



FY 2007 BUDGET SUMMARY

MESSAGE FROM SECRETARY JACKSON

During the past five years, the U.S. Department of Housing and Urban Development (HUD) has expanded homeownership, increased access to affordable housing, fought housing discrimination, tackled chronic homelessness, and made a new commitment to serving society's most vulnerable. The Department has implemented innovative solutions to address our nation's housing needs and HUD has achieved great results.

HUD's \$33.6 billion Fiscal Year (FY) 2007 Budget seeks to build on our success and lend a compassionate hand to Americans in need while using taxpayer money more wisely and reforming programs in need of repair.

President Bush's administration has achieved new records in the rate of homeownership. Today, nearly 70 percent of the nation and more than 51 percent of minorities own their homes. Despite achieving the highest homeownership rate in American history, minorities remain less likely than non-Hispanic whites to own their homes. To close this gap, President Bush challenged the nation to create 5.5 million minority homeowners by the end of the decade and to date 2.4 million minority families have joined the ranks of homeowners. While President Bush is pleased with the progress made, there is more to be done.

The Federal Housing Administration (FHA) is undergoing a rapid transformation enabling it to expand homeownership opportunities for low- and moderate-income families. FHA has taken steps, within its current authority, to streamline requirements and remove impediments to its use by lenders and homebuyers. The next step will be accomplished through proposed legislative changes allowing FHA to adjust more quickly to changes in our dynamic economy and housing market. Allowing FHA to offer lenders an array of mortgage insurance products will provide borrowers with reasonably priced options.

The HOME Investment Partnerships program (HOME) expands access to homeownership by subsidizing downpayment and closing costs, as well as acquisition, rehabilitation, and new construction costs. The Bush Administration proposes \$1.9 billion for the HOME program in FY 2007.

The most significant barriers to homeownership are downpayment and closing costs. The American Dream Downpayment Initiative (ADDI) aims to help low- and moderate-income individuals with funds needed to purchase their first home. In the first year of the program, HUD distributed funds that helped thousands of Americans, nearly half of whom were minority families, to purchase their first homes.

There are enormous responsibilities that come with buying and owning a home and HUD is committed to providing housing counseling throughout the



**UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FISCAL YEAR 2007 BUDGET SUMMARY**

homebuying process. Using FY 2007 funding, an estimated 600,000 families will receive housing counseling services.

While homeownership is one of the Bush Administration's top priorities, we realize that it is not a viable option for everyone. That is why one of the largest components of HUD's Budget promotes affordable housing for families and individuals who rent.

Housing Choice Vouchers is HUD's largest program at \$16 billion annually. The program provides approximately two million low-income families with subsidies that help them obtain a decent, safe, sanitary, and affordable home. Families contribute a percentage of their adjusted gross income towards rent and utilities while the government pays the remainder.

The proposed State and Local Housing Flexibility Act would, among other things, simplify Section 8 program rules to give public housing authorities the flexibility to serve more people and better address local needs.

A key component of HUD's strategic goals is to strengthen communities, which ensures better places to live, work, and raise a family. HUD is committed to producing a better means of measuring the performance of community development efforts, specifically the Community Development Block Grant program. Allocating these funds more efficiently will help further reinvigorate these communities.

The needs of this country's Native American population continue to be addressed through HUD's programs. The FY 2007 Budget proposes \$626 million for the Native American Housing Block Grant program. Additionally, the Budget proposes \$251 million in Section 184 loan guarantees for homeownership in tribal areas, which represents a more than 100 percent increase over FY 2006.

While helping homeowners and renters to a better way of life, HUD remains committed to the goal of ending chronic homelessness. HUD has aggressively pursued policies to move homeless individuals into permanent housing. The FY 2007 Budget proposal includes \$1.5 billion for Homeless Assistance, which would provide over 160,000 beds for homeless individuals.

The Bush Administration is committed to guaranteeing the right for all Americans to have equal access to the housing of their choice, free from discrimination. The FY 2007 Budget proposes nearly \$45 million to support Fair Housing and Equal Opportunity activities.

Empowered by the resources provided in HUD's proposed FY 2007 Budget, new success stories will be written, communities and the nation will grow stronger, and more citizens will come to know the American Dream through homeownership.

A handwritten signature in black ink that reads "Alphonso Jackson".

Alphonso Jackson
February 6, 2006

Fiscal Year 2007 Budget Summary



**UNITED STATES DEPARTMENT OF HOUSING
AND URBAN DEVELOPMENT**



PROMOTING ECONOMIC OPPORTUNITY THROUGH HOMEOWNERSHIP

The President's vision of an "ownership society" has been a central theme of this Administration, because ownership – and homeownership in particular – is the key to stronger and healthier communities, financial independence, and the accumulation of wealth.

Homeownership creates community stakeholders who tend to be active in charities, churches, and neighborhood activities. Homeownership also inspires community involvement and civic responsibility. Homeownership offers children a stable living environment, and it influences their personal development in many positive, measurable ways both at home and school.

For the vast majority of families, the purchase of a home represents the path to prosperity. A home is the largest purchase most Americans will ever make – a tangible asset that builds equity, credit, borrowing power, and overall wealth.

The Administration continues to make homeownership more affordable and accessible with numerous government programs to help families find the security, dignity, and independence that comes with owning a piece of the American dream.

TRANSFORMING THE FEDERAL HOUSING ADMINISTRATION

HUD proposes to amend the National Housing Act, which was enacted in 1934 creating the Federal Housing Administration (FHA) and the FHA's Mortgage Insurance Programs. The existing statutory requirements have prevented FHA from updating its mortgage products and left the door open for the resurgence of loans that are pricier and riskier to consumers. These high cost loans are similar to those that predominated in 1934, such as interest-only and short-term balloon loans. At that time, Congress successfully encouraged lenders to offset these risky mortgages by making competitively priced loans insured by FHA available to Americans.

Congress recognizes that today's high cost loans negatively impact consumers, communities, and the economy. To address the problem, Congress is considering legislation to regulate these types of loans and the lenders who originate them. HUD proposes to amend the National Housing Act to give FHA the tools to offer alternatives to high cost loans by supporting privately originated mortgages to non-prime borrowers. These hardworking, credit-worthy borrowers, like generations before them, are unable to get a reasonably priced mortgage on fair terms. Many are in jeopardy of losing their homes as their mortgage payments escalate or balloon notes become payable.

By amending the National Housing Act, FHA will be able to continue expanding homeownership and supporting mortgage lending through a range of flexible mortgage insurance products. These products will match the loan terms and costs to the borrower's needs, while maintaining the fiscal integrity demanded by FHA.

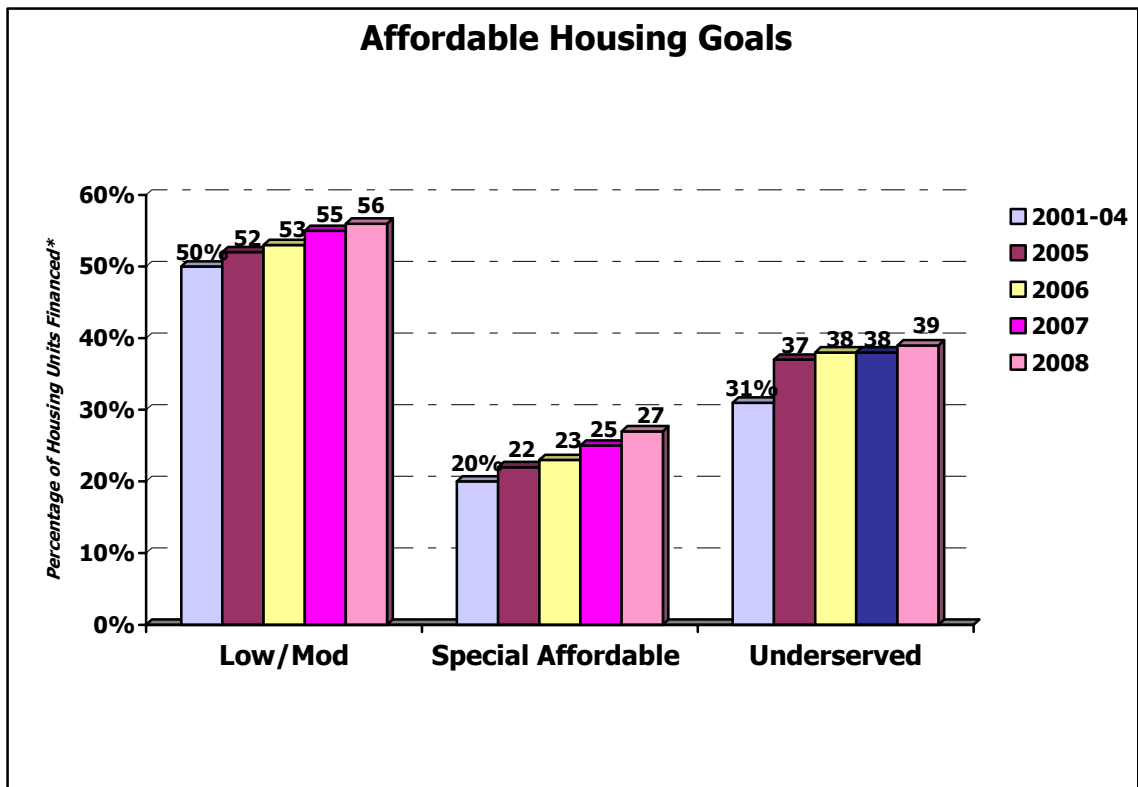


Ensuring Government-Sponsored Enterprises Promote Affordable Housing

Fannie Mae and Freddie Mac, both government-sponsored enterprises (GSEs), were chartered by Congress to improve access to mortgage credit for low- and moderate-income families and families living in underserved communities. In 1992, Congress established three affordable housing goals, which the GSEs must achieve annually. As the mission regulator for Fannie Mae and Freddie Mac, HUD establishes the level of each GSE's housing goal. In 2004, HUD published a new rule that significantly increased the housing goal levels for years 2005 through 2008. The goal levels rise in nearly equal steps from year-to-year through 2008 (see chart below). The new goal levels will push the GSEs to lead the market in creating affordable housing opportunities for less advantaged Americans.

In addition to increasing housing goals annually from 2005 through 2008, HUD's rule establishes home purchase sub-goals under each of the three major housing goals. The home purchase sub-goals are intended to facilitate homeownership, especially among first-time homebuyers and minority homebuyers. By ensuring that the GSEs focus on financing home purchases for homeowners targeted by the housing goals, the home purchase sub-goals also address the racial and income disparities that exist in homeownership rates.

The following table summarizes the housing goal levels for the years 2005-2008 and compares the current housing goal levels to those in effect for 2001-2004:





American Dream Downpayment Initiative

For many Americans, high downpayments and closing costs represent the single greatest barrier to homeownership. President Bush created the American Dream Downpayment Initiative (ADDI) in 2003 to help overcome these obstacles by providing low-income families with the funds needed to purchase their first home. HUD has distributed \$211 million in downpayment funds to over 400 state and local governments since FY 2004.

HOME: Creating Affordable Housing

The HOME Investment Partnerships program, dedicated to creating affordable housing for low-income families, is the largest federal block grant program of its kind. In 2005, the program completed nearly 72,000 units of affordable housing. The HOME program, often in partnership with local nonprofit groups, states, and local governments, funds activities that build, buy, and/or rehabilitate affordable housing for rent or homeownership. The Administration proposes \$1.9 billion for the HOME program in 2007. One HOME dollar allocated typically attracts \$3.60 from private sector investments.

Housing Counseling

Housing counseling is an extremely important tool to help Americans purchase and keep their homes. The FY 2007 Budget proposes a \$3 million increase for housing counseling to prepare families for homeownership, help them avoid predatory lending practices, and help current homeowners avoid default. In partnership with faith-based and community organizations, HUD will assist approximately 600,000 families to become homeowners or avoid foreclosure.

More than ever, potential homebuyers need assistance to make smart homeownership choices. Housing counseling is the most cost effective way to educate individuals and arm them with the knowledge to make informed financial choices and avoid high risk, high cost loans, and possible default and foreclosure.

PROMOTING LOCAL CONTROL AND FLEXIBILITY

HUD provides rental subsidies to approximately 4.8 million households nationwide. The Section 8 program provides two sources of rental assistance, one is tenant based (the Housing Choice Voucher Program) and the second is project based (the Section 8 Project Based Rental Assistance Program). Under the tenant based rental assistance program, HUD provides subsidies to individuals who seek rental housing from qualified and approved owners. The Section 8 Project Based Rental Assistance Program provides subsidies directly to private property owners who set aside some or all of their units for low-income families.

The Housing Choice Voucher Program, the most well known of the Section 8 rental assistance programs, provides approximately two million low-income families



UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT FISCAL YEAR 2007 BUDGET SUMMARY

with subsidies to afford decent rental housing in the private market. Participants contribute up to 30 percent of their income toward rent and the government pays the remainder. Funded with \$16 billion, this is the government's largest housing assistance program.

In 1998, project-based and tenant-based Section 8 programs consumed 42 percent of HUD's annual Budget. That percentage rose to 57 by FY 2005 and will surpass 62 percent in the Department's 2007 Budget. This rate of increase, combined with an extremely complex set of laws and rules that govern the program, has limited its effectiveness.

In response to unsustainable cost increases, Congress recently converted the previous "unit-based" allocation system to a "dollar-based" system. This made sense, but for the dollar-based system to work, program requirements need to be simplified, and Public Housing Authorities (PHAs) need to be provided with greater flexibility.

The Administration proposes to give more flexibility to PHAs to administer the program and better address local needs. Building on changes started in the 2005 Consolidated Appropriations Act, the Administration proposes expanding the "dollar-based" approach. PHAs will continue to receive a set dollar amount as in 2005 and 2006, but they will have the freedom to adjust the program to the unique and changing needs of their community. Local PHAs will be able to design their own tenant rent policies, and in turn, reduce the number of errors made, save money, and create incentives to work.

The Administration's plan will eliminate many of the complex forms that are currently required to comply with program rules, saving both time and money. Furthermore, the Administration's proposal will result in benefits and rewards for a PHA's decision to utilize good management. These changes will provide a more efficient and effective program by eliminating large balances of unused resources and helping low-income families more easily obtain decent, safe, and affordable housing.

Homeownership Vouchers

The Homeownership Voucher program has successfully paved a path for low-income Americans to become homeowners. Homeownership counseling, strong and committed collaboration among PHAs, and assistance from local non-profits and lenders have proven to be an essential component in making this program work for families across the country.

Over 2,000 low-income families moved from the Section 8 rental program and became homeowners during the program's first four years. By the end of FY 2007, the program will provide homeownership opportunities for approximately 8,000 families.



IMPROVING PUBLIC HOUSING

For FY 2007, the Department will continue its efforts to improve public housing through the Public Housing Capital Fund Program, moving toward project based management, and encouraging public housing management and accountability.

Public Housing's Capital Fund Financing Program

The Department continues its successful implementation of the Public Housing's Capital Fund Financing Program. Over \$2.5 billion in loan and bond financing has been approved and more than 126 PHAs are currently utilizing the program. This program allows PHAs to borrow from banks or issue bonds using future Capital Fund grants as collateral or debt service, subject to annual appropriations. In this way, PHAs are able to leverage the Capital Funds to make improvements.

Implementation of Harvard Cost Study

In 1998, Congress directed HUD to undertake the Harvard Cost Study, a review of public housing costs analyzing how PHAs manage their units. The Department will continue its scheduled implementation of the Congressionally mandated formula for allocating subsidies for public housing operations and will implement the formula by FY 2007. The implementation will include transitioning the management of public housing to an asset-based model similar to how private-sector multifamily housing is managed. Project based accounting is scheduled to be implemented in FY 2007 and asset based management by FY 2011.

Management Accountability of Public Housing

The Department continues to place great emphasis on the physical condition of public housing properties, and the financial status and management capabilities of PHAs. The Department will continue providing technical assistance to PHAs. PHAs with consistently failing scores may be subject to an administrative or judicial receivership. The Department will continue to utilize other tools such as Cooperative Endeavor Agreements with local officials, Memoranda of Agreement, and increased oversight to correct long-standing deficiencies with PHAs.

COMMUNITY DEVELOPMENT BLOCK GRANT REFORM

The Community Development Block Grant (CDBG) program serves low- and moderate-income families in cities and urban counties, states, and insular areas across the United States through a variety of housing, community, and economic development activities. The FY 2007 Budget proposes to reform the CDBG program to more effectively contribute to local community and economic progress. Formula changes will be proposed to direct more of the program's base funding to communities that cannot meet their own needs; bonus funds will be available to communities that demonstrate the greatest progress in expanding homeownership and opportunity for their residents.



Other federal programs that support local development will operate with CDBG within a new, broader framework of clear goals, crosscutting community progress indicators, and common standards for the award of bonus funding. HUD programs that duplicate the purposes of CDBG – Brownfields Redevelopment, Rural Housing and Economic Development, and Section 108 Loan Guarantees – will be consolidated within CDBG as part of this reform.

Housing for Homeless Persons

HUD will forward legislation this year to consolidate its three competitive homeless assistance programs into a single program. The consolidation will provide more consistent funding, expand eligible activities – including prevention – across programs, eliminate multiple match requirements, and simplify the competition and award process. The FY 2007 Budget proposal includes \$1.5 billion for Homeless Assistance, an increase of \$209 million above the FY 2006 enacted level, providing over 160,000 emergency, transitional and permanent beds for homeless individuals and families. The increase will support the creation and operation of thousands of new supportive housing units for the homeless, including the chronically homeless, across the country. These new units are in addition to those that have been created through the efforts of federal, state, local, and private sector programs.

The Administration remains committed to the goal of ending chronic homelessness and has aggressively pursued policies to move homeless individuals into permanent housing. Housing the chronically homeless population will free up more federal, state, and local emergency resources for families and individuals who need shorter-term assistance.

Chronically homeless individuals typically suffer from a disabling developmental, physical, or mental condition or a substance abuse addiction. They have been homeless for a year or more or they have had repeated periods of extended homelessness. They may occasionally get help, but they soon fall back to a life of sidewalks and shelters. Research indicates that although 10 to 15 percent of the homeless population experiences chronic homelessness, these individuals consume over half of all emergency homeless resources.

Secretary Alphonso Jackson currently chairs the Interagency Council on Homelessness, which was reconvened by the President in July 2002. The Council brought together 20 federal entities involved in combating homelessness and has helped state and local leaders across America draft plans to move chronically homeless individuals into permanent supportive housing and to prevent additional individuals from becoming chronically homeless. Today, 53 states and territories have established interagency councils on homelessness. More than 200 state, county, and city governments have joined the federal effort.

Housing Opportunities for Persons with AIDS (HOPWA)

The HOPWA program provides formula grants to states and localities for housing assistance for low-income persons living with HIV/AIDS. The program helps maintain stable housing arrangements that improve access to health care and other needed support. The program also provides competitive grants to government agencies and nonprofit organizations. In FY 2007, HOPWA funding of \$300 million,



an increase of \$14 million over the enacted FY 2006 level, will support an estimated 28 competitive grants and will provide formula funding to an estimated 124 jurisdictions. These resources will provide housing assistance to an estimated 75,025 households. In addition, the FY 2007 Budget includes a proposal that would allow HUD to change the formula so that the distribution of funds is more equitable and recognizes housing cost differences in communities across the country.

Housing for the Elderly and Persons with Disabilities

The FY 2007 Budget proposes funding for approximately 3,000 additional housing units for the elderly and persons with disabilities. All expiring rental assistance contracts are being renewed and amendment funds are available for qualifying increased costs of pipeline construction projects. Funds will also be available to provide supportive services through the Service Coordinator Program and for the conversion of existing elderly housing projects through the Assisted Living Conversion Program. Funds are also available to fully support the existing Mainstream Voucher Program.

Housing for Returning Ex-offenders

Every year, more than 600,000 inmates complete their sentences and are returned to the community. Approximately two-thirds of prisoners are re-arrested within three years of their release and nearly half of them return to prison during that same period. These individuals face many barriers including a need for job skills training and housing.

To confront this problem, the President proposed a four-year, \$300 million Prisoner Re-entry Initiative in his 2004 State of the Union address, designed to help individuals leaving prison make a successful transition to community life and long-term employment. HUD's FY 2007 Budget request for Homeless Assistance Grants includes \$24.8 million that would be transferred to the Department of Labor for this program.

FAIR HOUSING

Fair housing activities are pivotal in achieving the Administration's goal to increase minority homeownership by 2010. Enforcement, education, and outreach efforts are key elements in combating illegal discrimination across the country. For 2007, the President's Budget proposes approximately \$45 million to support Fair Housing and Equal Opportunity activities to help ensure that Americans have equal access to housing of their choice.

The 2007 funding level supports fair housing activities under the Fair Housing Assistance Program (FHAP) and Fair Housing Initiatives Program (FHIP). These activities include education and outreach as well as administrative and enforcement efforts of state and local agencies and nonprofit fair housing organizations.

Additionally, the requested amount supports the Department's ongoing efforts to address fair housing concerns in areas affected by Hurricane Katrina. The funds support education and outreach activities to evacuees on their rights under the Fair



Housing Act, which includes but is not limited to bilingual public service announcements, printed advertisements, and training events. Further, funds will be used to address and resolve complaints of discrimination against Gulf Coast evacuees. The Department will provide extensive technical assistance to builders, architects, and housing providers on accessibility requirements through Accessibility FIRST to ensure that newly constructed housing units are accessible to persons with disabilities.

AMERICA'S AFFORDABLE COMMUNITIES INITIATIVE: ADDRESSING REGULATORY BARRIERS TO THE DEVELOPMENT OF AFFORDABLE HOUSING

Unnecessary, excessive or exclusionary federal, state and local regulations severely limit housing affordability by increasing costs as much as 35 percent. They also limit the ability of housing providers to build affordable multifamily housing, duplexes, and cost-effective housing rehabilitation. The Department believes that regulatory barrier removal must be an essential component of any national housing strategy to address the needs of low- and moderate-income families and is committed to working with states and local communities to do so.

The Department established "America's Affordable Communities Initiative: Bringing Homes Within Reach through Regulatory Reform," in FY 2003. This encouraged efforts at the local level, to review and reform expanded housing affordability.

HUD has undertaken a wide range of activities to address the affordability problem since the program's inception. In February 2005, the Department released, "Why Not In Our Community" an update to the landmark 1991 report "Not in My Backyard." Also in 2005, the Department awarded the first yearly "Robert Woodson Awards," given to state and local governments who exemplify the very best effort in regulatory reform. In June 2006, a second set of awardees are expected to be announced.

Through the Regulatory Barriers Clearinghouse, the Department maintains and disseminates important information on regulatory barriers to local governments and housing providers, as well as new strategies and solutions developed by local communities. All proposed HUD rules, regulations, notices and mortgagee letters are now carefully reviewed to ensure they enhance rather than restrict housing affordability.

HUD is developing the tools and approaches needed by state and local governments to address the many barriers that restrict the development of affordable housing through its expanded research and dissemination effort. Current research included a recently completed methodology for "housing impact" analyses. This new tool will measure the impact of any proposed new regulation on housing affordability. Other research includes, developing new models for impact fees that reduce regulatory barriers to manufactured housing and a new barriers "database" that will better quantify the impact of regulatory barriers on housing costs.



UPDATE ON THE PRESIDENT'S MANAGEMENT AGENDA

The President's Management Agenda (PMA) is designed to improve the overall efficiency and effectiveness of the federal government and address management deficiencies at individual agencies. The President's goals have been engrained in HUD's strategic and annual performance and operating plans and HUD is focused on achieving them.

The President's Management Agenda includes five government-wide, one HUD-specific, and two multi-agency initiatives that are tracked and scored in terms of both baseline goal accomplishment and the adequacy of plans and progress toward achieving PMA goals. Scores in the PMA process are awarded in "red-yellow-green" scoring categories where green represents goal achievement.

HUD is committed to achieving the highest scores in the PMA process. Currently, the scores on HUD's *plans and progress* are all green or yellow, indicating that HUD has adequate plans and is making good progress toward achieving the President's goals for more efficient and effective management of resources. HUD's scorecard at the end of calendar year 2005 is summarized in the table below followed by a synopsis of the Department's *progress and plans* in each of the initiatives. While the criteria for goal accomplishments are tough, HUD kept its promise to move many of its baseline scores from red to yellow, and has achieved a green baseline score on three initiatives.

HUD's December 31, 2005 Scorecard on the President's Management Agenda

PMA Initiative	Baseline Goal Score	Plans and Progress Score
Human Capital	Yellow	Green
Competitive Sourcing	Yellow	Green
Financial Performance	Red	Green
Electronic Government	Green	Green
Budget and Performance Integration	Yellow	Yellow
HUD Management and Performance	Yellow	Yellow
Faith-Based and Community Initiative	Green	Green
Eliminating Improper Payments	Green	Green

GOVERNMENT-WIDE INITIATIVES

Human Capital

A five-year strategy for the management of human capital has been developed with detailed plans to ensure that: HUD's organizational structure is optimized; succession strategies are in place to provide a continuously updated talent pool; performance appraisal plans for all managers and staff are linked to HUD's mission goals and objectives; skill gaps are assessed and addressed; and human capital



management accountability systems are in place to support effective management of HUD's human capital. HUD successfully adopted the Department of the Treasury's information technology system for managing human capital. This system automates personnel operations that were formerly paper-based, providing faster service and enhanced capabilities. Treasury reported significant productivity gains when it adopted this system. HUD also initiated an Optimal Organization Study to assess opportunities to more efficiently and effectively utilize HUD's reduced staffing level.

Competitive Sourcing

In 2005, HUD completed four competitive sourcing reviews in administrative areas. These various competitions are expected to save HUD \$4 million over the next five years. The Department will continue to pursue the use of competitive sourcing as a resource management tool to conserve financial resources and improve performance.

Improved Financial Performance

HUD made significant strides in financial management this year by successfully accelerating the close of its operational books and audit of its financial records within 45 days of the end of the FY. HUD earned an unqualified audit opinion on its 2004 and 2005 financial statements, giving the Department an unqualified or clean audit opinion on its financial statements for the past six consecutive FYs. The financial auditors also determined that HUD made significant progress in strengthening internal controls. The auditor downgraded two long-standing material weaknesses – one dating from 1990.

Continuing progress on the implementation of the final phases of the FHA Subsidiary Ledger Project contributed to HUD's ability to accelerate the preparation of auditable financial statements and eliminate longstanding material internal control and financial systems weaknesses. HUD will complete the FHA Subsidiary Ledger Project in FY 2007 and continue to pursue its goal for modernizing the Department's core financial system by FY 2008, through the HUD Integrated Financial Management Improvement Project (HIFMIP).

Electronic Government

HUD continues its E-Government transformation in order to meet public expectations and government performance mandates by: increasing access to information and services using the Internet; developing systems within expected costs and schedules that can be shared and used to simplify business processes; ensuring the protection of personal data; and providing increased security to guard against intrusion and improve reliability. These E-Government efforts support HUD's mission and goals by delivering more value to citizens and business partners, promoting innovation, and incorporating best practices and federal-wide solutions.



HUD's future focus will be on modernizing its core financial systems applications and business systems applications in its largest program areas—rental housing assistance, single-family housing mortgage insurance, and discretionary grants. HUD has executed plans to improve its information technology (IT) capital planning, project management, and security environment, along with modernizing HUD's IT systems infrastructure.

Budget & Performance Initiative

HUD continues to develop and use improved performance outcome and efficiency measures for program Budget decisions. HUD made significant progress in reducing and focusing performance measures, establishing program efficiency measures, and integrating Budget and performance information for use by program decision makers to increase results. HUD has completed a Program Assessment Rating Tool evaluation on 26 major program areas, representing over 80 percent of HUD's Budget, to identify those areas in need of improvement.

HUD-SPECIFIC AND MULTI-AGENCY INITIATIVES

HUD Management and Performance

HUD surpassed its initial goals for improvements in the physical condition of HUD assisted housing, including public and privately owned multi-family housing. As a result of improvements, the issue was removed from the Inspector General's material weakness list and the Government Accountability Office's list of high-risk program designations. FHA took numerous actions to reduce the risk of its mortgage insurance programs and began tracking the results of its efforts to combat fraud and compliance problems, relative to the number of loans identified as at-risk. The Community Planning and Development Program completed the Consolidated Plan Improvement Initiative by streamlining the Consolidated Planning Process with regulatory changes, guidance, and a new Consolidated Plan Management Process Tool (CPMP). The CPMP is a new approach to managing the consolidated planning and reporting process that enables grantees to streamline the submission process and creates a standardized format that enhances a jurisdiction's ability to track results and facilitate review by HUD, grantees, and the public. This tool will serve as the prototype for a newly re-engineered Integrated Disbursement and Information System that supports local planning and tracking of performance, aggregation of results relative to national goals, and the assessment of progress toward addressing the problems of low-income areas.

The Center for Faith-Based and Community Initiative

HUD continues its successful efforts to increase participation by faith-based and community organizations (FBCOs). Due to a variety of efforts, more community organizations are impacting the lives of society's most vulnerable citizens. The Center continues to provide outreach and technical assistance to FBCOs, through its grant writing workshops. The Center also works to build partnerships between FBCOs and HUD grantees through its Unlocking Doors initiative and other outreach efforts.



Improper Payments Initiative

HUD reduced its gross annual improper rental assistance payments by 61 percent since 2000. In 2003, improper payments were reduced to \$1.6 billion from the 2000 level of \$3.2 billion. In 2004, improper payments were further reduced to \$1.25 billion. In October 2005, HUD provided local PHAs with an electronic tool to verify tenants' income with the Department of Health and Human Services' National Directory of New Hires. This new tool will further improve the accuracy of eligibility for the rental assistance program and the proper calculation of the tenant's rent and the amount of federal subsidy to be allocated. The National Directory will provide more privacy to tenants by permitting PHAs to eliminate the necessity of sending letters to employers to verify a tenant's income. Congress authorized this verification process with strict privacy safeguards and proper notifications to tenants. While the estimated improper rental housing assistance payments in FY 2004 were substantially reduced from prior year estimates, they still represented 5.6 percent of total program payments. Through continuous corrective actions, HUD's goal is to reduce that improper payment rate to 3 percent of total payments during FY 2007.

**UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FISCAL YEAR 2007 BUDGET SUMMARY**



Appendix A

**BUDGET AUTHORITY BY PROGRAM
COMPARATIVE SUMMARY, FISCAL YEARS 2005-2007
(Dollars in Millions)**

	<u>2005</u>	<u>2006</u>	<u>2007</u>
	<u>ENACTED</u>	<u>ENACTED</u>	<u>ESTIMATE</u>
DISCRETIONARY PROGRAMS			
PUBLIC AND INDIAN HOUSING			
Housing Certificate Fund			
Rescission.....	(\$1,456)	(\$2,050)	(\$2,000)
Advance Appropriation for FY 2005.....	4,166	...	...
Total, Housing Certificate Fund.....	2,710	(2,050)	(2,000)
Tenant-Based Rental Assistance:			
Section 8 Contract Renewals.....	9,189	13,949	\$14,436
Voucher Supplemental.....	...	390	...
Restoration of Vouchers.....	...	[45]	...
Administrative Fees.....	1,200	1,238	1,281
Family Self-Sufficiency Coordinators.....	46	47	48
Tenant Protection Vouchers.....	162	178	149
Advance Appropriation for FY 2006.....	[(4,200)]	[4,158]	...
Advance Appropriation for FY 2007.....	...	[(4,200)]	[4,200]
Advance Appropriation for FY 2008.....	...	...	[(4,200)]
Transfer to Working Capital Fund.....	3	6	6
Total, Tenant-Based Rental Assistance.....	10,600	15,808	15,920
Public Housing Capital Fund.....	2,579	2,439	2,178
Modernization TA.....	[38]	[11]	[11]
Remediation Troubled PHAs.....	[12]	[...]	[...]
Emergency Cap Needs.....	[30]	[17]	[20]
ROSS.....	[53]	[38]	[24]
Transfer to Working Capital Fund.....	[10]	[11]	[15]
Neighborhood Networks Initiative.....	[15]	[7.4]	[...]
Administrative Receivership.....	[3]	[9]	[8]
Financial and Physical Assessment Support.....	...	...	[15]
Subtotal, PIH Capital Fund.....	[2,579]	[2,439]	[2,178]
Revitalization of Severely Distressed Public Hsg Projects.....	143	99	(99)
Technical Assistance.....	[4]	[2]	[(2)]
Public Housing Operating Fund.....	2,438	3,564	3,564
Funds to Attorney General to fight crime and drugs.....	[8]	[...]	[...]
Asset-Based Management Transition Fund.....	...	...	[6]
Housing Self-Sufficiency Award (Voluntary Graduation Bonus).....	[10]	[10]	[10]
Rescission.....	(1)	...	...
Rescission of Drug Elimination Grants.....	(21)	...	...
Native American Housing Block Grants.....	622	624	626
Transfer to the Working Capital Fund.....	[3]	[...]	[...]
Technical Assistance.....	[5]	[5]	[3]
National American Indian Housing Council.....	[2]	[1]	[...]
Title VI Federal Guarantees for Tribal Housing Activities:			
Program Account.....	[2]	[2]	[2]
Loan Guarantee Limitation.....	[18]	[18]	[15]
Rescission of Carryover.....	(21)	...	...
Indian Housing Loan Guarantee Fund:			
Program Account.....	5	4	6
Limitation Level.....	[145]	[116]	[251]
Rescission of credit subsidy carryover.....	(33)	...	...
Native Hawaiian Loan Guarantee Fund			
Program Account.....	1	1	1
Limitation Level.....	[37]	[36]	[43]
Native Hawaiian Housing Block Grants.....	[9] a/	9	6
Native Hawaiian Housing Block Grants Technical Assistance.....	[[0.5]]	[0.4]	[0.3]
Subtotal, Public and Indian Housing.....	19,022	20,498	20,202



**UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FISCAL YEAR 2007 BUDGET SUMMARY**

COMMUNITY PLANNING AND DEVELOPMENT			
Community Development Block Grants Fund.....	\$4,702	\$4,178	\$3,032
Rescission of EDI and Neighborhood Initiatives.....	...	...	(356)
Disaster Supplemental.....	150	11,500	...
Formula Grants.....	[4,110]	[3,711]	[2,975]
Insular Areas.....	[7]	[...] b/	[...] b/
CDBG Set-Asides:			
Indian Community Block Grant.....	[68]	[59]	[57]
Capacity Building (NCDI).....	[34]	[...]	[...]
Habitat for Humanity.....	[[5]]	[[...]]	[[...]]
Section 107 Grants.....	[43]	[...]	[...]
Technical Assistance.....	[[1]]	[[...]]	[[...]]
Historically Black Colleges and Universities.....	[[10]]	[[...]]	[[...]]
Technical Assistance (HBCU).....	[[[2]]]	[[[...]]]	[[[...]]]
Community Development Work Study.....	[[3]]	[[...]]	[[...]]
Hispanic Serving Institutions.....	[[7]]	[[...]]	[[...]]
Community Outreach Partnerships.....	[[7]]	[[...]]	[[...]]
Alaskan Native and Hawaiian Native Institutions.....	[[4]]	[[...]]	[[...]]
Department of Hawaiian Home Lands.....	[[9]]	[[...]]	[[...]]
Tribal Colleges and Universities.....	[[3]]	[[...]]	[[...]]
Housing Assistance Council.....	[3]	[3]	[...]
National American Indian Housing Council.....	[2]	[1]	[...]
Self-Help Homeownership/Habitat.....	[25]	[...]	[...]
Youthbuild.....	[62]	[50]	[...]
Youthbuild Capacity Building.....	[[2]]	[[1]]	[[...]]
Youthbuild Technical Assistance.....	[[3]]	[[2]]	[[...]]
Transfer to the Working Capital Fund.....	[3]	[2]	[...]
Neighborhood Initiative Demonstration.....	[42]	[49]	[(50)]
EDI Special Purpose Projects.....	[292]	[307]	[(307)]
National Housing Development Corporation.....	[5]	[2]	[...]
LaRaza.....	[\$5]	[\$4]	[...]
Technical Assistance.....	[[1]]	[[...]]	[[...]]
Special Olympics.....	[2]	[1]	[...]
Community Development Loan Guarantees:			
Credit Subsidy and Administrative Costs.....	7	4	...
Loan Guarantee Limitation.....	[275]	[138]	[...]
Self-Help and Assisted Homeownership.....	[25]	60	\$40
Technical Assistance.....	[...]	[...]	[1]
Self-Help Homeownership Opportunity/Habitat.....	[25] a/	[20]	[39]
National Community Development Initiative.....	[34] a/	[30]	[...]
Habitat Capacity.....	[[4]] a/	[[[3.5]]]	[[...]]
Brownfields Redevelopment Program.....	24	10	...
Brownfields Rescission.....	...	(10)	...
Urban Empowerment Zones.....	10	...	...
HOME Investment Partnerships Program.....	1,900	1,757	1,917
American Dream Downpayment Initiative.....	[50]	[25]	[100]
Transfer to Working Capital Fund.....	[2]	[1]	[3]
Technical Assistance and Management Information Systems.....	[18]	[10]	[10]
Housing Counseling.....	[42]	[42]	[...]
Homeless Assistance Grants.....	1,241	1,327	1,536
Faith-Based Prisoner Re-entry Initiative.....	[...]	[...]	[25]
Transfer to Working Capital Fund.....	[2]	[1]	[2]
Technical Assistance and Management Information Systems.....	[11]	[12]	[10]
Shelter Plus Care (Renewals).....	[214]	[255]	[285]
Samaritan Homeless Program.....	...	...	[200]
Rescission.....	(11)	...	...
Total, Homeless.....	[1,230]	[1,327]	[1,536]
Housing Opportunities for Persons with AIDS (HOPWA).....	282	286	300
Technical Assistance.....	[3]	[2]	[1]
Transfer of Working Capital Fund.....	...	...	[1]
Rural Housing and Economic Development.....	24	17	...
Subtotal, Community Planning and Development.....	8,329	19,129	6,469

**UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FISCAL YEAR 2007 BUDGET SUMMARY**



Project-Based Rental Assistance:			
Section 8 Contract Renewals (incl. Mod Rehab & Mod Rehab SRO)...	\$5,195	\$4,890	\$5,526
Contract Administrators.....	101	146	146
Transfer to Working Capital Fund.....	2	1	4
Total, Project-Based Rental Assistance.....	5,298	5,037	5,676
Housing Counseling Assistance.....	[42] c/	[42] c/	45
Housing for the Elderly Housing.....	741	735	545
PRAC Renewals.....	[7]	[37]	[45]
Planning Grant.....	[18]	[20]	[...]
Transfer to Working Capital Fund.....	[0.4]	[0.4]	[2]
CAP Grants (Rehab)/Conversion to Assisted Living.....	[25]	[25]	[25]
Service Coordinators.....	[50]	[51]	[59]
Intergenerational Housing Demonstration.....	...	[4]	[...]
Housing for Persons with Disabilities.....	238	237	119
PRAC Renewals.....	[3]	[13]	[15]
Mainstream Voucher Renewals/Amendments.....	[50]	[78]	[75]
Amendments for Tenant-Based Assistance Contracts.....	[29]	[...]	[...]
Expansion.....	...	...	[31]
Incremental Mainstream Vouchers.....	[10]	[5]	[[15]]
Transfer to Working Capital Fund.....	[0.4]	[0.4]	[1]
HOPE Grants.....	(3)	...	...
Nehemiah Grants.....	(2)	...	...
Flexible Subsidy.....	(68)	...	...
FHA Funds:			
Mutual Mort. Ins. and Coop. Mgt. Housing Ins. Funds:			
Program Account.....	...	...	...
Administrative Expenses.....	354	352	352
Non-overhead Expenses.....	77	62	62
Mortgage Insurance Limitation.....	[185,000]	[185,000]	[185,000]
Direct Loan Limitation.....	[50]	[50]	[50]
Transfer to the Working Capital Fund.....	[15]	[18]	[24]
General Insurance and Special Risk Insurance Funds:			
Program Account:			
Administrative Expenses.....	\$226	\$229	\$229
Non-overhead Expenses.....	85	71	78
Credit Subsidy.....	10	9	9
Rescission of Credit Subsidy.....	(30)	...	...
Mortgage Insurance Limitation.....	[35,000]	[35,000]	[35,000]
Direct Loan Limitation.....	[50]	[50]	[50]
Transfer to the Working Capital Fund.....	[10]	[11]	[11]
Subtotal, FHA Funds.....	722	723	730
Manufactured Home Inspection and Monitoring Trust Fund.....	9	13	13
Payment to Manufactured Housing Fees.....	4	...	...
Rent Supp./Section 236 Contract Amendments.....	(675)	26	25
Subtotal, Housing Programs.....	6,264	6,771	7,153
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION			
Guarantees of Mortgage-Backed Securities:			
Program Account.....	11	11	11
MBS Guarantee Limitation.....	[200,000]	[200,000]	[100,000]
Subtotal, GNMA.....	11	11	11
POLICY DEVELOPMENT AND RESEARCH			
Research and Technology.....	38	30	40
National Research Council.....	...	[1]	...
University Programs.....	[33] a/	20	28
Alaska Native and Native Hawaiian Serving Institutions.....	...	[3]	[3]
Tribal Colleges and Universities.....	...	[3]	[3]
Historically Black Colleges and Universities.....	...	[9]	[9]
HBCU Technical Assistance.....	...	[[2]]	[[1]]
Hispanic Serving Institutions.....	...	[6]	[6]
Community Outreach Partnerships Centers.....	...	[...]	[6]
Community Development Work Study Program.....	...	[...]	[2]
Technology Advancement Partnership (PATH).....	7	5	... d/
Subtotal, PD&R.....	45	55	68



**UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FISCAL YEAR 2007 BUDGET SUMMARY**

FAIR HOUSING & EQUAL OPPORTUNITY

Fair Housing Assistance Program.....	\$26	\$26	\$25
Fair Housing Initiatives Program.....	20	20	20
Subtotal, Fair Housing Activities.....	46	46	45

OFFICE OF LEAD-BASED PAINT AND POISONING PREVENTION

Lead-Based Paint Hazard Reduction.....	167	150	115
Technical Assistance.....	[9]	[9]	[6]
Operation LEAP.....	[8]	[9]	[9]
Healthy Homes	[10]	[9]	[9]
High Lead Areas Removal Initiative.....	[47]	[48]	[..]

MANAGEMENT AND ADMINISTRATION

Salaries and Expenses, HUD.....	543	573	594
Transfers (FHA/GNMA/CPD).....	[568]	[569]	[568]
Subtotal, Salaries and Expenses, HUD.....	[1,111]	[1,142]	[1,162]
Salaries and Expenses, OIG.....	79	81	83
Transfers (FHA/PIH).....	[24]	[24]	[24]
Salaries and Expenses, OFHEO.....	64	60	62
GSE Proposal.....	...	...	(6)
Working Capital Fund (Direct).....	268	195	220
Transfers.....	[51]	[51]	[69]
Subtotal, Working Capital Fund.....	[319]	[246]	[289]
Subtotal, Management and Administration.....	954	909	953

Subtotal, HUD Discretionary Budget Authority (Gross)..... 34,838 47,569 35,016

Current Year Offsetting Receipts (see attached detail).....	(291)	(572)	(525)
MMI New Products Proposed in 2007 Budget.....	...	...	(845)
Receipts to MMI Capital Reserve Account.....	(1,044)	(839)	(182)
MMI Capital Reserve - Legislative Proposal.....	...	...	182
Total, HUD Discretionary Budget Authority (Net).....	33,503	46,158	33,646

MANDATORY PROGRAMS

Native American Housing Block Grants.....	4	2	...
Low-rent Public Housing - Loans and Other Expenses.....	20	10	10
FHA GI/SRI Program Account.....	767	478	...
FHA MMI/CMHI Capital Reserve Account.....	1,044	839	182
FHA MMI/CMHI Capital Reserve - Legislative Proposal.....	...	...	(182)
FHA GI/SRI Liquidating Account.....	453	1,294	433
Housing for the Elderly or Handicapped Liquidating Account.....	(964)	(705)	(605)
Other Assisted Housing Programs.....	756	...	...
Interstate Land Sales.....	1	1	...
Revolving Fund.....	1	1	1
Community Development Loan Guarantees Program Account.....	2	3	...
Guarantees of Mortgage-Backed Securities Liquidating Account.....	...	57	43
Subtotal, Gross Mandatory Budget Authority.....	2,084	1,980	(118)

Mandatory Receipts..... (493) (312) ...

Total, Net Mandatory Budget Authority..... 1,591 1,668 (118)

Total, Net HUD Budget Authority..... 35,094 47,826 33,528

- a/ Funded under CDBG.
- b/ Funded as part of CDBG Formula.
- c/ Funded under HOME.
- d/ Eligible activity under PD&R.

Note: Totals may differ from President's Budget due to rounding.