

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

POLICY DEVELOPMENT AND RESEARCH

RESEARCH AND TECHNOLOGY

PROGRAM PERFORMANCE

STRATEGIC GOAL/OBJECTIVE	ACTUAL 2002	ESTIMATE 2003	ESTIMATE 2004
Strategic Goal H: Increase homeownership opportunities.			
Discretionary BA (Dollars in Thousands)	\$23,500	\$22,000	\$23,200
FTE			
Headquarters	32	34	34
Field	0	0	0
Subtotal	32	34	34
S&E Cost (Dollars in Thousands)			
Personal Services	\$3,599	\$3,608	\$3,705
Travel	57	43	47
Rent, Communications & Utilities	0	0	0
Subtotal	3,656	3,651	3,752
Strategic Objective H.1: Expand national homeownership opportunities.			
Strategic Objective H.2: Increase minority homeownership.			
Strategic Objective H.3: Make the home buying process less complicated and less expensive.			
Strategic Objective H.4: Fight practices that permit predatory lending.			

EXPLANATION OF PERFORMANCE

Performance/Means and Strategies

The Office of Policy Development and Research (PD&R) proposes \$23.2 million in program funding and \$3.752 million in S&E funding, for a total of \$26.952 million to support Strategic Goal H: Increase homeownership opportunities

The mission of the PD&R is to provide reliable facts and analysis to inform the policy decisions of HUD, Congress, and State and local governments. Research and Technology (R&T) funds enable PD&R to fulfill this mission by maintaining and expanding information on housing needs and market conditions, evaluating current HUD programs and proposed policy changes, and conducting research on a wide range of housing and community and economic development issues, including advances in housing technology.

Almost half of PD&R's budget authority supports Strategic Goal H. This is due to PD&R's substantial research program focused on boosting low-income and minority homeownership research funding that is utilized for the American Housing Survey (roughly half of the survey relates to homeownership information) as well as other housing surveys such as the Residential Finance Survey and New Home Sales and Completions. Areas of research in support of this goal follow:

- Increasing Minority Homeownership. The President has established an ambitious goal to create 5.5 million more minority homeowners by 2010. In support of this objective, PD&R has initiated studies of the reasons for the racial and income gaps in homeownership and the early homeownership experiences of low-income families. PD&R will expand its work in this area to include such topics as the extent of any supply side constraints on lower-income homeownership opportunities and the effectiveness of policies and programs aimed

specifically at boosting minority homeownership and helping low-income and minority families to remain homeowners.

- The Affordable Housing Goals for GSEs. PD&R research and analysis supports the review and establishment of new Affordable Housing Goals for the Government Sponsored Enterprises (GSEs), Fannie Mae and Freddie Mac. These goals play a significant role in ensuring that the GSEs do their part to expand homeownership opportunities for low-income and minority families. Among other activities, PD&R will analyze newly available census data to revise the areas classified as "underserved" for the purposes of the affordable housing goals. Prior PD&R analyses have provided the foundation for establishing the GSE housing goals to ensure they do their utmost to help make housing affordable.
- Evaluations of HUD Homeownership Programs. To better understand the impact of HUD homeownership programs and determine how they can be improved, PD&R will initiate or continue work on a number of program evaluations, including evaluations of Housing Choice Voucher homeownership, homeownership activity under HOME, FHA single family insurance and programs that concentrate homeownership investments in particular neighborhoods. Past PD&R activity in this area has led to significant improvements in HUD's homeownership programs. For example, PD&R's evaluation of the FHA assignment program led to termination of that program and institution of new FHA loss mitigation tools. PD&R analysis has also contributed to the development of mortgage scorecards for use in FHA's automated underwriting and to the restructuring of FHA mortgage insurance premiums.
- Providing essential data on homeownership and other housing issues. A significant portion of PD&R's budget is dedicated to funding major ongoing housing market surveys that provide critical data on the state of the nation's housing stock and markets. These surveys include the American Housing Survey, the Residential Finance Survey, the Survey of New Home Sales and Completions, the Survey of Market Absorption, and the Survey of New Manufactured Homes Placements.
- Building Technology. PD&R will focus on technologies to expand affordability by lowering costs; techniques to integrate home systems efficiently; and improving understanding and acceptance of these innovations among the homebuilding industry and housing consumers. Other areas of needed research include expanded research in support of modernization of the manufactured Safety and Standards Act, research on the needs of special users including the disabled and elderly, energy research and technological research to support HUD's own assisted housing programs; developing new cost effective ways to improve energy efficiency in existing housing and improving the disaster resistance and durability of housing.
- RESPA Analysis. Since the passage of RESPA in 1974, PD&R has helped to shape its implementation and enforcement. PD&R economists have worked to help the Department simplify and improve the mortgage origination process so that consumers can benefit from lower settlement service prices. PD&R will help the Department evaluate comments on the proposed RESPA rule, prepare a final rule, and assess its impact.
- Reducing Closing Costs. Closing costs contribute to the upfront cost of buying a home, but there is little empirical work in this area because of the lack of a useful database. PD&R is currently creating a database of FHA mortgages that can provide reliable information on closing costs for the nation as a whole, for each of the 50 states, and for certain cities and metropolitan areas. Analysis of this database will help to inform policymaking on strategies for reducing closing costs.
- Predatory Lending. PD&R will continue its analysis of the sub-prime lending market to help policymakers distinguish between legitimate sub-prime lending activity that helps to expand homeownership opportunities for low-income and minority families, and predatory lending that takes advantage of these families. PD&R will also examine the role of mainstream lenders in our inner cities.

Resource Management Information

PD&R staff performs research and policy analysis functions pertaining to Strategic Goal H. No additional FTEs are requested in fiscal year 2004 to maintain a total level of 34 FTEs.