).

**Limitations/advantages of the data.** This is a new data effort involving areas that have been devastated and involving new recipients of assistance. Data quality will be an important focus area. HUD is enhancing management reports and planning other system enhancements to increase the timeliness of the information and prevent waste, fraud, and mismanagement. Historical data are currently unavailable to provide context and a performance baseline.

**Validation, verification, improvement of measure.** CPD staff in Headquarters and the field review grantee reports to assess accuracy and monitor to ensure that reported performance measures are accurate and that the results are produced in compliance with program requirements.

### **C1.3: Facilitate restoration and enhancement of infrastructure throughout the Gulf Coast.**

**Indicator background and context.** This indicator establishes a goal to restore and improve infrastructure in the Gulf Coast jurisdictions most affected by the hurricanes of 2006. HUD's Community Development Block Grant disaster recovery program creates the foundation for sustained long-term disaster recovery, including recovery of housing and jobs in low-income communities, through restoration of damaged infrastructure, often in ways that influence future development. This restoration and enhancement will help the region recover and strengthen the regional economy.

The five Gulf States will use CDBG disaster recovery funds to reconstruct and construct streets, water lines, sewer systems, critical government buildings and other public facilities to support relief, recovery,

and revitalization of the most affected areas. As disaster recovery grantees budget funds for infrastructure, HUD requires them to set performance measures in the online reporting system. This process is underway. At a minimum, grantees provide measures demonstrating that the activity meets a national objective and indicating the number of units assisted infrastructure (for example, linear feet or miles of water/sewer constructed, number of water lift stations constructed or reconstructed, number of schools rehabilitated). For most infrastructure activities, HUD also requires information about the total persons and the low- and moderate-income persons in the service area of the activity. This is the first year collecting data for this effort, so for FY 2007, the goal is to develop a baseline for this indicator that will show positive improvements in restoration of infrastructure in those affected jurisdictions receiving disaster recovery fund allocations.

**Data source.** Grantees submit quarterly performance reports online in the Disaster Recovery Grant Reporting system.

**Limitations/advantages of the data.** This is a new data effort involving areas that have been devastated and involving new recipients of assistance. Data quality will be an important focus area. HUD is enhancing management reports and planning other system enhancements to increase the timeliness of the information and prevent waste, fraud, and mismanagement. Historical data are currently unavailable to provide context and a performance baseline.

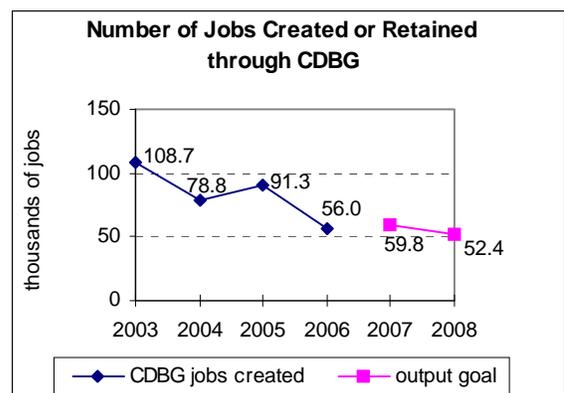
**Validation, verification, improvement of measure.** CPD staff in Headquarters and the field review grantee reports to assess accuracy and monitor to ensure that reported performance measures are accurate and that the results are produced in compliance with program requirements.

## Objective C2: Enhance sustainability of communities by expanding economic opportunities.

### C2.1: A total of 52,409 jobs will be created or retained through CDBG.

**Indicator background and context.** CDBG grantees have the option to establish CDBG-assisted economic development programs that focus on providing financial assistance to businesses that will create or retain jobs, including assistance to microenterprises. This assistance will help increase the number of jobs available in these neighborhoods. In FY 2006, CDBG entitlement grantees disbursed \$209 million for various types of economic development activities. This represented 6.0 percent of all entitlement CDBG disbursements in FY 2006.

Concurrently, states disbursed \$171 million in CDBG funds for economic development activities in FY 2006, representing 13.9 percent of all state CDBG disbursement. For both entitlement and state CDBG grantees, these percentages and dollars amounts represent declines when compared to FY 2005 disbursement levels for the same set of economic development activities. Overall CDBG amounts



disbursed for economic development activities have been declining slowly over the past several years, reaching a low of \$380 million, or 8.0 percent, of all disbursements in FY 2006.

The Section 108 loan guarantee program provides an additional source of economic development financing for CDBG grantees. However, loan guarantee authority levels under Section 108 have been reduced from a historic high of \$2 billion in the mid-1990s to approximately \$270 million in FY 2005 and \$135 million for FY 2006 and FY 2007, respectively. As a result, fewer financial resources are available for CDBG grantees to undertake major economic development activities and the Administration's FY 2008 budget does not request any additional guarantee authority for the Section 108 program. It should also be noted that the Administration's FY 2008 budget request for CDBG is \$3.0 billion, an amount below the \$3.7 billion appropriated annually for the program in FY 2006 and FY 2007. Appropriations at this level would create further downward pressure on the number of jobs that could be created or retained via CDBG assistance.

In FY 2006, CDBG funds assisted in the creation or retention of 55,967 jobs and Section 108 contributed to an additional 10,166 jobs. The number of jobs attributable to the Section 108 program for FY 2006 was increased by the carryover of \$150 million in loan guarantee authority from FY 2005 to 2006. As a result of carryover of approximately \$67 million in loan guarantee authority from FY 2006 and additional loan guarantee authority of \$137 million from the FY 2007 appropriations bill, approximately \$204 million in loan guarantee commitments can be issued in FY 2007.

As a result of the disbursement and financing trends noted above, CPD is reducing its estimate of jobs to be created or retained as a result of CDBG and Section 108 assistance for FY 2007 and FY 2008. The FY 2007 revised goals for jobs created or retained as a result of CDBG and Section 108 assistance, respectively, is 54,287, a decrease from 77,284 jobs, and 5,500 jobs, an increase from zero jobs. The FY 2008 estimates are 52,409 jobs for the CDBG program and zero jobs for Section 108 as the Administration is not requesting any additional loan guarantee authority for the program.

**Data source.** Estimates for CDBG are based on historical accomplishments reported by grantees in the Integrated Disbursement and Information System on jobs created and/or retained, the actual CDBG appropriation and Section 108 guarantee authority level for FY 2007, the CDBG budget request for FY 2008, estimated spend-out rates and a three percent adjustment for inflation.

**Limitations/advantages of the data.** CDBG data come from grantees through the Integrated Disbursement and Information System. CPD has pursued a variety of enhancements to this system, which, along with on-going data clean-up efforts, has resulted in continuous improvements in data quality.

**Validation, verification, improvement of measure.** Field staff reviews grantee reports to assess accuracy and monitor to ensure that reported jobs benefit low- and moderate-income persons in accordance with program requirements.

## C2.2: Increase economic opportunity through the use of CDBG funds in communities that have unemployment rates above the national unemployment rate.

**Indicator background and context.** This indicator establishes a goal to improve unemployment conditions in those jurisdictions where the unemployment rate is significantly more severe than that faced by the nation as a whole. Unemployment is one indicator of cities or suburbs that are not sharing in national economic growth. HUD's Community Development Block Grant program may be used to create jobs in low-income communities and help families make progress toward self-sufficiency, all of which contribute to reducing concentrations of unemployment. While grantees have wide discretion in their use of funds, CPD will encourage grantees with unemployment rates exceeding the national average to use their CDBG funds to create communities of opportunity and choice for lower income residents. Entitlement communities use CDBG funds for physical development projects, such as roads, sewers, public facilities, and other infrastructure that make them more attractive locations for business investment. CDBG funds for education, job-training, and other services that support the workforce in low-income communities also make them more attractive to prospective employers. The use of CDBG funds for economic development activities is one of many choices available to grantees under this flexible block grant program. For FY 2008, the goal is that at least half of the entitlement communities with unemployment rates above the national average will use CDBG funds for economic development activities and other activities that promote economic opportunity. Development of a baseline began in FY 2007.

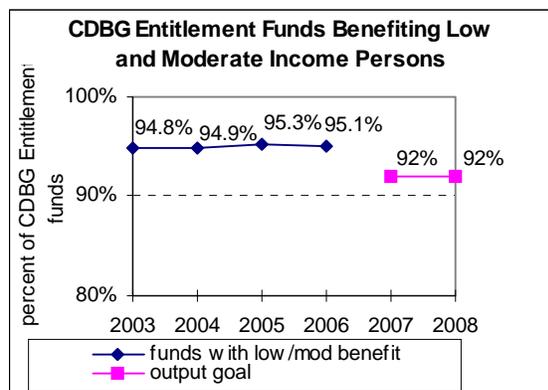
**Data source.** HUD will use Bureau of Labor Statistics data to identify the number of entitlement grantees for which the unemployment rate is above the national average. HUD will review information reported by these grantees in the Integrated Disbursement and Information System on their use of CDBG for activities that increase economic opportunities to establish a baseline for further measurement, e.g., the number of jobs created and retained, number of jobs with health benefits, and the number of businesses assisted.

**Limitations/advantages of the data.** The Bureau of Labor Statistics data used to identify employment and unemployment rates are the best available. Information on activities that increase economic opportunities is dependent on the redevelopment of the Integrated Disbursement and Information System reporting for the CDBG program.

**Validation, verification, improvement of measure.** The Bureau of Labor Statistics employs rigorous data quality standards, and it is not feasible for HUD to verify Bureau of Labor Statistics data independently. HUD continues its collaborations with grantees and technical assistance providers to ensure that the performance indicators will measure this long-term goal.

**C2.3: The share of CDBG entitlement funds that benefit low- and moderate-income persons remains at or exceeds 92 percent.**

**Indicator background and context.** CDBG entitlement communities have the discretion to select the activities they will assist each year, but are required by statute to use at least 70 percent of the funds expended (over a one, two or three year period, selected by each grantee) for activities that benefit low- and moderate-income persons. CDBG grantees have historically significantly exceeded the 70 percent threshold, but HUD continues to emphasize the importance of targeting the use of CDBG funds for activities that benefit low- and moderate-income persons.



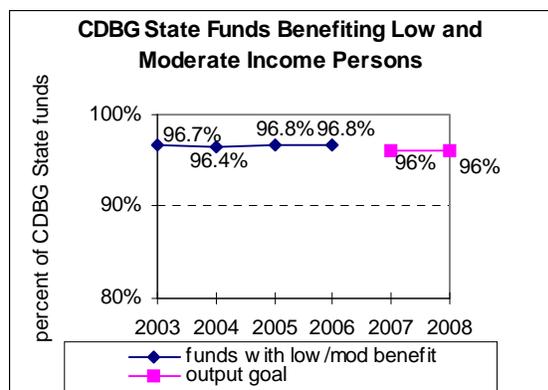
**Data source.** Information reported by grantees on their use of CDBG funds in Integrated Disbursement and Information System is compiled to report on this goal.

**Limitations/advantages of the data.** CDBG funds used for activities that are available to all residents of a particular geographic area (identified by the grantee) are presumed to serve low- and moderate-income persons if, generally, at least 51 percent of the residents of the area served are low- and moderate-income.

**Validation, verification, improvement of measure.** CPD field staff verifies program data when monitoring grantees. HUD implemented changes to the Integrated Disbursement and Information System to improve the information that CDBG grantees report on targeting.

**C2.4: The share of state CDBG funds that benefit low- and moderate-income persons remains at or exceeds 96 percent.**

**Indicator background and context.** As with CDBG entitlement communities, states are required to use at least 70 percent of CDBG funds for activities that benefit low- and moderate-income persons. State CDBG grantees have historically exceeded this requirement, but HUD continues to emphasize the on-going importance of strong performance in this area.



**Data source.** Information reported by grantees on their use of CDBG funds in the Integrated Disbursement and Information System is compiled to report on this goal.

**Limitations/advantages of the data.** CDBG funds used for activities that are available to all residents of a particular geographic area (identified by the State grant recipient) are presumed to serve low- and moderate-income persons if, generally, at least 51 percent of the residents of the area served are low- and moderate-income.

**Validation, verification, improvement of measure.** CPD field staff verifies program data when monitoring grantees. HUD implemented changes to the Integrated Disbursement and Information System to improve the information that CDBG grantees report on targeting.

## C2.5: Propose legislation to reform the CDBG formula and authorize bonus funds, then implement the reforms when passed.

**Indicator background and context.** CPD has developed and finalized a legislative proposal to reform the CDBG program consistent with the initiatives described in the Administration's FY 2007 and FY 2008 budgets. These initiatives include:

- CDBG formula reform intended to target funding to the nation's neediest communities;
- Challenge grant funds will be awarded to communities that show the greatest improvements in measures of community livability and investment; and
- Performance measurement provisions to hold grantees more accountable for meeting their own goals.

Depending on timing of congressional action to enact this legislative proposal, HUD would undertake actions necessary to implement for FY 2008. HUD also will develop the notice of funding availability for the CDBG challenge grant and undertake efforts to ensure eligible grantees are aware of the additional funding opportunity.

**Data source.** Monitoring of congressional enactment and development of HUD regulations.

**Limitations/advantages of the data.** Legislation would have to be enacted by the beginning of FY 2008 in order to develop implementing regulations in FY 2008.

**Validation, verification, improvement of measure.** Upon enactment of the legislation and development of regulations based on the new legislation, measures would have to be established.

## C2.6: Renewal Communities and Urban Empowerment Zones expand economic opportunity in communities characterized by pervasive poverty, unemployment, and general distress.

**Indicator background and context.** For 2002-2009, HUD designated 40 urban and rural Renewal Communities and a third round of 8 urban Empowerment Zones, for a total of 30 urban Empowerment Zones that share in an estimated \$11 billion package of tax incentives. HUD's Enterprise Community designations, which have strategic plans similar to Empowerment Zones, ended December 31, 2004.

The performance measures for this indicator are tied to use of several tax incentives that are available only in the Renewal Communities and Empowerment Zones. They represent intermediate outcomes, indicating that businesses are responding to the available incentives and employing residents of the areas as well as constructing commercial and industrial buildings in the Renewal Communities.

There are three measures this year. The first is the amount of "*commercial revitalization deductions*" allocated by the state to businesses as accelerated depreciation for construction or substantial rehabilitation of commercial buildings. The second is the amount of Renewal Communities and Empowerment Zones employment credits claimed by sole proprietors. This is a significant indicator because the credit is available only for employing a resident who both lives and works in the designated area. The third measure is the number of certificates filed by employers with state governments to claim pertinent categories of Work Opportunity Tax Credits for hiring hard-to-employ individuals, specifically youth or summer youth who reside in the federally-designated Renewal Communities and Empowerment Zones. HUD obtains the numbers annually from the Department of Labor, which oversees the state agencies that issue the certificates to businesses.

**Data source.** The commercial revitalization deductions allocations are reported in the Performance Measurement system. The other data are available from third-party providers, as noted below.

PERFORMANCE MEASURES	FY2004 Actual	FY2005 Actual	FY2006 Actual	FY2007 Goal	FY2008 Goal
Amount of Commercial Revitalization Deductions allocated in Renewal Communities (Current Year ending during the FY)	\$209 million	\$219 million	\$259 million	\$252 million	\$260 million
Amount of Renewal Community and Empowerment Zone employment credits claimed by sole proprietors (Current Year ending during the FY)	\$83.45 million	\$105.18 million	\$126 million <sup>1</sup>	\$151 million	\$181 million
Number of certificates filed by employers with state governments to claim Work Opportunity Tax Credits for hiring eligible Renewal Communities/Empowerment Zones residents <sup>2</sup>	35,077	6,144	83,758	92,134	101,348

<sup>1</sup>This number is a goal. The Internal Revenue Service generally reports the data for the calendar year approximately 13 months after the year ends. Thus, data for the calendar year ending in federal FY 2006 would be available late in January 2008.

<sup>2</sup>One certificate is filed for each planned or recent hire. Eligible Renewal Community and Empowerment Zone residents must be 18-24 years old and summer hires must be 16-17 years old.

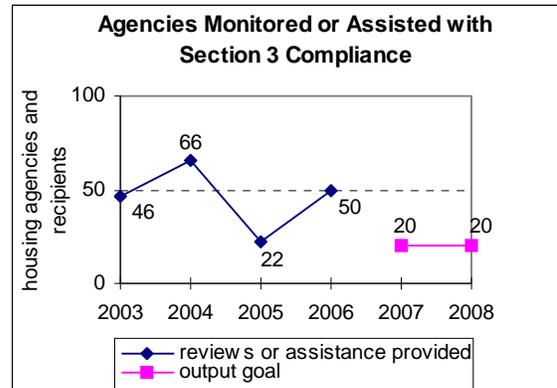
**Limitations/advantages of the data.** Use of the employment credits and allocations of commercial revitalization deductions depend on private business decisions and may be affected by many factors other than the availability and use of the Renewal Communities and Empowerment Zones tax incentives.

The new performance measures minimize the reliance on data reported by the Renewal Communities and Empowerment Zones that only receive tax incentives. To reasonably assure a standard methodology and consistent reporting, HUD is using data from the Internal Revenue Service and the Department of Labor.

**Validation, verification, improvement of measures.** HUD program staff will verify results.

**C2.7: Conduct monitoring and compliance reviews or provide technical assistance under Section 3 to 20 housing authorities and other recipients of HUD financial assistance.**

**Indicator background and context.** Section 3 of the Housing and Urban Development Act of 1968 and its implementing regulations apply to any program administered by HUD in the form of loans, CDBG grants, cooperative agreements, subsidies, contributions, or other types of financial assistance provided for aid in making housing available, urban planning, and development. Under Section 3, HUD requires recipients of Section 3-covered funds to provide, to the greatest extent feasible, training, contracting, and employment opportunities to low-



and very-low-income persons. This requirement applies not only to recipients, but also to their contractors and subcontractors. Section 3 compliance reviews consist of a comprehensive analysis and evaluation of the recipient’s compliance with the requirements of Section 3, including an analysis of the extent to which Section 3 residents have been hired and Section 3 business concerns have been awarded contracts as the result of the methods undertaken by the recipient to achieve the employment, contracting, and other economic objectives of the regulations.

In FY 2008, HUD will continue to identify recipients of Section 3 covered assistance for monitoring and technical assistance. In addition, HUD plans to use ongoing Section 3 investigations to monitor or provide technical assistance for 20 recipients in FY 2008. In FY 2006, HUD conducted monitoring and compliance reviews or provided technical assistance to 50 recipients of HUD financial assistance.

**Data source.** The primary source of data will be a manual count of the number of housing agencies and other program recipients monitored, based on documentation.

**Limitation/advantages of the data.** Monitoring and technical assistance will enhance Section 3 compliance.

**Validation, verification, improvement of measure.** Headquarters will conduct performance monitoring and provide technical assistance, and review all reports for completeness and accuracy.

**C2.8: HUD will monitor recipients’ efforts to create training, employment, and contracting opportunities at Section 3-covered projects for qualifying low- and very-low-income residents and Section 3 businesses by increasing the proportion of recipient agencies submitting HUD Form 60002 by 10 percentage points.**

**Indicator background and context.** Recipients of HUD funded assistance covered by Section 3 are considered in compliance with the program’s regulations if 1) a minimum of 30 percent of all new hires resulting from a Section 3 covered activity are low-income residents from the local community; and 2) a minimum of 10 percent of construction contracts and/or 3 percent of non-construction contracts are awarded to Section 3 business concerns. Recipients are required to submit annual reports on HUD Form

60002. The form represents a convenient summary of Section 3 compliance regarding the number of Section 3 residents and Section 3 business concerns receiving employment, training, and contract opportunities each year. However, many recipient agencies covered by Section 3 are not submitting annual reports, making it difficult to assess outcomes and economic opportunities created.

As in FY 2007, headquarters staff will continue to monitor the Form 60002 data submitted to monitor Section 3 compliance and to identify overall trends, such as the number of Section 3-covered new hires that are Section 3 eligible residents and the number of Section 3 contracts that are awarded to Section 3 business concerns. In addition, staff will determine the percentage of recipient agencies reporting and compare this to previous years in order to enhance the outreach strategy. FY 2008 data will be compared to FY 2007 data to continue to develop incremental goals to create training, employment, and contract opportunities for Section 3 residents and Section 3 businesses. FY 2006 was the baseline year to begin measuring success of the Section 3 program. During this period, less than 4 percent of the required 5,000 recipient agencies submitted the HUD 60002 report. In FY 2008, HUD will increase the proportion of recipient agencies submitting HUD Form 60002 by 10 percentage points.

**Data source.** HUD 60002 reporting system.

**Limitations/advantages of the data.** The HUD 60002 monitoring system will need reprogramming to generate a numerical count of agencies reporting. Because many recipient agencies covered by Section 3 are not submitting annual reports, it is difficult to determine compliance. Accurate reporting and analysis of data will provide enhanced assessment of compliance.

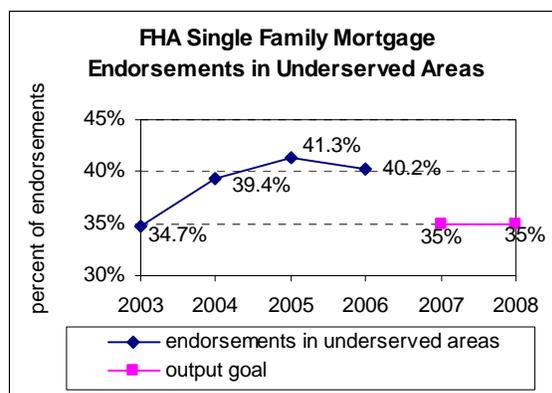
**Validation, verification, improvement of measure.** Headquarters staff will administer the HUD 60002 reporting system to track compliance with reporting requirements.

## Objective C3: Foster a suitable living environment in communities by improving physical conditions and quality of life.

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C3.1: At least 35 percent of single-family mortgages endorsed for insurance by FHA are in underserved communities.

**Indicator background and context.** FHA's role in the mortgage market is to extend homeownership opportunities to families that otherwise might not achieve homeownership. Specifically, FHA lending in traditionally underserved neighborhoods helps achieve the important outcome of increasing the homeownership rate. There is substantial evidence that lower-income and minority neighborhoods are less well served by the conventional mortgage market than are more affluent and non-minority neighborhoods. Having FHA serve these markets



helps provide stability and a safe alternative for those who cannot qualify for a traditional conventional loan.

The FY 2008 goal is to ensure that at least 35 percent of all single family mortgages endorsed for insurance by FHA is in underserved areas. A goal for increasing FHA lending in such neighborhoods should not involve an increased FHA share of the total mortgage market in these communities, but should be accompanied by increased conventional lending as well. That is, while it is extremely important that FHA loans be available in underserved communities for those who otherwise might not become homeowners, it is also important that FHA should complement rather than substitute for conventional lending, which is crucial for a healthy housing market.

**Data source.** FHA Consolidated Single-Family Statistical System (CSFSS, F42).

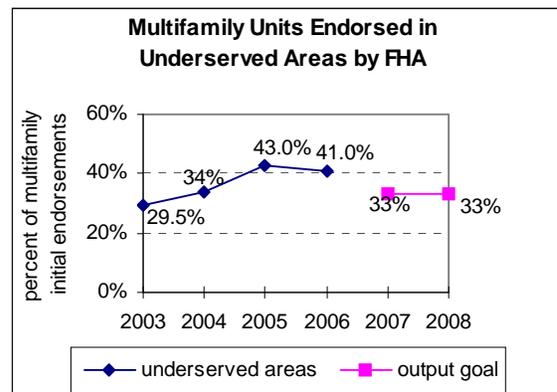
**Limitations/advantages of the data.** This measure may fluctuate when the census tracts constituting underserved areas are redefined using the latest Census data. The fluctuations are not expected to substantially reduce the reliability of this national summary measure.

**Validation, verification, improvement of measure.** HUD verifies FHA data for underserved communities by comparison with Home Mortgage Disclosure Act data.

### C3.2: The share of multifamily properties insured by FHA in underserved areas is maintained at 33 percent of initial endorsements.

**Indicator background and context.** FHA

multifamily insurance is an important contributor to strengthening the social and economic fabric in underserved communities by providing affordable housing which is in critical short supply. FHA programs include those that insure loans for new construction and substantial rehabilitation of multifamily rental units (Sections 221(d)(3), 221(d)(4), and 220, and risk-sharing under 542(b) and (c)), as well as Section 223(f), which insures mortgages for existing multifamily properties, either



to refinance an existing mortgage or to facilitate the purchase of a property. A moderate amount of repairs may be included in the mortgage. These programs improve the quality and affordability of rental housing, increase their availability in underserved neighborhoods, and promote revitalization of those neighborhoods.

This indicator measures the proportion of multifamily properties in “underserved” neighborhoods, as a percentage of all multifamily properties that receive FHA mortgage endorsements. Underserved neighborhoods are defined in metropolitan areas as census tracts either with a minority population of 30 percent and median family income below 120 percent of the metropolitan area median, or with median family income at or below 90 percent of area median (irrespective of minority population percentage). A similar definition of underserved applies to non-metropolitan areas, using counties rather than tracts.

The FY 2008 goal, which is influenced by national economic conditions, is to maintain the FY 2007 goal that 33 percent of all multifamily properties in underserved areas are insured.

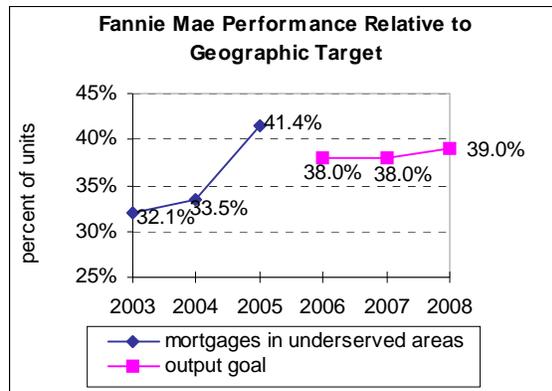
**Data source.** For project locations, FHA’s Real Estate Management System. For tract poverty rates and minority share, the decennial Census of Population, updated with the American Community Survey. The Office of Policy Development and Research determines which census tracts meet the definition of “underserved” for HUD’s role in oversight of Freddie Mac and Fannie Mae.

**Limitations/advantages of the data.** The data, which are based on a straightforward and easily verifiable count of endorsements completed, are judged to be reliable for this measure. The Census data used to define underserved areas are the best available.

**Validation, verification, improvement of measure.** FHA performs computerized checks of data quality, and FHA staff verifies multifamily mortgage transactions. An independent assessment in 2006 showed that the Real Estate Management System performance indicator data passed six-sigma quality tests (reflecting fewer than 3.4 errors per million) for validity, completeness, and consistency. The Census Bureau has rigorous data quality standards, and it is not feasible for HUD to verify Census or American Community Survey data independently.

### C3.3: HUD will continue to monitor and enforce Fannie Mae’s and Freddie Mac’s performance in meeting or surpassing HUD-defined geographic targets for mortgage purchases in underserved areas.

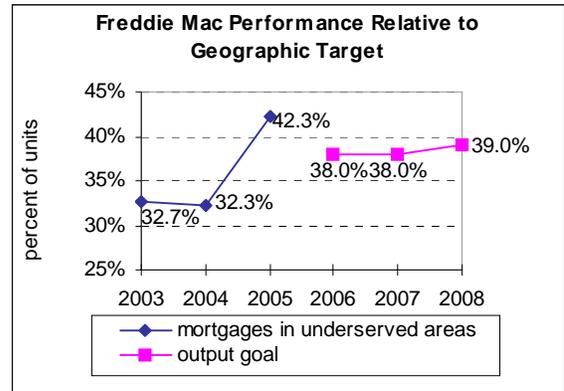
**Indicator background and context.** One of the three housing goals that HUD sets for Fannie Mae and Freddie Mac, as government-sponsored enterprises, requires Fannie Mae and Freddie Mac to increase the number of mortgage purchases that finance housing located in “central cities, rural areas and other underserved” areas. HUD’s definition of such areas is based on census tracts with below-average income and/or above-average shares of minority households. These neighborhoods historically have been underserved by the mortgage market, as shown by high mortgage denial rates and low mortgage origination rates.



Success of Fannie Mae and Freddie Mac in meeting HUD-defined targets is central to meeting the outcome goal of stabilizing homeownership and affordable housing in underserved neighborhoods. HUD increased the Underserved Areas goal from 31 percent to 37 percent in 2005. The Underserved Areas goal increased to 38 percent in 2006 and 2007 and will reach 39 percent in 2008. HUD set the goals with the objective of ensuring that the government-sponsored enterprises fulfill their mandate to provide leadership to the mortgage market. By 2008, the goals match HUD’s calculation of market share averages for goals-eligible mortgages in 1999–2003 and will be at the high end of HUD’s estimated market share range for 2005–2008. HUD’s geographic targets measure the two government-sponsored enterprises’ mortgage purchase performance relative to all eligible loans in underserved areas. These

include both purchase and refinance loans on single family and multifamily residential properties, and loans in metropolitan and non-metropolitan areas.

In addition to the broader geographic target, HUD has implemented a home purchase subgoal under the Underserved Areas Housing goal. This subgoal targets Fannie Mae's and Freddie Mac's performance in serving the homeownership segment of the geographically targeted market. Specifically, the Home Purchase subgoal is expressed as a percentage of the total number of mortgages purchased by the government-sponsored enterprises that finance the purchase of single family, owner-occupied properties located in metropolitan areas.



In 2006 and 2007, the Underserved Area Home Purchase subgoal is 33 percent for each government-sponsored enterprise, and will cap at 34 percent in 2008. HUD established the Underserved Areas Home Purchase subgoal to encourage Fannie Mae and Freddie Mac to facilitate greater financing and homeownership opportunities for families and neighborhoods targeted by the subgoal.

**Data source.** HUD analysis of loan-level data from Fannie Mae and Freddie Mac systems.

**Limitations/advantages of the data.** The data are compiled directly from government-sponsored enterprise records on single family and multifamily loan purchases. The data are based on calendar year rather than fiscal year activities, and are presented for performance reporting purposes on a one-year lagged basis.

**Validation, verification, improvement of measure.** Fannie Mae and Freddie Mac apply quality control measures to the data elements provided to HUD. HUD verifies the data through comparison with independent data sources, replication of government-sponsored enterprises' goal performance reports, reviews of government-sponsored enterprises data quality control procedures, and other independent data integrity reviews.

### C3.4: Median loan amounts as reported in Home Mortgage Disclosure Act data will increase in 10 percent of the CDBG Neighborhood Revitalization Strategy Areas that have concentrated community development investments.

**Indicator background and context.** With this indicator, CPD is building upon information developed in the Policy Development and Research publication, "The Impact of CDBG Spending on Urban Neighborhoods" (October 2002), and a study in Housing Policy Debate, "Measuring the Impact of CDBG Spending on Urban Neighborhoods" (2004). This research suggests a positive relationship between CDBG investments in neighborhoods and median mortgage loan amounts. Mortgage loan amounts are a compelling outcome indicator of improving neighborhood conditions because they reflect the interest of families and individuals in investing in, and often committing personal resources to improve, what may formerly have been a distressed neighborhood. Under the CDBG program, Neighborhood Revitalization Strategy Areas, developed by the grantees and approved by HUD, receive concentrated CDBG benefits, so established Neighborhood Revitalization Strategy Areas will be the

focus of the examination. Beginning in FY 2006 and by FY 2007, the Department will collect baseline data for this indicator and will begin reporting on the results in FY 2008.

**Data source.** HUD will use Home Mortgage Disclosure Act data and Census Bureau data to determine outcomes. Baselines will be established using the above cited studies.

**Limitations/advantages of the data.** This will be a complex multivariate analysis that will require methodological and analytical judgment to control for external factors. The two data sources use consistent geographic definitions. The Neighborhood Revitalization Strategy Areas are locally defined and will have to be matched to the primary data sources.

**Validation, verification, improvement of measure.** The first study cited above showed that median mortgage loan value is a valid, readily-available proxy for a number of neighborhood outcomes associated with CDBG activities. CPD will analyze the results and validate the data.

### **C3.5: Eliminate the blighting influence of 5,000 vacant, boarded up, or abandoned properties by the end of FY 2008.**

**Indicator background and context.** This is a new key initiative and is projected in HUD's Strategic Plan to encompass the elimination of 25,000 vacant boarded up properties by FY 2011. This initiative is expected to make a measurable contribution to the priority outcome of restoring and strengthening neighborhood communities by improving the quality of residents' lives. Vacant, abandoned, or boarded up properties are associated with neighborhood decline. The removal or improvement of these properties is a promising indicator of neighborhood improvement.

**Data source.** Quarterly extracts of United States Postal Service administrative data on addresses vacant 90 days or longer. The data are available down to the census tract level. This allows longitudinal tracking of vacant addresses over time to determine addresses that are vacant and abandoned (vacant for an extended period of time) versus addresses that may cycle in and out of vacancy. Combining this US Postal Service data with other measures of census tract distress (such as concentrated poverty) will allow HUD to construct a statistical definition of "vacant and abandoned" that can be tracked over time. The Integrated Disbursement and Information System for CDBG activities will report data on demolition, clearance, and cleanup of brownfields sites.

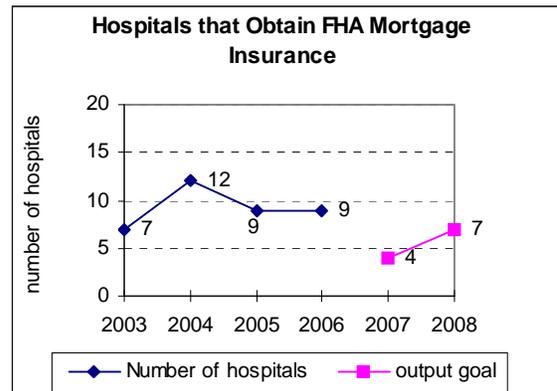
**Limitations/advantages of the data.** This will be a new and relatively untested data collection effort. Currently, the US Postal Service surveys buildings where mail is not deliverable, recording the data by ZIP code. CPD will identify grantees that use CDBG funds for activities involving demolition and clearance, as well as those using significant amounts for activities meeting the slum/blight national objective. HUD will use these data to determine the number of vacant, boarded up, or abandoned properties that are improved. These data do not indicate the qualitative level of improvement of such properties. Historical data are currently unavailable to provide context and a performance baseline.

**Validation, verification, improvement of measure.** If a postal carrier observes that mail has not been collected from an address for 90 days, they submit a form to indicate that the address should no longer receive mail. The US Postal Service uses these data to inform bulk mailers not to send mail to these addresses. If an address stays on this list for an extended period of time and if the address is in an

identified neighborhood of distress, this can be a good measure to track vacant and abandoned housing over time.

### C3.6: FHA mortgage insurance enables at least seven hospitals to obtain affordable financing for construction or modernization projects.

**Indicator background and context.** Hospitals are community anchors and among the largest employers in their areas. Modern hospital facilities are important contributors to quality of life and help strengthen the communities that they serve. FHA Section 242 mortgage insurance enables hospitals to access the capital they need in order to renovate, expand, or replace facilities to better serve their communities. FHA insurance allows hospitals to obtain a credit rating of AAA or AA for their projects, which reduces borrowing costs and makes construction and modernization projects possible. FHA will continue to serve hospitals in regions that historically have made little use of the program in an effort to continue geographic diversification of the portfolio. Currently HUD insures 79 hospital loans totaling \$5.9 billion.



**Data source.** F47 Multifamily Insurance System.

**Limitations/advantages of the data.** There is sometimes a delay of 1-2 months between loan closing and entry of the loan into the system, resulting in an undercount. However, because of the relatively low volume of loans, the program office always has current data.

**Validation, verification, improvement of measure.** FHA checks F47 monthly to make sure that hospital loans have been added or deleted appropriately.

## Objective C4: End chronic homelessness and move homeless families and individuals to permanent housing.

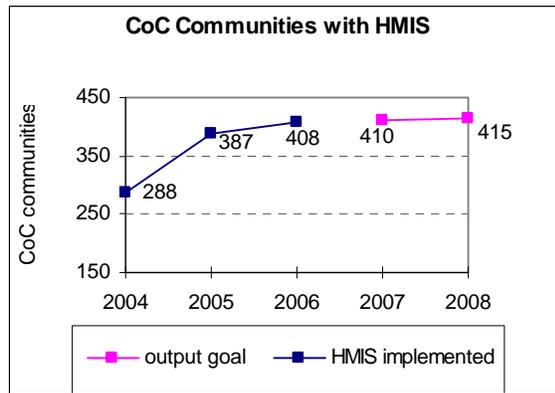
### C4.1: At least 415 Continuum of Care communities will have a functional Homeless Management Information System by FY 2008.

**Indicator background and context.** This indicator measures the number of Continuum of Care communities that have implemented a Homeless Management Information System. Congress directed HUD to work with local jurisdictions to collect an array of data on homelessness, including unduplicated counts, the use of services, and the effectiveness of the local homeless assistance systems. Data from this system will help to more accurately determine the size, characteristics, and needs of the community's homeless population. These systems allow communities to provide important community-level, aggregate information to HUD, with the outcome of better understanding the nature and extent of homelessness at the national level and allowing better strategic planning at the local level.

**Data source.** FY 2007 Continuum of Care application data will be used for this measure.

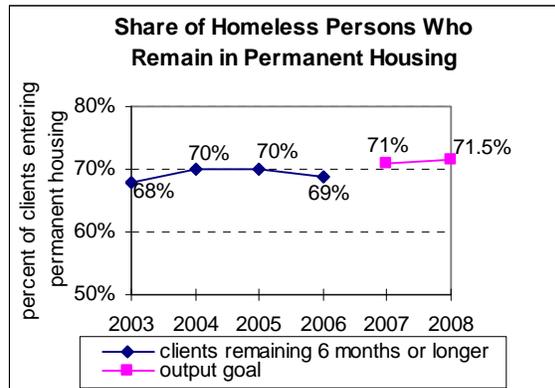
**Limitations/advantages of the data.** Homeless Management Information System data will be obtained by a community’s self-reporting via its Continuum of Care application.

**Validation, verification, improvement of measure.** CPD staff verifies the quality of data in Continuum of Care homeless plans. As the data systems develop, local communities will gain a better understanding of how best to track their progress in the data system implementation.



**C4.2: The percentage of formerly homeless individuals who remain housed in HUD permanent housing projects for at least 6 months will be at least 71.5 percent.**

**Indicator background and context.** One of the goals of HUD’s homeless assistance programs is for formerly homeless persons to move into permanent housing. This goal supports the important outcome of increasing the self-sufficiency and stability of homeless participants. This indicator will measure the length of stay of participants in HUD permanent housing projects. The measure’s six-month measurement threshold indicates that the project is serving participants with more than transitional assistance. For FY 2006, about 68.9 percent of formerly homeless individuals remained housed in permanent housing more than 6 months. Based on additional reporting, the FY 2006 result is slightly different than reported in the Performance and Accountability Report.



**Data source.** Office of Community Planning and Development administrative database, consisting of accomplishments data submitted in Annual Progress Reports by recipients of Homeless Assistance Grants.

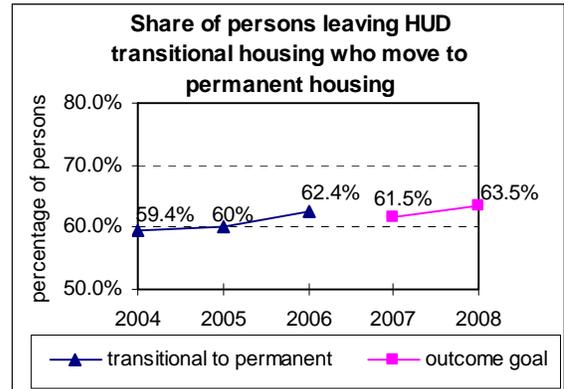
**Limitations/advantages of the data.** The data available for reporting in FY 2008 will reflect program activity occurring in 2007. Efforts undertaken to increase completeness of compiled Annual Progress Report data are expected to reduce non-reporting and selection bias to negligible levels. Self-reporting by grantees is not known to compromise reliability of this measure. Because Annual Progress Reports are submitted from grantees across the country, this represents a statistically valid sampling as verified by previous years’ Annual Progress Report database reviews.

**Validation, verification, improvement of measure.** Field staff will monitor grantees on a sample basis to assess quality of data in grantee reports. HUD intends to improve reliability of this measure by developing an electronic Annual Progress Report that will eliminate transmission lags of the paper-based reporting system and increase response rates.

**C4.3: The percentage of homeless persons who have moved from HUD transitional housing into permanent housing will be at least 63.5 percent.**

**Indicator background and context.** This measure tracks the number of homeless persons who move from HUD-funded transitional housing projects into permanent housing. The ultimate objective of homeless assistance is to achieve the outcome of helping homeless families and individuals obtain permanent housing and self-sufficiency. The needs of the homeless subpopulations within a particular community are varied. Some need extensive supportive services while in permanent housing to maintain self-sufficiency. For others, market-rate housing with minimal services is adequate.

The residents of HUD’s McKinney-Vento-funded permanent housing are often chronically homeless individuals. One of the largest of these programs, Shelter Plus Care, uses HUD funding to support housing-related expenses. Grantees secure an equal level of funding for a variety of supportive services. This combination helps ensure that residents receive the housing and services they need to maintain stable permanent housing and make progress toward self-sufficiency. Other HUD programs that provide permanent housing, including the Supportive Housing Program and the Section 8 Moderate Rehabilitation Single Room Occupancy Program, help meet needs related to homelessness, including the development or rehabilitation of permanent housing and the preservation of Single Room Occupancy units. For FY 2006, approximately 62.4 percent of HUD transitional housing residents moved to permanent housing.



**Data source.** CPD administrative database, consisting of accomplishments data submitted in Annual Progress Reports by recipients of Homeless Assistance Grants.

**Limitations/advantages of the data.** The data available for reporting in FY 2008 will reflect program activity occurring in 2007. Efforts undertaken to increase completeness of compiled Annual Progress Report data are expected to reduce non-reporting and selection bias to negligible levels. Because Annual Progress Reports are submitted from grantees across the country, this represents a statistically valid sampling as verified by previous years’ Annual Progress Report database reviews.

**Validation, verification, improvement of measure.** Field staff will monitor grantees on a sample basis to assess quality of data in grantee reports. HUD intends to improve reliability of this measure by developing an electronic Annual Progress Report that will eliminate transmission lags of the paper-based reporting system and increase response rates.

#### **C4.4: The employment rate of persons exiting HUD homeless assistance projects will be 19 percent.**

**Indicator background and context.** This indicator tracks the percentage of adult clients who are employed when they exit HUD-funded homeless assistance projects. Employment is a critical step for homeless persons to achieve greater self-sufficiency, which represents an important outcome that is reflected both in participants' lives and the health of the community. HUD encourages communities to provide comprehensive housing and services to homeless individuals and families. Clients receiving HUD's McKinney-Vento assistance receive support, which can include employment training and job search, to help them achieve greater self-sufficiency. About 17 percent of homeless adults exited HUD-funded projects with employment income in FY 2006, achieving the FY 2006 goal of 17 percent. As a result of the Program Assessment Rating Tool process negotiated between OMB and HUD, this measure was changed to more accurately reflect an overall employment indicator.

**Data source.** CPD administrative database, consisting of accomplishments data submitted in Annual Progress Reports by recipients of Homeless Assistance Grants.

**Limitations/advantages of the data.** The data show only the employment status of homeless persons as they leave the HUD-assisted project, and do not capture the quality and long-term stability of employment. The data available for reporting in FY 2008 will reflect program activity occurring in 2007. This aggregate measure is a reasonably good proxy for a more complex measure based on changes in employment status of specific individuals, who would have various entry times and lengths of stay. Because Annual Progress Reports are submitted from grantees across the country, this represents a statistically valid sampling as verified by previous years' Annual Progress Report database reviews.

**Validation, verification, improvement of measure.** Field staff will monitor grantees on a sample basis to assess quality of data in grantee reports. HUD intends to improve reliability of this measure by developing an electronic Annual Progress Report that will eliminate transmission lags of the paper-based reporting system and increase response rates.

#### **C4.5: Create 4,000 new permanent housing beds for chronically homeless persons.**

**Indicator background and context.** The chronically homeless are often the most visible of the homeless population. The coordination of housing and supportive services is crucial to the outcome of improving self-sufficiency and stability and, ultimately, breaking the cycle of chronic homelessness. The HUD Continuum of Care competition encourages communities to create permanent housing for this population, and in FY 2008, Homeless Assistance Grant funding will be expended to create 4,000 new permanent housing beds for the chronically homeless, working toward the goal for HUD funds to be used to create 20,000 permanent housing units in five years. In FY 2005 there were 4,397 new permanent housing beds created from HUD funding for chronically homeless persons.

In addition to Homeless Assistance Grants programs, HUD's public and assisted housing programs are an important resource in helping chronically homeless persons move into the housing mainstream. Other housing and community development programs, such as CDBG, HOME Investment Partnerships, and Housing Opportunities for Persons With AIDS, and state and local initiatives also provide housing

resources that are targeted to aid chronically homeless persons. HUD is assessing Continuum of Care data to identify permanent housing beds for the chronically homeless not funded with Homeless Assistance grants. In FY 2007, multiple sources of funding, including from HUD, will help communities create 7,500 new permanent housing beds for chronically homeless persons, working toward the long-term goal of creating 40,000 new permanent beds for chronically homeless persons by 2011. The competitive funding initiatives and performance reporting at the Continuum of Care level allows tracking the number of permanent housing beds for chronically homeless persons at the local level.

**Data source.** FY 2007 Continuum of Care application data will be used for this measure.

**Limitations/advantages of the data.** Bed count data will be obtained by a community's self-reporting via their Continuum of Care application. Funding data for beds dedicated to chronically homeless persons will provide a count of the number of beds created.

**Validation, verification, improvement of measure.** Office of Community Planning and Development staff verifies the quality of data in Continuum of Care homeless plans. As Homeless Management Information Systems develop, local communities will gain a better understanding of how best to track their progress in counting the number of beds dedicated to chronically homeless persons.

#### **C4.6: The percentage of Housing Opportunities for Persons With AIDS program clients who maintain housing stability, avoid homelessness, and access care will reach 80 percent by 2008.**

**Indicator background and context.** The Housing Opportunities for Persons With AIDS program implemented this outcome measure in 2006 to demonstrate the connection of stable housing to improvements in HIV-related health conditions for beneficiaries. Formula and competitive grant recipients have begun to collect data and measure client outcomes, which assess how the provision of housing assistance results in creating or maintaining stable housing, reducing risk of homelessness, and improving access to HIV/AIDS treatment and other needed support. The Annual Progress Report and the Consolidated Annual Performance and Evaluation Report were redesigned to help grantees and their project sponsors collect and report on performance results of these HOPWA-funded programs. This information includes housing outputs (i.e. the number of households served) and client outcomes, as shown by the housing status for maintaining stable housing arrangements or reducing risks of homelessness, along with improved access to care.

The reporting forms were updated in 2006 and further refinements made in 2007 to collect information on client outcomes, based on annual assessments that housing arrangements are expected to continue in units that provide for safe, decent and sanitary housing for residents. These annual reporting efforts help grantees to evaluate performance of project sponsors and service providers, identify recommendations for program improvements, and establish future housing program objectives.

**Data source.** The data for this indicator come from Housing Opportunities for Persons With AIDS Annual Performance Reports (forms HUD 40110-C and D) and the related HOPWA sections in the Integrated Disbursement and Information System.

**Limitations/advantages of the data.** The collection of new data elements on client outcomes was initiated in 2006, along with training and technical assistance support. Based on this initial effort and the

review of new outcome data, refinements in the reporting tools were identified in consultation with grantees to focus their evaluation in measuring client outcomes. As a result, additional implementation of these collection efforts will be undertaken in 2007 under revised reporting forms and related elements will be added in the redesign of Integrated Disbursement and Information System.

**Validation, verification, improvement of measure.** HUD continues to collaborate with the program's grantees and technical assistance providers to ensure that the performance indicators will measure this long-term goal while providing a valid representation of program results. The Department uses monthly financial reports and quarterly data collection reports to help track timely compliance with requirements, support effective risk assessment reviews and foster efficient oversight actions, including remote and on-site monitoring of projects. The updated reporting forms and pending redesign of the Integrated Disbursement and Information System will support improved validation of grantee reporting. This program's performance data are reviewed by headquarters and field staff.

#### **C4.7: Overcrowded households in Indian Country shall be reduced by one percent.**

**Indicator background and context.** This indicator tracks the Department's annual progress in reducing overcrowding in American Indian and Alaska Native households. Research shows that more than 24 percent of Native Americans in non-gaming tribes and 10 percent in gaming tribes live in overcrowded households, compared to 6 percent of the total United States population. By easing overcrowding, public health and safety are improved, and communities are strengthened.

In FY 2003, the Office of Native American Programs and several participating tribes established a baseline estimating the extent of overcrowding in Indian Country. This baseline, 47,169 households, was derived from Census 2000 data. Since the baseline was established, approximately 9,826 new homeownership and rental housing units have been built in Indian areas with assistance from the Indian Housing Block Grant program. Because each new unit is considered to relieve overcrowding by one household, the estimated number of households remaining overcrowded at the end of FY 2006 was 37,343. Although grantees are given flexibility to design and administer their own unique housing programs, the Department encourages initiatives that address overcrowding.

The goal for FY 2008 is to further reduce the number of overcrowded households by 472, which represents 1 percent of the baseline established in FY 2003.

**Data source.** Data on overcrowding come from the decennial U.S. Census, and data on the number of new housing units built are collected from grantees' annual performance reports.

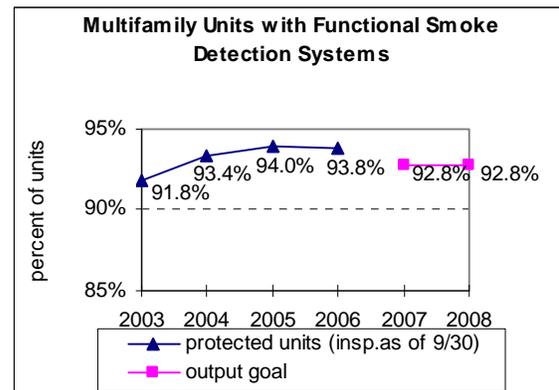
**Limitations/advantages of the data.** Overcrowding is not a required reporting element for grantees; therefore, HUD has no means to accurately measure the extent of overcrowding on an annual basis. HUD currently assumes all new units result in a corresponding reduction to overcrowding. Though this is considered to be reasonable, it is likely that some units are not constructed in overcrowded areas. Also, the migration of families in and out of Indian Country means that overcrowding may fluctuate from year to year. Because of rapid population growth, the number of families living in such households may increase even as new units are being added to the market. Census data that measures actual overcrowding is only available every 10 years.

**Validation, verification, improvement of measure.** The Office of Native American Programs has begun a study to evaluate the feasibility of various measurement methods in order to improve the validity of this performance indicator. In FY 2006, a workgroup comprising HUD officials and tribal representatives recommended revisions to data collection forms and methods so that overcrowding can be more accurately measured. Upon publication of the decennial census, HUD will have its most reliable source to validate progress made toward relieving overcrowding.

## Objective C5: Address housing conditions that threaten health

**C5.1: The share of units that have functioning smoke detectors and are in buildings with functioning smoke detectors will be 92.8 percent or greater for multifamily housing.**

**Indicator background and context.** This indicator measures the estimated share of units that are protected by a fully functional smoke detection system, defined as smoke detectors that are observed to be both present and operative in the unit as well as the building in which the unit is located. The National Fire Protection Association reports that although smoke alarms cut the chances of dying in a house fire by 40–50 percent, about one-quarter of U.S. households lack working smoke alarms. The Real Estate Assessment Center’s physical



inspections of assisted housing include checks of fire safety features including the presence of operational smoke detectors in housing units, common areas, and utility areas of buildings. As of FY 2006, an estimated 93.8 percent of multifamily units had functioning smoke detectors, as defined above.

The Department’s goal for FY 2008 and onward is to maintain performance at approximately the same level, as incrementally larger monitoring resources are not being provided and the penetration rate is currently at a level where improvements will be difficult to attain without those resources.

**Data source.** Real Estate Assessment Center Physical Assessment Subsystem, consisting of electronically coded and transmitted results of independent physical inspections of units, buildings, and sites, which are stored in the National Inspection Contract – Central Integrated Data Repository.

**Limitations/advantages of the data.** Inspections are conducted independently and are representative of the entire HUD stock. The share of units with functional smoke detectors in each building is estimated on the basis of a randomly selected sample. The functionality of smoke detectors is an aspect of the inspection protocol that generally is not open to subjective interpretation.

**Validation, verification, improvement of measure.** The Real Estate Assessment Center re-inspects units and properties on a sample basis for quality assurance. The inspection protocol is subject to modification to improve the validity. Beginning with FY 2002 the measure was revised to balance the

need to use appropriate sample-based estimates of unit compliance with the need to reflect facility compliance.

## **C5.2: The number of children under the age of six who have elevated blood lead levels will be less than 220,000 in 2008.**

**Indicator background and context.** The Department continues the President's and Secretary's priority effort to eliminate lead poisoning in children by 2010. Childhood lead poisoning is a major public health problem that is entirely preventable,<sup>6</sup> and HUD's efforts through its lead hazard control, outreach, and research grant programs play a significant role in eliminating this public health threat to young children. This outcome indicator projects a reduction in the number of children with elevated blood-lead levels to 220,000 in FY 2008. The Centers for Disease Control and Prevention estimates that 434,000 children under the age of six had elevated blood lead levels in 1999–2000, and 310,000 children in 1999–2002; a decrease from 890,000 in 1991–1994.<sup>7</sup> Elevated blood lead is defined as blood lead levels at or exceeding 10 micrograms per deciliter ( $\mu\text{g}/\text{dL}$ ) in a child under age six (72 months). These children are vulnerable to permanent developmental problems because of the well-established effect of lead on developing nervous systems. Other local data collected by the Centers for Disease Control and Prevention showed that the proportion of children under the age of six who tested with elevated blood lead levels decreased from 10.5 percent in 1996 to 1.6 percent in 2005.<sup>8</sup> Elevated blood lead levels are more common among low-income minority children living in older housing. These reductions indicate that HUD's programs, together with housing demolition and rehabilitation, are effective in helping to protect children from lead-based paint.

**Data source.** National Health and Nutrition Examination Survey. The Centers for Disease Control and Prevention conducts the National Health and Nutrition Examination Survey, with 2005–2006 results scheduled for release in 2008. The Centers for Disease Control and Prevention expects to continue monitoring blood lead levels in children under the age of six annually.

**Limitations/advantages of the data.** The National Health and Nutrition Examination Survey tracks actual physical examinations of a nationally representative sample of children to determine blood-lead levels, among other things. Data may be delayed two years from the time the blood sample is taken until it is reported. Also, the survey does not identify the source of elevated blood lead level, and lead poisoning may come from sources other than paint. The National Health and Nutrition Examination Survey is the largest ongoing survey of the American public's health, and provides important comparisons over time as well as between population segments (such as children under age six).

**Validation, verification, improvement of measure.** The National Health and Nutrition Examination Survey is regarded as providing the best national estimate of a number of health outcomes, and incorporates a variety of quality control and verification procedures. Strict quality control measures are

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<sup>6</sup> President's Task Force on Environmental Health Risks and Safety Risks to Children. *Eliminating Childhood Lead Poisoning: A Federal Strategy Targeting Lead Paint Hazards*. 2000. <http://www.hud.gov/offices/lead/reports/fedstrategy2000.pdf>.

<sup>7</sup> See [www.cdc.gov/nceh/lead/research/kidsBLL.htm](http://www.cdc.gov/nceh/lead/research/kidsBLL.htm), and [www.cdc.gov/mmwr/preview/mmwrhtml/mm5420a5.htm](http://www.cdc.gov/mmwr/preview/mmwrhtml/mm5420a5.htm).

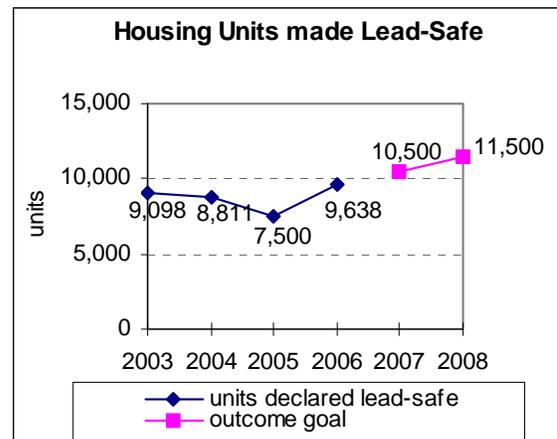
<sup>8</sup> See [http://www.cdc.gov/nceh/lead/surv/database/State\\_Confirmed\\_byYear\\_1997\\_to\\_2005.xls](http://www.cdc.gov/nceh/lead/surv/database/State_Confirmed_byYear_1997_to_2005.xls).

followed during collection and analysis of blood samples. The Centers for Disease Control and Prevention’s long-term quality control data for blood lead tests show that the survey results are validated. Further confirmation is provided by the results from the Centers for Disease Control and Prevention’s Childhood Blood Lead Surveillance program, which supports state blood lead surveillance efforts.<sup>9</sup>

**C5.3: As part of a 10-year effort to eradicate lead hazards, the Lead Hazard Control Grant programs will make 11,500 units lead safe in FY 2008.**

**Indicator background and context.** Through HUD’s lead hazard control grant programs and the leveraging of private resources by grantees, HUD plays a central role in a federal interagency initiative to eliminate lead poisoning in children by 2010. HUD is acting to implement Executive Order 13045, which directs each federal agency to make identifying, assessing, and addressing environmental health risks to children a high priority. Because lead-based paint is the primary source of lead poisoning in children, HUD is focusing its attention on controlling residential lead-based paint hazards. Homes made lead safe help lower blood-lead levels in children living in these homes, and help prevent future cases of lead poisoning. The FY 2008 goal is to eliminate lead hazards in 11,500 units.

According to HUD’s National Lead-Based Paint Survey,<sup>10</sup> 38 million homes had lead paint in 2000, a decrease from the 64 million homes containing lead paint when Congress passed the 1992 Residential Lead Hazard Reduction Act. The majority of cases involve low-income children living in older, dilapidated housing. Exposure to lead can cause permanent damage to the nervous system and a variety of other health problems, including reduced intelligence and attention span, hearing loss, stunted growth, reading and learning problems, and behavior difficulties.



HUD’s Office of Healthy Homes and Lead Hazard Control provides grants to state and local government agencies and private sector entities to control lead hazards in privately owned low-income housing that likely would not otherwise have these hazards controlled. Because lead dust is the major pathway by which children are exposed, grantees must ensure that homes treated under the program meet post-intervention clearance requirements, including ensuring that remaining dust lead levels are below federal standards.

<sup>9</sup> See [www.cdc.gov/nceh/lead/surv/surv.htm](http://www.cdc.gov/nceh/lead/surv/surv.htm).

<sup>10</sup> Jacobs, D.E. et al., “The Prevalence of Lead-Based Paint Hazards in U.S. Housing,” published in *Environmental Health Perspectives* 110 (A599-A606), 2002; <http://ehp.niehs.nih.gov/members/2002/110pA599-A606jacobs/jacobs-full.html>.

A study of lead hazard control grantees indicated that homes treated under these programs generally remain lead-safe for at least six years.<sup>11</sup> Lead hazard control grantees also create potentially large, but unquantifiable, benefits through lead hazard education and outreach activities, as well as through programs that train workers and create jobs in the lead hazard control industry. As of December 31, 2006, 86,730 housing units have been made lead safe through lead hazard control grants. The annual goal for this indicator has increased as grantees increase the cost efficiency of lead hazard control interventions. This cost efficiency, however, may have reached its apex, and the number of units completed will be determined primarily by available funding.

**Data source.** Office of Healthy Homes and Lead Hazard Control's web-based Grantee Quarterly Progress Reporting System.

**Limitations/advantages of the data.** The data represent direct accomplishments as reported by grantees but confirmed by HUD staff through monitoring. The data do not include housing units that are indirectly made lead safe through leveraged private sector investment, state and local programs, and other federal housing programs.

**Validation, verification, improvement of measure.** A rigorous scientific evaluation of the program indicates that the program is effective in achieving its goals. The study, conducted by the National Center for Healthy Housing in conjunction with the University of Cincinnati, found that the lead hazard control methods used by grantees reduce the blood lead levels of children occupying treated units and also significantly reduce lead dust levels in the treated homes.<sup>12</sup> The number of units made lead safe is validated by both Office of Healthy Homes and Lead Hazard Control data and data from HUD's National Lead-Based Paint Survey. The Office of Healthy Homes and Lead Hazard Control reviews data provided through its web-based Quarterly Progress Reporting System. HUD grant staff performs both onsite and remote monitoring of grant files and unit completion progress.

#### **C5.4: At least 787 housing units will have a reduction in allergen levels in FY 2008 through interventions using healthy homes principles.**

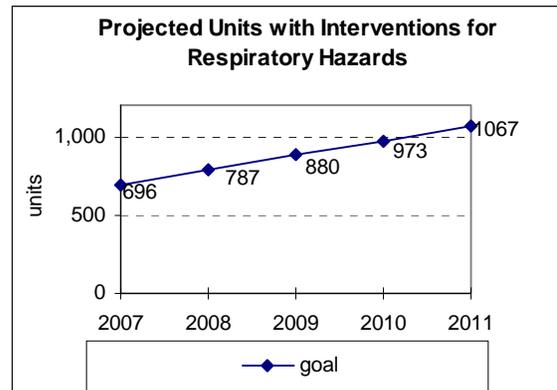
**Indicator background and context.** The Healthy Homes program contributes to the achievement of HUD's strategic goal of strengthening communities by reducing multiple housing-related hazards that result in preventable childhood illnesses and injuries, such as lead poisoning and asthma. The FY 2008 target is to reduce allergens in 787 housing units using healthy homes interventions, leading to a long-term goal of allergen reductions in 5,000 units by 2011 and providing models for national activity. In FY 2006, the program significantly exceeded its goal by reporting reduction in allergen levels in 1,704 housing units because, as learned, the initial tracking criteria were broader than intended programmatically; they have been refined for FY 2007.

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<sup>11</sup> Wilson J. et al., "Evaluation of HUD-funded lead hazard control treatments at 6 years post-intervention," published in *Environmental Research* 102 (237-248), 2006.

<sup>12</sup> Dixon, S. et al., "Effectiveness of lead-hazard control interventions on dust lead loadings: findings from the evaluation of the HUD Lead-Based Paint Hazard Control Grant Program," published in *Environmental Research* 98 (303-314), 2005.

The Healthy Homes program gives particular emphasis to the mitigation of asthma triggers and allergens (allergy-inducing substances, such as mold, dust mites, and materials from cockroaches and rodents). The focus on asthma reflects the widespread occurrence of asthma in children and the very significant costs associated with this disease to both the individual and society. Grantees provide physical interventions to participants' homes, and follow up education and outreach. Project activities include home assessment, pest control, specialized cleaning, injury prevention measures, moisture reduction and leak repair, and ventilation repair and modification.



To accomplish these tasks, Healthy Homes grantees train and hire low-income community members to perform assessments, interventions, and outreach. Grantees are effective in reaching a greater audience through community-based educational efforts (health fairs, landlord training, etc.) and print or electronic media (brochures, fact sheets, web sites). Most families assisted in this program live in sub-standard housing, are low-income, and are medically underserved. Providing healthy homes interventions and education offers a significant opportunity to prevent injury and housing-related illness. HUD works closely with the Centers for Disease Control and Prevention, the United States Department of Agriculture, and the Environmental Protection Agency to implement the program.

**Data source.** Office of Healthy Homes and Lead Hazard Control's web-based Grantee Quarterly Progress Reporting System.

**Limitations/advantages of the data.** The data reflect the outcome measure of reducing levels of allergy-inducing substances (allergens) in housing undergoing interventions using healthy homes principles, as reported by grantees. Data produced by a grantee may vary based on the type of inventions performed, which can make it difficult to make broad conclusions across the program about the efficacy of interventions. Also, the Office of Healthy Homes and Lead Hazard Control does not track work performed by other HUD programs that may prevent injury and disease.

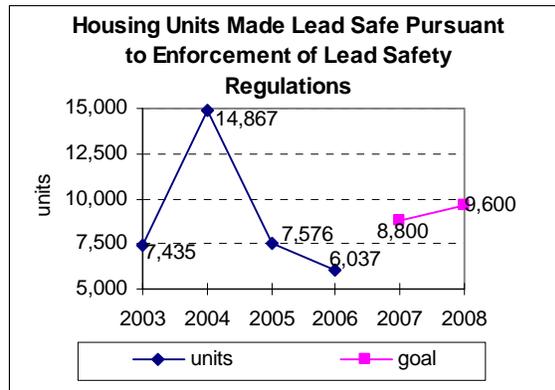
**Validation, verification, improvement of measure.** The Office of Healthy Homes and Lead Hazard Control reviews data provided through its Web-based Quarterly Progress Reporting System. This system is internally validated, and data are verified through grantee documentation. HUD grant staff performs both onsite and remote monitoring of grant files and progress. In 2008, HUD will complete a preliminary evaluation of the healthy homes program. This evaluation will help improve this performance measure.

**C5.5:** As part of a 10-year effort to eradicate lead hazards, 9,600 units will be made lead safe in FY 2008 pursuant to enforcement of the Department's lead safety regulations.

**Indicator background and context.** This indicator reports on accomplishments attained through regulatory enforcement activities and complements other efforts in the lead hazard control grant

programs. The Department’s lead regulations implement Sections 1012, 1013, and 1018 of Title X of the Housing and Community Development Act of 1992. These regulations apply to certain “target” housing constructed before 1978 and are significant components of the federal strategy to address and eliminate childhood lead poisoning by 2010. In FY 2008, the Department will obtain commitments from rental property owners and managers to make 9,600 dwelling units lead safe through enforcement of the lead safety regulations.

The Lead Disclosure Rule implements Section 1018 of Title X and requires owners/agents to disclose knowledge of lead paint and lead paint hazards when leasing or selling target housing. HUD programs providing assistance for target housing are covered by the Lead Safe Housing Rule, which implements Sections 1012 and 1013 of Title X. The Lead Safe Housing Rule establishes lead safety requirements for inspecting, maintaining, abating, and renovating target housing. In conjunction with the Office of Healthy Homes and Lead Hazard Control, HUD program offices (the Offices of Housing, Public and Indian Housing, and Community Planning and Development) monitor compliance with the regulations as part of their overall monitoring activities.



**Data source.** Units made lead safe under regulatory enforcement actions are documented through third-party, post-intervention clearance examinations to ensure that remaining dust lead levels do not exceed federal standards. These reports are provided by the property owner or manager, and reviewed by HUD staff.

**Limitations/advantages of the data.** The Lead Disclosure Rule data represent compliance activities as reported by property owners who have entered into settlement agreements, but verified through onsite and remote monitoring by HUD staff. The data are limited in that they reflect a structured sampling of the accomplishments, rather than a review of each activity. For the Lead Safe Housing Rule, the Office of Healthy Homes and Lead Hazard Control specifically tracks number of units made lead-safe for the Office of Housing’s Multifamily Housing program. For other requirements of the Rule, HUD’s program offices are updating their monitoring systems to track unit completions. Thus, not all units made lead safe are consistently tracked and the actual universe is larger than what is known.

**Validation, verification, improvement of measure.** Clearance examinations associated with enforcement actions are reviewed by the Office of Healthy Homes and Lead Hazard Control for completeness and conformance with federal protocols. HUD staff performs on-site quality control inspections in a structured sample of housing units to ensure that lead hazard control work was properly completed. HUD’s program offices review reports submitted by owners and managers, and conduct program monitoring to ensure that reported work was accomplished properly. The Office of Healthy Homes and Lead Hazard Control reviews the quality of the program office’s monitoring efforts through quality management reviews, and compliance assistance visits using standardized questionnaires and established protocols.

**C5.6: By September 30, 2008, HUD will establish fully operational dispute resolution and installation programs in HUD-administered states.**

**Indicator background and context.** Manufactured housing is a critical element in the nation's supply of affordable housing. The federal Manufactured Housing program is the sole party responsible for the oversight of the design and construction of all manufactured housing in the United States. The Manufactured Housing Improvement Act of 2000, which established new responsibilities and procedures for the Department with respect to its role in regulating manufactured housing, requires the Department to establish installation and dispute resolution programs for manufactured homes. These programs will help accomplish the ultimate outcomes of improving the safety and quality of manufactured homes. HUD's FY 2008 performance goal is to ensure that the two new programs are fully operational in both the states administering their own programs, and HUD-administered states.

**Data source.** Accomplishments will be assessed and documented by HUD's Office of Manufactured Programs.

**Limitations/advantages of the data.** The qualitative milestones used for this indicator will be the state certifications received and processed by the Office of Manufactured Housing Programs regarding the operation of the programs in state-administered programs, together with implementation of the programs in HUD-administered states. In order to meet the legislatively-required milestones, timely review of certifications by the states with their own installation and dispute resolution programs is essential. While the Department will work closely with the states to receive the self-certifications with the required information, the timing and nature of the submissions from these states is largely outside HUD's control.

**Validation, verification, improvement of measure.** HUD will maintain records of state certifications received and processed for the dispute resolution and installation programs, and will maintain records regarding its implementation of the programs in HUD-administered states.

## Strategic Goal D: Ensure Equal Opportunity In Housing

### *Strategic Objectives:*

- D1 Ensure access to a fair and effective administrative process to investigate and resolve complaints of discrimination.*
- D2 Improve public awareness of rights and responsibilities under fair housing laws.*
- D3 Improve housing accessibility for persons with disabilities.*
- D4 Ensure that HUD-funded entities comply with fair housing and other civil rights laws.*

### **Objective D1: Ensure access to a fair and effective administrative process to investigate and resolve complaints of discrimination.**

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**D1.1: HUD will close 65 percent of fair housing complaints in 100 days, excluding recommended cause, pattern and practice, and systemic complaints.**

**Indicator background and context.** HUD investigates and resolves complaints of alleged housing discrimination from private citizens and interest groups throughout the nation. HUD has worked diligently to increase public awareness of laws prohibiting discrimination in order to ensure that persons victimized by discrimination know how and where to file fair housing complaints. The ability to provide a fair, effective and efficient complaint process is an important aspect of the fair housing performance of HUD and of agencies whose laws have been deemed substantially equivalent to the federal Fair Housing Act. Efficient and expeditious processing encourages victims of discrimination to file complaints, which in turn should increase the likelihood that violators will be punished. This will support the priority outcome of eliminating housing discrimination and expanding housing opportunities to all Americans.

The goal established by this indicator is to increase the percentage of fair housing complaints received by the HUD Office of Fair Housing and Equal Opportunity that are closed within 100 days to 65 percent. This indicator is calculated by dividing the number of complaints closed within 100 days by the total number of complaints closed during the reporting period. Complaints open at the end of the fiscal year are reported in the next fiscal year. Fair housing complaint closures include cause recommendations, no-cause determinations, administrative closures, conciliations/settlements, and referrals to the U.S. Department of Justice. In FY 2006, 73 percent of HUD's non-complex fair housing complaints were closed within 100 days.

**Data source.** Data are recorded and maintained in the Office of Fair Housing and Equal Opportunity Title VIII Automated Paperless Office and Tracking System.

**Limitations/advantages of the data.** The data represent overall effectiveness and efficiency in handling fair housing complaints. The results are affected by complex cases that may require investigative periods extending well beyond the 100-day timeframe.

**Validation, verification, improvement of measure.** The data system entries will be verified by random checks of physical case files and documentation of case closures.

### **D1.2: Fair Housing Assistance Program agencies will close 53 percent of fair housing complaints referred by HUD in 100 days, excluding recommended cause and systemic complaints.**

**Indicator background and context.** HUD provides funding to state and local government agencies that enforce laws that are “substantially equivalent” to the federal Fair Housing Act through the Fair Housing Assistance Program. The ability to provide a fair, effective, and efficient complaint process is an important aspect of the fair housing performance of HUD and of agencies deemed substantially equivalent to the federal Fair Housing Act. Increasing the number of Fair Housing Assistance Program complaints closed within 100 days by substantially equivalent fair housing agencies boosts the visibility of fair housing laws, forces potential violators to stop discriminating, and reduces HUD’s enforcement workload. This indicator tracks the efficiency of Fair Housing Assistance Program grantees as they increase enforcement activities.

The FY 2008 goal is that Fair Housing Assistance Program grantees will close 53 percent of fair housing complaints referred by HUD in 100 days, excluding recommended cause and systemic complaints. This indicator is calculated by dividing the number of complaints closed within 100 days by the total number of complaints closed during the reporting period. Complaints open at the end of the fiscal year are reported in the next fiscal year. In FY 2006, Fair Housing Assistance Program agencies closed 51 percent of their complaints within 100 days.

**Data source.** Data are tracked and maintained through the Office of Fair Housing and Equal Opportunity Title VIII Automated Paperless Office and Tracking System.

**Limitations/advantage of the data.** The data are self-reported by Fair Housing Assistance Program agencies as part of case processing. The system incorporates controls for quality assurance.

**Validation, verification, improvement of measure.** The data system entries will be verified by random checks of physical case files and documentation of case closures.

### **D1.3: In order to increase the nation’s capacity to provide coordinated enforcement of fair housing laws, certify two new substantially equivalent agencies under the Fair Housing Act.**

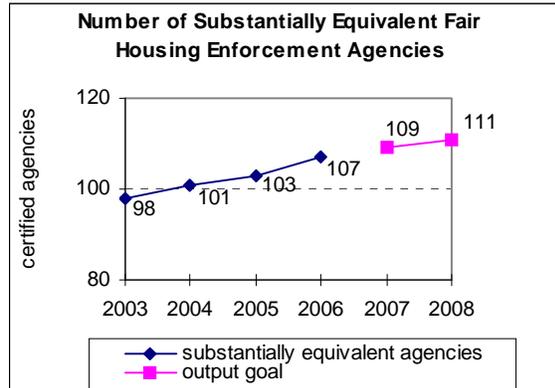
**Indicator background and context.** HUD provides funding through the Fair Housing Assistance Program to state and local government agencies that enforce state fair housing laws and local ordinances that are substantially equivalent to the Fair Housing Act. Expansion of the number of Fair Housing Assistance Program agencies will provide coverage to the new areas and support the outcome of ending

housing discrimination and expanding housing opportunities for all Americans. This indicator tracks the number of enforcement agencies that have been certified as substantially equivalent during the fiscal year. The FY 2008 goal is to increase the number of agencies by two from the FY 2007 level. At the end of FY 2006, there were 107 agencies certified as substantially equivalent under the federal Fair Housing Act.

**Data source.** The program’s administrative data are maintained in the Office of Fair Housing and Equal Opportunity’s Title VIII Automated Paperless Office and Tracking System.

**Limitations/advantages of the data.** This indicator uses a straightforward and easily verifiable count of Fair Housing Assistance Program records.

**Validation, verification, improvement of measure.** Determinations of substantial equivalency are made by the Assistant Secretary for Fair Housing and Equal Opportunity in accordance with the regulations at 24 CFR Part 115.



**D1.4:** By the end of FY 2008, at least 350 fair housing professionals will receive training (training “weeks 1-4”) at the National Fair Housing Training Academy, and a cumulative number of 300 fair housing professionals will receive certificates of completion to ensure effective, efficient, and consistent complaint investigations.

**Indicator background and context.** Beginning in FY 2004, HUD requested and received funds to oversee the establishment of a National Fair Housing Training Academy to provide continuing fair housing education to investigative and management staff of fair housing enforcement agencies. The Academy improves individual, as well as organizational performance, to more efficiently and effectively respond to complaints of housing discrimination. The Academy provides five weeks of curriculum based training to Fair Housing Assistance Program fair housing investigators and or managers. The final week (week 5) requires that each student take a comprehensive examination to determine whether that student will receive a certificate of completion.

In FY 2005, the Academy estimated that there was a universe of 834 Fair Housing Assistance Program investigators to be trained. In FY 2005, a total of 781 investigators received “Weeks 1-4” training. In FY 2006, a total of 789 professionals completed training (*Numbers based on training weeks: Week 1: 132; Week 2:151; Week 3: 260; Week 4:187; and Week 5: 59*). The 59 professionals that completed Week 5 received certificates of completion.

Based upon FY 2006 data, the Academy anticipated that an additional 141 students would receive certificates of completion, thus bringing the cumulative total to 200, as stated in the FY 2007 APP goal. To date 60 of the 260 Fair Housing Assistance Program investigators that completed “week 3” have moved on to “week 4” training. The Academy anticipates that 100 students will complete “week 4” training at the end of FY 2007, thus creating the pool of eligible participants to receive certificates of

completion for “week 5.” By the end of FY 2008, the Academy will have trained 77 percent of the existing population of Fair Housing Assistance Program investigators.

**Data source.** Staff tracking and recordation of online registrations and certificates awarded.

**Limitations/advantages of the data.** The online registration will allow for an accurate enrollment census. Certificates awarded for successful completion of all phases of training will provide data that measure the performance of registrants. Enrollment data and certification data will be used to measure graduation rates and provide verification of improved investigative skills.

**Validation, verification, improvement of measure.** The Office of Fair Housing and Equal Opportunity Headquarters staff, regional program directors, and academy administrator will monitor training sessions to evaluate course effectiveness. The academy administrator will also measure completion/graduation rates.

## Objective D2: Improve public awareness of rights and responsibilities under fair housing laws.

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**D2.1: Recipients of Fair Housing Initiative Program education and outreach grants will hold at least 300 public events, to include outreach to faith-based and grassroots organizations, reaching at least 180,000 people.**

**Indicator background and context.** Many communities do not have strong state or local legal protections from housing discrimination. HUD’s Fair Housing Initiatives Program addresses this shortfall. HUD intends to build fair housing linkages to communities by promoting partnerships among existing fair housing organizations funded through the Fair Housing Initiatives Program and community organizations and faith-based organizations.

The Fair Housing Initiatives Program provides grants to public, private, and nonprofit organizations to conduct fair housing education and outreach activities in particular communities in order to increase public awareness of housing discrimination and the Fair Housing Act. The activities may be seminars, public service announcements on radio or TV, symposia, conferences, or other education and outreach activities designed to increase fair housing awareness. This strategy supports the Administration’s faith-based outreach as well as HUD’s fair housing mission. The long-term impact of the education and outreach events is measured by HUD in periodic national surveys on public knowledge of fair housing laws. In FY 2006, Fair Housing Initiatives Program grantees conducted 697 education and outreach events that reached approximately 250,799 people. The FY 2008 education and outreach initiative will further support the outcome of increasing the public’s knowledge on housing discrimination and will open up further housing opportunities for all Americans.

**Data source.** The data are provided by Fair Housing Initiatives Program applicants on HUD Form 96010, and are entered into a database for tabulation and analysis. HUD tracks the total number of events held and persons reached based on data derived from quarterly and final report submissions by program grantees. Additionally, HUD verifies grantee activities through submission of items, such as program brochures and attendance sheets from events.

**Limitations/advantages of the data.** HUD Form 96010 ties each applicant's outputs and outcomes to HUD's strategic goals and policy priorities. The form was first used during FY 2003. In FY 2005, a Fair Housing Initiatives Program database was developed and maintained to ensure the collection of useful information.

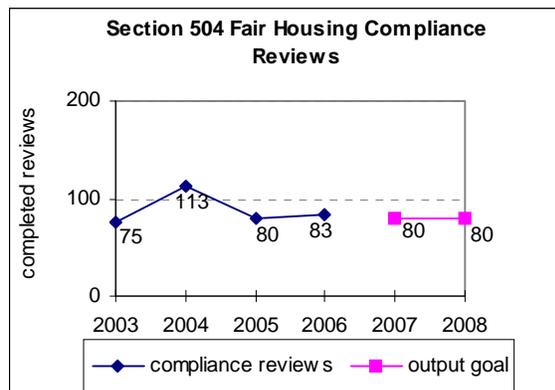
**Validation, verification, improvement of measure.** Form 96010 is based on a logic model that defines and helps validate the linkages between program activities, such as the events measured under this indicator, and the outcomes such activities are designed to support. The logic model establishes accountability for the results projected by applicants, and applicants refine their logic models, program activities, and performance goals from year to year.

## Objective D3: Improve housing accessibility for persons with disabilities.

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**D3.1: HUD will conduct 80 Section 504 disability compliance reviews or formal Voluntary Compliance Agreement monitoring reviews of HUD recipients and take appropriate corrective action.**

**Indicator background and context.** The Office of Fair Housing and Equal Opportunity reviews public housing agencies and other recipients to ensure that their HUD-assisted programs or activities comply with Section 504 of the Rehabilitation Act of 1973. Section 504 prohibits discrimination against, exclusion of, and denial of benefits for persons with disabilities in programs and activities receiving federal financial assistance. The reviews will examine whether assisted housing developments comply with Section 504, including the accessibility provisions of Uniform Federal Accessibility Standards. The FY 2008 goal is to complete at least 80 Section 504 reviews of HUD recipients or formal monitoring reviews of voluntary compliance agreements between HUD and its recipients. This goal addresses the need for greater monitoring of voluntary compliance agreements to Section 504 violations found during completed reviews. In FY 2006, HUD issued letters of findings in 83 compliance reviews and monitored 6 voluntary compliance agreements.



The FY 2008 goal is to complete at least 80 Section 504 reviews of HUD recipients or formal monitoring reviews of voluntary compliance agreements between HUD and its recipients. This goal addresses the need for greater monitoring of voluntary compliance agreements to Section 504 violations found during completed reviews. In FY 2006, HUD issued letters of findings in 83 compliance reviews and monitored 6 voluntary compliance agreements.

**Data source.** FHEO manually tracks and monitors voluntary compliance agreements.

**Limitations/advantages of the data.** The database counts the various compliance reviews and formal Voluntary Compliance Agreement monitoring reviews conducted, but does not track the various stages or provide qualitative information about results of the reviews.

**Validation, verification, improvement of measure.** Managers provide quality assurance by reviewing the results on an intermittent basis.

### D3.2: Increase the number of HUD-assisted units made accessible as a result of Voluntary Compliance Agreements.

**Indicator background and context.** HUD's 2005 study "Discrimination Against Persons with Disabilities: Barriers at Every Step" revealed high levels of discrimination against persons with disabilities. For example, the study revealed that at least one-third of the advertised rental properties in the Chicago area were not accessible to persons who use wheelchairs. HUD is making a concentrated effort to reduce the barriers that limit housing options for persons with disabilities. The Department anticipates a continued increase in the number of accessible housing units as a result of enforcement efforts in tandem with ongoing education and outreach activities, as well as through the implementation of Voluntary Compliance Agreements with HUD recipients. In FY 2007, HUD developed a database to effectively track the number of accessible housing units made available as a result of fair housing enforcement efforts. FY 2008 represents the baseline year for collection of information.

**Data source.** The new automated database system will be used to track the number of accessible housing units that are produced as a result of enforcement actions.

**Limitations/advantages of the data.** The database will show tangible outcomes resulting from enforcement efforts.

**Validation, verification, improvement of measure.** Managers provide quality assurance by reviewing the results of fair housing enforcement efforts. Accessible housing units are verified through onsite inspections conducted by field staff to ensure compliance with applicable fair housing laws and regulations.

## Objective D4: Ensure that HUD-funded entities comply with fair housing and other civil rights laws.

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D4.1: HUD program offices will conduct limited civil rights monitoring reviews of HUD-funded entities and make referrals to the Office of Fair Housing and Equal Opportunity for review and appropriate action.

**Indicator background and context.** This cross-cutting indicator focuses on ensuring all HUD-funded programs provide equal opportunity in housing. HUD program offices will conduct limited civil rights monitoring reviews of HUD-funded entities during their regular program monitoring reviews using a checklist developed by the Office of Fair Housing and Equal Opportunity. The program offices will then refer the checklists to headquarters for review and appropriate action as necessary. The information will be used to reach out to entities to ensure full compliance with applicable fair housing laws.

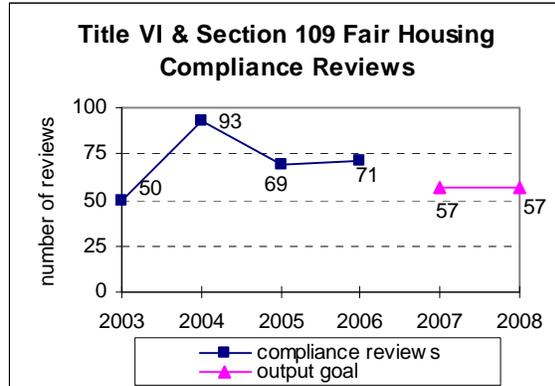
**Data source.** Manual data count entered in the HUD Integrated Performance Reporting System.

**Limitations/advantages of the data.** The system will track quantitative data, but does not provide qualitative information.

**Validation, verification, improvement of measure.** Managers provide quality assurance by reviewing the results of checklists.

**D4.2: Conduct 57 compliance reviews or formal monitoring reviews of Voluntary Compliance Agreements, either exclusively or concurrently under Title VI and Section 109, and take appropriate corrective action.**

**Indicator background and context.** The Office of Fair Housing and Equal Opportunity reviews the activities of all recipients of federal financial assistance from HUD—including public housing agencies, private providers of HUD-assisted housing, and state and local jurisdictions—to ensure that their housing developments, other facilities, and other programs or activities receiving HUD assistance comply with the nondiscrimination provisions of Title VI of the Civil Rights Act of 1964 and, if applicable, Section 109 of Title I of the



Housing and Community Development Act of 1974. Title VI prohibits discrimination and requires affirmative efforts to remedy the effects of past discrimination based on race, color, or national origin in federally assisted programs and activities. Section 109 prohibits discrimination based on race, color, sex, religion, or national origin in programs funded under Title I of the Housing and Community Development Act, such as Community Development Block Grant. The reviews examine whether the developments comply with the non-discrimination provisions of these Acts. In FY 2008, HUD will conduct 57 Title VI or Title VI/Section 109 compliance reviews or formal VCA monitoring reviews. In FY 2006, HUD issued letters of finding following 11 Section 109 compliance reviews and 60 Title VI compliance reviews.

**Data source.** HUD staff compiles the number of completed reviews through the use of manual and automated (Title VIII Automated Paperless Office and Tracking system) tracking systems and enters the information into the HUD Integrated Performance Reporting System.

**Limitations/advantages of the data.** The database documents the various compliance and monitoring reviews conducted, but does not track the various stages or provide qualitative information about results of the reviews.

**Validation, verification, improvement of measure.** Managers provide quality assurance by reviewing the results on an intermittent basis.

## Strategic Goal E: Embrace High Standards of Ethics, Management, and Accountability

*Strategic Objectives:*

- E1 Strategically manage HUD's human capital to increase employee satisfaction and improve HUD performance.*
- E2 Improve HUD's management and internal controls to ensure program compliance and resolve audit issues.*
- E3 Improve accountability, service delivery, and customer service of HUD and its partners.*
- E4 Capitalize on modernized technology to improve the delivery of HUD's core business functions.*

### Objective E1: Strategically manage HUD's human capital to increase employee satisfaction and improve HUD performance.

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**E1.1:** HUD will reduce mission critical skill gaps by reducing targeted competency gaps by 50 percent in its four core business program offices: Public and Indian Housing; Housing; Community Planning and Development; and Fair Housing and Equal Opportunity.

**Indicator background and context.** As part of HUD's Strategic Plan and its Strategic Human Capital Management Plan, the Department has been developing a workforce plan for each program office to address mission critical skill gaps to ensure the necessary support of HUD's program delivery. In FY 2008, HUD will target training so that there is a 50 percent or greater reduction in the number of core business program staff with identified competency gaps. The use of various training and development approaches includes, but is not limited to: instructor-led training, e-Learning and computer based learning, coaching, mentoring, shadowing, detail assignments, job-aids, forums, workshops, seminars, and best practice reviews. Additionally, the Department will assess the effectiveness of the training received by business core program staff during FY 2006.

**Data source.** The Office of Administration's Office of Training Services will work closely with the program offices to continue implementing this process across the Department. Skill gap closure data will be gathered by the Office of Training Services from each of the program offices; quarterly action plan progress reports on general skills training will be delivered by the program offices at the Human Capital

Steering Committee meetings; Resource Estimation Allocation Process/Total Estimation and Allocation Mechanism reports; Annual performance rating.

**Limitations/advantages of the data.** The primary limitation affecting this indicator is that skill gaps are difficult to measure consistently and objectively because they are based on manager assessments of their staff. Manual data collection processes slightly increase the risk of introducing errors.

**Validation, verification, improvement of measure.** Data are assessed and verified by the Office of Training Services.

### **E1.2: HUD will reduce mission critical skill gaps by 25 percent in the identified leadership and management competency of the Management Competency plan.**

**Indicator background and context.** HUD's implementation of both its Strategic Plan and Strategic Human Capital Management Plan includes a commitment to have a high quality, results accomplishing workforce. In response to the President's Management Agenda in FY 2005, HUD developed a department-wide Management Competency plan to ensure that a highly trained and effective corps of supervisors, managers, and executives to lead the Department in accomplishing its mission. In FY 2006, HUD trained all current supervisors, managers, and executives in the identified leadership and management competency on conflict management or alternative dispute resolution. In FY 2007, HUD implemented a supervisory training curriculum aimed at providing needed introductory and refresher supervisory training for HUD managers and supervisors, which includes mandatory supervisory training for all new managers and supervisors. In FY 2008, HUD will identify another targeted competency from the Management Competency plan and then implement an action plan for closing the identified leadership and management competency skill gap by at least 25 percent.

**Data source.** Skill gap closure data will be gathered by the Office of Training Services from each of the Department's program offices; quarterly action plan progress reports on leadership training will be delivered by the program offices at the Human Capital Steering Committee meetings.

**Limitations/advantages of the data.** The primary limitation affecting this indicator is that skill gaps are difficult to measure consistently and objectively because they are based on manager assessments of their staff. Manual data collection processes slightly increase the risk of introducing errors.

**Validation, verification, improvement of measure.** Data are assessed and verified by the Office of Training Services.

### **E1.3: Eighty percent of HUD fellows and interns are retained and targeted for mission-critical positions in HUD offices.**

**Indicator background and context.** This indicator is directly linked to both the Department's Strategic Plan and its Strategic Human Capital Management Plan, and is tied to the President's Management Agenda. This indicator is a key component of an outcome measure of effective succession planning, which will ensure that the Department's employees have the skills and knowledge they need to achieve HUD's mission and that institutional knowledge is sustained. The HUD fellow and intern programs are used to recruit and develop highly qualified people for mission-critical positions, and to meet future workforce needs. These programs offer individuals valuable work experiences and training opportunities

and provide the training necessary to fill mission-critical skill gaps as employees retire. Key programs to be used in the succession planning efforts continue to include: a) the Presidential Management Fellow, b) the Federal Career Intern, and c) the Legal Honors Intern. Additionally, the Department added to this effort the MBA Fellows program, which is designed to attract recent MBA graduates with the business skills needed to help make government more results-oriented and citizen-centered while at the same time addressing HUD's succession planning needs.

In FY 2008, HUD expects to retain 80 percent of its highly qualified interns that were hired in FY 2007, as well as retain 80 percent of those hired in FY 2006. HUD will continue to prioritize critical occupations for intern placements. The emphasis will be on closing skill gaps and addressing projected losses from retirements.

**Data source.** Manual performance reports provided by program offices, HUD's Succession Plan, and data from the National Finance Center.

**Limitations/advantages of the data.** The Office of Administration's Office of Training Services administers the Intern Program. Program offices manually provide status reports on intern performance and successful completion of requirements.

**Validation, verification, improvement of measure.** The Office of Training Services is responsible for monitoring and measuring performance against Intern Program performance goals.

#### **E1.4: HUD employees continue to become increasingly satisfied with the Department's performance and work environment.**

**Indicator background and context.** This indicator is directly linked to both the Department's Strategic Plan and its Human Capital Management Plan, and is tied to the President's Management Agenda. A satisfied workforce translates to a workforce that operates efficiently and effectively and produces important results. This effort helps to support two of the Department's human capital goals, which are to become a mission-focused agency and to maintain a high-quality workforce.

During FY 2006, the Department began implementing action plans for the (1) Training and Career Development and (2) Leadership and Quality dimensions based on results of a FY 2005 organizational assessment survey. During this implementation, the Office of Personnel and Management administered the Federal Human Capital Survey, which also generated results on employee satisfaction.

Consequently, HUD established a working group in FY 2007 to focus on environmental cultural change that is expected to improve employee satisfaction in the areas of Leadership and Communication, which are inclusive of the (1) Training and Career Development and (2) Leadership and Quality dimensions. An action plan for senior staff approval will be delivered no later than June 30, 2007. In FYs 2008 and 2009, HUD will implement the approved action plan. Specifically, HUD will implement 90 percent of the recommendations approved by the Human Capital Steering Committee from the Federal Human Capital Survey Action plan.

**Data Source.** The Federal Human Capital Survey is web-based and administered by the Office of Personnel Management every two calendar years. It is conducted under the leadership of HUD's Human Capital Steering Committee.

**Limitation/advantages of the data.** The Federal Human Capital Survey is a tool that measures employees' perceptions of whether, and to what extent, conditions that characterize successful organizations are present in their agencies. The survey measures factors that influence employees wanting to come, to stay, and to help the agency meeting its mission. In addition, it allows managers to examine trends to determine accomplishments and to identify areas for improvement.

**Validation and verification.** The survey data are nearly free of sampling error because all employees receive the surveys. Data collected were weighted to produce survey estimates that represent the survey population. The weights developed take into account the variable probabilities of selection across the sample domains, on response, and known demographic characteristics of the survey population.

### **E1.5: Resource Estimation and Allocation Process, the Total Estimation and Allocation Mechanism, and the Corrective Action Plan System will complete five milestones in support of strategic human capital management.**

**Indicator background and context.** The Resource Estimation and Allocation Process, the Total Estimation and Allocation Mechanism, and the Corrective Action Plan System support the Department's effort to estimate, allocate, and validate resources for effective and efficient program administration and management. They are key tools for managing staff resources and workload, and provide a foundation for HUD's long-term human capital strategies, including succession planning.

The National Academy of Public Administration helped develop the Resource Estimation and Allocation Process and recommended that it include the three components of resource estimation, resource allocation, and resource validation. The first resource estimation studies were completed in 2001, providing baseline data and standards for estimating the amount of time and resources required to perform the Department's work. A refresh of the Resource Estimation and Allocation Process baseline was begun in 2003 and completed in 2004. Part of the Resource Estimation and Allocation Process baseline was updated by studies of select program areas in 2005 and 2007.

Along with the Resource Estimation and Allocation Process, HUD developed the Total Estimation and Allocation Mechanism, an intranet application that enables ongoing resource allocation and validation. The Total Estimation and Allocation Mechanism collects actual workload accomplishments and employee time usage on a sampling basis. Employees in Headquarters and field offices record the amount of time they spend working on the different activities and processes of their jobs during a randomly selected two-week period every quarter. Time and workload reporting enables the validation of the Resource Estimation and Allocation Process standards or requires their re-evaluation.

The Corrective Action Plan System enables managers to control their Full Time Equivalent and personal services expenditures or "manage to the payroll." The Corrective Action Plan System is an intranet application that brings together personal services and full time equivalent data from different systems in one location and allow managers to do "what if" analyses.

Together, the Resource Estimation and Allocation Process, the Total Estimation and Allocation Mechanism, and the Corrective Action Plan System assist the Department in developing a strategic human capital planning approach and at the same time support performance budgeting in terms of

planning, utilization, and funding of human capital resources. During FY 2008, the Department will accomplish five milestones:

- Use the Resource Estimation and Allocation Process/Total Estimation and Allocation Mechanism data to support the FY 2009 Budget request.
- Implement the Total Estimation and Allocation Mechanism Allocation Module in select program areas. This module will provide a better connection of work completed under the Management Plan objectives and provide greater efficiency and effectiveness of staff usage.
- Use the Total Estimation and Allocation Mechanism/Corrective Action Plan System to assist in assessing human resource needs and making hiring decisions during FY 2008.
- Refresh of the Resource Estimation and Allocation Process baseline in select program areas in FY 2008 as funding permits.
- Incorporate the Office of the Chief Financial Officer's Full Time Equivalent Projection Model into the Corrective Action Plan System. This model simplifies the process of estimating year end staff usage.

**Data source.** Resource Estimation and Allocation Process, the Total Estimation and Allocation Mechanism, and the Corrective Action Plan System data are maintained by the Office of the Chief Financial Officer's Office of Budget. Data are maintained by fiscal year.

**Limitations/advantages of the data.** The Total Estimation and Allocation Mechanism system provides a comprehensive database for estimating and allocating staff resources. Random sampling of work activities ensures that the data are representative of overall workload. The reporting process for employee time usage introduces unavoidable measurement error that is anticipated to be within acceptable levels of confidence and precision. The Total Estimation and Allocation Mechanism is not designed to assess the quality of work products. This will be accomplished through independent quality management reviews.

**Validation, verification, improvement of measure.** The Total Estimation and Allocation Mechanism data help validate the Resource Estimation and Allocation Process estimates. Annual replication of Total Estimation and Allocation Mechanism sampling will serve as a means of verification and may identify the need for additional resource estimation studies. Resource estimation studies also will be repeated as required and funds are available.

## Objective E2: Improve HUD's management and internal controls to ensure program compliance and resolve audit issues.

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### E2.1: Sustain progress in eliminating non-compliant financial management systems.

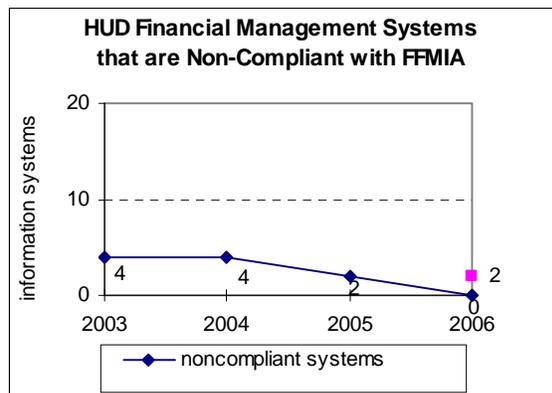
**Indicator background and context.** The Federal Financial Management Improvement Act of 1996 requires federal agencies to implement and maintain financial management systems that comply with federal reporting requirements and accounting standards, and support the U.S. Government Standard

General Ledger at the transaction level. At the end of FY 2000, the Department had 67 financial management systems, of which 17 failed criteria for compliance with federal requirements. By the end of FY 2006, the Department had 41 financial management systems and met its goal of having zero non-compliant financial management systems. However, all systems are subject to an annual review to ensure that all remain compliant, and during mid-September of FY 2006 two additional systems were determined to be non-compliant based on independent compliance reviews. Specifically, in the FY 2006 audit of HUD's financial statements, the Office of Inspector General found that HUD Procurement system and HUD Small Purchase system did not contain sufficient financial data to effectively manage and monitor procurement transactions and, therefore, declared these systems noncompliant with the federal requirements. Action plans have been prepared by the Office of the Chief Procurement Officer to remedy the deficiencies noted during the compliance reviews. Currently a feasibility study is being conducted to determine if the non-compliant systems should be replaced with an A-127 compliant commercial-off-the-shelf system. The outcome of this study will determine FY 2008 activities.

**Data source.** The Office of the Chief Financial Officer maintains the financial management systems inventory, with input from systems sponsors and cyclical compliance reviews of systems.

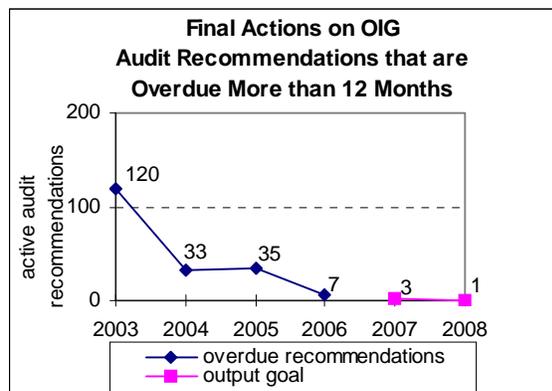
**Limitations/advantages of the data.** The data are reliable for this measure.

**Validation, verification, improvement of measure.** HUD performs financial management systems compliance reviews on a three-year cycle, or in conjunction with major systems changes, and the Office of Inspector General verifies compliance of HUD financial systems through annual audits.



## E2.2: Ensure timely management decisions and final actions on audit recommendations by the HUD Office of Inspector General.

**Indicator background and context.** The large body of internal and external audit work conducted by the HUD Office of Inspector General results in a significant volume of recommendations involving recovery of disallowed and questioned costs, opportunities to put funds to better use, and improvements to management controls to reduce the risk of fraud, waste, and abuse, and improve program performance. The Inspector General Act of 1978, as amended, establishes requirements for the timely resolution and reporting on the Office of Inspector General audit recommendations by agency managers.



Timely audit resolution is a measure of sound management and program efficiency and effectiveness. The Department's management decision goal for FY 2006 was to achieve 99 percent of its total management decisions timely. For the year ended September 30, 2006, HUD made timely management decisions on 860 of 862 required decisions, exceeding its 99 percent goal. The goals for FY 2007 and FY 2008 remain at the 99 percent threshold. This will ensure that all management decisions reached are sound and represent the best courses of action within realistic timeframes.

Regarding overdue final actions, HUD's FY 2006, 2007, and 2008 goal is to achieve a 50 percent reduction in significantly overdue audit recommendations from the prior year's final balance. Significantly overdue recommendations are those that end the annual reporting period with final actions more than 12 months overdue. HUD successfully exceeded its FY 2006 goal ending the year with just 7 recommendations, representing a decrease of 28 from the FY 2005 ending balance of 35. For FY 2007, HUD set a goal to end the fiscal year with not more than three recommendations significantly overdue. The FY 2008 goal will be to reduce the FY 2007 ending balance by 50 percent or maintain it at zero if a balance of zero is attained at the close of FY 2007.

**Data Source.** Audit Resolution and Corrective Action Tracking System.

**Limitations/advantages of the data.** The data are highly reliable for this measure.

**Validation and verification.** The HUD Inspector General and the departmental audit liaison in the Office of the Chief Financial Officer reconcile and confirm the accuracy of the data.

### **E2.3: HUD financial statements receive an unqualified audit opinion.**

**Indicator background and context.** The Department introduced this indicator into its Annual Performance Plan goal structure to maintain a focus on improving and enhancing HUD's financial stewardship. The receipt of an unqualified audit opinion for HUD's consolidated financial statements is important in maintaining confidence in the Department's financial statements for OMB, congressional, and public users. HUD has received an unqualified audit opinion on its annual consolidated financial statements for seven consecutive fiscal years, 2000–2006, a strong indicator of HUD's accountability and the success of efforts to stabilize its financial management systems and operating environment.

HUD continues to work with the Office of Inspector General auditors to improve the plans and adhere to the 45 day timeline for the FY 2007 financial audit and expects an unqualified opinion for FY 2007. HUD also continues to provide timely information for program decision-makers in Congress and the Executive branch. In FY 2004, HUD began issuance of quarterly financial statements within 21 days after the end of each quarter. HUD will continue issuing its annual audited financial statements within 45 days after the end of each fiscal year.

HUD is very mindful of the financial management discipline and vigilance required to maintain the confidence in its financial statements, and of the need for continued progress in resolving remaining material internal control weaknesses and reportable conditions still associated with HUD's underlying financial management systems and operations.

**Data source.** HUD financial statement audits are performed by the Office of Inspector General and contracted resources directed by that office.

**Limitations/advantages of the data.** Financial statement audits review the accuracy of the financial statements, the adequacy of the underlying data systems and internal controls, and compliance with applicable laws and regulations. In addition to providing an opinion on the financial information presented in HUD's financial statements, the auditors also identify internal control weaknesses that could have a material impact on that presentation, with recommendations for needed improvements.

**Validation, verification, improvement of measure.** Office of Inspector General audits are independent of HUD management, are performed in accordance with the Government Accountability Office auditing standards, and adhere to the Office of Management and Budget and other guidelines and standards governing the preparation and audit of agency financial statements.

#### **E2.4: HUD will conduct training and exercise the Continuity of Operations Program.**

**Indicator background and context.** Federal policy requires federal agencies to have a Continuity of Operations plan in place to continue essential functions during a natural disaster or severe emergency situation that renders headquarters building(s) unusable (e.g., hurricanes, bomb threats, acts of terrorism).<sup>13</sup> Continuity of Operations planning is a "good business practice" and part of HUD's fundamental mission as a responsible and reliable public institution.

In FY 2008, HUD will (1) Perform quarterly testing of Continuity of Operations Program notification procedures of all headquarters offices, and achieve a 95 percent contact rate of principal staff and/or coordinators; and (2) Conduct annual training of at least 80 percent of the HUD Continuity of Operations Program's Program office coordinators.

**Data source.** The Office of Security and Emergency Planning maintains a database to document the mandatory reporting of the results of testing and relocation activations. These activities are conducted in accordance with the HUD Continuity of Operations Program Test, Training, and Exercise Plan.

**Limitations/advantages of the data.** The data are reliable for this measure. However, the quality of training cannot be judged from the quantitative data.

**Validation, verification, improvement of measure.** The Office of Security and Emergency Planning will perform an initial evaluation of data quality. GAO and/or the Office of Inspector General will perform independent assessments and validation.

#### **E2.5: The Accelerated Claim and Asset Disposition demonstration program (Section 601) will exceed the rate of net recovery received through the conveyance program on the sale of single family assets.**

**Indicator background and context.** The overall goal of the Accelerated Claim and Asset Disposition demonstration program is to ensure that FHA's public policy issues are addressed while expediting the disposition of defaulted FHA single family assets and maximizing the return to the FHA Insurance Funds. Section 601 of the FY 1999 HUD Appropriations Act amended Section 204 of the National

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<sup>13</sup> See Presidential Decision Directive (PDD) 67, dated October 21, 1998, and Federal Preparedness Circular (FPC) 65.

Housing Act (12 U.S.C. 1710) to provide HUD with greater flexibility for modifying the single family claim and asset disposition process. HUD is conducting a demonstration program to reform the single family claims and asset disposition process, maximize recoveries on claims paid, and support the Department's outcome goal of homeownership retention. FHA has the opportunity to execute various asset disposition strategies as a part of the Accelerated Claim and Asset Disposition demonstration, including special servicing, securitizations, whole loan sales, and a combination of whole loan/pipeline sales. Currently, FHA is utilizing structured financing and retaining an equity interest in the limited liability company formed to acquire, service, and dispose of portfolios of single family notes.

The first demonstration initiative was a sealed bid auction held in October 2002. Claims were paid beginning October 31, 2002. Three subsequent auctions were held September 2003, June 2004, and May 2005. This indicator tracks the rate of recovery on FHA claims between FY 2007 and FY 2008. The benchmark or target for this performance indicator which is the final rate of net recovery received on the sale of Single Family assets through the conveyance program, will be determined when fiscal year end data is available.

Single Family Note Sales	Recoveries Adjusted for Claim Cost as of 8/31/06
Single Family – Sale I 2002 (assets sold in FY 2003)	70%
Single Family – Sale II 2003 (assets sold in FY 2003)	73%
Single Family – Sale III (assets sold in FY 2004)	78%
Single Family – Sale IV (assets sold in FY 2005)	76%

**Data source.** The Single Family Insurance System – Claims subsystem provides the acquisition cost data for this indicator. FHA Single Family Acquired Asset Management System provides the expense detail for the conveyance program (Claims subsystem “type 1” transfer claims) rate of net recovery. FHA Subsidiary Ledger provides the Accelerated Claim and Asset Disposition recovery rate on sale of assets (Claims subsystem “type 2” claims) through its PeopleSoft financial program. For convenience, all data are reported from FHA Single Family Housing Enterprise Data Warehouse.

**Limitations/advantages of the data.** The data have no limitations affecting the reliability of this measure. The data will be used as a part of the overall monitoring of FHA's portfolio and as a component of the internal controls of FHA.

**Validation, verification, improvement of measure.** Data for FHA claims and recovery are audited by the Inspector General.

**E2.6: Use the structure established by Vision 2010 and the Department's enterprise architecture transition strategy to modernize HUD's business and information management environment, maintain well-managed information technology investments, and promote collaboration between business mission areas.**

**Indicator background and context.** Vision 2010 is a five-year plan to modernize HUD's business and information management environment, representing a significant change in the way HUD plans, designs, invests in, and implements information technology to support of its mission. Enhanced information technology can improve service delivery mission performance. HUD's Enterprise Architecture transition strategy is a long term plan that outlines a methodology for business and information technology modernization, promoting collaboration between mission areas. Modernization includes the introduction of common business services and enterprise services to enhance current applications and reduce redundant or obsolete systems. The transition strategy increases access to business information through simple, self-service utilities and increases the efficiency and effectiveness of interactions between HUD employees, business partners, and citizens.

The Enterprise Architecture transition strategy provides a blueprint for HUD to direct its development, modernization, and enhancement investments and evaluate individual investments as an element of an enterprise-wide modernization strategy (i.e., how an individual investment affects the whole system).

Specific accomplishments for FY 2008 will include:

- Develop and maintain required elements of the enterprise architecture by continuing significant progress in business and information technology modernization for core mission areas, business services, and enterprise services. Business Modernization plans (segment architecture) shall be developed and maintained in accordance with priorities defined in the Enterprise Architecture transition strategy. *Performance indicator:* Initiate segment architecture development and maintenance for priority modernization initiatives (in accordance with approved agency plans), including the definition of performance architecture and performance milestones, and results for all major modernization initiatives.
- Maintain the agency's enterprise architecture transition strategy, and apply key elements to support information technology investment management and program/project management for major business and information technology modernization initiatives. *Performance indicator:* Provide portfolio-level and initiative-level enterprise architecture guidance and recommendations for all major modernization initiatives.
- An information technology investment portfolio that will provide the greatest value to the Department given costs and risks; i.e., 90 percent of information technology investment initiatives ranked according to evaluation criteria approved by the Technology Investment Board executive committee.

**Data source.** The Office of the Chief Information Officer administrative database, consisting of system performance metadata reported by program owners of data systems. An additional data source is the HUD Information Technology Strategic Plan FY 2007-FY 2012.

**Limitations/advantages of the data.** HUD's information technology portfolio, and specifically the OMB Exhibit 53, will identify development, modernization, and enhancement spending.

**Validation, verification, improvement of measure.** The Chief Information Officer is an independent reviewer of system performance reported by program offices. The Office of the Chief Information Officer and program areas have oversight in the development of system performance goals. Implementation will be verified by an independent audit by a third party and/or the Office of Inspector General.

## E2.7: HUD will meet specified information technology-related security requirements.

**Indicator background and context.** The Federal Information Security Management Act of 2002 establishes security standards and requires federal agencies to take specific steps to ensure the security of federal information systems. HUD's Information Technology Security office provides protection for HUD's information systems and resources and has responsibility for implementing security controls in compliance with the Federal Information Security Management Act. The FY 2008 budget requirement of \$1.26 million is needed to support the Information Technology Security program at HUD. There are currently 13 full-time equivalent resources allocated to support this program.

In FY 2008, the Information Technology Security office will continue to reduce risks and vulnerabilities and protect HUD's information systems and resources from unauthorized access, use, and modification. This will include meeting the following three requirements:

(1) Continue the Certification and Accreditation effort to ensure that 100 percent of major applications documented in the Inventory of Automated Systems have been certified and accredited. This requirement includes:

- Integrating information technology security tasks and milestones into HUD's software development lifecycle model to ensure that security controls requirements are identified and addressed in a timely and cost effective manner, and that all information technology systems are certified and accredited prior to their operation.
- Monitoring the status and effectiveness of annual system-level contingency plan testing.
- Reviewing annually all system security plans for currency and completeness, and include deficiencies on Plans of Action and Milestones.

(2) Prioritize and remedy high priority risks. This requirement includes:

- Performing a review of 100 percent of Plans of Action and Milestones, with emphasis on remediation of all weaknesses categorized as high risk.
- Ensuring that independent penetration testing of HUD's information technology infrastructure is conducted annually.
- Ensuring that weaknesses in HUD's information technology infrastructure are identified by HUD Information Technology Services vendors and included in Plans of Action and Milestones for HUD general support systems.

- Ensuring that systems owners perform self-assessments of system security controls in accordance with National Institute of Standards and Technology Special Publication 800-26.
- Ensuring that vulnerability scanning of HUD’s operating systems and databases is conducted according to a risk-based schedule.
- Ensuring that automated scanning is conducted to identify weaknesses in web-based applications according to a risk-based schedule.

(3) Continue to ensure that 90 percent of HUD employees and contractors will have completed information technology Security and Awareness Training. This requirement includes:

- Promoting enterprise-wide security awareness through provision of computer-based training for all HUD users; specialized information technology security training for personnel assigned significant security responsibilities; and training of personnel serving as primary or alternate information systems security officers in the roles and responsibilities of that position.

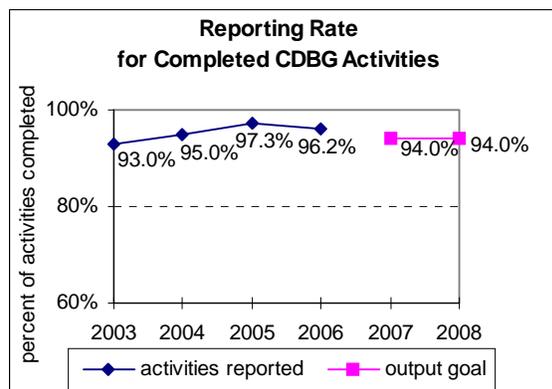
**Data source.** HUD will collect applicable data through the performance of independent audits of information technology security controls and procedures, risk assessments, security tests and evaluations, self-assessments, penetration tests, operational reviews by the Office of Information Technology Security staff, and from program office staffs in response to Office of Information Technology Security data calls. An additional data source is reports developed for the President’s Management Agenda.

**Limitations/advantages of the data.** The quality of data from program offices (through self-assessments and data calls) is likely to be inconsistent. The quality of security certification activities will be dependent on the quality of the analysis used, the documentation provided, and the extent and rigor of testing of implemented information technology security controls. These limitations will be mitigated through validation processes that have been established by the Office of Information Technology Security to assure reliability of data submitted by program offices, and work performed as part of certification activities.

**Validation, verification, improvement of measure.** Program managers, with the assistance of the Office of Information Technology Security, regularly review plans of action and milestones to ensure that planned corrective actions take place.

**E2.8: The share of completed CDBG activities for which grantees satisfactorily report accomplishments is maintained at 94 percent.**

**Indicator background and context.** This indicator reports on the level of reporting of CDBG grant activities into the Integrated Disbursement and Information System, which collects data for HUD’s block grant and formula grant programs that serve local jurisdictions—CDBG, HOME Investment Partnerships, Emergency Shelter Grants, and Housing Opportunities for Persons With AIDS. In order to meet the threshold for satisfactory reporting, grantees must report accomplishments for



at least 94 percent of activities completed during the fiscal year. This reporting ensures a high degree of satisfaction regarding the effectiveness of the program.

Reporting for CDBG is measured by the proportion of completed activities for which grantees have reported accomplishments data, based on activities that meet one of the CDBG program’s three national objectives.

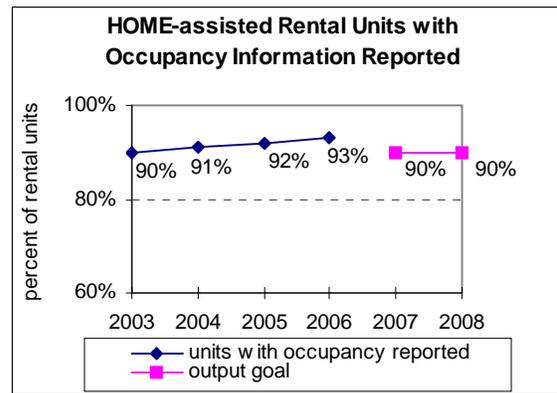
**Data source.** Integrated Disbursement and Information System.

**Limitations/advantages of the data.** HUD relies on grantees to enter data into the Integrated Disbursement and Information System.

**Validation, verification, improvement of measure.** CPD field staff will monitor grantees.

**E2.9: The share of HOME-assisted rental units for which occupancy information is reported shall be at least 90 percent.**

**Indicator background and context.** This indicator tracks the level of reporting by participating jurisdictions into the Integrated Disbursement and Information System of household occupancy data for the Home Investment Partnerships program rental units. The Integrated Disbursement and Information System is the data collection system for HUD’s block grant and formula grant programs that serve local jurisdictions—Community Development Block Grant (CDBG), HOME Investment Partnerships, Emergency Shelter Grants, and Housing Opportunities for Persons With AIDS. Reporting rates for the HOME Investment Partnerships program are based on reporting of its rental household data at project completion for those households moving into completed HOME rental developments. The FY 2008 goal is to maintain a reporting rate of at least 90 percent.



**Data source.** The data come from the Integrated Disbursement and Information System – HOME module.

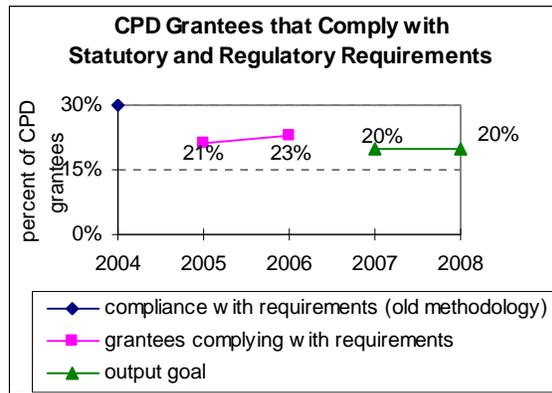
**Limitations/advantages of the data.** HUD relies on grantees to enter data into the Integrated Disbursement and Information System.

**Validation, verification, improvement of measure.** Office of Community Planning and Development field staff will monitor grantees on a random-sample basis.

**E2.10: A minimum of 20 percent of active CPD program grantees will be monitored for compliance with statutory and regulatory requirements.**

**Indicator background and context.** CPD grantees are recipients of formula and competitive grants designed to assist communities to build viable neighborhoods, expand homeownership and affordable housing, and provide economic opportunities. Specific goals and beneficiaries are identified for consolidated plans and competitive grant applications.

This indicator measures the extent of monitoring activity by HUD field staff to ensure that grantees are appropriately carrying out CPD programs, helping low- and moderate-income families and developing distressed neighborhoods. HUD monitors both active formula and competitive CPD program grantees for compliance. The goal is being maintained at the FY 2007 level.



**Data source.** The data are entered by CPD staff into the Department’s internal tracking system, HUD Integrated Performance Reporting system.

**Limitations/advantages of the data.** Administrative data do not support assessments of the quality of review. All monitoring of grantees is conducted in compliance with guidelines established in HUD Community Planning and Development Monitoring Handbook, 6509.2 REV-5.

**Validation, verification, improvement of measure.** CPD field offices report how many grantees were reviewed in the HUD Integrated Performance Reporting system. Field supervisors review monitoring activity and reporting by field staff. Monitoring conforms to both sound quality assurance practices and risk-based principles that focus on weak performers. In addition, the Office of Departmental Operations and Coordination performs Quality Assurance Reviews of HUD field offices, which validate the results of the monitoring of grantees.

**E2.11: The Office of the Chief Information Officer will perform Data Management Maturity assessments of four major HUD information systems and report on their level of maturity.**

**Indicator background and context.** Over the years, HUD’s program offices have developed a large number of data systems for a variety of business purposes such as controlling financial resources, tracking administrative procedures, and recording program impacts. Program offices are ultimately responsible for the management and quality of their data, including data provided by business partners. The Office of the Chief Information Officer oversees information technology investments and ensures that information systems support core business processes and achieve mission-critical goals.

The Office of the Chief Information Officer is initiating an enterprise-wide effort to ensure that HUD is aligning its data management priorities with the Department’s mission and program office objectives, which will result in improved data management functions across the enterprise. This initiative is enabling the Department, in program areas and in Lines of Business areas, to evaluate the data management practices used in these areas and to provide guidance on improving the management of the information necessary for HUD to conduct its mission. To meet these goals, the Office of the Chief Information Officer will conduct four Data Management Maturity assessments and provide reports to the system stakeholders by the end of FY 2008.

**Data source.** Results of the Data Management Maturity assessments are maintained in the Office of the Chief Information Officer administrative repository under configuration control.

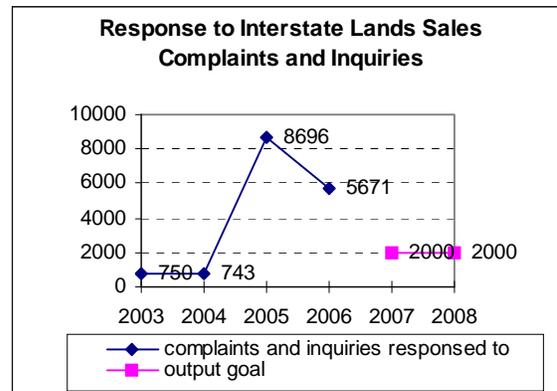
**Limitations/advantages of the data.** Measuring the Data Management Maturity level is dependent upon the quality of the system’s documentation and the ability to produce the information needed within the timeframe necessary to conduct the Data Management Maturity assessment.

**Validation, verification, improvement of measure.** The Office of the Chief Information Officer Data Management Maturity assessment reports identify the objective criteria for evaluating the Data Management Maturity and the results of the assessment.

**E2.12: Respond to 2,000 inquiries, complaints and subdivision registrations related to the Interstate Land Sales Full Disclosure Act.**

**Indicator background and context.** Consumers are protected from fraud and abuse in the sale or lease of nonexempt undeveloped lots or units through a program mandated by the Interstate Land Sales Full Disclosure Act (Title XIV of the Housing and Urban Development Act of 1968, as amended), which also requires registration of subdivisions marketed in interstate commerce. This program protects consumers by making developers provide pertinent information to consumers when they are considering purchasing land, and imposes on developers statutory and regulatory penalties for non-compliance.

The goal of the Interstate Land Sales program is to ensure compliance with the Act. Full disclosure of pertinent facts to consumers in Property Reports ensures that they are knowledgeable about the lot and surrounding common areas and infrastructure for future housing construction and helps to prevent them from becoming unwitting victims of fraud in the purchase or lease of land. To ensure that consumers benefit from up-to-date information about their rights in the purchase or lease of land, and to ensure that appropriate remedies are



implemented in cases where these rights have been violated, the Office of Interstate Land Sales will respond to 2,000 inquiries, complaints and subdivision registrations in FY 2008.

**Data source.** – PO 30 Case Tracking System and Website email box. Actions that are counted include advisory opinions, initial filings, financial statements, amendments, annual reports, certification requests, consolidations, exemption orders, no action letters, and consumer complaints received about violations of the Act as well as referrals from other regulatory agencies.

**Limitations/advantages of data.** Complaints and registrations received will determine the number of responses during the fiscal year, though based on past practice the Department expects to respond to 2,000 inquiries, complaints, and subdivision registrations.

**Validation, verification, improvement of measure.** Management reviews tracking system and e-mail data on an ongoing basis.

**E2.13: By the end of FY 2013, HUD will have an enterprise-wide financial management system that is compliant with all laws and regulations.**

**Indicator background and context.** A major initiative for the Department is the modernization of its core financial systems through the HUD Integrated Financial Management Improvement Project, which will ensure that all financial systems initiatives at HUD transition to a single integrated system to achieve consolidated financial management. The Department currently maintains four financial systems that support core financial functions, including a reporting system to prepare consolidated financial statements for internal and external reporting. The initiative will be to implement an enterprise financial system via a multi-year phased project plan that builds upon the successful financial systems modernization work completed by FHA, Ginnie Mae, and the Office of Federal Housing Enterprise Oversight. The Office of Chief Financial Officer eliminated its financial statement non-compliance issues; and the Department achieved an unqualified audit opinion in FY 2006 with no material weaknesses.

In FY 2006, the Office of Chief Financial Officer established an integrated procurement team and completed a solicitation for contractor resources to achieve the vision for integrated financial management. In FY 2007, the Office of Chief Financial Officer conducted a full and open public/private competition to select a qualified system integrator/shared service provider for the integration project. In FY 2008, the Office of Chief Financial Officer will have an approved project plan and schedule to achieve integrated financial management for the Department.

In addition to being responsive to a number of PMA initiatives, completion of this outcome measure will result in a reduction in the number of systems maintained, provide online, real time information for management decision making, enable the Department to participate in e-government initiatives, and align with HUD's information technology modernization goals. Maintaining an integrated financial management system will ensure standardization of systems and processes, reduce costly and inefficient operations maintenance, ensure ongoing compliance with federal financial and accounting requirements, and strengthen internal controls to ensure full compliance with all pertinent laws and regulations.

**Data Source:** The Office of Chief Financial Officer will continue to obtain unqualified financial statement audit opinions in FY 2008.

**Limitations/advantages of the data.** Contractor resources will be obtained through a fixed price performance based contract and service level agreement to ensure the contractor assumes a portion of the responsibility for timely completion of the project. The consolidated business case and project plan developed will include collaboration with the contractor project team that will participate in and share the goals and objectives established for the project.

**Validation, verification, and improvement of measure:** The Department will receive an unqualified financial statement audit opinion FY 2008.

## Objective E3: Improve accountability, service delivery, and customer service of HUD and its partners.

### E3.1: HUD partners become more satisfied with the Department's performance, operations, and programs.

**Indicator background and context.** HUD partners are critical for the Department's success in achieving desired outcomes. Partners, including both governmental and private entities, are the primary service deliverers for most HUD programs, with funding provided through grants and formula distribution and programs operated under HUD's guidance and monitoring. Increasing partners' satisfaction with the Department makes them more willing to support HUD in achieving common objectives.

HUD surveyed eight partner groups during FY 2001 and FY 2005 to assess partner satisfaction with HUD. The partner groups included community development directors, PHA directors, Fair Housing Assistance Program directors, mayors, multifamily owners, and nonprofit providers. Overall satisfaction by partners varied greatly, with Fair Housing Assistance Program directors and mayors highly satisfied and PHA directors and multifamily owners less satisfied. Compared with FY 2001, 5 of 8 groups expressed greater satisfaction with HUD's programs in FY 2005 (with one change, Mayoral partners, statistically significant), and 3 of 8 groups expressed greater satisfaction with HUD's operations of those program (with two, Community Development Department and Public Housing Agency partners, statistically significant improvements and one, Section 202/811 Multifamily Housing partners, significant decrease). The Department's goal is to see a significant increase in the satisfaction of partner groups when the survey is replicated. If resources are available, a third party survey will be conducted in FY 2008, and results would be released during FY 2009.

**Results of HUD Partner Surveys, FY 2001 and FY 2005**

	Percent satisfied or very satisfied with "the HUD programs you currently deal with."		Percent satisfied or very satisfied with "the way HUD currently runs those programs."	
	2001	2005	2001	2005
Community Development Department partners	87%	92%	73%	*81%
Mayoral partners	88%	*91%	79%	79%
Public Housing Agency partners	59%	64%	39%	*50%
Fair Housing Assistance Program Agency partners	85%	84%	68%	66%
HUD-Insured Multifamily Housing partners	69%	67%	60%	58%
HUD-Assisted Multifamily Housing partners	62%	78%	53%	53%
Section 202/811 Multifamily Housing partners	88%	82%	78%	*70%
Non-profit Housing partners	62%	66%	52%	57%

\* Statistically significant change with 95% confidence.

**Data source.** Partner satisfaction is assessed through stakeholder surveys conducted approximately every three years. The 2006 report, “Partner Satisfaction with HUD’s Performance,” is available at [www.huduser.org](http://www.huduser.org).

**Limitations/advantages of the data.** The overall response rate for the FY 2005 survey effort was 73 percent, substantially higher than typical levels for comparable surveys. Sources of satisfaction or dissatisfaction may be difficult to identify, and a single policy or event may satisfy some partners and dissatisfy others. HUD modifies the survey methodology and instrument to focus on pertinent management topics and improve validity of results. As a result, responses may not be strictly comparable from year to year.

**Validation, verification, improvement of measure.** The survey instruments used in FY 2001 and FY 2005 each were pretested to validate the data collection. The surveys differ slightly in focus because the management environment has changed, although a core set of questions are retained to ensure comparability. In related research, focus groups were conducted in FY 2000 to assess partner needs and opinions as they relate to reporting program results. Survey results are substantially verified in a qualitative way on an ongoing basis as the Department solicits views of partner groups in program activities and negotiated rulemaking.

**E3.2: At least 85 percent of key users (including researchers, state and local governments, and private industry) will be satisfied with the quality and usefulness of the Office of Policy Development and Research work products.**

**Indicator background and context.** The Office of Policy Development and Research helps support HUD’s outcome goals of accountability, service delivery, and customer service in numerous ways. One way to assess this contribution is to periodically survey key stakeholders to determine whether they view the Office of Policy Development and Research’s work products to be valuable and to obtain feedback on how they can be improved. For the purposes of this survey, the Office of Policy Development and Research’s “products” are defined as research publications, data files, and internal work products in support of program disciplines.

A structured sample survey of the Office of Policy Development and Research’s customers conducted during FY 2005 shows a sustained high level of satisfaction. Among FY 2005 respondents, 87 percent were highly satisfied or moderately satisfied with the quality of the information available on HUD USER, exceeding the 80 percent finding the information “valuable.” Satisfaction with the quality of information was even higher among the key users of the listserv groups, reaching 94 percent. Regarding the HUD USER website itself, 84 percent of respondents expressed satisfaction. Sixty percent of these users typically use the information for research. Overall website satisfaction was higher among the key users, reaching 92 percent among News and American Housing Survey listserv respondents and 93 percent among Regulatory Barriers Clearinghouse respondents.

HUD’s goal is to ensure that in followup customer satisfaction surveys, at least 85 percent of key users express satisfaction with the quality, usefulness, and availability of the Office of Policy Development and Research products. This goal will be pursued by seeking measurable improvements in areas that respondents have identified as needing improvement, such as stronger search capabilities on the website. During FY 2006, the Office of Policy Development and Research implemented a plan to further

strengthen HUD USER operations by addressing research findings and suggestions from the FY 2005 survey respondents. The office also contracted with the National Academy of Sciences to evaluate independently its research agenda and operations. The Academy’s evaluation is expected to be completed during FY 2008.

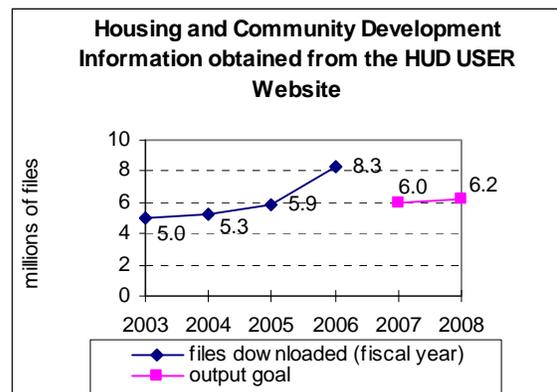
**Data source.** This indicator is measured using periodic customer surveys. The results of the FY 2005 survey are presented in full in the final report, “Assessment of the Office of Policy Development and Research Website.” Performance during FY 2007 and future years will be measured by conducting new surveys periodically. The next survey of listserv and web users will be scheduled after the completion of the National Academy’s assessment.

**Limitations/advantages of the data.** The survey research is designed and pilot-tested to produce valid results that are representative of the Office of Policy Development and Research key users. Followup telephone interviews of a convenience sample of respondents are anticipated to produce more in-depth information and better understanding of the results from the listserv and web user surveys.

**Validation, verification, improvement of measure.** Successive survey efforts incorporate improvements over previous instruments and methods. The National Academy of Sciences evaluation also may identify areas needing specific assessment and inform the next survey design. The 2005 web-based survey included features designed to boost response rates.

### E3.3: More than 6.2 million files related to housing and community development topics will be downloaded from the Office of Policy Development and Research’s website.

**Indicator background and context.** In 1978, the Office of Policy Development and Research established HUD USER, an information source for housing and community development researchers and policymakers to strengthen policy and ultimately improve community outcomes. HUD USER is one of the principal sources for federal government reports and information on housing policy and programs, building technology, economic development, urban planning, and other housing-related topics. HUD USER also creates and



distributes a wide variety of useful information products and services, including products essential to HUD program operations. This measure includes downloads from the Regulatory Barriers Clearinghouse that HUD developed at the request of Congress. This clearinghouse, [www.regbarriers.org](http://www.regbarriers.org), helps stakeholders share information about ways to remove regulatory barriers to affordable housing.

Substantial HUD USER activity is an indication of the value of the Office of Policy Development and Research’s work, and of HUD USER’s coordination function on behalf of HUD’s customers. During FY 2006, users downloaded a record volume of 8.25 million files from the HUD USER research clearinghouse at [www.huduser.org](http://www.huduser.org). The number of downloads varies from month to month, reflecting

the timing and popularity of new reports and information. The FY 2008 goal is to sustain 6.2 million downloads, reflecting a narrowing pipeline of research and evaluation consistent with several years of restricted research funding.

**Data source.** Usage data are provided in monthly reports from Sage Computing, HUD's web hosting and content-management provider for HUD USER. The number of downloads varies from month to month, reflecting the timing and popularity of new reports and information.

**Limitations/advantages of the data.** The data are generated with WebTrends software, a standard analytical application in the web-hosting industry. No counting errors are expected. Users may download multiple files while obtaining the information they were seeking, and a single user may download the same product more than once. An effort has been made to exclude partial downloads, but a small proportion of partial downloads are known to remain.

**Validation, verification, improvement of measure.** Frequent reporting and summary statistics in monthly usage reports allow managers to verify usage patterns. A survey of HUD USER customers during FY 2005 provided independent qualitative and quantitative information for validating usage patterns from automated data.

#### **E3.4. One hundred percent of HUD Grantees in competitive programs will have moved to performance-based management and program evaluation through use of the eLogic Model.**

**Indicator background and context.** The logic model, as a multi-purpose tool used for planning, program management, monitoring and reporting, and evaluation purposes, serves as an executive summary of a grant application. The logic model embodies the requirements of the Government Performance and Results Act of 1993, which requires all federal agencies to: establish performance goals; express goals in objective, quantifiable and measurable form; describe operations, skills, technology, staffing, information or other resources needed to reach goals; establish performance indicators to measure outputs, service levels and outcomes of each activity; and provide a basis for comparing actual results with goals.

HUD has analyzed narrative responses submitted in logic models since 2004 and worked with grant program managers to build an enterprise grants data model and to populate response tables in the new eLogic Models. In FY 2008 HUD will work to ensure that all grantees in competitive grant programs submit a complete eLogic Model with their application, and use the same form to report actual performance in regularly scheduled performance reports (quarterly, semi-annually, or annually). The move to the eLogic Model will enhance accountability of HUD and its partners by mapping the processes that will produce important outcomes.

**Data source.** eLogic Models will be stored in Grants Interface Management System.

**Limitations/advantages of the data.** Consistent use of the eLogic Model by competitive grantees for application and performance reporting will contribute to data standardization, as well as support enterprise level reporting of results for HUD grant programs.

**Validation, verification, improvement of measure.** Data are assessed and will be validated by staff. Staff, with contractor support, and in consultation with program managers, annually assesses responses,

categorizing and counting frequency of use of each response option. Based on these tabulations, HUD staff proposes revisions and consolidation of data elements to streamline the data model and to achieve greater transparency and enterprise-wide consistency in reporting results of HUD grant programs.

### **E3.5: Ensure appropriate use of funds among 100 percent of Fair Housing Initiatives Program and the Fair Housing Assistance Program grantees in compliance with cooperative and grant agreements.**

**Indicator background and context.** The Fair Housing Initiatives Program and the Fair Housing Assistance Program provide services for all segments of society to ensure equal opportunity in housing. These are the Office of Fair Housing and Equal Opportunity's only grant programs, and must be appropriately monitored as they are expected to be allocated \$45 million, as requested in the FY 2008 budget request. The Office of Fair Housing and Equal Opportunity will monitor program compliance for all grants and conduct in-depth agency-specific monitoring for high-risk grantees.

In FY 2006, the Fair Housing Initiatives Program and the Fair Housing Assistance Program were assigned \$45.5 million and HUD conducted monitoring reviews of 100 percent of the agencies funded through these programs. In some instances, agencies were monitored numerous times throughout the fiscal year to ensure compliance with applicable regulations. Specifically, in FY 2006, HUD conducted 169 monitoring reviews of Fair Housing Initiatives Program grant recipients and 102 reviews of Fair Housing Assistance Program recipients.

The total number of reviews is based on the number of active grant awards and the number of agencies with laws deemed substantially equivalent to the Fair Housing Act. To the extent there are significant issues, concerns, or findings identified during monitoring and technical assistance, corrective action(s) are immediately taken.

**Data source.** The Office of Fair Housing and Equal Opportunity field offices report the number of reviews conducted in the HUD Integrated Performance Reporting System.

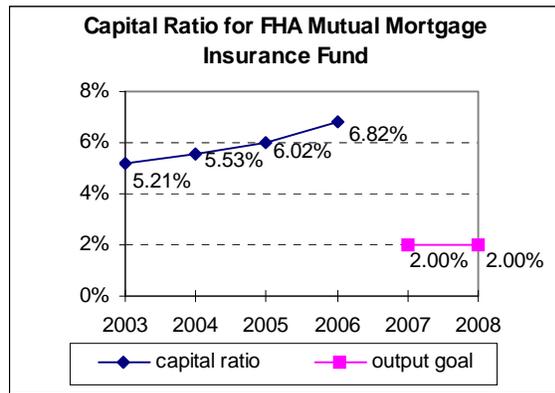
**Limitations/advantages of the data.** The system captures quantitative information, but does not provide any qualitative information regarding outcomes of the reviews.

**Validation, verification, improvement of measure.** Program directors in the field and headquarters will conduct performance monitoring, provide technical assistance, and review all reports for completeness and accuracy.

### **E3.6: The FHA Mutual Mortgage Insurance fund meets congressionally mandated capital reserve targets.**

**Indicator background and context.** FHA's Mutual Mortgage Insurance fund covers all expenses, including insurance claims, incurred under FHA's basic single family mortgage insurance program. The capital ratio is an important indicator of the Mutual Mortgage Insurance fund's financial soundness and of its continuing ability to make homeownership affordable to more renters even when economic downturns increase insurance claims.

Congress intended and designed the insurance program and fund to be entirely self-financing through up-front and annual insurance premiums paid by borrowers obtaining FHA mortgage loans and through earnings on fund assets. Because the Department is expected to operate the program in an actuarially sound way, the fund is subject to an annual actuarial review that assesses the fund's current economic value, its capital ratio, and its ability to provide homeownership opportunities while remaining self-sustaining based on current and expected future cash flows.



The capital ratio is defined as the sum of FHA's capital resources plus the net present value of expected future cash flows (resulting from premium collections, asset earnings, and insurance claim losses) divided by the amortized insurance-in-force. The capital ratio has exceeded significantly the congressionally mandated 2 percent threshold for solvency since 1995.

**Data source.** Annual independent actuarial review of the Mutual Mortgage Insurance fund.

**Limitations/advantages of the data.** The data are generated and solvency is assessed independently. FHA data are entered by direct-endorsement lenders and loan servicers with monitoring by FHA.

**Validation, verification, improvement of measure.** The annual independent actuarial review of FHA's Mutual Mortgage Insurance fund includes an estimate of the current and projected capital ratio.

## Objective E4: Capitalize on modernized technology to improve the delivery of HUD's core business functions.

**E4.1: The rate of program errors and improper payments in HUD's rental housing assistance programs will continue to be reduced.**

**Indicator background and context.** The rental housing assistance programs (public housing, Housing Choice Vouchers, and project-based assistance programs) constitute HUD's largest appropriated activity, with over \$27 billion in annual expenditures. There are three major sources of error in these complex programs:

- Program administrator error: the program administrator's failure to properly apply income exclusions and deductions and correctly determine income, rent, and subsidy levels;
- Tenant income reporting: the tenant beneficiary's failure to properly disclose all income sources; and
- Billing error: errors in the billing and payment of subsidies between third party program administrators and HUD.

In 2000, a HUD Quality Control Study estimated that 60 percent of all subsidized rent calculations were done in error, and that there were approximately \$3.2 billion in gross improper payments and \$2 billion

in net annual subsidy overpayments attributed to the combination of program administrator errors and tenant income reporting errors. (The baseline studies for the third component, billing error, were completed later.) HUD's Office of Inspector General had identified rental assistance payment errors as a material weakness in past audits of the Department's financial statements (the issue was downgraded to a less serious reportable condition in FY 2005). In response, HUD has committed to specific and aggressive corrective actions as part of the Eliminate Improper Payments initiative of the President's Management Agenda. HUD established a goal for a 50 percent reduction in both the frequency of errors, and the \$2 billion in net annual overpayments by FY 2005. Based on a study of FY 2005 program activity, HUD exceeded that goal by reducing net annual overpayments by 69 percent, as follows:

<b>Reduction in Improper Payments Due to Subsidy Determination and Income Reporting Errors</b>				
(Dollars shown in Billions)				
<b>Errors</b>	<b>Over Payments</b>	<b>Under Payments</b>	<b>Net Over- Payments</b>	<b>Gross Improper Payments</b>
2000	\$2.594	\$.622	\$1.972	\$3.216
2005	\$.943	\$.341	\$.602	\$1.284
Reduction, 2000-2005	\$1.651	\$.281	\$1.370	\$1.932
Percentage reduction	64%	45%	69%	60%

HUD initiated the Rental Housing Integrity Improvement Project in the spring of 2001 to address this improper payment issue and the associated high program risks and material internal control weaknesses identified by the GAO and HUD Inspector General. An initial focus of this project was to reach out and communicate the nature and significance of the improper payment problem to HUD's program partners, housing industry groups, and tenant advocacy groups, and to solicit their support in developing and implementing corrective actions to reduce improper payments. Early efforts also focused on providing better program guidance and training to program administrators, tenant beneficiaries, and HUD monitoring staff. HUD's outreach, guidance and training activities were significant contributing factors to the improper payment reductions realized to date. Other contributing factors included increased monitoring by Performance-Based Contract Administrators in the Section 8 Project-Based Assistance program; early impacts of the Rental Integrity Monitoring efforts in the public housing and Housing Choice Voucher programs; promotion and initiation of improved computer matching efforts for tenant income verification; and improvements to the process for measuring the impacts of undisclosed tenant income sources.

With enactment of the Improper Payments Information Act of 2002, and issuance of OMB's implementation guidance for the Act, HUD is now required to annually set goals and report on its progress in reducing gross improper payment levels as a percentage of total program payments. HUD has set aggressive goals as follows:

Rental Assistance Improper Payment (IP) Reduction Outlook								
FY 2005–FY 2008								
(Dollars shown in billions)								
	FY 2005 Payments	Improper Payments						
		FY 2005 \$	FY 2005 % Goal/Actual		FY 2006 % Goal	FY 2007 % Goal	FY 2008 % Goal	FY 2009 % Goal
<b>Rental Assistance</b>	\$27.242	\$1.464	5.6	5.4	5.0	4.0	3.0	2.5

HUD’s aggressive improper payment reduction goals are contingent on the expansion of computer matching processes to verify tenant beneficiary income, and on HUD’s ability to sustain an adequate level of monitoring of program administrator performance.

In January 2004, HUD received statutory authority to work with the Department of Health and Human Services to pursue enhanced computer matching capability using the National Directory of New Hires database, which is a central source of wage, unemployment benefit, and new hires information for most employed individuals in the United States. The Enterprise Income Verification system (formerly known as the Upfront Income Verification system) is HUD’s effort to share state wage and unemployment information with PHAs for use in verifying tenant income. In October 2005, HUD began making the National Directory of New Hires data available to PHAs through the Enterprise Income Verification system and completed implementation in FY 2006.

While HUD had planned to implement the new computer matching authority for its Project-Based Assistance programs in FY 2007, negotiations with the Department of Health and Human Services continue and full implementation is likely to be rescheduled for late FY 2007 or the beginning of FY 2008. This delay has caused HUD to revise its improper payments percentage goal for FY 2007 from 3.0 percent to 4.0 percent and its FY 2008 goal from 2.5 percent to 3.0 percent. Attainment of HUD’s final goal of 2.5 percent has now been projected for FY 2009. This increased computer matching capability has the potential to eliminate the majority of the remaining estimated improper payments related to program administrator errors and tenant underreporting of income.

**Data source.** Periodic error measurement studies overseen by the Office of Policy Development and Research and supported by the PIH and Housing program organizations.

**Limitations/advantages of the data.** The data are reliable for this measure, assuming availability of funding to cover the cost of the studies.

**Validation, verification, improvement of measure.** The independent HUD Office of Inspector General reviews the error measurement methodology and support, as well as management controls over the related program activity, as part of its audit of HUD’s annual financial statements. The Government Accountability Office also oversees HUD’s progress in addressing this issue, which GAO has designated as a high-risk program area. Due to HUD’s progress in reducing improper payments in the rental housing assistance program GAO’s high-risk program designation was eliminated in 2007.

**E4.2: PHAs will submit accurate tenant characteristics data on 97 percent of the households in accordance with established time frames and 95 percent of the required financial statements on a timely basis.**

**Indicator background and context.** Accurate and timely information about the households participating in HUD's housing programs are necessary to allow HUD to monitor the effectiveness of the programs, assess agency compliance with regulations, and analyze the impacts of proposed program changes. Several outcome indicators in the Annual Performance Plan use data about public housing or voucher households that housing agencies submit to the PIH Information Center system electronically through the Form 50058 module. PIH Information Center provides the primary source of data on participation in these programs, and field staff uses the data to monitor housing agencies. The level of Form 50058 reporting is a criterion for various program policies for public housing, housing, and voucher initiatives, including the Section Eight Management Assessment Program.

Current policy provides for sanctions for reporting less than 95 percent. Experience has showed that the actual results typically are better than the minimum acceptable limits and therefore the goal for FY 2008 has been set to attain an overall reporting rate of 97 percent.

Similarly, the timely submission of required financial information is instrumental in the Department providing the required oversight of PHA operations. For FY 2008, PIH's goal is to ensure that 95 percent of required financial statements for the Housing Choice Voucher only PHAs are submitted on a timely basis.

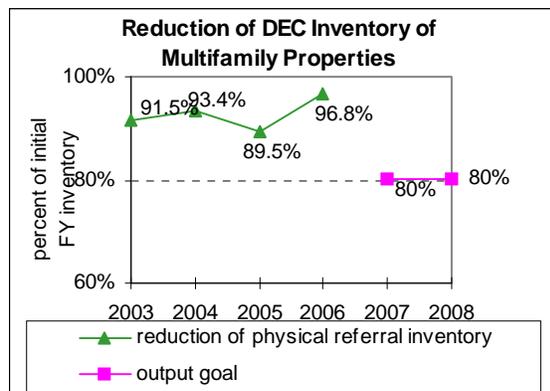
**Data source.** Reporting rates are determined from the standard reports that use the Form 50058 data in the PIH Information Center system. Late reporting is identified by automated PIH Information Center system 50058 module reports that specify late re-certifications for each housing agency and flag poor reporters. For the financial statement goal, statistics are extracted from the Real Estate Assessment Center's Financial Assessment Subsystem.

**Limitations/advantages of the data.** The identification of housing agencies that report poorly is straightforward and easily verifiable.

**Validation, verification, improvement of measure.** The Form 50058 module verifies the quality of tenant data by performing checks on data ranges and internal consistency. The tenant data and summary statistics are electronically available to housing agencies and field offices for verification, validation, analysis, and monitoring purposes. The Financial Assessment Subsystem tracks the acceptance by HUD reporting requirements. Financial statements are not deemed "received" unless they are physically submitted and are compliant.

**E4.3:** By taking aggressive civil or administrative enforcement actions, the Departmental Enforcement Center will assist the Office of Housing maintain the insured and/or assisted Multifamily housing properties in physically acceptable condition by closing 80 percent of the physical referral cases in the Departmental Enforcement Center as of October 1, 2007, by September 30, 2008.

**Indicator background and context.** The Office of General Counsel’s Departmental Enforcement Center has central responsibility for ensuring that troubled multifamily properties return to sound operation. Both the Office of Multifamily Housing and the Real Estate Assessment Center refer troubled properties to the Departmental Enforcement Center. The Real Estate Assessment Center assesses the management risk of multifamily projects based on physical and financial factors. Physical trouble typically consists of high capital needs backlogs and deferred and inadequate maintenance. Financial trouble can involve mortgage defaults, high vacancy rates, inadequate rent roll, excessive expenses, or fraud in the form of equity skimming. The Real Estate Assessment Center refers properties scored as “high risk” directly to the Departmental Enforcement Center.



The Departmental Enforcement Center works closely with the Office of Housing and other HUD program areas to determine appropriate remedies for referrals. Remedies can include recommendations (sanction notices) for debarment, or suspension. The Departmental Enforcement Center also refers some cases to the Department of Justice and Office of the Inspector General for criminal and civil proceedings. The FY 2008 goal is that the percentage of assisted or insured properties that pass Real Estate Assessment Center physical inspections would be maintained at least at 80 percent.

**Data source.** The Real Estate Assessment Center Physical Assessment Subsystem (PASS—the source for this indicator) and Financial Assessment Subsystem.

**Limitations/advantages of the data.** No data problems affect the reliability of this indicator.

**Validation, verification, improvement of measure.** See the discussion of Real Estate Assessment Center data in Appendix C.

## Strategic Goal F: Promote Participation of Faith-Based and Community Organizations

*Strategic Objectives:*

- F1 Reduce barriers to faith-based and community organizations' participation in HUD-sponsored programs.*
- F2 Conduct outreach and provide technical assistance to strengthen the capacity of faith-based and community organizations to attract partners and secure resources.*
- F3 Encourage partnerships between faith-based/community organizations and HUD grantees and subgrantees.*

### Objective F1: Reduce barriers to faith-based and community organizations' participation in HUD-sponsored programs.

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**F1.1:** The Center for Faith-Based and Community Initiatives will measure the participation of faith-based and community organizations, through new and past relationships with public-private partners and through the Department's SuperNOFA process for FY 2008 compared to FY 2007.

**Indicator background and context.** Through this indicator, HUD's Center for Faith-Based and Community Initiatives measures progress toward the important outcome of increasing both the number and types of organizations participating in the Notice of Funding Availability process. HUD will continue to "open doors" to advance and maximize the participation of faith-based and community organizations in HUD-sponsored programs through the promotion and enforcement of Equal Treatment regulations and Executive Order 13279. These regulations will provide faith-based and community organizations with equal access and equitable participation in the Notice of Funds Availability (SuperNOFA) application process and other grant programs.

Executive Order 13279 ensures equal protection of the laws for faith-based and community organizations, to further the national effort to expand opportunities for, and strengthen the capacity of, faith-based and other community organizations. The Department enforces these regulations so that faith-based and community organizations may better meet social needs in America's communities through increased access to HUD resources and utilization of more effective strategies to improve access to HUD sponsored programs. The Center for Faith-Based and Community Initiatives and CPD published a policy directive that provides detailed guidance for implementing the rules relating to CPD programs in light of the specific requirements of the affected programs. In addition to this directive, all CPD program offices reviewed their non-regulatory guidance documents, such as handbooks and funding notices, to ensure that all were compliant with Executive Order 13279 and the new final rules. In several instances,

handbooks were modified to ensure that references to faith-based organizations were consistent with HUD policies.

**Data source:** Reports are provided by HUD program offices and compiled in a data collection report from HUD's Center for Faith-Based and Community Initiatives.

**Limitations/advantages of the data:** Faith-based and community organizations self-identify in the Notice of Funding Availability. The advantage of compiling data on reducing barriers is to provide insight into the reasons why these organizations are disinterested in partnering with the government. These data also provide us with information on the importance of enforcing these regulations and discarding and refining others to decrease the complexity of bureaucracies which prevent these organizations from offering effective service to those in need.

**Validation, verification, and improvement of measure:** As reported to the White House in a data collection report, these regulatory requirements insure the proper application and interpretation of the rules protecting the rights of faith-based and community organizations, thereby enabling effective and equitable assessments of grant opportunities.

## **Objective F2: Conduct outreach and provide technical assistance to strengthen the capacity of faith-based and community organizations to attract partners and secure resources.**

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**F2.1: Comprehensive outreach programs are conducted for faith-based and community organizations throughout the nation to increase partnerships and provide information on HUD programs and resources.**

**Indicator background and context:** In order to ensure that faith-based and community organizations have equal access to HUD and private funding opportunities, comprehensive outreach programs are delivered both electronically and through participatory events. To strengthen the capacity of these organizations, technical assistance and capacity building programs are provided through convening and/or participating in "Unlocking Doors Initiative" forums, "Art & Science of Grant Writing" training sessions, conferences, and workshops. The Center will facilitate or oversee faith-based and community organizations' liaison participation in national, regional, and state conferences across the country, resulting in outreach to many of the nation's grassroots and large faith-based and community social service providers. In particular, during FY 2008, the Center will facilitate 30 "Art & Science of Grant Writing" training sessions and 7 "Unlocking Doors Initiative" forums.

The electronic outreach programs are conducted through the Center for Faith-Based and Community Initiatives' website, emails, teleconferences, web casts and mass mailings utilized to inform Faith-Based and Community Organizations about HUD programs. Information is provided through communication with more than 17,000 Faith-Based and Community Organizations in our database. Technical assistance and training programs have reached over 400,000 constituents by strategically coordinating activities organized through our 81 field offices, state and local governments, university partnerships, one-on-one

meetings with faith-based and community leaders, and public speaking engagements. These activities resulted in enhanced outreach to many of the nation's grassroots and large faith-based and community organizations, providing participants with approaches to obtaining funding and developing strategies to augment their organizations' capacity. The success of the "Art & Science of Grant Writing" and the Unlocking Doors Initiative has equipped faith-based and community organizations with the comprehensive knowledge needed to connect with and State and local partners.

**Data source:** Accomplishments and outcomes will be assessed and documented by the HUD Center for Faith-Based and Community Initiatives.

**Limitations/advantages of the data:** The data provide insight into the effectiveness of HUD's outreach programs as manifested through the success of our constituents and the impact that it has on their community. The qualitative milestones used for elements of this indicator do not require numerical databases.

**Validation, verification, and improvement of measure:** Milestones and performance indicators will be supplemented or replaced by qualifying measures as grant program initiatives and projects are implemented and evaluated.

## Objective F3: Encourage partnerships between faith-based/community organizations and HUD grantees and subgrantees.

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**F3.1: The Center for Faith-based and Community Initiatives will work cooperatively with the HUD program offices to build and expand partnerships between Faith-based and Community Organizations and our traditional local grantees and sub-grantees.**

**Indicator background and context:** The Unlocking Doors Initiative highlights and promotes successful local strategies for involving faith-based and community organizations in programs designed for developing affordable housing plans and building partnerships with state and local governments to promote homeownership opportunities to the recipients of HUD services. The Unlocking Doors Initiative has been expanded to include 16 U.S. cities. This affordable housing Initiative includes roundtable discussions with key faith-based and community organization leaders, officials from mayors' offices and public-private partners in the designated cities. Partnerships with grantees and sub grantees are established through Unlocking Doors Initiative forums, the HOPE VI mentoring program, and the Art and Science of Grant-writing training sessions. The Center will report on activities resulting from these partnerships in FY 2008.

A report entitled "Key to Successful City Hall, Faith-based and Community Partnerships" highlights successful relationships between local governments and faith-based and community organizations in designated cities. This report is distributed to mayors across the nation to show effective ways to replicate leading and winning strategies employed in their cities. Through the Unlocking Doors program, HUD has worked with major institutions of higher learning such as the University of Southern California and Harvard University. The program with the University of Southern California, Economic Development

division, resulted in a panel discussion on effective partnerships which aired on Trinity Broadcast network and viewed by thousands of faith-based and community organization's and mayors in California. The Harvard University Kennedy School of Government partnership resulted in interactive on line communication sessions addressing issues involving affordable housing on local and national levels.

The Center for Faith-Based and Community Initiatives works in tandem with the Office of Public and Indian Housing to continue the successes of its joint project, the HOPE VI Mentoring Program. This program encourages Public Housing Authorities to enlist area faith-based and community organizations in identifying mentors for public housing residents moving toward self-sufficiency in the three cities that won grant awards (Danville, Virginia; Philadelphia, Pennsylvania; and Chicago, Illinois). This pilot tested a fee-for-service model in which the faith-based and community organizations are remunerated for the service they provide, according to stipulated self-sufficiency benchmarks.

**Data source:** Analysis of the successful practices within the "Unlocking Doors" cities and compilation of results from the number of benchmarks reached in the HOPE VI Mentoring program.

**Limitations/advantages of the data:** The primary limitation affecting this indicator is that these forums and the mentoring programs are difficult to measure consistently and objectively because they are based on results over a long period of time.

**Validation, verification and improvement of measure:** Validations are assessed and verified by the Center for Faith-Based and Community Initiatives.

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# APPENDICES

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## APPENDIX A: Amendments to the Fiscal Year 2007 Annual Performance Plan

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This Appendix is divided into two parts. The first part consists of amendments to indicators contained in the FY 2007 Annual Performance Plan. The second part consists of those performance indicators that will now be added to the FY 2007 Annual Performance Plan.

### Part I - Indicators Amended in the FY 2007 APP

#### Goal A: Increase Homeownership Opportunities

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**A1.12: The number of households receiving homeownership assistance and homeowners receiving housing rehabilitation assistance from the Community Development Block Grant, the Indian Housing Block Grant, and the Native Hawaiian Housing Block Grant.**

The CDBG goal has been revised upward to 134,963 households to reflect actual program outcomes in FY 2006 and the FY 2007 appropriations. This figure comprises 127,563 owner-occupied units receiving housing rehabilitation assistance and 7,400 households receiving assistance directly contributing to homeownership.

**A1.15: Create net household equity of \$37.5 million through the Self-help Homeownership Opportunity Program.**

The indicator title has been revised to make clear that the goal refers to an annual, not cumulative, goal.

**A1.16: Through the HOPE VI Community and Supportive Services program, 133 public housing residents will become homeowners.**

The goal has been reduced from 156 families to 133 residents. As noted under B2.9, some HOPE VI homeownership programs have experienced delays for various reasons. In some areas, the housing market has slowed (increased interest rates, etc.) and is not able to absorb the homeownership units created in the time frame originally planned by the grantees, including assisting public housing individuals become homeowners. Additionally, HUD has changed the terminology from “families” to “residents” to more accurately reflect the method of data collection.

**A1.17: The HOPE VI program will create 800 new homeownership units.**

The number of new homeownership units to be created during FY 2007 has been reduced from 1,500 to 800 units because some HOPE VI homeownership programs have experienced delays for various reasons. In some areas, the housing market has slowed (increased interest rates, etc.) and is not able to absorb the homeownership units created in the time frame originally planned by the grantees.

**A2.5: The share of first time minority homebuyers among FHA first time home purchase endorsements is 35 percent.**

The indicator title has been slightly revised to modify “home purchase endorsement” with the term “first time” to more clearly indicate the group being measured.

**A2.9: Section 184 mortgage financing of \$197.25 million is guaranteed for Native American homeowners during FY 2007.**

The goal is being increased from \$159.6 million to \$197.25 million because currently the program is performing better than expected.

**A5.1: Increase the cumulative public and assisted homeownership closings under the homeownership option of the Housing Choice, Family Self-Sufficiency, and Moving to Work programs to 8,000 by the end of FY 2007.**

The indicator title has been slightly revised to clarify that the goal is consistent with previous PIH Administrative Fee Notices, which has been the basis for previously reported figures for this indicator.

**A6.2: More than 80 percent of total mortgagors seeking help with resolving or preventing mortgage delinquency will successfully avoid foreclosure.**

This target has been revised from 50 percent to 80 percent to incorporate a new methodology for calculating fiscal year performance. Under the new methodology, clients previously counted as “currently receiving counseling” are now excluded. Removing these cases will provide more accurate results on the success of the clients in preventing mortgage delinquency.

## **Goal B: Promote Decent Affordable Housing**

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**B1.3: The number of rental households and rental housing units assisted with CDBG, HOME Investment Partnerships, Housing Opportunities for Persons With AIDS, and Indian Housing Block Grants.**

The CDBG goal has been revised upward from 31,726 to 37,032 units to reflect actual program outcomes in FY 2006 and the FY 2007 appropriations.

The number of rental households and rental housing units assisted with Housing Opportunities for Persons With AIDS has been revised downward from 75,025 to 67,000 units to reflect data updates obtained through verification efforts with grantees.

**B2.1: Reduce the number of observed exigent deficiencies per property by 10 percent among PHAs that are designated as troubled by PHAS and have 5 or more deficiencies per property for public housing. Reduce the average number of observed exigent deficiencies per property for substandard multifamily housing properties by 10 percent.**

The portion of this indicator pertaining to public housing activity has been incorporated into an expanded B2.4.

**B2.2: The share of public housing units that meet HUD established physical inspection standards will be 85 percent.**

During FY 2007 there was a significant delay in the commencement of inspection activities as a result of delays in the federal budget. The first FY 2007 contract was let on May 5, 2007. These delays make attainment of the 85.5 percent goal unrealistic. Accordingly, PIH has reduced the target to 85 percent.

**B2.4: Key measures under the Public Housing Assessment System including (a) the unit-weighted average score, (b) observed exigent deficiencies per property among PHAs that are designed as troubled and have five or more deficiencies per property for public housing and (c) the share of units that have functioning smoke detectors.**

As noted under B2.6 below, the Department is in the midst of significant changes in assessment systems and a conversion to asset management. Until such time as operations are normalized, the Department will report these key indicators for tracking purposes. Thereafter the Department will develop and report against new, yet to be developed, performance measures.

**B2.6: The percent of public housing units under management of troubled housing agencies.**

The Department is in the process of the re-design and implementation of changes in the assessment systems for both its public housing and voucher programs during the FY 2007 to FY 2009 timeframe. During this period a comparison of results from year-to-year will be problematic. Additionally, after the new assessment systems are functional, the Department will develop new performance goals which will support PHA operations under asset management.

During FY 2007 there was a significant impact on inspection activities as a result of delays in the federal budget and reduction of budgetary resources. For example, the first FY 2007 contract was not let until May 5, 2007. Given the budgetary constraints that may prevent adequate resource levels in the future, asset management is the tool that will lead to a clearer understanding of limited funding allocations and therefore to a rational distribution of those funds to best serve our housing needs. The Department has decided to report these statistics for tracking purposes until operations are normalized.

**B2.7: The proportion of the Housing Choice Voucher program funding administered by troubled housing agencies.**

As noted under B2.6 above, there was a significant impact on inspection activities as a result of delays in the federal budget and a reduction in budgetary resources. The Department is in the process of implementing a new assessment system for this program during FY 2008 and FY 2009. During FY 2009 baseline data will be analyzed and improvement goals will be developed for reporting in FY 2010 and onward. Due to these factors, the Department has decided to report these statistics for tracking purposes until operations are normalized.

**B2.9: Ensure that unit production of HOPE VI projects is completed within 7.75 years from the grant agreement execution, and unit production will be completed for 75 HOPE VI grants awarded from FY 1993 through FY 2004.**

For FY 2007 the average length of time for completion has been increased from 7 to 7.75 years and the number of completed HOPE VI grants has been reduced from 85 to 75 grants. The hurricanes in the Gulf Coast area continue to have a significant negative impact on the construction industry, including HOPE VI grantees in the affected areas and beyond. The cost of construction has greatly increased and there is a shortage of resources in general, as priority is given often to the Gulf Coast area and its immense construction needs. These increased costs and resource shortages impact the housing industry in general, including grantees outside the Gulf Coast area. Due to various reasons, some PHAs have experienced difficulties in obtaining the necessary financing (e.g., tax credits, conventional financing) to meet the time frame for which they originally planned.

**B2.10: The HOPE VI program will leverage \$650 million of other financing.**

The performance goal has been reduced from \$800 million to \$650 million in FY 2007. As project completion is delayed – due to increased costs and resource shortages in the housing industry, along with a slowing in the housing market – finalization of financing has been affected negatively in some cases.

## **Goal C: Strengthen Communities**

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**C2.1: A total of 59,787 jobs will be created or retained through CDBG.**

The target for this indicator has been revised downward from 77,284 to 59,787 jobs to reflect actual program outcomes in FY 2006 and the FY 2007 appropriations. This figure comprises 54,287 jobs created through CDBG and 5,500 jobs created through the Section 108 Loan Guarantee program.

**C2.6: Renewal Communities and Urban Empowerment Zones expand economic opportunity in communities characterized by pervasive poverty, unemployment, and general distress.**

Three measures have been deleted because of problems with the reliability of available data. The data sources for (1) total number of businesses relied; (2) earned income tax credit, and (3) vacant addresses did not provide the validity necessary to be reliable performance measures. The measure for

Empowerment Zones and Renewal Communities employment credits has been revised from \$95 million to \$151 million based on actual performance. The measure for commercial revitalization deduction allocations has been revised from \$225 million to \$252 million based on actual performance.

**C2.9: HUD will monitor recipients' efforts to create Section 3 training, employment, and contracting opportunities at Section 3 covered projects for qualifying low- and very-low-income residents and Section 3 businesses by increasing HUD 60002 submissions by 10 percentage points.**

This indicator has been revised to more appropriately reflect a realistic and measurable output measure. Recipients of HUD funds covered under Section 3 are required to report Section 3 activities on HUD form 60002. The Office of Fair Housing and Equal Opportunity will monitor recipient efforts and compliance with Section 3 mandates via submission of the form.

**C3.6: FHA mortgage insurance enables at least four hospitals to obtain affordable financing for construction or modernization projects.**

This indicator has been revised downward from at least seven hospitals to at least four to reflect the Department of Health and Human Services' termination of an interagency agreement with HUD on July 1, 2007.

**C4.1: At least 410 functioning Continuum of Care communities will have a functional Homeless Management Information System by FY 2007.**

This target for this indicator has been revised upward from 395 to 410 Continuum of Care communities to reflect program performance in FY 2006.

**C5.1: The share of units that have functioning smoke detectors and are in buildings with functioning smoke detectors will be 92.8 percent or greater for multifamily housing.**

This indicator for public housing activity has been included in B2.4.

**C5.2: The number of children under the age of six who have elevated blood lead levels will be less than 240,000 in FY 2007.**

This indicator target was increased from 236,000 to 240,000 to reflect that the Centers for Disease Control data are rounded to the nearest tens of thousands.

## Goal D: Ensure Equal Opportunity in Housing

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**D1.4: By the end of FY 2007, at the National Fair Housing Training Academy, a cumulative number of 200 fair housing professionals will have received “five weeks” completion certificates to ensure effective, efficient, and consistent complaint investigations.**

This indicator has been revised to clarify that the 200 completions was always intended to mean “completion-to-date” and not 200 completions during FY 2007. Also, the indicator was revised to clarify that the language of the goal should be changed to reflect a distinction between a formal certification process that is implied by the use of the word “certification” when what the Academy currently provides is documentation of “completion.”

## Goal E: Embrace High Standards of Ethics, Management and Accountability

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**E1.1: The Resource Estimation and Allocation Process/Total Estimation and Allocation Mechanism/Corrective Action Plan System will complete four milestones in support of strategic human capital management.**

This indicator has been revised to replace two milestones with a new milestone to conduct a Resource Estimation and Allocation Process study of Single Family housing, covering approximately 950 Full Time Equivalency. The change is due to a lack of Salary and Expense and Working Capital funding for a contracted Resource Estimation and Allocation Process refresh and systems modification. An alternative is to train program managers to do their own refresh without contractor assistance in the future.

**E1.2: HUD will reduce mission critical skill gaps by reducing targeted competency gaps by 50 percent in its four core business program offices: Public and Indian Housing; Housing; Community Planning and Development; and Fair Housing and Equal Opportunity.**

The Department had expected to reduce, by an additional 15 percent from the FY 2006 reduction, its identified mission critical general skill gaps for the four core program offices: Public and Indian Housing; Housing; Community and Planning Development; and Fair Housing and Equal Opportunity. Data were not collected in a way to allow aggregate reporting to the program office level, however. Therefore, the focus of this indicator has been revised to better capture actual reporting data.

**E3.3: More than 6 million files related to housing and community development topics will be downloaded from the Office of Policy Development and Research’s website.**

The target for downloads from HUD USER has been decreased from 7.0 million files. The adjustment reflects a declining trend in downloads caused by two factors. Limited research funding for the Office of

Policy Development and Research for several years has reduced the pipeline of new evaluation reports that users desire to download. In addition, plans to increase HUD User efficiency by offering more products in hypertext markup language format rather than fixed documents are expected to reduce the number of files downloaded.

**E4.3: By taking aggressive civil or administrative enforcement actions, the Departmental Enforcement Center will assist the Office of Housing maintain the insured and/or assisted Multifamily housing properties in physically acceptable condition by closing 80 percent of the physical referral cases in the Departmental Enforcement Center as of October 1, 2006, by September 30, 2007.**

This indicator was revised to remove the association from the Multifamily Housing goal as well as to reduce the target from 89 percent to 80 percent. This reduction is the result of a reduced workload of physical cases handled by the Departmental Enforcement Center to the most egregious cases, which will affect the total number of properties in physically acceptable conditions, staffing resources, and the expansion of the Departmental Enforcement Center activity to assist other HUD offices.

## Part II - Indicators added to the FY 2007 APP

### Goal B: Promote Decent Affordable Housing

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**B1.10: Improve the utilization rate of Housing Choice Voucher funding to 97 percent by FY 2011.**

PIH is in the process of implementing a new monitoring system for the Housing Choice Voucher program (see B5.1, page 126). A component of that system will be the tracking of the utilization of Housing Choice Voucher program funding. PIH's plans are to establish interim goals for FY 2009 and FY 2010 such that the use of these funds will be at least 97 percent by FY 2011. PIH is adding this tracking indicator to report utilization in the FY 2007 Performance and Accountability Report.

### Goal C: Strengthen Communities

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**C1.2: CDBG disaster recovery funds will be used to make homeowner compensation payments to 130,000 households in Louisiana and Mississippi by September 2008.**

This indicator has been added to track performance of the five Gulf states in the use of CDBG disaster recovery funds to make homeowner compensation payments. CPD expects that most of the activity on this indicator will occur in FY 2007 and that 85,000 households will receive payments by September 2007.

**C1.3: Restoration and enhancement of infrastructure throughout the Gulf Coast region.**

This indicator has been added to track performance of the five Gulf states in the use of CDBG disaster recovery funds to construct streets, water lines, sewer systems, critical government building, and other public facilities in the support of relief, recovery, and revitalization of the most affected areas.

**C2.10: A total of 2,600 jobs and 1,000 housing units will be created through the Rural Housing and Economic Development program.**

HUD did not originally include an indicator for this program because no funding was requested for FY 2007. The Congress did appropriate funding for the program and therefore HUD is amending the FY 2007 Annual Performance Plan to reflect this action.

**C3.7: Stimulate community development activity totaling 10 times the Section 4 program investment.**

This indicator has been added to track performance in the Section 4 capacity building program, which is being funded as a competitive program for the first time in FY 2007.

## **Goal E: Embrace High Standards of Ethics, Management and Accountability**

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**E2.12: Respond to 2,000 inquiries, complaints and subdivision registrations related to the Interstate Land Sales Full Disclosure Act.**

This indicator has been added to the FY 2007 APP as an additional measure of the Department's efforts to ensure compliance with its programs.

**E2.13: By the end of FY 2013, HUD will have an enterprise-wide financial management system that is compliant with all laws and regulations.**

This long-term outcome performance indicator has been added to the FY 2007 APP to track progress on an integrated agency accounting and financial management system that provides complete, reliable, consistent, and timely information that is prepared on a uniform basis and is responsive to the financial needs of management. In FY 2007, the Office of the Chief Financial Officer will conduct a full and open public-private competition to select a qualified system integrator/shared service provider for the HUD Integrated Financial Management Improvement Project.

## APPENDIX B: Brief Description of Selected HUD Programs

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### American Dream Downpayment Initiative

American Dream Downpayment Initiative is part of a presidential initiative that increases and accelerates first-time homeownership by low-income families. The American Dream Downpayment Act established a formula under which funds are provided and administered by the Home Investment Partnerships program participating jurisdictions.

### Brownfields Economic Development Initiative

The Brownfields Economic Development Initiative is a competitive grant program that HUD administers to stimulate and promote economic and community development. The grants go to CDBG recipients for redevelopment of industrial or commercial sites known as brownfields due to the presence or potential presence of environmental contamination. These funds are used to enhance the security or to improve the viability of a project financed with a new Section 108 guaranteed loan commitment.

### Capacity Building for Community Development and Affordable Housing

This program provides assistance through the National Community Development Initiative, Local Initiatives Support Corporation, the Enterprise Foundation, Habitat for Humanity, and YouthBuild USA to develop the capacity and ability of community development corporations and community housing development organizations to undertake community development and affordable housing projects and programs.

### Community Development Block Grant Program

Community Development Block Grant is a formula program that allocates 70 percent of grant funds to units of general local government (entitlement communities) and 30 percent to states for the funding of local community development programs.

The primary objective of the program is to develop viable urban communities by providing decent housing and a suitable living environment and by expanding economic opportunities. Activities undertaken with the grants must meet one of the three broad national objectives: 1) benefit low- and moderate-income persons; 2) aid in the prevention or elimination of slums and blight; or 3) meet other particularly urgent community development needs. In addition, at least 70 percent of all CDBG funds received by a grantee must be used for activities that benefit persons of low and moderate income (those with incomes below 80 percent of area median family income). Through the Consolidated Plan process, recipients' select eligible activities that are appropriate to their needs and that reflect local priorities, and they determine how their performance will be measured.

## **Empowerment Zones/Enterprise Communities**

Launched in 1993, the Empowerment Zones/Enterprise Communities initiative is an interagency effort focused on creating self-sustaining, long-term economic development in distressed communities through the use of innovative and comprehensive strategic plans developed and implemented by partnerships among private, public and nonprofit entities in each community. In Empowerment Zones, communities have received wage tax credits and other incentives. Enterprise Communities receive smaller levels of grant funds from HUD.

There are three rounds of Empowerment Zones/Enterprise Communities. The first two rounds combine tax incentives with direct funding for physical improvements and social services. The third round includes only tax incentives. Grants can be used for a broad range of activities that assist residents, businesses, and organizations. Eligible activities include: workforce preparation and job creation efforts linked to welfare reform; neighborhood development; support for financing of capital projects; financing of projects in conjunction with the Section 108 loan guarantee program and other economic development projects; community policing; and health care. Congress extended Round I Empowerment Zones designations until the end of 2009.

## **Fair Housing Assistance Program**

The Fair Housing Assistance Program provides assistance to state and local government entities that administer fair housing laws certified by the Department as “substantially equivalent” to the Fair Housing Act (Title VIII of the Civil Rights Act of 1968). This assistance includes support for complaint processing, training, technical assistance, data and information systems, and other fair housing activities. The program is designed to build coordinated intergovernmental enforcement of fair housing laws and provide incentives for states and localities to assume greater responsibility for administering fair housing laws.

## **Fair Housing Initiatives Program**

This Fair Housing Initiative Program provides funding to Qualified Fair Housing Enforcement Organizations, Fair Housing Enforcement Organizations, public and private for-profit and nonprofit entities, and state or local governments formulating or carrying out programs to prevent or eliminate discriminatory housing practices. Funds enable the recipients to carry out activities designed to inform the public about rights and obligations under federal, state, or local laws prohibiting housing discrimination and to enforce those rights. There are four distinct categories of funding under this program: (1) the Administrative Enforcement Initiative; (2) the Education and Outreach Initiative; (3) the Private Enforcement Initiative; and (4) the Fair Housing Organizations Initiative.

## **Federal Housing Administration**

The Federal Housing Administration provides approved mortgagees with mortgage insurance to support increased homeownership and affordable rental opportunities across the nation.

Through its single-family programs, FHA helps low- and moderate-income families, including first-time homebuyers, minorities, and central-city residents, achieve homeownership. By insuring mortgages, FHA makes it much easier for homeowners to borrow the funds they need. Mortgage lenders are more willing to provide mortgage loans because they know that, in the case

of a mortgagor default, the federal government will protect them from losses. Most FHA mortgage loans for homeownership are insured through the Mutual Mortgage Insurance Fund. Other loans for purchasing homes, such as manufactured housing, rehabilitation and acquisition mortgages, and condominiums, are insured through the General Insurance/Special Risk Insurance (GI/SRI) Fund, as are home equity conversion mortgages for homeowners ages 62 and older.

FHA, through its GI/SRI fund, also insures loans for the development, rehabilitation, and refinancing of multifamily rental housing, including rental housing in underserved areas. Through its multifamily programs, FHA also insures assisted living facilities, nursing homes, and hospitals. FHA manages a multifamily affordable housing portfolio and works in conjunction with the Housing Certificate Fund to provide project-based Section 8 rental assistance for families in many FHA-insured multifamily properties.

### **Ginnie Mae Mortgage-Backed Securities Program**

The Government National Mortgage Association (Ginnie Mae), a wholly owned government corporation within HUD, was established to support federal housing initiatives by providing market liquidity for federally insured or guaranteed mortgages through the secondary mortgage market. This liquidity increases the flow of funds from the Nation's capital markets into the residential mortgage markets.

Through its Mortgage-Backed Securities Program, Ginnie Mae guarantees the timely payment of principal and interest on securities issued by private institutions and backed by pools of federally insured or guaranteed mortgage loans. Ginnie Mae's guaranty is backed by the full faith and credit of the federal government. The securitization of Federal Housing Administration, Rural Housing Service, and Veterans Affairs mortgages increases the availability of funds for lenders making these loans and thereby decreases the costs associated with making and servicing loans. This decrease in costs helps lower mortgage interest rates for homebuyers using federal government housing credit.

Ginnie Mae's multiclass securities program guarantees Real Estate Mortgage Investment Conduits and Platinum securities. These are multiple-class securities with different maturities, typically between two and 20 years, or with payments based on fractions of the MBS income stream. The Platinum security consolidates Ginnie Mae mortgage-backed securities pools with the same interest rate into larger pools, which are then sold to investors.

Ginnie Mae's Targeted Lending Initiative reduces the fees charged to lenders by up to 50 percent for making mortgage loans in any of the Nation's Empowerment Zones or Enterprise Communities and adjacent eligible central city areas. The initiative is consistent with Ginnie Mae's statutory purpose to promote access to mortgage credit in the central cities by increasing the liquidity of mortgage investments.

### **Healthy Homes Initiative**

The Healthy Homes Initiative builds upon the Department's existing activities in housing-related environmental health and safety issues—including lead hazard control, building structural safety, electrical safety, and fire protection—to address multiple childhood diseases and injuries in the home. The Initiative takes a holistic approach to these activities by addressing housing-related hazards in a coordinated fashion, rather than addressing a single hazard at a time. Under the Healthy Homes Initiative, HUD is implementing a multifaceted program to provide grants to

organizations to demonstrate and pilot test affordable new maintenance, renovation, and construction methods; implement a new public education campaign to prevent both emerging and well-recognized housing-related childhood diseases and injuries; conduct research; and assemble an interagency task force. In implementing the initiative, HUD is working closely with its federal partners, as well as with state and local governments and private-sector organizations.

### **HOME Investment Partnerships Program**

The HOME program helps to increase the supply of standard, affordable housing, with primary attention to rental housing, for low- and very-low-income families, by providing grants to states, units of general local government, and consortia of units of general local governments that are Participating Jurisdictions. HOME funds may be used for a wide range of eligible housing activities including rehabilitation, new construction, acquisition, and tenant-based rental assistance. The funds are allocated by formula: 60 percent to local governments and consortia and 40 percent to states.

### **Homeless Assistance Grants**

The purpose of this program is to break the cycle of homelessness and to move homeless persons and families to permanent housing. This is done by providing rental assistance, emergency shelter, transitional and permanent housing, and supportive services to homeless persons and families.

Homeless assistance grants provide federal support to one of the nation's most vulnerable populations. These grants assist localities in establishing systems that can address the housing and service needs of different homeless populations while providing a coordinated system that ensures the support necessary to help those who are homeless attain housing and move toward self-sufficiency.

### **HOPE VI**

The HOPE VI program assists public housing agencies to improve the living environment for public housing residents in severely distressed PHA properties through the demolition, rehabilitation, reconfiguration, or replacement of obsolete public housing projects. Through these efforts, the program is also intended to revitalize neighborhoods where the housing is located and to decrease the concentration of very-low-income families.

### **Housing Counseling Assistance Program**

HUD's Housing Counseling Assistance program offers the counseling services authorized by Section 106 through counseling agencies approved by HUD. Housing counseling services offered under HUD's program may include: assisting eligible homebuyers to find and purchase homes; helping renters locate and qualify for assisted rental units; helping eligible homebuyers obtain affordable housing; assisting homeowners to avoid foreclosures; assisting renters to avoid evictions; helping the homeless find temporary or permanent shelter; reporting fair housing and discrimination complaints; and addressing housing problems.

## Housing for the Elderly or Disabled Program

**202/811 Grants.** Sections 202 of the Housing Act of 1959 and 811 of the National Affordable Housing Act of 1990 authorize the use of capital advances and rental assistance to eligible nonprofit (private nonprofits under Section 202) sponsors to finance the development of rental housing with supportive services for the elderly or persons with disabilities. In addition, tenant-based assistance is provided for supportive housing for disabled renters to allow them to search for and rent a standard unit in the private market.

**Service Coordinators.** This program provides funding for service coordinators who assist elderly individuals and persons with disabilities, living in federally assisted multifamily housing, to obtain needed supportive services from community agencies. Services provided include meals, supportive services, housekeeping and chore assistance, personal care, laundry assistance, transportation services, and health-related services.

**Assisted Living Conversion.** This program provides funding for the physical costs of converting some or all units in an eligible development into an assisted-living facility.

## Housing Opportunities for Persons With AIDS

The Housing Opportunities for Persons With AIDS program gives states and localities resources and incentives to devise long term comprehensive strategies for meeting the housing needs of low-income persons living with HIV/AIDS and their families. Assistance enables these special needs households to establish or maintain stable housing, reduce their risks of homelessness, and improve their access to healthcare and other support. Grants may be used to provide a variety of forms of housing assistance, including emergency housing, shared housing arrangements, apartments, community residences, and single-room occupancy dwellings. Appropriate supportive services must be provided as part of any assisted housing.

HUD awards program funds through a formula allocation and a competitive grant process. Of funds appropriated in any given year, 90 percent are awarded by formula allocation to eligible states and populous cities in each Metropolitan Statistical Area that qualifies and follows HUD's Consolidated Plan process. Ten percent of the appropriated funding is awarded through a competitive selection process for model demonstration projects and projects in areas that do not receive formula funds. Eligible applicants for competitive grants are states, units of general local government, and nonprofit organizations.

## Indian Community Development Block Grants

This program offers grants on a competitive basis to eligible Indian tribes and Alaska Native villages to improve the housing stock, provide community facilities, make infrastructure improvements, fund microenterprises, and expand job opportunities.

## Lead-Based Paint Hazard Reduction Program

The primary purpose of this program is to reduce the exposure of young children to lead-based paint hazards in their homes. Lead Hazard Control Grants are made competitively to states and local governments with an approved Consolidated Plan and to Native American tribes to empower them to perform lead-hazard reduction activities in private low-income dwellings. These grants stimulate the development of a national lead abatement/hazard control infrastructure

by promoting state legislative action to establish lead-based paint contractor certification programs, stimulating state and local efforts at hazard reduction, and creating demand for such credentials by private contractors. Additionally, the technical studies component of the program permits activities such as technical assistance, quality control of evaluations, the development of standards, technical guidance materials, and regulations to provide for cost-effective hazard evaluation and control procedures, and technical studies and evaluation to develop streamlined methods of testing, hazard control, cleanup, clearance, and public education.

### **Manufactured Home Construction and Safety, and Installation Standards**

This program establishes standards and safety requirements for all manufactured homes. Under the National Manufactured Housing Construction and Safety Standards Act, the Secretary, working with the Manufactured Housing Consensus Committee, establishes appropriate federal manufactured home standards that meet the needs of the public, including quality, durability, and safety for the construction and installation of manufactured homes.

### **Indian Housing Block Grants (also known as Native American Housing Block Grants)**

This program authorizes housing assistance under a single block grant to eligible Indian tribes or tribally designated housing entities. The allocation is made under a needs-based formula. Eligible activities for providing affordable housing (or related housing services) include development of additional affordable housing; Indian Housing Assistance (modernization or operating assistance for housing previously developed or operated pursuant to a contract between HUD and an Indian housing authority); housing-related services for affordable housing; management services for affordable housing; safety, security, and law enforcement measures and activities; and housing activities under model programs that are designed to develop and support affordable housing using a variety of creative approaches (e.g., leveraging public and private funds).

### **Native Hawaiian Housing Block Grant**

This program authorizes HUD to make grants to the Department of Hawaiian Home Lands to carry out affordable housing activities for Native Hawaiian families who are eligible to reside on the Hawaiian Home Lands. The program provides housing services through five eligible activities and provides training and technical assistance. These activities are development of additional affordable housing; housing-related services for affordable housing; management services for affordable housing; safety, security, and law enforcement measures and activities; and housing activities under model programs that are designed to develop and support affordable housing.

### **Public Housing Capital Fund**

This program provides funds to PHAs for capital improvements (e.g., developing, rehabilitating, and demolishing units) and for management improvements (e.g., management and community services, supportive services, resident activities, and economic development) at public housing developments for low-income families.

The allocated funds may be used for redesign, reconstruction, rehabilitation, renovation, non-routine maintenance, lead-based paint testing and abatement, and accessibility improvements for the disabled. Demolition or disposition is authorized for buildings or entire developments that are not viable. Funds also may be used for replacement housing.

### **Public Housing Operating Fund**

This program provides subsidies to assist PHAs in funding the operation and maintenance of their properties for low-income families. The Operating Fund formula determines the level of funding necessary to enable PHAs to provide a reasonable level of services, including maintenance, utilities, and protective services, to residents of public housing.

### **Renewal Communities**

The Community Renewal Tax Relief Act, incorporated by reference in the Consolidated Appropriations Act 2001 (P.L. 106-554), authorized the designation of up to 40 areas of pervasive poverty, unemployment, and general distress as Renewal Communities. States and local governments in which a renewal community is located are required to take actions relating to specified activities, such as reducing taxes or fees, making services more efficient, and implementing crime reduction strategies. Businesses in Renewal Communities are eligible for various federal tax incentives.

### **Research and Technology**

Office of Policy Development and Research funds are used for research, program evaluation and policy analysis. There are seven categories of activities undertaken with Research and Technology funds. The largest is housing market surveys. These housing and financial market data are essential for the formulation of HUD's housing and community development policies. The next largest category is program evaluation and monitoring. These activities help old and new programs operate more effectively by providing independent information about program implementation and impacts.

### **Resident Opportunity and Supportive Services**

Under the Resident Opportunity and Supportive Services program, the Secretary may make grants to the following groups: PHAs; recipients under the Native American Housing Assistance and Self Determination Act; resident management corporations, resident councils or resident organizations; and qualified nonprofit organizations. These grants may be used to fund supportive services, job training, and resident empowerment activities.

### **Rural Housing and Economic Development Program**

The Rural Housing and Economic Development Program is a competitive grant program. Funds are awarded to rural nonprofit organizations, community development corporations, federally recognized Indian tribes, state housing finance agencies, and state community and/or economic development agencies to support innovative housing and economic development activities in rural areas.

## Samaritan Housing Initiative

The Samaritan Housing Initiative is a set-aside within a reformulated Homeless Assistance grant account. The Samaritan Housing set aside will provide targeted resources to assist chronically homeless persons to attain permanent housing, with resources focused strategically to secure the desired performance outcomes.

## Section 108 Loan Guarantees

The Section 108 loan guarantee program provides communities with a means of leveraging their CDBG grants to obtain financing for large community revitalization projects. Section 108 of the Housing and Community Development Act of 1974, as amended, authorizes the Secretary to issue federal loan guarantees of private-market loans used by entitlement and non-entitlement communities to cover the costs of acquiring real property, rehabilitating publicly owned real property, housing rehabilitation, and certain economic development activities.

## Section 184 Loan Guarantees for Indian Housing

Section 184 provides guarantees for loans that are used to construct, acquire, refinance, or rehabilitate single-family homes located on Indian trust or restricted land and in designated Indian areas.

## Section 8 Rental Assistance

Through the Section 8 program, HUD provides rental and self-sufficiency assistance to preserve and expand affordable housing opportunities for extremely low-, very low-, low-, and moderate-income families. Beginning in FY 2005, the activities previously funded under the Housing Certificate Fund are now funded under the Tenant-Based Rental Assistance and Project-Based Rental Assistance programs:

**Tenant-Based Rental Assistance.** The tenant-based component of Section 8 is the Housing Choice Voucher program. Housing Choice Vouchers are administered by public housing agencies and other state and local designated entities. With a voucher, an eligible family can seek housing in the private market, and in a neighborhood of its choice. The family pays 30 percent of its adjusted income toward the rent while the voucher subsidizes the remaining cost up to a PHA-determined cap.

**Project-Based Rental Assistance.** Project-based section 8 assistance differs from the Housing Choice Voucher program in that the assistance is linked to a specific unit in a multifamily housing property. This ensures that these properties remain affordable to low-income families. Funding in this account renews and amends expiring project-based Section 8 rental assistance contracts covering moderate rehabilitation, loan management, new construction/substantial rehabilitation, property disposition, and preservation.

## Self-help Homeownership Opportunity Program

The Self-help Homeownership Opportunity Program provides competitive grants to national and regional nonprofit organizations and consortia that use significant amounts of “sweat equity” to produce affordable single-family homes for new homebuyers. These funds are used for land

acquisition and infrastructure improvements, and homebuyers contribute a significant amount of their own hard work toward the construction of the new dwellings.

### **Title VI Federal Guarantees for Tribal Housing**

This program provides guarantees in support of loans to Indian Housing Block Grant recipients, Indian tribes, and tribally designated housing entities that request a loan from a financial institution to be used to accelerate completion of their Indian Housing Plan by pledging future Indian Housing Block Grant funds as collateral.

### **University Partnerships**

HUD provides funding opportunities to colleges and universities to implement community activities, revitalize neighborhoods, address economic development and housing issues, and encourage partnerships. These collaborations and partnerships play a crucial role in addressing local problems and revitalizing our nation's communities. Additionally, colleges and universities are making future generations aware of these issues by integrating partnership activities into their academic studies and student activities. HUD provides grants for four university partnership programs: the Historically Black Colleges and Universities program, the Tribal Colleges and Universities program, the Hispanic-Serving Institutions Assisting Communities program, and the Alaska Native/Native Hawaiian Institutions Assisting Communities program. Another program is the Community Outreach Partnership Center program, which has been opened to all institutions of higher learning.

## APPENDIX C: Validation and Verification of Selected Data Sources

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The performance indicators in this Annual Performance Plan have value in portraying HUD's programs only to the extent that the Department can demonstrate their reliability. To do this, HUD engages in a number of efforts to verify and validate the performance data. The Government Accountability Office defined validation and verification in a 1999 report as follows:<sup>14</sup>

“Verification is the assessment of data completeness, accuracy, and consistency, timeliness, and related quality control practices. Validation is the assessment of whether the data are appropriate for the performance measure.” Another aspect of validity is the “appropriateness of . . . performance measures in relation to . . . goals and objectives.”

This Appendix summarizes a number of validation and verification efforts conducted for the data supporting specific performance indicators. This information supplements the discussion of “validation, verification, improvement of measure” that appears under each performance indicator in order to provide greater specificity and detail without undue repetition.

### Data Quality Improvement Program

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In 2000, HUD launched the Data Quality Improvement Program to ensure that the quality of Annual Performance Plan performance indicator data in HUD IT systems is enhanced. This program includes a three-step process: 1) independent assessment; 2) data quality cleanup and improvement; and 3) certification that critical data elements meet HUD's 4-sigma standard, reflecting fewer than 6,210 errors per million. The initial emphasis of the program is assessing and certifying information systems and data elements used to report on program performance under the Government Performance and Results Act.

Analysis of the 2006 APP revealed 55 performance indicators supported by 31 information supporting Annual Performance Plan data. The data comprising 28 of these performance indicators had not yet been assessed by the Data Quality Improvement Program, and were targeted for FY 2006 assessments. During the course of the year, four of these performance indicators were determined to be “out of scope.” The data underlying 18 of the remaining 24 performance indicators were assessed and certified by the program by the end of the fiscal year. The status of the Data Quality Improvement Program system assessments at the end of FY 2006 is shown in the following table.

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<sup>14</sup> “Performance Plans: Selected Approaches for Verification and Validation of Agency Performance Information,” page 12. GAO/GGD-99-139.

SYSTEM ACRONYM	SYSTEM NAME	CERTIFICATION STATUS
LOCCS	Line of Credit Control System	Certified 2001
PAS	Program Accounting System	Certified 2001
SAMS	Single Family Asset Management System	Certified 2002
MTCS	Multifamily Tenant Characteristics System <sup>a</sup>	Certified 2002
HUDCAPS	HUD Central Accounting Payment System	Certified 2003
REMS	Real Estate Management System	Certified 2003
TRACS	Tenant Rental Assistance Certification System <sup>b</sup>	Certified 2004
RASS	Residential Assessment Subsystem	Certified 2003
NASS	Integrated Assessment Subsystem	Certified 2003
PASS	Physical Assessment Subsystem	Certified 2003
FASS	Financial Assessment Subsystem	Certified 2003
MFIS	Multifamily Insurance System	Certified 2003
IDIS-HOME	Integrated Disbursement and Information System (HOME)	Certified 2003
IDIS-CDBG	Integrated Disbursement and Information System (CDBG)	Certified 2006
CHUMS	Computerized Home Underwriting Management System	Certified 2006
PIC-SEMAP	SEMAP Module of the PIH Information Center	Certified 2004
PIC-50058	50058 Module of the PIH Information Center <sup>a/</sup>	Certified 2004
DAP	Development Application Processing System	Certified 2004
TEAPOTS	Title VIII Automated Paperless Office Tracking System	Certified 2004
CPD/APR	CPD Administrative Database (APR)	Certified 2004
CSFSS	Consolidated Single Family Statistical System	Certified 2004
CLAIMS	Single Family Insurance System-Claims Subsystem	Certified 2004
TRACS	Tenant Rental Assistance Certification System <sup>b/</sup>	Certified 2004
PERMS	EZ/EC Performance Measurement System	Certified 2005
HCS	Housing Counseling System	Certified 2005
ARCATS	Audit Resolution and Corrective Actions Tracking System	Certified 2005
ARRTS	Approval, Review & Recertification Tracking System	Certified 2005
HOPE VI	PIH's HOPE VI Information System	Assessed 2005
FHASL	FHA Subsidiary Ledger	Assessed 2006

<sup>a/</sup> MTCS was re-platformed creating a new data management environment (PIC-50058). Therefore, a new assessment was completed in FY 2004.

<sup>b/</sup> TRACS was reassessed in FY 2004 in order to focus on data that supports Annual Performance Plan reporting.

Data quality assessments ensure that HUD's Annual Performance Plan data meet the Department's data quality standards. HUD uses findings from system data quality assessments to assess the current enterprise architecture and to develop the target architecture. Systems with deficient architecture in comparison to HUD's current information requirements become priorities for modification or replacement.

## American Housing Survey

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*FY 2008 indicators using this data source: A1.2, B1.1*

The Census Bureau has quality control procedures in place for the American Housing Survey. These procedures include reinterviewing small subsamples of respondents for quality assurance. HUD verifies American Housing Survey estimates by comparison with earlier surveys and by intermittent, structured comparisons with the Survey of Income and Program Participation, Current Population Survey, decennial Census data, and the American Community Survey. HUD uses Survey of Income and Program Participation data to verify the American Housing Survey-based estimates of the incidence of severe rent burdens in 2001, which constitute the primary component of worst case needs as measured by indicator B1.1, as well as to validate the measure in terms of the year-to-year duration of such burdens. (See Chapter 3 of "Affordable Housing Needs 2005: Report to Congress," HUD-PD&R, 2007.)<sup>15</sup>

American Housing Survey estimates of the number of households with worst case needs that contain persons with disabilities (see indicator B1.1) are based on non-elderly adults without children who report receiving Supplemental Security Income. In previous years, HUD compared such estimates with households known to receive Supplemental Security Income through administrative data from the Social Security Administration. Although the Supplemental Security Income comparison suggested that unadjusted American Housing Survey estimates of this group are low by a factor of two or more, the Survey of Income and Program Participation study cited above produced an estimate within about two percent of the American Housing Survey-based estimate of this measure. HUD continues to investigate this discrepancy arising from independent data sources.

Other ongoing efforts strengthen the value and reliability of the American Housing Survey. Research is underway to improve the accuracy of survey responses about the receipt of housing assistance. Other research that validated the use of this data in housing indicators was completed in 2004. The authors of "Analysis of Housing Finance Issues Using the American Housing Survey"<sup>16</sup> analyzed the extent to which sample size, survey design, and interview response affect the accuracy, consistency, and validity of mortgage-related variables in the American Housing Survey. A replication analysis was performed using benchmark data sets from a number of sources including Home Mortgage Disclosure Act data and Residential Finance Survey data. A longitudinal analysis examined the internal reliability of American Housing Survey variables over time.

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<sup>15</sup> Available at <http://www.huduser.org/publications/afthsg.html>.

<sup>16</sup> Available at <http://www.huduser.org/publications/polleg/AHSAnalysis.html>.

## Current Population Survey

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*FY 2008 indicators using this data source: A1.1, A2.1, A2.2, A2.3*

The Census Bureau has rigorous data quality standards and conducts extensive verification studies. It generally is not feasible for HUD to verify Current Population Survey data independently. Starting with the estimates for the first quarter of 2003, the Census Bureau introduced three changes to the estimating procedures for the Current Population Survey: 1) switched from 1990 Census-based weights to 2000 Census-based weights; 2) introduced housing unit controls for the Housing and Vacancy Survey to supplement the population control totals used previously; and 3) introduced multiple race categories and changed the order of the ethnicity and race questions.

To assess the impact of the first two changes, the Census Bureau compared results obtained for the four quarters of 2002 under the old and new procedures. The greatest change affecting HUD's performance measures was for homeownership among Hispanic households, for which revised rates are about 1.2 percentage points lower than the initial estimates. Overall, the revised rate for minorities combined is 0.2 to 0.3 percentage point lower than the initial estimates. For more information, see "First Quarter 2003—Source and Accuracy of Estimates," at <http://www.census.gov/hhes/www/housing/hvs/prevqtrs.html>.

## Government-Sponsored Enterprises database

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*FY 2008 indicators using this data source: A1.11, A2.6, B1.7, C3.3*

HUD is the mission regulator of two government-sponsored enterprises, Fannie Mae and Freddie Mac. They provide annual loan-level data to HUD on their mortgage purchases, which the Department uses to measure their performance relative to affordable housing goals and subgoals that are specified in laws and regulations. These goals and subgoals are the indicators that HUD uses to report on the government-sponsored enterprises' performance in its annual Performance and Accountability Reports. The government-sponsored enterprises apply quality control measures to the data elements they provide to HUD. They are also required to provide certification from a senior officer that their data and reports are true, correct, and complete. The Department verifies the data through replication of their goal performance reports, independent reviews of their data quality control procedures, direct evaluations of data integrity, and comparison with independent data sources. The Office of Federal Housing Enterprise Oversight, which is an independent office within HUD, receives financial data from the two government-sponsored enterprises and enforces statutorily-established minimum and risk-based capital standards to ensure their financial safety and soundness. Their financial statements are verified by independent audits.

## Public and Indian Housing Information Center (PIC)

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*FY 2008 indicators using this data source: A5.1, A5.2, B4.1, B5.1, E4.2.*

**PIC 50058.** PIC receives Form 50058 data electronically from housing agencies about the households residing in public housing or using vouchers. PIC 50058 performs automated checks on data ranges and internal consistency to help ensure the accuracy of tenant data.

An Internet-based Resident Characteristics Report makes monthly PIC 50058 data and summary statistics available to housing agencies and field offices for verification, validation, data analysis, and monitoring purposes.

During FY 2004, HUD completed a data quality assessment of PIC critical data elements supporting performance measures. Recommendations for improving data quality under PIC 50058 are under review.

The Office of Policy Development and Research has conducted a series of Quality Control studies related to the accuracy of tenant income data and rent calculations in the PIC 50058 system. These results are described under indicator E4.1.

Other reviews of critical PIC 50058 data were conducted as part of the Tenant Assessment Subsystem analysis that compared Social Security Numbers of assisted households with valid numbers provided by the Social Security Administration. Another part of this analysis verified reported income against Internal Revenue Service records.

**PIC SEMAP.** PIC includes a Section 8 Management Assessment Program (SEMAP) module that is used to measure PHA performance in administering their Housing Choice Voucher programs. The FY 2004 data quality assessment of PIC critical data elements supporting performance measures found that PIC SEMAP was eligible for immediate certification.

## Real Estate Assessment Center

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*FY 2008 indicators using this data source: B2.1, B2.2, B2.3, B2.4, B2.5, B2.6, B5.1, B5.2, B5.3, C5.1, E4.3.*

The Real Estate Assessment Center manages assessment processes for public housing and assisted multifamily housing that use a number of specialized data systems. These include the following subsystems. Together, the first four subsystems constitute the Public Housing Assessment System, and PASS and FASS are used independently to monitor the assisted multifamily housing under the administration of the Office of Housing.

**PASS – Physical Assessment Subsystem.** Inspections are conducted independently, are electronically coded and transmitted, and are representative of the entire HUD stock. REAC reinspects units and properties on a sample basis for quality assurance.

**FASS – Financial Assessment Subsystem.** The process is validated by the American Institute of Certified Public Accountants. REAC performs Quality Assurance Reviews (QARs) of the audited financial statements of multifamily property owners submitted by independent public accountants. The

QAR provides assurance that the audited statements are accurate and reliable and that audits are conducted in accordance with government and professional standards. FASS incorporates extensive data checks and both targeted and random review by independent auditors.

- MASS – Management Assessment Subsystem.
- RASS – Resident Satisfaction Assessment Subsystem. The survey data are based on a statistically representative random sample of residents. Results are compared across annual survey samples to verify the reliability of the data.
- TASS – Tenant Assessment Subsystem.
- NASS – Integrated Assessment Subsystem.

The Real Estate Assessment Center has performed a number of data verification studies to ensure the reliability of these systems. A report to Congress in 2001 titled “PHAS – Physical Inspection System” was an assessment of the inspection protocol and accuracy of the physical inspection scores. The authors concluded that the Real Estate Assessment Center physical inspection is repeatable and reliable. The analysis was based on a statistically valid test of the assessment methodologies as validated by an independent engineering firm.

In addition, in FY 2003, the Chief Information Officer’s audit team assessed the Real Estate Assessment Center’s data quality and data management practices and found them on par with industry standards. The work, performed under the Data Quality Improvement Program included an independent data quality assessment of PASS, FASS, RASS, and NASS. RASS was certified at 6-sigma, the highest possible data quality rating, reflecting fewer than 3.4 errors per million occurrences. PASS, FASS, and NASS exceeded the HUD standard 3-sigma rating, reflecting fewer than 66,807 errors per million.

The assessment systems also have been validated to some extent through the process of rulemaking and negotiation with housing providers.



If you have any questions or comments, please call the Office of  
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Attention: James Martin, Deputy Chief Financial Officer

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