

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

FAIR HOUSING AND EQUAL OPPORTUNITY

FAIR HOUSING INITIATIVES PROGRAM

PROGRAM HIGHLIGHTS

| | ACTUAL 2000 | ENACTED 2001 | ESTIMATE 2002 | INCREASE + DECREASE - 2002 vs 2001 |
|--|----------------|-----------------|------------------|--|
| (Dollars in Thousands) | | | | |
| <u>Private Enforcement Initiative</u> | | | | |
| Number of Awards | 30 | 78 | 48 | -30 |
| Obligations | \$9,299 | \$20,801 | \$11,949 | -\$8,852 |
| <u>Education and Outreach Initiative</u> | | | | |
| Number of Awards | 29 | 44 | 60 | +16 |
| Obligations | \$5,499 | \$23,847 | \$9,000 | -\$14,847 |
| <u>Administrative Enforcement Initiative</u> | | | | |
| Number of Awards | ... | ... | ... | ... |
| Obligations | ... | ... | ... | ... |
| <u>Fair Housing Organizations Initiative</u> | | | | |
| Number of Awards | 4 | 9 | 2 | -7 |
| Obligations | \$1,195 | \$3,299 | \$2,000 | -\$1,299 |
| Total Obligations | \$15,993 | \$47,947 | \$22,949 | -\$24,998 |
| <u>Budget Authority</u> | | | | |
| Enacted or Proposed | \$24,000 | \$24,000 | \$22,949 | -\$1,051 |
| Rescission | ... | -\$53 | ... | +\$53 |
| Subtotal | \$24,000 | \$23,947 | \$22,949 | -\$998 |
| Budget Outlays | \$19,001 | \$22,000 | \$23,000 | +\$1,000 |

NA = Not Applicable

SUMMARY OF BUDGET REQUEST

The fiscal year 2002 Budget request for the Fair Housing Initiatives Program (FHIP) is \$23 million. This request does not include continued support of the Housing Discrimination Study (HDS) which concludes at the end of fiscal year 2001. The fiscal year 2002 request asks that \$6.5 million of the \$7.5 million allocated for the HDS, last year, be made available to increase support for other FHIP-funded activities. The requested increase will achieve the purpose of the program, which is to increase compliance with the Fair Housing Act and substantially equivalent State and local fair housing laws. It will mean that the Department can better achieve its special emphasis on reducing the wide gap in homeownership rates between whites and racial and ethnic minorities (notably, African Americans and Hispanics), promote effective strategic efforts by FHIP applicants, including faith-based organizations, that result in effective enforcement of the fair housing laws, and address new initiatives on predatory lending and the special needs in areas along the Southwest Border ("colonias").

The requested increase will have other benefits, such as providing support to a greater number of worthy applicants. For example, 72 percent of the worthy applicants would receive funding compared to less than the 42 percent funded in fiscal year 2000 (the most recent selection period). This would also result in a greater geographic distribution of those awards and an increased fair housing presence in jurisdictions not currently served by a State or local enforcement agency that administers a law substantially equivalent to the Federal Fair Housing Act. In fiscal year 2000, awards were made to applicants in only 32 States, including the

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District of Columbia; the increase would mean that applications could be funded in all states from which they are received.

EXPLANATION OF INCREASES AND DECREASES

The fiscal year 2002 Budget request of \$23 million is \$1 million below the 2001 appropriation of \$24 million but, because the HDS is now fully funded, the request results in a \$6.5 million increase in funds available to public and private entities formulating or conducting programs to increase compliance with the FHAct and substantially equivalent fair housing laws. The requested funds will also support a national awareness campaign directed at increasing homeownership among racial and ethnic minorities and people with disabilities.

The initiatives this Budget will support include:

Homeownership discrimination against racial and ethnic minorities and people with disabilities. Projects that promote greater homeownership among racial and ethnic minorities and people with disabilities through the prevention and elimination of discrimination in home-purchase and home-purchase related transactions will be emphasized. Increased rates in homeownership is an important housing goal in that it helps to improve a family's asset accumulation by building equity, and it also helps to strengthen and stabilize neighborhoods. For many racial and ethnic minority group members, however, achieving this goal is more difficult. While three-fourths of whites are homeowners, less than 50 percent of African Americans and Hispanics are homeowners. Discrimination in the home buying process exacerbates other social inequities which contribute to this disparity. Discrimination may occur throughout the mortgage lending process. Substantial differences in loan denial rates between whites and blacks remain an ongoing and constant problem.

Enforcement and education of the FHAct's provisions concerning discrimination in home-purchase and home-purchase transactions, will help boost the minority homeownership rate. Preventing and eliminating barriers to discrimination in real estate appraisals and sales transactions is another significant area of concern.

Southwest Border "Colonias." One of HUD's missions is to promote affordable housing in both rentals and homeownership. Activities conducted under FHIP help to eliminate discrimination in the housing market. HUD has identified barriers to affordable housing in the Southwest Border areas known as "colonias." Colonias refers to an unincorporated settlement that may lack basic water and sewer systems, paved roads, and safe and sanitary housing. FHIP awards targeted to these areas would provide information on the non-discrimination requirements under the FHAct and substantially equivalent laws. FHIP-funded fair housing organizations would respond to discriminatory practices.

Predatory lending. "Predatory" lenders frequently target racial minorities and women for mortgage loans with abusive terms and conditions. These lenders employ deceptive and aggressive sales tactics that take unfair advantage of the borrower's lack of education and knowledge of mortgage loan transactions. Generally, predatory loan terms include rates and fees that are grossly out of proportion to the true risk posed by the borrower.

Predatory loans are almost always a subset of "subprime loans," i.e., loans for persons with impaired credit or some other characteristic that disqualifies them from receiving prime quality loans. The subprime market has exploded in recent years. During a 5-year period from 1994 to 1999, the market share for subprime loans increased from 5 percent to 13 percent. The increase in predatory lending has risen sharply, too. Federal Reserve Chairman Alan Greenspan, in a speech delivered to a meeting of community reinvestment advocates, expressed concern about "abusive lending practices that target specific neighborhoods or vulnerable segments of the population and can result in unaffordable [mortgage] payments ... and foreclosure." Comptroller of the Currency John D. Hawke Jr., who oversees nationally chartered banks, also has decried predatory lending, stating that, "We must target not just the predators themselves, but the conditions that allow them to flourish ... It means helping low- and moderate-income Americans to gain a better understanding of their financial obligations and options." Their statements echo the statements of community and fair housing groups who have voiced their concerns about the increased rate of predatory lending occurring in their communities.

Education of minorities and women who are targeted by predatory lenders is vital to curbing its widespread damaging effects. The FHIP program will fund a major education and public awareness campaign to combat predatory lending and support enforcement efforts to redress its victims.

FHAct Accessibility Requirements. The GAO, Congress and the Department's experience support the need for greater awareness of the accessibility requirements of the FHAct. Unless builders, architects, and other industry groups and the general population are fully aware of the accessibility requirements of the FHAct, HUD will be left with an enforcement strategy that is forced to challenge rather than prevent non-compliance with these requirements. This Budget request will support activities that encourage housing providers and other industry professionals to partner and work jointly with faith based organizations to develop programs that provide training and technical assistance so that architects and design professionals can satisfy the accessibility requirements of the FHAct. This will help increase the housing stock for persons with disabilities and make it easier for all persons with mobility impairments, including the elderly, to visit family and friends.

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A nationwide training component will be established to construct an accessibility curriculum and technical assistance plan that will then be carried out over a 2-year period, starting in the summer of fiscal year 2002. The first year will build upon the results of a pilot program to "road test" the new curriculum and technical assistance plan. The pilot will also identify trainers who will provide uniform and consistent training and technical assistance information to housing providers and the public about Title VIII, section 504 and the Americans with Disabilities Act. Following the pilot, the training and technical assistance will be dispensed through Design and Construction Resource Centers in four regional Hub locations. A contract will be let that provides for a disability advocacy organization to partner with a member of the housing industry, and will establish and direct each of the technical assistance centers and report to HUD on their activities. HUD will monitor this initiative closely to ensure that the training and technical assistance provided meet the department's standards.

Faith-Based/Fair Housing Partnerships. Education and outreach activities are critical elements to successful fair housing enforcement by HUD and by substantially equivalent State and local government enforcement agencies. These activities inform the public and the broad array of industry representatives that make housing available to home buyers and renters about the rights and responsibilities under the FHAct and substantially equivalent state and local fair housing laws, and advise those who feel they have been discriminated against about the services offered by Federal, State and local fair housing enforcement agencies.

The FHIP statute recognizes that a broad range of entities have a role to play in this educational effort. This is why virtually any entity (public or private, for-profit or not-for-profit) that is working to prevent or eliminate discriminatory housing practices is eligible to apply under this initiative. It is under this initiative that HUD will encourage greater collaborative efforts between fair housing and faith-based organizations. Faith-based organizations often do not have the requisite knowledge of fair housing laws; however, they have constituencies and networks that would benefit from a better understanding of these laws. We will encourage increased collaborative partnerships between faith-based groups and fair housing organizations under the fiscal year 2002 FHIP NOFA.

There are four program initiatives highlighted in the FHIP authorizing statute - Administrative Enforcement, Education and Outreach, Private Enforcement, and Fair Housing Organizations. Since fiscal year 1996, we have sought funding for the three described below. All FHIP-funded projects are required to address discrimination under each of the categories highlighted in the FHAct (race, color, religion, sex, familial status, national origin, and "disability"); however, applicants for FHIP funding will be encouraged to emphasize the program initiatives outlined in this year's Budget (homeownership, predatory lending, accessibility requirements, and partnerships between fair housing and faith-based organizations).

Funding for:

Education and Outreach Initiative (EOI). The Budget requests approximately \$9 million for this Initiative. The requested funds will be used to support activities under a national awareness campaign as well as activities at the regional, state, local and community-based levels. In fiscal year 2001, 31 percent of the entire FHIP budget has been earmarked to the Housing Discrimination Study (HDS), with 16 percent of the remaining budget going to the national and regional/local/community-based programs. The fiscal year 2002 request dramatically increases the percentage of FHIP funds allocated to this Initiative to 39 percent, instead of 16 percent. Approximately 70 percent of the funds will support education and outreach activities conducted at the regional, State, local and community-based levels. Such funding will be more responsive to the demand for FHIP-funded education-based activities in more communities and is a better approach to support this year's faith-based partnership initiative. Approximately 30 percent will be use to fund national education and outreach activities.

Private Enforcement Initiative (PEI). The Budget requests approximately \$11.949 million for this Initiative, an increase of \$2 million over fiscal year 2001 appropriation. The increased regional, State, local and community-based activity proposed for the Enforcement and Outreach Initiative (EOI), as well as for the program initiatives outlined above in homeownership, predatory lending, accessibility requirements, and faith-based partnerships, will result in increased demands for the enforcement-related services provided under PEI. The increase will also allow HUD to fund more PEI projects. For example, close to 40 percent of the applications rated worthy of funding in fiscal year 2000 were not selected for awards.

Fair Housing Organizations Initiative (FHOI). The Budget requests approximately \$2.0 million for this Initiative. This represents 9 percent of the overall FHIP Budget request, down from 10 percent in fiscal year 2001. The purpose of FHOI is to provide fair housing enforcement activities in areas that are underserved by government agencies and/or private fair housing organizations. This Initiative has been restructured in the current fiscal year (2001). The changes reflected in the restructuring incorporate sound business principles that take into account that new organizations need sufficient time, start-up funds and other resources to become vital and self-sustaining organizations. The newly sponsored organizations participate in the program for three years and are required to meet certain performance measures for each year's funding, including demonstrating they have leveraged increasing amounts of non-FHIP resources.

PROGRAM DESCRIPTION AND ACTIVITY

1. Legislative Authority. Section 561 of the Housing and Community Development Act of 1987, as amended, authorizes the execution of grants, contracts, or cooperative agreements with State or local government agencies, public or private nonprofit organizations, institutions or other

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entities that are formulating or carrying out programs to prevent or eliminate discriminatory housing practices. FHIP supports projects and activities designed to enhance compliance with the Fair Housing Act and substantially equivalent State and local laws. Section 905 of the Housing and Community Development Act of 1992 expanded the provisions of the Fair Housing Initiatives Program to build the capacity of fair housing organizations in unserved and underserved areas, to establish a national media campaign for dissemination of fair housing information, and to establish funding for celebration of National Fair Housing Month. The activities of FHIP-funded organizations complement those of the Federal Fair Housing Act (FHAct) and state and local governmental agencies that administer laws that are substantially equivalent to the FHAct. FHIP funds are awarded on a competitive basis to entities in communities nationwide that demonstrate the experience and the capacity to investigate and verify complaints of discrimination through activities such as testing, and that provide education and outreach to the public on the rights and responsibilities under the fair housing laws through training, media campaigns, and counseling.

Combating housing discrimination supports larger public policy objectives. The prevention and reduction of housing discrimination helps bridge the large gap in homeownership rates that now exists between white Americans and racial and ethnic minority groups (especially African-Americans and Hispanics). Fair housing education and enforcement projects help minority groups, the elderly, and women defend themselves against home lending abuses, especially a practice that is often called "predatory lending," and to which they are frequently and disproportionately victims. Recent immigrants (especially racial and ethnic minorities who are not English-speaking) often face discrimination and other obstacles in housing and housing-related transactions which can be mitigated through strong fair housing education and enforcement. Finally, 13 years since the enactment of provisions in the FHAct which require accessible design and construction of new multifamily housing, people with disabilities still encounter widespread non-compliance with the law when they seek to rent or purchase property and, consequently, suffer lost housing opportunities and other injuries. The optimum time to ensure compliance with the accessibility requirements of the FHAct is before the housing is built.

FHIP is a critical component in the Department's effort to address fair housing education, enforcement and compliance. The other principal component of the Department's comprehensive fair housing strategy is the Fair Housing Assistance Program (FHAP), authorized by the Fair Housing Act (Title VIII of the Civil Rights Act of 1968, as amended by the Fair Housing Amendments Act of 1988). That program, for which the Budget proposes a \$23 million funding level in 2002, is described in a separate justification.

2. Purpose. The Fair Housing Initiatives Program was established by the Housing and Community Development Act of 1987 for the purpose of eliminating and preventing housing discrimination. This program provides a coordinated approach to further the purposes of the Fair Housing Act, to guarantee the rights of all people to seek housing in an open market free of discrimination, and to inform the public and the housing industry of its rights and obligations under the Fair Housing Act. FHIP also enhances and facilitates the delivery of the Department's housing and community development programs, such as HOME and Community Development Block Grants, by providing a free and open housing market.

The Fair Housing Initiatives Program is intended to supplement current fair housing enforcement activities of the Department. These activities include programs of enforcement, voluntary compliance, and education and outreach. FHIP provides the financial means to assist projects and activities designed to enhance compliance with the Fair Housing Law and substantially equivalent State and local laws.

3. Program Components. There are four major program initiatives that are recognized under the FHIP regulations. These components support public and private enforcement, education and outreach activities, and capacity building for fair housing enforcement organizations. Eligibility for each initiative is set by statute or regulation.

- a. The Private Enforcement Initiative. Provides funding to private, tax-exempt organizations that have engaged in enforcement-related activity for at least a year in the 2 years preceding the filing of the FHIP application. FHIP funding is often the only resource for enforcement-related activities. The program now requires a FHIP organization to reimburse the U. S. Treasury for compensation received from FHIP-funded activities.
- b. The Education and Outreach Initiative. Provides funding for projects that inform and educate the public, including housing providers, on the rights and obligations of the FHAct and substantially equivalent state and local fair housing laws. This initiative has the broadest eligibility provision. Eligible organizations may be public or private, for-profit or not-for-profit entities that are formulating or carrying out programs to prevent or eliminate discriminatory housing practices, including entities that will carry out their program just because of receiving a FHIP award.
- c. The Administrative Enforcement Initiative. This Initiative provides funding to State and local agencies that administer laws which the Assistant Secretary has determined are substantially equivalent to the rights, remedies and procedures offered under the FHAct. These agencies participate in the Fair Housing Assistance Program (FHAP) and because of increased appropriations to FHAP over the years, the Department has not sought funding for this initiative since fiscal year 1995.

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- d. The Fair Housing Organizations Initiative. This Initiative provides funding to increase fair housing enforcement either by establishing new fair housing enforcement organizations or by expanding the capacity of existing organizations to engage in fair housing enforcement. Application is made by experienced fair housing enforcement organizations who mentor the sponsored organization. Eligibility is limited to private, tax-exempt organizations with at least 2 years of enforcement-related experience in the 3 years preceding the filing of their FHIP application.

STRATEGIC GOALS AND OBJECTIVES: RESOURCES REQUESTED (\$ AND FTE) AND RESULTS

Strategic Goals of the Department, as set forth in the Department's fiscal year 2002 Annual Performance Plan, are to: "Ensure Equal Opportunity in Housing for All Americans" and to "Promote Housing Stability, Self-Sufficiency and Asset Development." FHIP's emphasis on promoting homeownership, and the benefits that flow from it, through the reduction of housing discrimination, helps the Department achieve these overall goals, in addition to the specific strategic objectives that "housing discrimination is reduced;" "disparities in homeownership rates are reduced among groups defined by race, ethnicity, and disability status;" "poor and disadvantaged families and individuals become self-sufficient and develop assets;" and "the elderly and persons with disabilities achieve maximum independence." This budget highlights these objectives by focusing FHIP enforcement and education efforts on reducing discrimination in the sale of housing and in other transactions related to home purchase.

This Budget, with its emphasis on providing greater education, training, and technical assistance on the FHAct's requirements for accessible design and construction of new multifamily housing, specifically supports the Department's objectives that "housing discrimination is reduced (failure to design accessible housing constitutes a violation of FHAct prohibition against discrimination);" "disparities in homeownership rates are reduced" among persons with disabilities and "the elderly and persons with disabilities achieve maximum independence." These efforts will help increase the available housing stock that is accessible, affording the elderly and people with disabilities greater opportunity to purchase units in multifamily developments, such as condominiums and cooperatives; more housing choice in the rental market; and "maximum independence" in visiting families and friends at multifamily developments.

Likewise, education targeting predatory lending will support the Department's strategic goal to "ensure equal opportunity in housing for all Americans" and objectives that "housing discrimination is reduced" and that "disparities in homeownership rates among racial and ethnic groups are reduced." Moreover, reduced predatory lending will allow current homeowners to continue building equity in their homes, which supports the Department's objective that "poor and disadvantaged families and individuals become self-sufficient and develop assets" and the strategic goal to "improve community quality of life and economic vitality."

All of the strategic objectives contained in the APP will be positively affected by the Faith-Based Partnerships in FHIP along with the partnership initiative in FHAP by empowering the public, encouraging networks of State and local fair housing enforcement agencies and organizations and working in unison with faith-based organizations and promoting a fair housing presence in places where there is little or no such presence. These are the driving forces behind this Partnership Initiative. HUD expects that an informed and educated public, housing/real estate industry, and mortgage banking and financing industry, along with aggressive and effective enforcement, will assist in affirmatively furthering fair housing where the outcome of such actions will go a long way toward eliminating housing discrimination.

SELECTED PERFORMANCE MEASURES

| | ACTUAL 2000 | ENACTED 2001 | ESTIMATE 2002 |
|---|----------------|---------------------------|------------------|
| Strategic Goal 2: Ensure equal opportunity in housing for Americans. | | | |
| Discretionary BA (Dollars in Thousands) | 24,000 | 23,947 | 22,949 |
| FTE | 8 | 8 | 8 |
| Strategic Objective 2.1: Housing discrimination is reduced. | | | |
| Outcome Indicator 2.1.3: The share of the population with adequate awareness of fair housing law increases from the 2001 baseline by 2004. | Not Available | Baseline To Be Determined | Not Available |
| Output Indicator 2.1.b: At least two new fair housing groups funded by the Fair Housing Initiatives Program (FHIP) will serve geographic areas that are not sufficiently served by public or private fair housing enforcement organizations and that contain large concentrations of protected classes. | 2 | 2 | 2 |

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| | ACTUAL 2000 | ENACTED 2001 | ESTIMATE 2002 |
|---|----------------|-----------------|------------------|
| Strategic Objective 2.3: Disparities in homeownership rates are reduced among groups defined by race, ethnicity and disability status. | | | |
| Outcome Indicator 2.3.1: The ratio of homeownership rates of minority and nonminority low- and moderate-income families with children increases by 0.4 percentage points to 76.0 percent by 2003. ^{a/} | Not Available | 75.6 percent | Not Available |
| Strategic Goal 3: Promote housing stability, self-sufficiency and asset development of families and individuals. | | | |
| Discretionary BA (Dollars in Thousands) | 0 | 0 | 0 |
| FTE | 9 | 9 | 9 |
| Strategic Goal 4: Improve community quality of life and economic vitality. | | | |
| Discretionary BA (Dollars in Thousands) | 0 | 0 | 0 |
| FTE | 8 | 8 | 8 |

a/ Data are available in odd years. The 2001 goal is based on actual accomplishment of 75.2 percent in 1999.