

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

POLICY DEVELOPMENT AND RESEARCH

RESEARCH AND TECHNOLOGY

PROGRAM HIGHLIGHTS

|  | ACTUAL<br>2002         | ESTIMATE<br>2003 | ESTIMATE<br>2004 | INCREASE +<br>DECREASE -<br>2004 vs 2003 |
|--|------------------------|------------------|------------------|--|
|  | (Dollars in Thousands) |                  |                  |  |
| Obligations - Core R&T .....                         | \$38,484               | \$49,000         | \$51,100         | \$2,100                                  |
| Obligations - PATH .....                             | 8,354                  | 1,730            | ...              | -1,730                                   |
| Obligations - Millennial Housing<br>Commission ..... | 1,500                  | ...              | ...              | ...                                      |
| Total .....  | 48,338                 | 50,730           | 51,100           | 370                                      |
| <u>Budget Authority</u>                              |                        |                  |                  |  |
| <u>(Appropriations):</u>                             |                        |                  |                  |  |
| Enacted or Proposed - Core R&T                       | 39,000                 | 47,000           | 51,000           | 4,000                                    |
| Enacted or Proposed - PATH ....                      | 8,750                  | ...              | ...              | ...                                      |
| Millennial Housing Commission .                      | <u>1,500</u>           | <u>...</u>       | <u>...</u>       | <u>...</u>                               |
| Subtotal .....                                       | 49,250                 | 47,000           | 51,000           | 4,000                                    |
| Outlays - Core R&T .....                             | 47,432                 | 44,500           | 47,000           | 2,500                                    |
| Outlays - PATH .....                                 | 9,679                  | 6,500            | 3,000            | -3,500                                   |
| Total Outlays .....                                  | 57,111                 | 51,000           | 50,000           | -1,000                                   |

NOTE: Fiscal year 2003 obligations include R&T and PATH carryover as well as recoveries. Outlays for international activities funded from the U.S. Agency for International Development transfer are included in fiscal year 2002. Fiscal year 2002 is a net of a \$1 million non-expenditure transfer for the Commission on Preserving Affordable Housing for Senior Citizens and Families in the 21<sup>st</sup> Century.

SUMMARY OF BUDGET ESTIMATES

The fiscal year 2004 Budget proposes an appropriation of \$51 million for research, studies, technology and policy analysis, including \$7.5 million for program evaluations and \$2 million for work related to the removal of barriers to affordable housing. These research funds are administered by the Assistant Secretary for Policy Development and Research (PD&R) under the Research and Technology (R&T) account.

As in fiscal year 2003, the budget does not request funding for the Partnership for Advancing Technology in Housing (PATH), which has been operating on a demonstration basis for several years. PATH was not intended to be a permanent program and the efforts of the past years were intended to provide a roadmap for the housing industry to follow.

EXPLANATION OF INCREASES AND DECREASES

The fiscal year 2004 appropriation request is \$4 million more than the fiscal year 2003 budget request amount. The increase reflects \$2 million in additional funding for research, policy analysis, information dissemination and other activities directed at removing barriers to affordable housing, \$1 million to support additional research related to the goal of increasing minority and low-income homeownership, and \$1 million associated with housing survey and fixed activities cost increases. The set-aside of \$7.5 million for program evaluations reflects the importance of evaluating program performance in terms of results; it can be accommodated within the requested funding levels and does not require a budget increase.

PROGRAM DESCRIPTION

The mission of the Office of PD&R is to provide reliable facts and analysis to inform the policy decisions of HUD, Congress, and State and local governments. 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.

Through its research and policy analysis, PD&R provides broad support for the full range of policy objectives of the Department. In fiscal year 2004, PD&R will conduct or initiate work that supports each of HUD's Strategic Goals. The following are highlights of this work:

**PROGRAMMATIC STRATEGIC GOAL H: INCREASE HOMEOWNERSHIP OPPORTUNITIES**

- **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.
- **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.
- **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.
- **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, 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.
- **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 the 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.

**PROGRAMMATIC STRATEGIC GOAL A: PROMOTE DECENT AFFORDABLE HOUSING**

- **Reducing Barriers to the Production of Multifamily and Single Family Housing.** State and local regulations operate as a significant barrier to the production of affordable housing. Various studies estimate that construction and development costs can be reduced as much as 35 percent through new regulatory tools and processes. In fiscal year 2004, PD&R plans to devote at least \$2 million to research, policy analysis, information dissemination and other activities directed at the removal of barriers to affordable housing. Among other impacts, past PD&R work in this area has identified opportunities for streamlining rehabilitation codes to stimulate greater rehab activity to preserve existing housing. In fiscal year 2004, PD&R plans to study the impact that specific regulatory and other barriers have on the production of affordable housing, develop options for reducing these barriers, and work with a wide variety of stakeholders to ensure that information on barriers removal strategies is widely disseminated.
- **Development and evaluation of new strategies for expanding access to affordable housing.** Includes strategies for facilitating access to financing for construction and land acquisition and expanding access to information on the availability of land suitable for the development of affordable housing.
- **Improving the quality and management accountability of public and assisted housing.** PD&R is working on a number of program evaluations that will help to advance this objective, including evaluations of: the HOPE VI program, the SEMAP system for assessing PHA management of the housing choice voucher program, and the Mark-to-Market program. In fiscal years 2003 and 2004, PD&R will also conduct a crosscutting analysis of housing quality in HUD's various rental housing programs--public housing, Housing Choice Vouchers, and the project-based Section 8 program--utilizing a tenant survey that PD&R jointly developed with PIH.
- **Strengthening the Housing Choice Voucher Program.** PD&R has a long-standing research program focused on evaluating and improving the voucher program, which is HUD's largest affordable rental housing program. Indeed, a PD&R demonstration in the 1990s led directly to the implementation of the "voucher" model for tenant-based Section 8, which has now replaced the earlier "certificate" model. Recent studies have focused on evaluating voucher success rates, analyzing the reasons for underutilization of vouchers, and helping PHAs respond effectively to local concerns about the voucher program. Among other work in this area in fiscal years 2003 and 2004 will be a comprehensive analysis of HUD's Fair Market Rent policies in light of 2000 census data to determine if changes are needed to improve the usefulness of housing vouchers.
- **Helping HUD-assisted renters make progress towards self-sufficiency.** PD&R is presently evaluating a number of programs designed to advance this objective, including: the Family Self-Sufficiency Program; the Welfare-to-Work Housing Voucher program; the Jobs Plus program; and the Moving-to-Opportunity Program. PD&R is also closely analyzing HUD administrative data to establish a benchmark for assessing the efficacy of future efforts to increase the incomes of families in public and assisted housing. Work on these priorities will continue in future years.

**PROGRAMMATIC STRATEGIC GOAL C: STRENGTHEN COMMUNITIES**

- **Ending Chronic Homelessness.** PD&R is actively engaged in research designed to support the Secretary's goal of ending chronic homelessness in ten years. Among other projects, PD&R is researching effective strategies for meeting the needs of on-the-street homeless individuals and evaluating the effectiveness of HUD-funded permanent housing for persons with disabilities.
- **Preventing Homelessness.** To effectively address the challenge of homelessness, it is essential to focus on preventing families from becoming homeless in the first instance. To help develop more effective policies for preventing homelessness, PD&R will be researching the causes of homelessness, with a focus on procedures for discharging individuals from various publicly funded institutions, including jails and mental health institutions.
- **Improving the Usefulness of the Consolidated Plan.** PD&R is actively involved in the Presidential Management Agenda goal of streamlining the Consolidated Plan and making it more useful to communities. Among other activities in fiscal years 2003 and 2004, PD&R will help to assess the efficacy of pilot strategies to streamline the consolidated planning process and improve the usefulness of data that HUD provides communities for use in analyzing housing and community needs through the development of improved Geographical Information Systems (GIS) templates.
- **Evaluating the Formulas for Distributing HOME, CDBG and other Funds.** PD&R will analyze the impact of new census data on formulas for distributing HUD funding,

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including HOME and CDBG funds, to determine whether changes to these formulas are necessary to ensure the effective targeting of HUD funds.

- **Improving the lives of residents of the Colonias.** PD&R is engaged in an ongoing research effort to support the Secretary's goal of helping to improve the lives of residents of the poor areas along the U.S. - Mexico border known as "Colonias." Among other things, PD&R's research program is designed to better understand the nature of the problems faced by residents of the Colonias and analyze policy options for addressing these problems.
- **State of Cities Data Base.** PD&R maintains and updates the State of Cities Data System. The data system provides community and economic development practitioners with a centralized source of a variety of economic, demographic, and housing data. Practitioners and researchers use the data system to track local conditions in cities and suburbs across the nation.

### **CROSS-CUTTING STRATEGIC GOAL FH: ENSURE EQUAL OPPORTUNITY IN HOUSING**

- **Housing Discrimination.** PD&R has an active research program designed to better understand the extent and nature of housing discrimination. Among other activities, PD&R is supervising a major study of the extent of housing discrimination in 2000 in the rental and homeownership markets (funded through the Fair Housing Initiatives Program). This study updates an earlier major study conducted by PD&R in 1989 that found a substantial amount of differential treatment of minorities seeking to buy or rent housing and led to the authorization for the Fair Housing Initiatives program. Data from this study is already informing HUD policy. PD&R is also developing pilot testing methods for detecting housing discrimination against persons with disabilities and conducting the first-ever assessment of housing discrimination against Native Americans. Another recent study assessed the level of public awareness of the fair housing laws. PD&R will continue to support the efforts of FHEO in this area in fiscal years 2003, 2004 and future years.
- **Housing Accessibility.** PD&R's ongoing research helps to assess compliance with accessibility standards and to develop strategies for making the marketplace more aware of those standards.

### **CROSS-CUTTING STRATEGIC GOAL EM: EMBRACE HIGH STANDARDS OF ETHICS, MANAGEMENT AND ACCOUNTABILITY**

- **Program Evaluations.** In an effort to strengthen the accountability of HUD programs for results and promote the integration of budget and performance information, PD&R plans to substantially increase funding for HUD program evaluations in fiscal years 2003 and 2004. Based on input from the Secretary and program offices within HUD, PD&R will develop a plan for its program evaluation activity to ensure that it advances key policy objectives and leads to regular periodic evaluations of major HUD programs.
- In addition to the many program evaluations referenced elsewhere in this summary, program evaluations under consideration for fiscal years 2003 and 2004 include: an evaluation of assisted living conversions and other initiatives to appropriately house the aging elderly, a study of the Housing Choice Voucher administrative fee structure, a study of landlord relations in the Housing Choice Voucher program, a study of the outcomes for people leaving housing assistance, and a study of the factors leading owners to opt-out of the project-based Section 8 program and the effectiveness of policies to preserve this housing stock.
- **Performance Management (GPRA).** PD&R provides analytical and staff support for the department's performance management process. PD&R will also continue its research program to improve HUD's ability to measure the direct effects of HUD's programs. The American Housing Survey, program evaluations and special-purpose research efforts provide and validate performance data about program impacts.
- **Reducing errors in income and rent determinations.** PD&R supervises periodic evaluations of the income and rent determinations of HUD's rental assistance programs to gauge the magnitude of errors and develop recommendations for reducing them. This is included in the President's Management Agenda and is a key priority for the Department.

### **CROSS-CUTTING STRATEGIC GOAL FC: PROMOTE PARTICIPATION OF FAITH-BASED AND COMMUNITY ORGANIZATIONS**

- **Building the capacity of faith-based and grassroots nonprofits.** Prior PD&R research has identified lack of capacity as a key obstacle to the funding (or expansion of funding) of many smaller nonprofit groups active in the housing and community

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development areas, including faith-based groups. Working closely with HUD's Center for Faith-Based and Community Initiatives, PD&R will research effective strategies for strengthening these groups' capacity and improved criteria for assessing capacity among smaller groups.

### DESCRIPTION

The above "summary" highlights the key topical areas of PD&R's research program for fiscal year 2004 that advance each of HUD's Strategic Goals. This section complements the summary by providing further description of each of the main categories of PD&R's ongoing research and analytical work.

Legislative Authority. Title V of the Housing and Urban Development Act of 1970, as amended, authorizes and directs the Secretary to undertake programs of research, studies, testing and approved demonstrations relating to the missions and programs of the Department. Work under this authority is a principal source for Departmental program and policy changes. In order to ensure effective use of the results of these activities, the Secretary is authorized to disseminate significant reports, data, and information to Departments and agencies of Federal, State and local governments, to Congress, to industry, and to the general public.

Policy Development and Research. The Assistant Secretary for PD&R is responsible for the development, planning, and execution of HUD research, evaluation and approved demonstration programs; for assisting in the formulation of Department policy; and for disseminating HUD research results. In addition, the PD&R organization has principal responsibility for providing economic and policy analysis and staff assistance to the Secretary in determining national housing and community development goals, program priorities, and objectives; for funding major ongoing housing market surveys; and for supporting the Secretary's role in overseeing the GSEs (Fannie Mae and Freddie Mac).

Finally, in light of its expertise in the field of economics, PD&R performs a number of functions that help to support the administration of the Department's housing programs. These include calculating the key parameters used in housing programs such as income limits and Fair Market Rents and overseeing the field economists who review the market for multifamily housing projects applying for FHA insurance. While PD&R administers fair market rent and customer surveys, the funding for these programmatic functions has been provided through the Public Housing Capital Fund starting in fiscal year 2001 and continuing through fiscal year 2004.

Classification of Activities. PD&R activities under the basic research and technology account may be classified as either fixed or variable:

- Fixed Activities. PD&R expects to commit \$29.4 million for fixed activities in fiscal year 2004. The largest of these is the Congressionally mandated American Housing Survey, which provides policymakers and researchers with basic information on the U.S. housing market. The American Housing Survey costs are estimated to be \$19.8 million in fiscal year 2004. Other fixed expenses include the Survey of New Home Sales and Housing Completions, the Residential Finance Survey, the Survey of New Manufactured Housing Placements, and the Survey of Market Absorption of New Multifamily Units, as well as research dissemination, support services, the regulatory barriers clearinghouse and the university/community partnerships clearinghouse.
- Variable Activities. The remaining \$21.7 million will be committed to program evaluations and other research on housing and community and economic development issues.

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The following table shows the obligation level for more specific categories of fixed and variable activities in fiscal years 2002, 2003 and 2004.

|   | ACTUAL<br>2002 | BUDGET<br>ESTIMATE<br>2003 | CURRENT<br>ESTIMATE<br>2003 a/<br>(Dollars in Thousands) | ESTIMATE<br>2004 a/ | INCREASE +<br>DECREASE -<br>2004 v 2003 |
|---|----------------|----------------------------|--|---------------------|---|
| I. Housing Market Surveys . . . . .   | \$23,175       | \$23,600                   | \$23,600   | \$24,400            | +\$800                                  |
| II. Other Fixed Activities . . . . .  | 4,741          | 4,600                      | 4,800  | 5,000               | +200                                    |
| Subtotal Fixed Activities . . . . .   | 27,916         | 28,200                     | 28,400   | 29,400              | +1,000                                  |
| III. Program Evaluations . . . . .  | 2,383          | 7,500                      | 7,500  | 7,500               | ...                                     |
| IV. Homeownership/Housing Finance<br>Studies . . . . .  | 1,405          | 1,750                      | 2,200  | 3,200               | +1,000                                  |
| V. Housing Technology and<br>Regulatory Studies . . . . .   | 1,429          | 2,250                      | 2,300  | 2,250               | -50                                     |
| VI. Urban Data Systems Research . . . . .   | 1,037          | 1,900                      | 2,100  | 1,300               | -800                                    |
| VII. University Research . . . . .  | 529            | 1,600                      | 1,600  | 1,100               | -500                                    |
| VIII. Approved Demonstrations . . . . .   | 700            | 1,000                      | 1,700  | 1,700               | ...                                     |
| IX. Removal of Regulatory Barriers<br>to Affordable Housing . . . . .                               | ...            | ...                        | ...  | 2,000               | +2,000                                  |
| X. Other Housing and Urban<br>Research . . . . .  | 3,085          | 2,900                      | 3,200  | 2,650               | -550                                    |
| Subtotal Variable Activities . . . . .  | 10,568         | 18,900                     | 20,600   | 21,700              | +1,100                                  |
| Total non-PATH R&T . . . . .  | 38,484         | 47,100                     | 49,000   | 51,100              | +2,100                                  |
| XI. PATH . . . . .  | 8,354          | ...                        | 1,730  | ...                 | -1,730                                  |
| XII. Millennial Housing Commission . . . . .  | 1,500          | ...                        | ...  | ...                 | ...                                     |
| XIII. Transfer to the Commission on<br>Affordable Housing & Health<br>Care Facility Needs . . . . . | [1,000]        | ...                        | ...  | ...                 | ...                                     |
| Grand Total R&T . . . . .   | \$48,338       | \$47,100                   | \$50,730   | \$51,100            | +\$370                                  |

a/ The Fiscal year 2003 current estimate includes carryover and estimated recoveries, fiscal year 2004 budget estimate includes recoveries.

The following is a description of PD&R activities under each of the categories listed above:

**FIXED ACTIVITIES:**

**I. Housing Market Surveys**

Given the continuing changes in housing and housing finance markets, it is essential for policy makers to keep abreast of institutional and economic changes and understand their import for financial risk, credit, affordability of rental and owner-occupied housing, residential construction and home purchases. By sponsoring major housing market surveys and conducting research and analysis on housing market finance issues, PD&R provides this essential information to a wide range of policy makers and stakeholders.

Almost half of the budget for research and technology is dedicated to funding major ongoing housing market surveys including 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. These studies are described below:

- The American Housing Survey (AHS), a Congressionally mandated survey, is the Nation's primary source of information on the housing stock and housing conditions. Since 1973, the Census Bureau has surveyed a nationally representative sample of approximately 60,000 housing units in odd-number years to gather information on the condition of those units and the characteristics of their residents. In even-number years, smaller, longitudinal samples are surveyed to provide similar data for each of 47 large metropolitan areas at 4- or 6-year intervals. Although conducted by the Census Bureau, these surveys are sponsored,

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funded and directed by PD&R. HUD, other government agencies, private entities, and researchers use this information to assess the housing needs of the country, evaluate the performance of national housing policy, and study the dynamics of the housing market.

- In fiscal year 2004, PD&R will continue funding for the Residential Finance Survey (RFS) which is a supplement to the decennial census that provides detailed information on the financing of non-farm residential properties, both owner-occupied and rental.
- The Survey of New Home Sales and Housing Completions provides monthly and annual data on sales, completions, and prices of new homes. This survey provides the data for two leading national economic indicators.
- The Survey of Market Absorption of New Multifamily Units provides quarterly national data on how quickly new multifamily units are rented, by rent level and number of bedrooms.
- The Survey of New Manufactured (Mobile) Housing Placements compiles data on the number of new manufactured housing units sold or leased and placed on site by manufactured housing dealers for residential use.

### **II. Other Fixed Activities (including Research Dissemination, Support Services, Regulatory Barriers Clearinghouse, and University/Community Partnerships Clearinghouse)**

To ensure optimal use of the research and analysis conducted by PD&R, it is essential that these materials be made available to researchers, policy analysts and policymakers. This funding category supports activities necessary for disseminating and supporting PD&R research. PD&R's research information clearinghouse, HUD USER, and PD&R's Web site [www.huduser.org](http://www.huduser.org) will continue to serve an impressive number of researchers, including policy analysts at all levels of government, the private sector, nonprofit housing advocates, and educators. During the period January 2001-December 2001, over 3.2 million files were downloaded by these users and during the same period, the clearinghouse distributed over 189,000 copies of PD&R products.

Through its support services contract, PD&R will continue to have access to technical reviewers for reports and papers; writers; editors; conference planners; and graphic designers. Experts in these areas will assist PD&R staff in the development and marketing of written products; organizing and implementing conferences, workshops and meetings; designing and staffing a PD&R exhibit at national conferences; and providing dissemination and distribution support for PD&R publications.

This funding category also includes two clearinghouses required by legislation. First, the American Homeownership and Economic Opportunity Act of 2000 required PD&R to establish a Regulatory Barriers Clearinghouse to serve as a national repository to receive, collect, process, assemble, and disseminate information to eliminate barriers to affordable housing. Second, the legislation creating Community Outreach Partnership Centers directed HUD to establish a clearinghouse on university/community partnerships to document and disseminate information about such grant programs that PD&R administers. As the number of these grant programs has grown, so too has the role of the clearinghouse in promoting the creation of university/community partnerships.

PD&R projects an increase of \$200,000 in the research dissemination, support services, the regulatory barriers clearinghouse and the university/community partnerships clearinghouses due to higher contract costs for these services.

### **VARIABLE ACTIVITIES:**

#### **III. Program Evaluations**

In fiscal year 2004, PD&R plans to continue our strong expanded commitment to program evaluations. Based on input from the Secretary and program offices within HUD, PD&R develops a plan for its program evaluation activity to ensure that it advances key policy objectives and leads to regular periodic evaluations of major HUD programs.

Program evaluations now underway or about to commence include: a study of predictors of housing stability for chronic homelessness, assessment of data quality in SEMAP, Welfare-to-Work Voucher study, study on the administration of the Housing Choice Voucher program to identifying promising strategies for increasing the success rates of families that receive vouchers, evaluation of the Mark-to-Market program and the Youthbuild program evaluation. Program evaluations under consideration for fiscal years 2003 and 2004 include: evaluation of assisted living conversions and other initiatives to appropriately house the aging elderly, and evaluation of the contributions of Section 202/811 housing to the quality of life for the elderly and persons with disabilities, study of the Section 8 administrative fee structure, study of landlord relations in Section 8, evaluations of consolidated plan pilots, an

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evaluation of the Native American Housing Assistance and Self Determination Act (NAHASDA) program, assessment of CDBG jobs programs, continuation of the evaluation of Welfare-to-Work Vouchers, and a study of the outcomes for people leaving housing assistance. Other program evaluations will be conducted as necessary to address major policy issues, measure the performance outcomes of HUD programs, and ensure that each major program activity area benefits, over time, from the data and insights provided by program evaluations.

### **IV. Homeownership/Housing Finance Studies**

While PD&R has a broad research and evaluation agenda in the housing finance area, many PD&R studies focus on the role of FHA and the GSEs (Fannie Mae and Freddie Mac) in expanding affordable lending and programs to increase homeownership opportunities for low-income and minority families.

PD&R's housing finance research will continue to furnish sound analysis and support to the Department on: (1) prime, sub-prime, and secondary mortgage market trends, (2) FHA programs and other affordable lending and homeownership programs, (3) financing risks in singlefamily and multifamily mortgage lending, (4) mortgage default, loss, and risk-based pricing, (5) credit scoring and FHA's mortgage scorecard technology for automated underwriting and risk rating FHA mortgages. Particular emphasis will be devoted to research and analysis in support of the Administration's new initiatives to increase first-time homeownership for minority and low-income households and reform RESPA rules to simplify the process and cut the cost of getting a mortgage. Other work will focus on analyzing PD&R's database on FHA loan file closing costs, which is currently under development, to develop strategies for reducing closing costs. Research intended to distinguish legitimate sub-prime lending practices from abusive, predatory practices will continue.

PD&R also provides research and policy analysis support to the Secretary in connection with his role in regulating the Government Sponsored Enterprises (GSEs)-Fannie Mae and Freddie Mac. In fiscal years 2003 PD&R's research program will emphasize analyses of 2000 census data, which can support HUD's review of the GSEs' affordable housing goals, and particularly the goal related to GSE activity in underserved housing market areas. The housing goals are scheduled to be evaluated and revised as necessary before the end of 2003. In fiscal years 2003 and 2004, research will be conducted on implications of current market developments on the GSEs, the secondary mortgage market, and the availability of mortgage finance for lower-income borrowers. Continued attention will be given to the evolution of subprime mortgage lending and markets and the increased use of risk-based pricing throughout the mortgage market. Research and policy analysis will also be performed to support the Department's oversight of GSE fair lending requirements.

PD&R's budget reflects an increase of \$1 million in this category of activity in fiscal year 2004 to support the President's commitment to increasing minority homeownership.

### **V. Housing Technology and Regulatory Studies**

This research aims to improve the safety, soundness and energy efficiency of the Nation's housing stock--especially HUD-assisted and regulated housing--while maintaining affordability. A major focus of the Housing Technology and Regulatory Studies research category in fiscal year 2004 will be research on technologies and building methods that can help make housing more energy efficient as well as strategies for promoting energy conservation in public and assisted housing. Through cooperative research with industry and other research vehicles, PD&R will focus on developing new, cost-effective ways to improve energy efficiency in existing housing; improving the disaster resistance of housing; durability of housing; 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 work include research on building codes, HUD technical standards and support for consensus standards to assure safe, affordable housing; accessibility studies; environmental hazards; industrialized housing methods; and manufactured housing.



In fiscal year 2004, work will continue on research to improve manufactured housing standards, particularly research in support of the HUD Office of Manufactured Housing's efforts to develop Congressionally required model installation standards. Research will continue to identify and recommend approaches to reducing barriers to infill housing and reuse of urban land; reduction of code barriers to rehab and studies on land assemblage; understanding the structural requirements and engineering principles needed to assure the safety and disaster resistance of single family homes; and providing industrialized housing methods for homebuilders.

**VI. Urban Data Systems Research**

PD&R will continue to collect and make available basic data on the economic and social condition of cities and to update the State of the Cities Database. Research for fiscal year 2004 will include incorporation into the database of additional standard and special tabulations from the 2000 census, an analysis of the fiscal disparities among metropolitan jurisdictions, and an examination of the spatial patterns of housing and economic development. Together these projects will provide insight into the causes and impacts of urban growth and decline and produce information relevant to regional cooperation among local governments. Further data collection and analysis projects include analyses of crime data, business establishment and jobs data, residential building permits, and current labor force statistics for metropolitan areas and central cities.

This category also includes research on the application of Geographic Information Systems (GIS) technology to the field of housing and community and economic development. Among other activities, PD&R will provide researchers with spatially enabled datasets and help to develop tools to facilitate researchers' use of GIS technology in analyzing housing and community and economic development issues. PD&R will also investigate the potential of GIS activity to facilitate regional planning and increase the effectiveness of citizen participation in the planning process.

**VII. University Research**

PD&R seeks to enhance HUD's overall capacity and knowledge base by encouraging more scholars to focus on research questions relevant to HUD goals. To help build broader attention to policy-relevant research on housing, urban development, and economic issues, PD&R offers incentives to promising researchers at a critical point in the preparation of faculty and researchers--during the doctoral process and early faculty years. The Early Doctoral Student Research Grant and the Doctoral Dissertation Research Grant Program enable top doctoral students or recent degree holders to cultivate their research skills through the preparation of papers and dissertations, and the opportunity to present and publish their work. The Urban Scholars Fellowship is a postdoctoral award for 15 months of research support to faculty who are less than 5 years into their academic careers.

**VIII. Approved Demonstrations**

In fiscal year 2004, PD&R will continue to fund research related to the Congressionally approved demonstration, the Jobs Plus Community Revitalization Initiative for Public Housing Families. The goal of Jobs-Plus is to substantially increase the employment rates of residents living in public housing developments through three broadly defined elements: (1) work incentives; (2) best practices in preparing residents for sustained employment and in linking residents with jobs; and (3) enhanced community support for work. Jobs-Plus is a 5-year demonstration program, which was originally to conclude in June 2003. PD&R is now requesting an additional year of funding for this effort, with the demonstration concluding in June 2004. Public housing authorities and collaborative private partners are implementing the demonstration and the Manpower Demonstration Research Corporation is evaluating the various outcomes.

In fiscal years 2003 and 2004, PD&R will continue with the multiyear Moving to Opportunity Demonstration that Congress authorized in 1992. This is a rigorous research project designed to measure the effects of moving from a high poverty to a low poverty neighborhood with the assistance of housing vouchers on the social and economic well-being of the families involved. An evaluation of the 5-year effects of such moves will be published in fiscal year 2003. The fiscal years 2003 and 2004 funding will enable us to continue tracking the families so that the long-term effects may be assessed in the final 10-year evaluation. The original authorization instructed HUD to provide a final report on the demonstration after 10 years of implementation (then anticipated to be 2004).

Due to the lack of funding, no fiscal year 2002 funds were available to track MTO families. The fiscal year 2003 current estimate and fiscal year 2004 request reflect the reality that such tracking must be resumed to ensure the effective continuation of this ground-breaking demonstration.

**IX. Removal of Barriers to Affordable Housing**

State and local regulations operate as a significant barrier to the production of affordable housing. Various studies estimate that construction and development costs can be reduced as much as 35 percent through new regulatory tools and processes. In Fiscal year 2004, PD&R plans to devote at least \$2 million to research, policy analysis, information dissemination and other activities directed at reducing regulatory and other barriers to affordable housing. Among other impacts, past PD&R work in this area has identified opportunities for streamlining rehabilitation codes to stimulate greater rehab activity to preserve existing housing. In fiscal year 2004, PD&R plans to study the impact that specific regulatory and other barriers have on the production of affordable housing, develop options for reducing these barriers, and work with a wide variety of stakeholders to ensure that information on regulatory barriers removal strategies is widely disseminated.

**X. Other Housing and Urban Research**

This category covers a range of research on different housing and community and economic development issues. Among other topics, PD&R will examine strategies for improving the lives of families in the Colonias, ways to enhance the capacity of faith-based and community organizations to perform housing and community development, and the nature and severity of housing problems among different populations and in different geographic areas.

In fiscal year 2004, PD&R's Office of International Affairs will continue a small program of research studies to support the international exchange of data and information on housing and urban development topics.

ADMINISTRATIVE EXPENSES

| FTE/OBJECT CLASS                | ACTUAL<br>2002 | ESTIMATE<br>2003 | ESTIMATE<br>2004 |
|---------------------------------|----------------|------------------|------------------|
| FTE                             |                |                  |                  |
| Headquarters                    | 108            | 117              | 117              |
| Field                           | 36             | 45               | 45               |
| Total FTE                       | 144            | 162              | 162              |
| S&E Cost (Dollars in Thousands) |                |                  |                  |
| Personal Services               | \$14,864       | \$17,190         | \$17,655         |
| Travel                          | 260            | 211              | 222              |
| Printing                        | 344            | 319              | 324              |
| Other Services                  | 3,125          | 2,692            | 3,470            |
| Supplies                        | 47             | 54               | 55               |
| Total S&E Cost                  | \$18,640       | \$20,466         | \$21,726         |