

FAIR HOUSING AND EQUAL OPPORTUNITY
 FAIR HOUSING ASSISTANCE PROGRAM
 2010 Summary Statement and Initiatives
 (Dollars in Thousands)

FAIR HOUSING ASSISTANCE PROGRAM	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2008 Appropriation	\$25,620 ^a	\$3,637	...	\$29,257	\$25,323	\$32,465
2009 Appropriation/Request	25,500 ^b	3,874 ^c	...	29,374	25,330	24,063
2010 Request	<u>29,500</u>	<u>4,044</u>	<u>...</u>	<u>33,544</u>	<u>27,500</u>	<u>24,287</u>
Program Improvements/Offsets	+4,000	+170	...	+4,170	+2,170	+224

- a/ The fiscal year 2008 Appropriation reflected in this justification does not include \$380 thousand for translation purposes outside of the Fair Housing Assistance Program and Fair Housing Initiatives Program.
- b/ The fiscal year 2009 Appropriation reflected in this justification does not include \$500 thousand for translation purposes outside of the Fair Housing Assistance Program and Fair Housing Initiatives Program.
- c/ Excludes \$60 thousand in expired funds.

Summary Statement

The fiscal year 2010 budget request for the Fair Housing Assistance Program (FHAP) is \$29.5 million, a \$4 million increase over the fiscal year 2009 enacted level, part of the Department's overall increase of \$19 million for fair housing. This increase will ensure the availability of sufficient complaint-processing funds in light of the projected increase in the number of cases processed by FHAP agencies, including complaints of lending discrimination and mortgage abuse practices that target minority communities. This funding includes \$1 million to support the Department-wide Combating Abusive and Fraudulent Mortgage Practices Initiative, which will fund training to enhance the capacity of FHAP agencies to address lending discrimination and mortgage abuse.

This budget addresses the increase in fair housing complaints filed with FHAP agencies. African Americans, Hispanics, and Asian Americans experience discrimination at least 20 percent of the time that they search for a home, but the Department and its state and local partners received only 10,552 complaints in fiscal year 2008. The Department and FHAP agencies have been working to increase complaint filings recognizing that substantial discrimination occurs and victims often do not know their rights and responsibilities and do not file grievances. Between 1994 and 2008, FHAP agencies increased the number of investigations that they completed by 53 percent, going from 5,670 in 1993 to 8,672 in 2008. However during that time funding for FHAP has remained virtually stagnant, with \$25.65 million in 1993 and \$25.62 million in 2008.

The FHAP program has come under criticism in recent years for inconsistencies in fair housing investigations. A 2005 review by the Government Accountability Office (GAO) found that 30 percent of victims contacting HUD or FHAP agencies had difficulty initially reaching someone. In addition, GAO found that many FHAP case files lacked proper documentation of the investigation. To address some of these concerns, the Department's fiscal year 2010 Budget for FHAP requests an increase of \$4 million to reimburse FHAP agencies for fair housing investigations, enhance their capacity for fair housing and fair lending enforcement, and support training for fair housing investigators.

In addition to an emphasis on fair housing enforcement, this budget increase provides funds to address lending discrimination as part of the Department's Mortgage Abuse Initiative. Rising unemployment and falling home prices, combined with the freezing of credit markets, have led to a dramatic increase in foreclosures and foreclosure-prevention scams across the nation. The latter often target their foreclosure rescue schemes to minority communities. This loss in housing, as well as the increase in individuals looking for rental

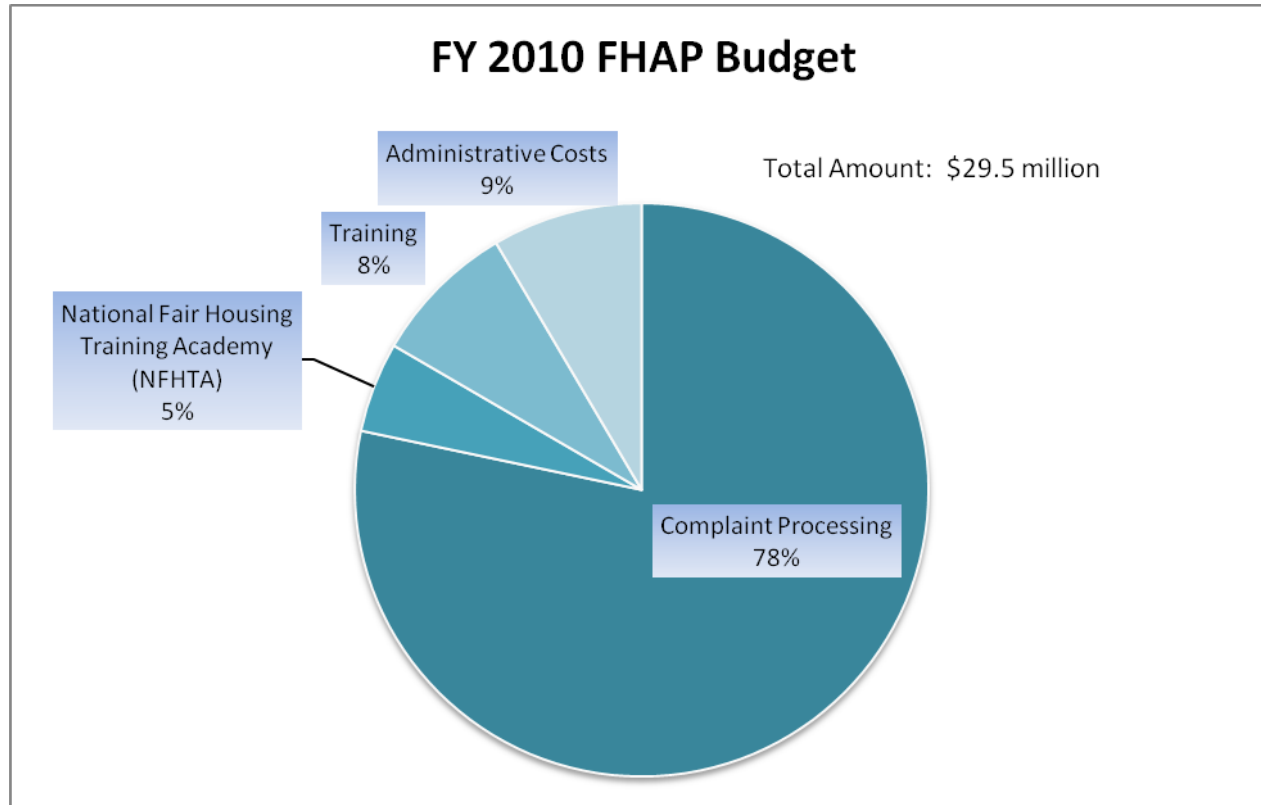
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housing as a result of foreclosures, will lead to increased complaint filings with FHAP agencies in fiscal year 2010. Also, as FHAP agencies investigate the overwhelming majority of discrimination complaints filed with government agencies (over 80 percent), the Department's FHAP funding prioritizes consistency and thoroughness among FHAP agencies in responding to lending abuses by mortgage companies, while also supporting the needs for case-processing funds among agencies.

Separately, the Department has requested \$9 million as part of the Transformation Initiative described in a separate justification to conduct a study of the level of housing discrimination in the United States. The Department has conducted 3 such studies since the Department began undertaking this project in 1997. The most recent study in 2000 estimated discrimination faced by African-Americans, Hispanics, and Asians and Pacific Islanders and persons with disabilities. The 2010 study will provide comparable data to determine any changes in the level of discrimination from the 2000 study. HUD, FHAP agencies and FHIP grantees will use the results to direct education and enforcement projects. In addition, this study will allow the Department to determine the effectiveness of fair housing enforcement and education activities at the Federal, state, and local level.

FHAP funds will be allocated to program components as follows (**Reference Figure 1.**):

- Complaint Processing -- \$23.1 million (\$2.42 million increase);
- National Fair Housing Training Academy (NFHTA)-- \$1.5 million (\$200 thousand decrease);
- Training -- \$2.4 million (\$1.1 million increase);
- Administrative Costs -- \$2.5 million (\$800 thousand increase); and
- Capacity Building -- \$0 (\$120 thousand decrease).



Program Background

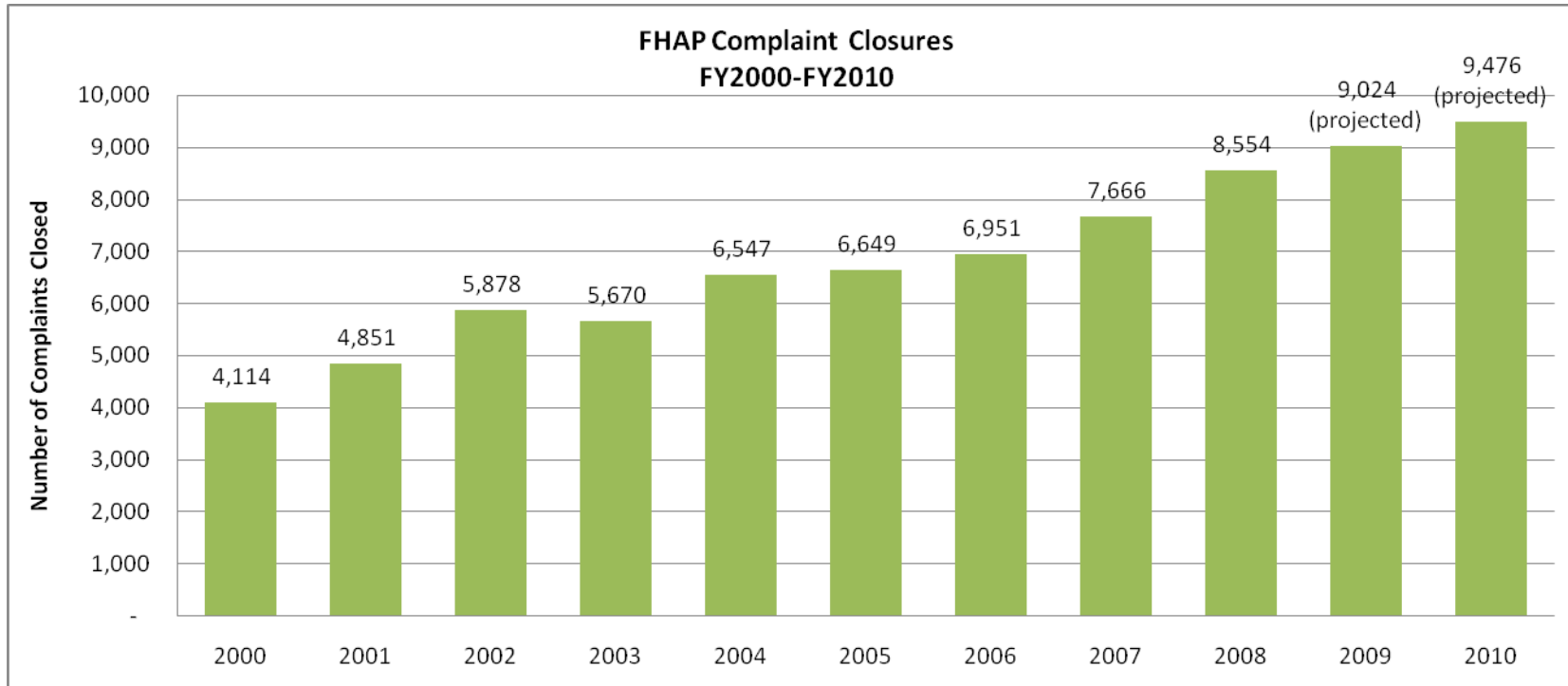
Since 1980, the Department has provided financial assistance under the FHAP to state and local agencies administering substantially equivalent fair housing laws. In fiscal year 2010, these funds are projected to be distributed across the country to 72 local agencies, and 38 States, including the District of Columbia.

Each FHAP agency must administer a substantially equivalent fair housing law and execute a written agreement with HUD, according to the implementing regulation for the FHAP, 24 CFR Part 115. To maintain substantial equivalence status, FHAP agencies must conform complaint processing to quality and timeliness standards enumerated in the regulation, at 24 CFR 115.206. Agencies that participate in the FHAP must also: 1) conform to reporting and record-keeping requirements; 2) agree to on-site technical assistance and guidance and implementation of corrective action; 3) adhere to policies and procedures provided by the Department; 4) not unilaterally reduce the level of financial resources currently committed to complaint processing; 5) if the agency administers other anti-discrimination laws, it must spend at least 20 percent of its total annual budget on fair housing activities; and 6) participate in HUD-sponsored or HUD-approved training.

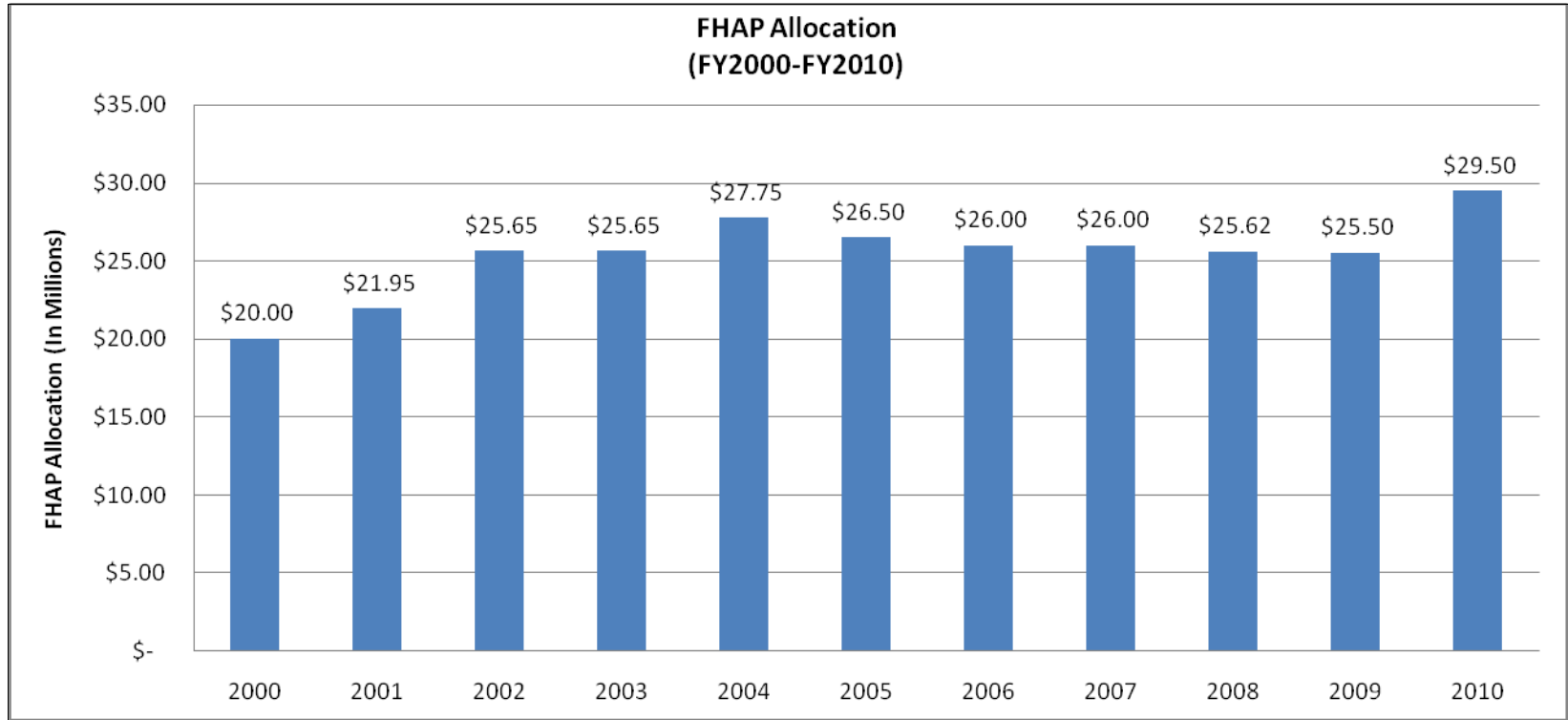
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Legislative Authority. The Fair Housing Act, 42 U.S.C. sec. 3601 et seq., prohibits discrimination in the sale and rental of housing; in residential real estate-related transactions; in the making and targeting of loans; and in other housing-related activities. Section 810(f) of the Fair Housing Act requires the Secretary to refer fair housing complaints to state and local agencies when such agencies enforce laws that provide rights, remedies, procedures, and availability of judicial review substantially equivalent to the Fair Housing Act. Section 817 of the Fair Housing Act provides that the Secretary may assist such state and local agencies in administering a fair housing law through the provision of financial assistance. Sections 808(e)(3) and (5) requires the Secretary of HUD to cooperate with and render technical assistance to federal, state, local and other public or private agencies, organizations, and institutions that are formulating or carrying out programs that prevent or eliminate discriminatory housing practices and to administer the programs and activities relating to housing and urban development in a manner affirmatively to further the policies of the Fair Housing Act.

Program Status



In fiscal year 2008, the Department and FHAP agencies closed a record number of complaints, 11,189 complaints. The FHAP agencies handled 8,554 complaints, or about 80 percent of the complaints filed nationwide. The number of complaints filed with FHAP agencies have been increasing by approximately 10 percent each year. However, funding for the FHAP program has remained virtually stagnant during that time, remaining at around \$26 million.



In the 8,554 investigations that FHAP agencies completed in fiscal year 2008, they reached a determination of no cause to believe that discrimination occurred in 50 percent of those complaints. They closed another 14.6 percent for administrative reasons where, for example, a complainant could no longer be located. FHAP agencies negotiated conciliation or settlement agreements between the parties in 29.3 percent of the complaints, and they reached a determination of cause to believe that discrimination occurred in 6.5 percent of the complaints. The positive outcomes in these cases assist the individuals who file the complaints, as well as the surrounding community.

The following are three examples of cases handled by FHAP agencies in 2008:

In 2008, the California Department of Fair Employment and Housing (DFEH) obtained a \$618,000 settlement in a complaint filed by Fair Housing Council of Orange County (FHCOC), a private fair housing organization supported by the Department's Fair Housing Initiatives Program. FHCOC had alleged that Plaza Court Apartments in Stanton, California, discriminated against tenants with children, and the DFEH's investigation corroborated that the apartment company prohibited children of the residents from playing outside alone or on the grassy area. Residents who failed to comply with these rules were fined \$50 and could be evicted. In February 2006, DFEH found that Plaza Court Apartments violated California's fair housing law and filed suit on behalf of the FHCOC

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and nine families who lived there. In August 2008, the DFEH reached an out-of-court settlement with Plaza Court Apartments for \$618,000.

In another case, the Rockland County Commission on Human Rights (RCCHR), in Rockland, New York, negotiated a settlement for a father and daughter with disabilities, who requested that a builder and a tenants' corporation modify their unit, because it was not constructed in an accessible manner. RCCHR found evidence that the tenants association had allegedly failed to perform the agreed-upon improvements on the family's apartment, based on the perception that neither the father nor daughter would pursue their rights, based on the daughter's mental disability and the father's advanced age and disability. As part of the settlement, the tenants association and builder agreed to pay the father and daughter \$11,500 and refunded \$2,500 in maintenance charges.

In December 2008, the Texas Workforce Commission Civil Rights Division (CRD) settled a sexual harassment case. The case began with six fair housing complaints filed at CRD by female tenants and the Austin Tenants' Council, alleging that their landlord, who managed 30 rental properties in Brazos County, made unwelcome and unwanted verbal and physical sexual advances prior to granting or denying housing benefits; took adverse action against female tenants who refused sexual advances; and denied rental based on the sex of a potential tenant. CRD investigated the complaints, found reasonable cause to believe all discriminatory housing practices had occurred, and filed charges against where the landlord agreed to pay a total of \$275,000 to the women who filed the complaints, the Austin Tenants' Council, and CRD. The landlord is also permanently prohibited from managing rental property and any of his sons who remain in management and supervision of rental properties must attend fair housing training provided by CRD.

FHAP agencies are closing cases within a reasonable time frame. Under their substantially equivalent laws, FHAP agencies are mandated to close fair housing cases within 100 days, unless it is impracticable to do so. Those that exceed 100 days are referred to as "aged." In fiscal year 2008, FHAP agencies closed 97 percent of the cases that had been "aged" before the start of the fiscal year.

FHAP agencies' performance has faltered in handling newly filed complaints, suggesting that level funding of FHAP agencies over a protracted period has had detrimental effects on FHAP performance. Staff reductions at HUD over the past decade and consequently, less staff it could commit to oversight, may have also contributed to the declining performance. In fiscal year 2008, FHAP agencies closed half of their new cases (those that could have aged during fiscal year 2008) before they passed the 100-day mark, falling short of the Department's goal of closing at least 53 percent of those cases before they reached 100 days.

In addition to needing to improve the timeliness of case processing, the following reports and reviews have recommended the need for improved consistency in the processing of fair housing cases by FHAP agencies and HUD:

In October 2005, the General Accountability Office (GAO) published its report, "Fair Housing: HUD Needs Better Assurance that Intake and Investigation Processes are Consistently Thorough" which made several critical findings. It found the intake process for HUD and FHAP agencies to be lacking: 30 percent of complainants surveyed by GAO had difficulty initially reaching someone; failure to process about half of initial inquiries within 20 days, and a failure to follow HUD's protocols for collecting the initial information. With respect to HUD and FHAP investigations, GAO found some files lacked proper documentation, such as notices, investigative reports, and final determinations.

HUD's Office of Inspector General issued a report entitled "Evaluation of FHEO Housing Discrimination Complaint Processing and Compliance" in September 2008, in which it examined case processing by HUD and FHAP. Looking at fair housing investigations in 2006 and 2007, the OIG concluded that the documentation in HUD and FHAP case files was often incomplete; the case files sometimes failed to include investigative plans, notification letters, determinations, and conciliation attempts. In addition, HUD and FHAP agencies failed to complete 40 percent of their investigations within 100 days.

The National Commission on Fair Housing, chaired by former HUD Secretaries Jack Kemp and Henry Cisneros, heard testimony regarding FHAP processing of cases, which argued for more oversight to ensure greater consistency with HUD policy among the FHAP agencies. The Commission's December 2008 report, "The Future of Fair Housing," determined that "FHAP agency processes need not be identical to processes at HUD, but similar interpretations of the law should apply to cases so there is no unequal justice. However, the Commission received reports of cases handled by FHAP agencies with outcomes that were not consistent with federal law or with HUD policy. "Moreover, even when a FHAP agency has followed HUD guidance and issued a determination of cause to believe that discrimination had occurred, witnesses

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appearing before the National Commission on Fair Housing "expressed a number of concerns about the lack of enforcement undertaken in cases where the agency had made a determination that there was reasonable cause to believe that the Federal law had been violated, as well as in direct cases brought under state law."

To improve consistency in complaint processing by FHAP agencies, in August 2004, HUD launched the National Fair Housing Training Academy (NFHTA) to provide comprehensive instruction to fair housing investigators on topics such as fair housing law, critical thinking and investigations, interviewing techniques, and conciliation. HUD requires that fair housing investigators satisfactorily complete 200 hours of advanced training in theory and techniques. This requirement applies to the approximately 500 full-time investigators working in FHAP agencies. In fiscal year 2008, 224 fair housing professionals successfully completed the NFHTA 5-week core curriculum to ensure timely and comprehensive investigations. FHEO expects an additional 50 investigators will complete the core curriculum in each of fiscal years 2009 and 2010.

The Academy is in the process of conducting a series of evaluations to determine the efficiency and effectiveness of the training provided to fair housing investigators. As a part of this process, we examine different levels of evaluation beginning with testing at the conclusion of coursework and culminating with a review of subjective and objective performance data once an investigator receives a certificate of completion. The performance data includes surveys of participants and supervisors on investigator performance, and a review of TEAPOTS data to determine whether investigators are more efficient after receiving some or all basic coursework. The Department is in the process of completing the collection and analysis of data from the inception of the Academy and expect to be able to develop results oriented measurements based upon this information.

Additionally, on April 16, 2007, HUD published a revised FHAP regulation (24 CFR Part 115). The regulation includes new and bolstered FHAP agency performance standards to improve the timeliness and quality FHAP agency complaint processing. Specifically, there are standards requiring timely investigations, limited and appropriate use of administrative closures, conciliation attempts all through complaint processing, compliance reviews of conciliation agreements, appropriate relief sought for victims of discrimination, receipt and processing of a reasonable number of complaints, and reporting to HUD on the final status of all complaints processed.

The new regulation sets forth timeframes in which HUD will conduct on-site performance assessments of the FHAP agencies, and specifies processes when FHAP agencies are in non-compliance with the performance standards. In fiscal year 2008, HUD utilized the new performance deficiency processes to address performance issues at six FHAP agencies, related to timely commencement of investigations, over use of administrative closures, and failure to prosecute complaints where a charge was issued.

To further implement the new regulation and improve FHAP performance, in August 2008, HUD rolled out a FHAP agency performance assessment report template. Prior to that time, FHAP agency performance assessment reports varied by HUD region, and certain HUD regions were not assessing FHAP agencies in accordance with appropriate standards and requirements. The performance assessment report template includes all standards and requirements that a HUD regional office must use when reviewing a FHAP agency during a performance assessment. The template also includes instructions to clarify what information should be reviewed, and how best to obtain it. HUD region offices were trained on use of the template on August 28, 2008, and the training is archived on the HUD website for future viewing.

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FAIR HOUSING AND EQUAL OPPORTUNITY
 FAIR HOUSING ASSISTANCE PROGRAM
 Summary of Resources by Program
 (Dollars in Thousands)

<u>Budget Activity</u>	<u>2008 Budget Authority</u>	<u>2007 Carryover Into 2008</u>	<u>2008 Total Resources</u>	<u>2008 Obligations</u>	<u>2009 Budget Authority/ Request</u>	<u>2008 Carryover Into 2009</u>	<u>2009 Total Resources</u>	<u>2010 Request</u>
Fair Housing Assistance Program	\$25,620	\$3,637	\$29,257	\$25,323	\$25,500	\$3,874	\$29,374	\$29,500
Total	25,620	3,637	29,257	25,323	25,500	3,874	29,374	29,500

<u>FTE</u>	<u>2008 Actual</u>	<u>2009 Estimate</u>	<u>2010 Estimate</u>
Headquarters	6	8	8
Field	19	19	19
Total	25	27	27

NOTE: \$60 thousand in 2008 total resources expired at the end of fiscal year 2008 and is not carried over into 2009.

Fair Housing Assistance Program

**FAIR HOUSING AND EQUAL OPPORTUNITY
FAIR HOUSING ASSISTANCE PROGRAM
Program Offsets
(Dollars in Thousands)**

Fair Housing Assistance Program	<u>Amount</u>
2008 Appropriation	\$25,620
2009 Appropriation/Request	25,500
2010 Request	<u>29,500</u>
Program Improvements/Offsets	+4,000

Proposed Actions

The fiscal year 2010 FHAP budget requests \$29.5 million, a \$4 million increase from the fiscal year 2009 enacted amount. Compared to the fiscal year 2009 enacted amount, this budget provides a \$2.42 million increase in Complaint Processing Funds, an \$800 thousand increase for Administrative Funds, a \$1.1 million increase in training and a \$200 thousand decrease in funding for the National Fair Housing Training Academy. The Department is not funding any new agencies through Capacity Building in fiscal year 2010.

The following provides background on the individual programs activities and explains the adjustment in funding levels.

Complaint Processing--\$23.1 million (\$2.42 million increase)

Complaint processing funds are used to reimburse FHAP agencies for timely and comprehensive investigations of fair housing complaints that are cognizable under the Fair Housing Act. Without this funding, FHAP agencies may not be able to investigate and resolve complaints of housing discrimination, lending discrimination, and predatory lending.

Allocation. Based on the increase in mortgage abuse scams, lending discrimination, and increased rental activity, HUD estimates that in fiscal year 2010, 9,500 complaints will be investigated by FHAP agencies throughout the country.

HUD assesses the timeliness, complexity, and work involved in each complaint to determine proper payment. In fiscal year 2010, the amount for reimbursement can vary between \$0 and \$2,450, with the possibility of an additional \$500 for cases that are resource intensive or that reach the adjudication phase. Department estimates an average reimbursement amount of \$2,450 per case. In total, FHAP agencies will be reimbursed \$23.10 million for investigating, resolving, and litigating fair housing cases.

National Fair Housing Training Academy (NFHTA)--\$1.5 million (\$200 thousand decrease)

In order to handle the increase in cases in the next 2 fiscal years, all state and local fair housing professionals must become even more efficient and adept at processing complaints. To do this, HUD requires fair housing investigators to satisfactorily complete 200 hours of training in the theory and techniques of fair housing investigations at the national Fair Housing Training Academy (NFHTA). The NFHTA provides courses on such topics as fair housing law, critical thinking, investigations, interview techniques, conciliation, reasonable accommodations, and leadership. NFHTA recently added a course on lending discrimination that will provide FHAP investigators with the knowledge and skills to address the influx of lending discrimination complaints in fiscal year 2010.

The Academy is currently managed and operated by the USDA Graduate School (GS) through a contract vehicle. FHEO works in tandem with the GS to further develop new initiatives and consistently enhance the skills of investigators nationwide. The NFHTA currently provides 5 weeks of core curriculum training and 2 weeks of advanced training to FHAP agency investigators; however, in fiscal year 2009, the Academy will continue to increase its enrollment efforts; establish a curriculum certification body; add to the advanced curricula; and develop

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additional courses to address fair housing lending issues. Through the Academy Administrator, the NFHTA will also explore alternative methods of course delivery (e.g., on-line and distance learning course offerings, which will further enhance the Academy's ability to provide wide-spread, quality higher learning opportunities). This funding will be used to develop additional curricula; implement a certification process and to maintain the Learning Management System (customized software that tracks student registrations and progress).

Allocation. For fiscal year 2010, the Department has requested \$1.5 million to support classes and administration of the National Fair Housing Training Academy. In fiscal year 2008, a total of 499 participants attended training at the Academy. FHEO anticipates training a minimum 550 attendees in fiscal year 2009 and 600 attendees in 2010.

While the Department's request for funding in fiscal year 2010 is \$200 thousand less than in fiscal year 2009, this is possible, because the overhead and startup costs for the Academy have decreased. The Academy has already created a comprehensive 5 week curriculum with 3 additional advanced classes on lending, accessibility, and leadership. The Department is not only encouraging attendance in the core courses, but is also emphasizing that all FHAP agencies have an investigator trained in lending for fiscal year 2010. Because the lending course has already been created, NFHTA will not need to create any new classes in fiscal year 2010. In addition, NFHTA now has the ability to accept fees from attendees of the Training Academy's classes that will defray from the cost of running the Academy in fiscal year 2010.

Training--\$2.4 million (\$1.1 million increase)

Agencies that have participated in FHAP for more than 3 years are eligible for training funds for HUD-sponsored or HUD-approved training. These funds can be used to attend the National Fair Housing Training Academy. FHAP agencies will be encouraged to send representatives to attend courses on predatory lending and lending discrimination. These funds will also be utilized for the development of FHEO's biennial policy conference and FHAP agency attendance at that conference.

Allocation. During fiscal year 2010, the Department will allocate \$900 thousand to organize and orchestrate the biennial policy conference and \$1 million for FHAP agency travel and per diem costs to attend the policy conference. The Department has requested an additional, \$500 thousand for the cost of FHAP agency travel to the National Fair Housing Training Academy.

Administrative Costs--\$2.5 million (\$800 thousand increase)

Administrative Costs are allocated to agencies based on the amount of funding received in the prior fiscal year. Consistent with 24 CFR 115.304, agencies that acceptably process 100 or more cases in fiscal year 2010 are entitled to 10 percent of the agency's total FHAP payment amount for the preceding year. If the agency processes fewer than 100 cases, then it will receive a flat rate for administrative costs, contingent on fiscal year appropriations. Administrative costs are directed to activities designed to create, modify, or improve local information systems concerning fair housing matters (including the purchase or upgrade of computer systems), and other administrative activities related to the FHAP agency's fair housing enforcement.

Allocation. FHEO estimates that 24 agencies will process more than 100 cases in fiscal year 2010 making those agencies potentially eligible for 10 percent of their fiscal year 2009 funding. FHEO estimates that it will use \$1.9 million for agencies that acceptably process more than 100 cases. FHEO estimates that it will provide the remaining \$600 thousand to agencies that process fewer than 100 cases.

**FAIR HOUSING AND EQUAL OPPORTUNITY
FAIR HOUSING ASSISTANCE PROGRAM
Performance Measurement Table**

Program Name: FAIR HOUSING ASSISTANCE PROGRAM					
Program Mission: To enforce the Fair Housing Act and other civil rights laws by taking proactive steps to identify and combat discrimination in both its most obvious and more subtle forms, and to ensure the right of equal housing opportunity and free and fair housing choice regardless of race, color, religion, sex, national origin, disability, or family compositions.					
Performance Indicators	Data Sources	Performance Report		Performance Plan	
		2008 Plan	2008 Actual	2009 Plan	2010 Plan
Fair Housing Assistance Program agencies will close or charge 50 percent of its Fair Housing complaints filed during the fiscal year within 100 days.	TEAPOTS a/	53%	50%	50%	50%
Fair Housing Assistance Program agencies will close or charge 95 percent of their aged fair housing complaints within the fiscal year.	TEAPOTS a/	95%	97%	95%	95%

a/ Title VIII Automated Paperless Office and Tracking System (TEAPOTS).

Explanation of Indicators

The Office of Fair Housing and Equal Opportunity proposes \$29.5 million in FHAP program funding in support of HUD’s Strategic Goal to “Ensure Equal Opportunity in Housing.” The proposed funding will support the enforcement, education and outreach, and administrative activities of 112 FHAP agencies.

This funding will continue the fight to eradicate discrimination in housing and to fully inform the public of its fair housing rights and responsibilities.

FHEO’s annual performance measures track program contributions toward the achievement of long-term outcome goals that include increased public awareness of fair housing laws and decreased incidences of housing discrimination nationwide. HUD studies conducted in intervals of 5 to 10 years examine progress toward these outcomes. The Department is currently working to identify options for measuring national awareness and discrimination on a more frequent basis.

Fair Housing Assistance Program

MEANS/STRATEGIES

OBJECTIVE: ENSURE ACCESS TO A FAIR AND EFFECTIVE ADMINISTRATIVE PROCESS TO INVESTIGATE AND RESOLVE COMPLAINTS OF DISCRIMINATION.

Fair Housing Assistance Program agencies will close or charge 50 percent of their Fair Housing complaints filed during the fiscal year within 100 days.

- Funding for case processing is allocated based on the performance of the FHAP agencies. Thorough investigations that are resolved in a timely manner receive larger reimbursement amounts, thereby encouraging FHAP agencies to resolve cases within 100 days.
- Funding for the National Fair Housing Training Academy will enhance the efficiency of FHAP agencies and allow them to process discrimination complaints in less time.
- Funding for training will allow FHAP agencies to attend the NFHTA, which will enhance their investigation skills, allowing them to provide quality investigations within 100 days.

Fair Housing Assistance Program agencies will close or charge 95 percent of their aged fair housing complaints within the fiscal year.

- On a quarterly basis, HUD will track all FHAP aged fair housing cases.
- On a quarterly basis, HUD will contact FHAP agencies with significant aged case loads and develop strategy for closure of aged cases.
- As appropriate, HUD will reactivate cases that have been open for more than 300 days that are not systemic or novel and complex.

Fair Housing Assistance Program

**FAIR HOUSING AND EQUAL OPPORTUNITY
FAIR HOUSING ASSISTANCE PROGRAM**

Justification of Proposed Changes in Appropriations Language

The fiscal year 2010 President's Budget includes proposed changes in the appropriations language listed and explained below. New language is italicized and underlined, and language proposed for deletion is bracketed.

For contracts, grants, and other assistance, not otherwise provided for, as authorized by title VIII of the civil Rights Act of 1968, as amended by the Fair Housing Amendments Act of 1988, and section 561 of the Housing and Community Development Act of 1987, as amended, [\$53,500,000]\$72,000,000, to remain available until September 30, [2010]2011, of which [\$27,500,000]\$42,500,000 shall be to carry out activities pursuant to such section 561[of which up to \$2,000,000 shall be made available to carryout authorized activities to protect the public from mortgage rescue scams]. *Provided*, That notwithstanding 31 U.S.C. 3302, the Secretary may assess and collect fees to cover the costs of the Fair Housing Training Academy and may use such funds to provide such training: *Provided further*, That no funds made available under this heading shall be used to lobby the executive or legislative branches of the Federal Government in connection with a specific contract, grant or loan[: *Provided further*, That of the funds made available under this heading, \$500,000 shall be available to the Secretary of Housing and Urban Development for the creation and promotion of translated materials and other programs that support the assistance of persons with limited English proficiency in utilizing the services provided by the Department of Housing and Urban Development]. (*Department of Housing and Urban Development Appropriations Act, 2009*).

Explanation of changes from year 2009.

The proviso setting aside funding for the creation and promotion of translated materials to support the assistance of person with limited English proficiency has been removed. \$380 thousand was provided in fiscal year 2008 and \$500 thousand was provided in fiscal year 2009. All vital Fair Housing documents has been translated and no additional funding is required.

The language directing HUD to allocate up to \$2 million to carryout activities to protect the public from mortgage rescue scams has been deleted. As a part of its fiscal year 2010 budget request for FHIP, HUD is proposing the allocate \$12 million to address lending discrimination and mortgage abuse schemes in support of the Department's new Mortgage Abuse Initiative. This larger, more comprehensive approach makes a \$2 million set-aside in FHIP unnecessary.

Fair Housing Assistance Program

FAIR HOUSING AND EQUAL OPPORTUNITY
 FAIR HOUSING ASSISTANCE PROGRAM
 Crosswalk of 2008 Availability
 (Dollars in Thousands)

<u>Budget Activity</u>	<u>2008 Enacted</u>	<u>Supplemental/ Rescission</u>	<u>Approved Reprogrammings</u>	<u>Transfers</u>	<u>Carryover</u>	<u>Total 2008 Resources</u>
Fair Housing Assistance Program	\$25,620 ^a	...	...	...	\$3,637	\$29,257
Total	25,620	...	...	...	3,637	29,257

a/ Fiscal year 2008 Appropriations provided \$380 thousand for translation purposes outside of the Fair Housing Assistance Program and Fair Housing Initiatives Program. No separate justification is provided for this smaller Fair Housing activity.

Fair Housing Assistance Program

FAIR HOUSING AND EQUAL OPPORTUNITY
 FAIR HOUSING ASSISTANCE PROGRAM
 Crosswalk of 2009 Changes
 (Dollars in Thousands)

<u>Budget Activity</u>	<u>2009 President's Budget Request</u>	<u>Congressional Appropriations Action on 2009 Request</u>	<u>2009 Supplemental/ Rescission</u>	<u>Reprogrammings</u>	<u>Carryover</u>	<u>Total 2009 Resources</u>
Fair Housing Assistance Program	\$25,000	\$25,500 ^a	...	...	\$3,874	\$29,374
Total	25,000	25,500	...	...	3,874	29,374

a/ Fiscal year 2009 Appropriations provided \$500 thousand for translation purposes outside of the Fair Housing Assistance Program and Fair Housing Initiatives Program. No separate justification is provided for this smaller Fair Housing activity.

FAIR HOUSING AND EQUAL OPPORTUNITY
FAIR HOUSING INITIATIVES PROGRAM
2010 Summary Statement and Initiatives
(Dollars in Thousands)

FAIR HOUSING INITIATIVES PROGRAM	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2008 Appropriation	\$24,000 ^a	\$711 ^c	...	\$24,711	\$1,510 ^d	\$21,152
2009 Appropriation/Request	27,500 ^b	23,201 ^d	...	50,701	50,701	23,117
2010 Request	<u>42,500</u>	<u>511</u>	...	<u>43,011</u>	<u>44,500</u>	<u>28,194</u>
Program Improvements/Offsets	+15,000	-22,690	...	-7,690	-6,201	+5,077

- a/ The fiscal year 2008 Appropriation reflected in this justification does not include \$380 thousand for translation purposes outside of the Fair Housing Initiatives Program and Fair Housing Assistance Program. No separate justification is provided for this smaller Fair Housing activity and the funding is not included.
- b/ The fiscal year 2009 Appropriation reflected in this justification does not include \$500 thousand for translation purposes outside of the Fair Housing Initiatives Program and Fair Housing Assistance Program. No separate justification is provided for this smaller Fair Housing activity and the funding is not included.
- c/ Includes \$100 thousand in recaptures.
- d/ \$23.2 million in grant awards planned for obligation at the end of fiscal year 2008 were obligated at the beginning of fiscal year 2009. Fiscal year 2009 grant awards are planned for the end of fiscal year 2009.

Summary Statement

The fiscal year 2010 Budget request for the Fair Housing Initiatives Program (FHIP) is \$42.5 million, a \$15 million increase from the fiscal year 2009 enacted level, part of the Department's overall increase of \$19 million for fair housing. As a high priority, this request provides \$12 million in increased funding as part of a signature mortgage fraud and abuse initiative and will address mortgage abuse schemes throughout the country and further enhance the work of fair housing organizations. The current housing and economic crisis leaves a large segment of the population at risk of mortgage relief scams, unfair and deceptive lending practices, and anti-consumer fraud and abuse. Many of these scams target classes protected by the Fair Housing Act and the increased funding request for FHIP represents a key element of a coordinated Departmental response to address abusive and fraudulent mortgage practices.

This budget addresses some of the deficiencies in fair housing enforcement. Though the Fair Housing Act became law more than 41 years ago, discrimination continues today at rates that are too high. African Americans, Hispanics, and Asian Americans experience discrimination at least 20 percent of the time that they search for a home. The rate of discrimination is greater against Native Americans (28.5 percent of the time), wheelchair users (32.3 percent of the time) and people who are deaf (49.5 percent of the time). This does not count discrimination against homeseekers based on religion, sex, and familial status, which are also covered by the Fair Housing Act.

Despite this high rate of discrimination, the Department and its state and local partners received 10,552 complaints in fiscal year 2008, the largest number ever but still a fraction of the incidence of such behavior. A finding of discrimination was reached in only 5.5 percent of the cases closed. Findings of discrimination by HUD have decreased significantly in recent years, falling from 86 in 1998 to just 16 in 2003, and rising to 48 in 2008. Enforcement work and testing by FHIP organizations significantly strengthen complaints filed with the Department and Fair Housing Assistance Program (FHAP) agencies--cases filed by FHIP grantees are seven times more likely to result in finding of discrimination than other cases. This Budget requests \$42.5 million, which will enhance fair housing enforcement by the Department and provide better enforcement for the public.

Fair Housing Initiatives Program

In addition to an emphasis on fair housing enforcement, this Budget increase provides funds to address lending discrimination as part of the Department's Mortgage Abuse Initiative. Millions of homeowners are in foreclosure or in danger of it, causing many people to seek modification to their mortgages or refinance them with better payment terms. Minority homeowners are particularly at risk, because research has shown they are more likely than white homeowners to have a subprime mortgage. Some companies have attempted to exploit these homeowners in the process. One common scheme is to charge borrowers upfront fees in guaranteeing a loan modification. The company then fails to take any action on the loan, and while the homeowner awaits the mortgage modification, the home goes into foreclosure. Sadly, such schemes are occurring throughout the United States, but evidence suggests that some schemes are specifically targeted to communities of color and communities where homeowners are not fluent in English. These homeowners may be particularly at risk, because of discrimination by the conventional lender in the initial pricing of the loan or in the initial lender's preference to foreclose on the property rather than modify a loan. A recent study by the Federal Reserve of San Francisco found that even after controlling for credit score and financial characteristics, an African-American borrower was 3.3 times as likely as white borrowers to face foreclosure.

Initiative to Combat Abusive and Fraudulent Mortgage Practices

The Department is committed to protecting the public from lending schemes that prey upon minority homeowners and from policies that treat minority homeowners differently than others. Therefore, this budget provides a total of \$12 million in additional FHIP funding that will be dedicated to combating discriminatory mortgage abuses. This funding consists of the following:

- a/ The Department will allocate \$4.5 million of the \$12 million under the Private Enforcement Initiative (PEI) to address lending discrimination. With this funding, PEI grantees will assist victims of lending discrimination by working directly with victims to modify loans, resolve discrimination, or investigate claims of discrimination. With this funding, groups with expertise in fair lending will also be able to address violations of fraud and consumer protection laws, along with Fair Housing Act violations;
- b/ The Department requests \$4.5 million under the Fair Housing Organizations Initiatives (FHOI) to fund organizations that have demonstrated expertise with a broad range of lending issues but are not traditional fair housing groups. This funding will enhance the capacity of consumer law groups, consumer advocates, and foreclosure prevention projects to bring Fair Housing Act enforcement actions, as well provide related assistance to homeowners at risk for foreclosure. As with the funding and the purpose of the \$4.5 million provided under PEI for this initiative, this funding in the Fair Housing Organizations Initiative (FHOI) is critical to marrying the consumer protection and fair lending approaches that are necessary to combat the multifaceted nature of mortgage abuse. Therefore, of this \$4.5 million provided under FHOI, the Department will dedicate \$1.5 million for a leadership partnership grant to provide leadership and coordination between consumer groups receiving FHOI grants and fair housing groups receiving PEI mortgage abuse grants.
- c/ The Department requests \$3 million for projects under the Education and Outreach Initiative (EOI) to allow grantees to educate the public on lending discrimination and mortgage refinance schemes through workshops, presentations, public service announcements, and pamphlets. The Department will set aside \$1 million of these funds to provide fair housing education to housing counselors.

Fair Housing Enforcement and Education

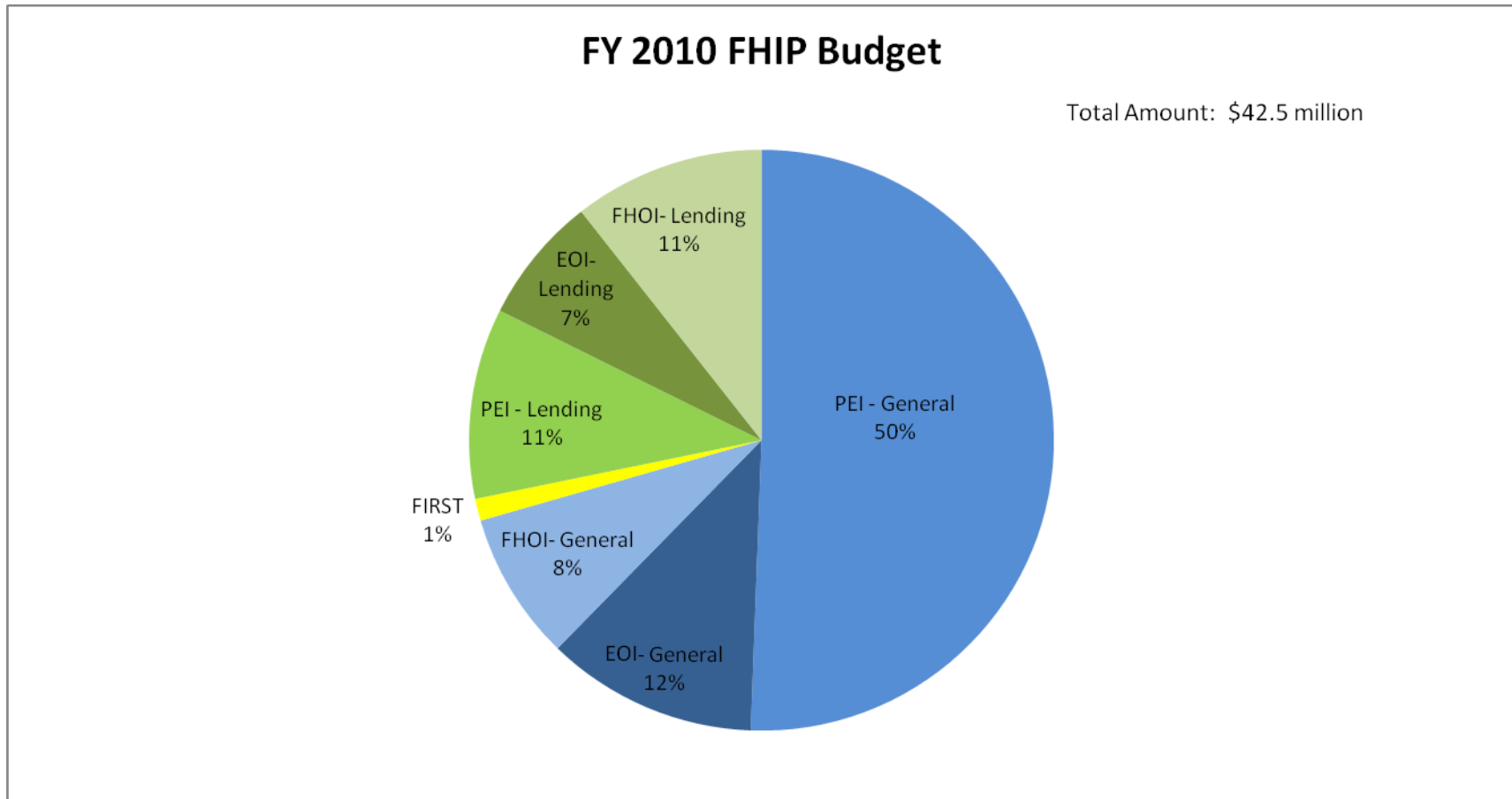
While the need to address mortgage lending abuses accounts for a great part of this budget increase, the Department also proposes a significant increase in funds to augment the fair housing enforcement and education efforts of nonprofit fair housing organizations-- organizations which handle the lion's share of fair housing complaints filed in the country. In this Budget, the Department has allocated \$30.5 million to fund general fair housing enforcement and education and outreach, and to support the development of new fair housing organizations. This is a \$5 million increase over fiscal year 2009.

Fair Housing Initiatives Program

Separately, the Department has requested \$9 million under the Transformation Initiative (described in a separate justification) to conduct a study of the level of housing discrimination in the United States. The Department has conducted 3 such studies since the Department began undertaking this project in 1997. The most recent study in 2000 estimated discrimination faced by African-Americans, Hispanics, and Asians and Pacific Islanders and persons with disabilities. The 2010 study will provide comparable data to determine any changes in the level of discrimination from the 2000 study. HUD, FHAP agencies and FHIP grantees will use the results to direct education and enforcement projects. In addition, this study will allow the Department to determine the effectiveness of fair housing enforcement and education activities at the Federal, state, and local level.

Overall, the major features of this budget are:

- \$12 Million for the Initiative to Combat Abusive and Fraudulent Mortgage Practices:
 - Lending Private Enforcement Initiative (PEI) - \$4.5 million (\$3.5 million increase);
 - Lending Education and Outreach Initiative (EOI) - \$3 million (\$3 million increase); and
 - Fair Housing Organizations Initiative (FHOI) - \$4.5 million (\$3.5 million increase).
- \$30.5 million for General Fair Housing Initiatives Program Activities:
 - General Private Enforcement Initiative (PEI) - \$21.50 million (\$1.4 million increase);
 - General Education and Outreach Initiative (EOI) - \$4.98 million (\$1.48 million increase);
 - General Fair Housing Organizations Initiative (FHOI) - \$3.50 million (\$2.4 million increase); and
 - Fair Housing Accessibility FIRST (FIRST) - \$520 thousand (\$280 thousand decrease).



Program Background

The Housing and Community Development Act of 1987 established the FHIP for the purpose of preventing and overcoming housing discrimination. This program provides a coordinated approach to further the purposes of the Fair Housing Act, to guarantee the rights of all people to seek housing in an open market free of discrimination, and to inform the public and the housing industry of its rights and obligations under the Fair Housing Act.

Fair Housing Initiatives Program

Legislative Authority. Section 561 of the Housing and Community Development Act of 1987, as amended, authorizes the execution of grants, contracts, or cooperative agreements with state or local government agencies, public or private non-profit organizations, institutions or other entities that are formulating or carrying out programs to prevent or overcome discriminatory housing practices. FHIP supports projects and activities designed to enhance compliance with the Fair Housing Act and substantially equivalent state and local laws. Section 905 of the Housing and Community Development Act of 1992 expanded the provisions of the Fair Housing Initiatives Program to build the capacity of fair housing organizations in un-served and underserved areas, to establish a national media campaign for dissemination of fair housing information, and to establish funding for celebration of the National Fair Housing Month.

Program Status

Lending Discrimination

Lending discrimination, particularly in the current economic crisis, is a significant problem for African-American and Hispanic families and a barrier to the economic recovery of minority communities and neighborhoods. While high foreclosures are affecting all families, African-American and Hispanic households are experiencing a disproportionate negative financial impact. The risk of foreclosure is elevated for minority borrowers because they are more likely than white borrowers to have a subprime loan. According to "A Snapshot of the Subprime Market," a Center for Responsible Lending study examining HMDA data, 52 percent of African Americans and 41 percent of Hispanics received subprime loans in 2006, compared to 22 percent of whites. In addition, to high-cost loans, minority borrowers are more likely to have loans with prepayment penalties, adjustable interest rates, or balloon payments than non-minority homeowners.

With the increase in foreclosures, the prevalence of foreclosure scams has grown as well. Between 2003 and 2007, the FBI reported a seven-fold increase in Suspicious Activity Reports (SARs), and an additional 44 percent increase in 2008.¹ Anecdotal reports suggest that predatory companies often target their foreclosure rescues schemes to minority communities. The Chicago Tribune analyzed the data in mortgage fraud cases filed between 2000 and 2005 and found that "in the 41 Chicago census tracts hit hardest by mortgage fraud..., 96 percent [of the victims] were African-American." This pattern can be found also in Prince Georges County, Maryland, where despite its being the wealthiest county in America with an African-American majority, it accounts for the most mortgage-fraud complaints in Maryland.

Moreover, there is evidence that lenders discriminate when they decide which homeowners to foreclose upon. A recent study by the Federal Reserve Bank of San Francisco, "Lending in Low- and Moderate-Income Neighborhoods in California," found "that race has an independent effect on foreclosure even after controlling for borrower income and credit score. In particular, African-American borrowers were 3.3 times as likely as white borrowers to be in foreclosure, whereas Latino and Asian borrowers were 2.5 and 1.6 times, respectively, more likely to be in foreclosure as white borrowers." The Department's Office of Policy Development and Research made similar findings in "All Other Things Being Equal," a 2002 study of lending discrimination, which examined pre-application mortgage testing against African Americans and Hispanics in Chicago and Los Angeles. The study showed that in both cities, African-American and Hispanic borrowers faced a significant risk of receiving less favorable treatment than whites when they visit a mortgage lender.

The Department's Fair Housing Initiatives Program (FHIP) has long supported the work of organizations that focused on discrimination in mortgage markets. These organizations have assisted countless homeowners through counseling, advocacy, education, assistance with modifications, and enforcement.

One group, South Brooklyn Legal Services (SBLs), assists homeowners in the New York metropolitan area. Under its most recent FHIP grant, SBLs conducted 305 intake interviews, of which 143 involved refinancing abuses. The organization accepted 35 cases that involved discriminatory lending abuses. Within that group of cases, SBLA was able to save 16 homes, helped 7 homeowners secure more than \$2.6 million in mortgage loans, and saved 8 homeowners more than \$1.6 million over the loan term through reduced interest rates and alternative financing and preserved for 16 homeowners \$3.2 million in equity. In addition, they referred 10 complaints to HUD and provided fair lending education, outreach, consultation, and assistance to the community. Another group, National Community Reinvestment Coalition (NCRC), recruited 200 testers; conducted 100 targeted investigations; conducted 100 site tests for race, national origin, or sex

¹SARs are filed by Federally insured depository institutions to reflect possible fraudulent mortgage activity. Because they are not required by non-Federally insured institutions, they understate the overall scope of the problem. See February 2009 report on Mortgage Fraud by Financial Crime Enforcement Network (FinCEN). <http://www.fincen.gov>, and PD&R *Interim Report on the Root Causes of the Foreclosure Crisis (2009) (forthcoming)*

Fair Housing Initiatives Program

discrimination. In addition, NCRC took in 25 fair lending complaints, and referred 5 of those complaints to HUD. FHIP grantees with lending expertise are uniquely suited to assist in the current economic crisis, having experience with consumer protection statutes, fraud, and fair lending laws.

Fair Housing Enforcement

Victims of housing discrimination often make their first call for help to fair housing organizations. These groups provide immediate on-the-spot assistance to persons who have experienced discrimination, without going through the administrative and legal requirements involved in a formal complaint.

When FHIP grantees receive claims of discrimination from the public, they do not always file a lawsuit or an administrative complaint; they often work with the individuals to remedy the situation. This may include writing letters to advocate for a person with a disability when an apartment manager refuses to provide the person with an accessible parking space, or contacting housing providers to inform them that they are required by law to rent to the single mother who applied for housing the day before.

Fair housing enforcement organizations also conduct testing for the Department, FHAP agencies, and individuals to help buttress claims of housing discrimination. These organizations test real estate agents and rental managers to ensure that they offer the same rent, discounts and service to a Hispanic tester and a white tester, and they inspect multifamily housing to check if it was constructed in compliance with the accessibility requirements of the Fair Housing Act.

Fair housing groups have provided the first line of assistance in many of the complaints where the Department has subsequently issued a charge for a Fair Housing Act violation. Consider the following examples:

- a/ In one recent HUD case, a man with HIV, who was denied housing, turned to Project Sentinel, a FHIP recipient in California, for assistance. Project Sentinel conducted multiple tests that substantiated the allegations. The individual filed a complaint with HUD, and based on the Department's investigation and the testing by Project Sentinel, the Department charged that case in September 2007. The parties settled the case through a consent order, where the housing provider agreed to pay the victim \$8,000 and to attend fair housing training.
- b/ In another case, Interfaith Housing Centers (IHC), a FHIP grantee in Chicago, received a call from a social worker whose client, a single mother, was refused an apartment because of her child. The client wished to remain anonymous and did not want to file a complaint, but to ensure that other single parents would not experience discrimination, IHC sent testers to the property. The apartment manager told testers, posing as a single mother with one child, that the apartment was very small and she did not offer them an opportunity to view the unit. On the other hand, testers who posed as married apartment seekers with no children were offered an opportunity to view the apartment and were never told that the unit was too small for two adults. In fact, the apartment manager allegedly told one tester who posed as a single renter, "We want to make sure we have a quiet environment; no children, no smoking, and no pets." IHC filed their complaint with the Department, who investigated and charged the complaint. The parties settled the complaint under an Administrative Law Judge consent order, and the apartment owners agreed to pay \$7,500 to IHC, change their policies, and attend fair housing training.

FHIP grantees do not wait for complaints to come to them; they play a critical role in inspecting properties and ensuring that housing providers comply with the fair housing law. For example, the Fair Housing of the Dakotas (FHD), a FHIP grantee, conducted extensive testing of various multifamily housing developments in Sioux City, South Dakota. FHD found 5 properties in noncompliance with the accessibility requirements of the Fair Housing Act and filed 13 complaints against the developers and architects of these properties. The kitchens, bathrooms, doorways, and public and common use areas of these apartments were inaccessible to persons with mobility impairments. The Department charged six of these complaints and referred the remainder to the Department of Justice for enforcement.

These cases would have been impossible to charge without the work of FHIP agencies. The Department's Office of Policy Development and Research recently conducted a study on the effectiveness of FHIP grantees that confirms this. The study found that complaints referred by FHIP grantees were much more likely to result in a finding of discrimination than other complaints. Between fiscal years 2003 and 2005, 38 percent of the cases filed by FHIP agencies had sufficient evidence to demonstrate that discrimination had occurred, this rate was seven time higher than for non-FHIP referred complaints.

Fair Housing Initiatives Program

Unfortunately, fair housing testing, enforcement, and advocacy services are not available everywhere throughout the country. Last year the Department was able to fund only 59 fair housing enforcement organizations. No fair housing groups received funds in 18 states, including Mississippi, Arkansas, Indiana, Iowa, Kansas, Maryland, Virginia, West Virginia, and North Carolina.

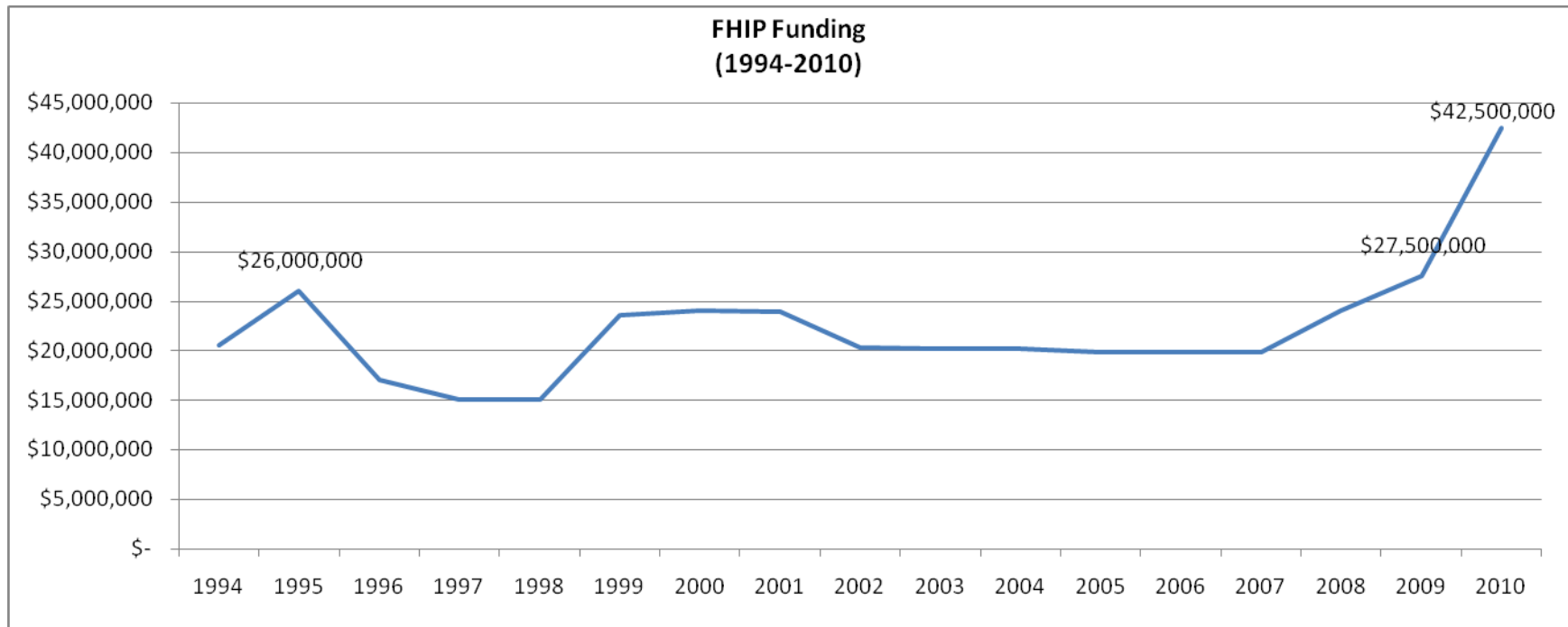
Moreover, some argue that recent funding amounts for fair housing enforcement have been inadequate. In 2008, a National Commission on Fair Housing and Equal Opportunity, chaired by two former Secretaries of HUD, Henry Cisneros and Jack Kemp, held four hearings across the country to evaluate and gather recommendations on the status of fair housing in the United States. In December 2008, the Commission published a report on the findings of those hearings titled "The Future of Fair Housing." The report stated:

"Current appropriation levels are grossly inadequate to fund existing private fair housing groups to perform enforcement activities... Although about 140 agencies have received enforcement grants over the past 10 years, current funding levels permit many fewer groups to be funded every year to conduct enforcement activities. Only 28 groups in the country received consistent funding over the 5-year period from fiscal years 2003-2007 and 26 private fair housing groups, including some of the oldest and most respected groups, have closed or are at risk."

The Commission concluded that "HUD's budget requests and Congressional appropriations have simply been too little to fund the eligible private fair housing groups to conduct enforcement activities. FHIP funding levels are virtually flat lined; they have not significantly increased in the past 15 years."

The graph below shows FHIP appropriations from fiscal years 1994-2010. FHIP funding peaked in fiscal year 1995 at \$26 million, and despite a rising cost of living and a continued demand for fair housing enforcement, FHIP funding did not exceed the fiscal year 1995 level until fiscal year 2009.

Fair Housing Initiatives Program



Fair Housing Education and Outreach

In fiscal year 2008, individuals filed 10,552 complaints with HUD and FHAP agencies, the largest number ever. However, this is still a small fraction of the incidence of housing discrimination that occurs each year. HUD's last decennial housing discrimination study shows that when African-American and Hispanic renters search for an apartment, they experience discrimination as often as 26 percent of the time. When African-American and Hispanic homebuyers seek to purchase a home, they experience discrimination approximately 20 percent of the time. The rate of discrimination is even higher in the limited studies done on rental discrimination against Native Americans (28.5 percent of the time); people who are deaf (49.5 percent of the time) and wheelchair users (32.3 percent of the time). Moreover, these studies do not capture discrimination against homeseekers based on religion, sex, and familial status, which are also covered by the Fair Housing Act.

Underreporting of discrimination is also shown in the Department's studies of the public's awareness of the Fair Housing Act, conducted in 2000 and, again, in 2005. In the most recent study, "Do We Know More Now?," 80 percent of those who reported that they had experienced discrimination did nothing about it, and only two percent sought help from the government or a fair housing group. When asked why, 8 percent stated they did not know where to report it and 6 percent thought it would cost too much money (though the services of HUD and fair housing groups are free); another 24 percent were unsure whether what they experienced was discrimination.

Fair Housing Initiatives Program

It is critical that the public know how to identify housing discrimination and how to report it. This is particularly important because a major enforcement mechanism of the Fair Housing Act is the administrative complaint process it established, whereby individuals seek redress from discrimination by filing complaints with the Department. While the Department also has the authority to initiate its own investigations, the Department and fair housing organizations often learn about suspected discrimination from informants in the public.

"Do We Know More Now?" found little change in public knowledge of the Fair Housing Act between 2000 and 2005, suggesting more aggressive enforcement and education is necessary in order to demonstrably change public awareness and behavior. In both 2000 and 2005, only half of the public correctly identified discrimination in the 6 of the 8 scenarios presented to them. During this same time, funding for FHIP education and outreach activities fell precipitously, from \$12.5 million in fiscal year 2000 to \$4.9 million in 2005. Funding for education and outreach continued to decrease from fiscal year 2005, until fiscal year 2008, when the Department spent only \$2.8 million on fair housing education through FHIP. Greater funding for education and outreach is needed to increase the public's knowledge of the Fair Housing Act.

Fair Housing Initiatives Program

FAIR HOUSING INITIATIVES PROGRAM
 Summary of Resources by Program
 (Dollars in Thousands)

<u>Budget Activity</u>	<u>2008 Budget Authority</u>	<u>2007 Carryover Into 2008</u>	<u>2008 Total Resources</u>	<u>2008 Obligations</u>	<u>2009 Budget Authority/ Request</u>	<u>2008 Carryover Into 2009</u>	<u>2009 Total Resources</u>	<u>2010 Request</u>
Competitive Grants	\$24,000	\$711	\$24,711	\$1,510	\$27,500	\$23,201	\$50,701	\$42,500
Total	24,000	711	24,711	1,510	27,500	23,201	50,701	42,500

<u>FTE</u>	<u>2008 Actual</u>	<u>2009 Estimate</u>	<u>2010 Estimate</u>
Headquarters	7	7	7
Field	16	16	22
Total	23	23	29

**FAIR HOUSING AND EQUAL OPPORTUNITY
FAIR HOUSING INITIATIVES PROGRAM
Program Offsets
(Dollars in Thousands)**

Competitive Grants	<u>Amount</u>
2008 Appropriation	\$24,000
2009 Appropriation/Request	27,500
2010 Request	<u>42,500</u>
Program Improvements/Offsets	+15,000

Proposed Actions

The overall fiscal year 2010 budget request for Fair Housing Initiatives Program (FHIP) is \$42.5 million. The fiscal year 2010 request provides \$26 million for PEI, \$7.98 million for EOI and \$8 million for FHOI. The budget also allocates \$520,000 for the continuation of the Fair Housing Accessibility FIRST program.

Private Enforcement Initiative (PEI) - \$26 million (\$4.9 million increase)

PEI provides funding to private, tax-exempt fair housing enforcement organizations. These are experienced organizations that have engaged in fair-housing enforcement activities for at least 1 year in the 2-year period preceding the filing of a FHIP application. PEI supports the investigation and resolution of housing discrimination allegations handled by private fair housing organizations. These organizations conduct testing where discrimination is suspected and assist the public in resolving complaints through informal means. When necessary these groups file complaints with HUD and in federal court on behalf of victims of discrimination.

Allocation. For fiscal year 2010, the Department has allocated \$16.1 million to support competitive 3-year awards to high-performing fair housing enforcement organizations under the Performance-Based Funding Component (PBFC). To qualify for this funding, the organizations must: (1) be a "qualified fair housing enforcement organization," have 2 years of enforcement experience; (2) have an "excellent" performance rating under 2 previous years' FHIP enforcement grants and receive at least a 95 or above on their most recent performance rating; and (3) score of 95 or above on their applications. The private, non-profit fair housing organizations have responded favorably to the creation of the PBFC as it provides continuity of funding for qualified groups and allows them to conduct long-term enforcement projects.

The Department requests approximately \$5.4 million for PEI funds through the general component. These funds support the work of experienced organizations that have engaged in fair-housing enforcement activities for at least 1 year in the 2-year period preceding their grant application. These groups conduct testing, education, counseling, investigation, conciliation, and pursue lawsuits on behalf of victims of discrimination. In the absence of a complaint, PEI grantees use their funds to conduct testing and reviews to check that housing providers, property managers, real estate agents and architects, property comply with the Fair Housing Act and state and local fair housing laws. These efforts keep the housing market open and free from discrimination.

The Department will allocate \$4.5 million for lending enforcement to experienced fair housing organizations to assist homeowners in danger of foreclosure who are victims of lending discrimination or have been targeted for fraudulent or abusive refinance schemes. These funds will provide supplemental grants to fair housing enforcement organizations that qualify for general enforcement grants and demonstrate they have the organizational capacity to combat abusive mortgage practices in their communities.

Fair Housing Initiatives Program

Education and Outreach Initiative (EOI) - \$7.98 million (\$4.48 million increase)

The Education and Outreach Initiative provides funding for projects that educate the public on their rights and obligations provided under the Fair Housing Act and substantially equivalent state and local fair housing laws. These efforts will be directed by the findings of awareness studies discussed above.

Allocation. The budget requests \$4.98 million for general education and outreach initiatives, including \$2.0 million for the EOI National Media Campaign to fund a national education and outreach campaign. This will create a national media campaign including television and radio public service announcements, as well as print advertisements to inform the public about their fair housing rights. The Department will allocate \$2.58 million for the Local and Regional Educational Component. This supports education campaigns, fair housing workshops, and community outreach on a local and regional level. Groups often speak at churches, community groups, and homeownership workshops and fairs to educate the public on housing discrimination and lending discrimination and what they can do if they feel those rights have been violated. The Department will also allocate \$400,000 to a continuation of the FHIP Information Resource Center, which assists FHIP in accountability.

Approximately \$3 million will be available through the Education and Outreach Initiative (EOI) to fund both local education and outreach campaigns and a training initiative for consumer and fair lending groups on integrating approaches. The Department will allocate \$2 million to local education and outreach efforts in communities hardest hit by foreclosures and mortgage rescue scams. These groups will hold workshops, community meetings and conduct individual counseling to assist homeowners at risk for foreclosure and mortgage abuse. The remaining \$1 million will be used to educate housing counselors about lending discrimination. This grant will allow a national organization to provide comprehensive education to housing counselors, fair housing organizations, and consumer advocates in areas hardest hit by the foreclosure crisis. The training will cover the basics of mortgage lending— loan terms, structure of loans, mortgage process, and loan modifications. Counselors will learn the basics of lending discrimination, mortgage abuse, and signs that a homeowner may have been the victim of either. Finally, counselors will receive the resources available for legal aid assistance, mortgage workouts, fair lending enforcement, and fraud prosecution and how and when to make these referrals. The training will have both a classroom and web-based component.

Fair Housing Organizations Initiative (FHOI) - \$8 million (\$5.9 million increase)

The purpose of FHOI is to establish fair housing enforcement agencies in underserved areas and assist existing organizations to enhance their enforcement skills or capacity.

Allocation. The Department has requested \$3.5 million to establish fair housing organizations in areas underserved by fair housing and fair lending enforcement, especially in states where there are no Fair Housing Assistance Program agencies. This funding can be used by existing legal aid and civil rights organizations to expand their capacity to provide fair housing enforcement. It can also be used to create entirely new organizations with a focus on fair lending enforcement.

The Department will allocate \$4.5 million to build the capacity of organizations that are providing lending assistance (e.g., loan workouts, foreclosure prevention) but are not principally fair-housing organizations. Approximately \$3.0 million will be available to allow consumer law groups, consumer advocates, and foreclosure prevention projects to enhance their capacity to bring Fair Housing Act enforcement as well as take other actions to assist homeowners at risk for foreclosure. These groups would have a demonstrated capacity to provide enforcement and investigation assistance to victims of discrimination, fraud, or abuse in addition to counseling work and experience negotiating loan workouts and the capacity to supplement that work with fair lending assistance. The remaining \$1.5 million will support a leadership grant to a national organization to provide leadership and technical assistance coordination between consumer groups receiving FHOI grants and fair housing groups receiving PEI mortgage abuse grants. This leadership will allow fair housing groups, consumer law groups, consumer advocates, and foreclosure prevention projects to coordinate their activities and service areas and to share strategies and successes. This will enhance the fair lending enforcement capacity of all organizations receiving fair housing grants.

Fair Housing Initiatives Program

Fair Housing Accessibility FIRST Training and Technical Guidance (FIRST) - \$520 thousand (\$280 thousand decrease)

HUD developed Accessibility FIRST in response to a fiscal year 2000 directive from the House and Senate Subcommittees on Appropriations to provide training and technical guidance on how to design and construct accessible multifamily housing in compliance with the Fair Housing Act.

Allocation. The Department is requesting \$520 thousand to continue the hotline and website for Fair Housing Accessibility FIRST education and to provide outreach training to builders, architects, and others throughout the country.

Comparison of FHIP Funding for FHEO Fiscal Years 2009 and 2010

Fiscal Year 2009 FHIP Funding			
(\$ In Millions)			
	Total	General	Lending
PEI	\$21.10	\$20.10	\$1.00
EOI	\$ 3.50	\$ 3.50	--
FHOI	\$ 2.10	\$ 1.10	\$1.00
FIRST	\$ 0.80	\$ 0.80	--
FHIP TOTAL	\$27.50	\$25.50	\$2.00

Fiscal Year 2010 FHIP Funding			
(\$ In Millions)			
	Total	General	Lending
PEI	\$26.00	\$21.50	\$ 4.50
EOI	\$ 7.98	\$ 4.98	\$ 3.00
FHOI	\$ 8.00	\$ 3.50	\$ 4.50
FIRST	\$ 0.52	\$ 0.52	\$ 0.00
FHIP TOTAL	\$42.50	\$30.50	\$12.00
<i>Increase from fiscal year 2009</i>	\$15.00	\$ 5.00	\$ 10.00

Fair Housing Initiatives Program

Transformation Funds - Maximum of 1 percent of All Program Funds

The Transformation Initiative allows the Secretary the necessary flexibility to undertake an integrated and balanced effort to improve program performance and test innovative ideas. One percent of the funds appropriated for Fair Housing and Equal Opportunity will be transferred to the Transformation Initiative account to undertake research, demonstrations, technical assistance, and technology improvements. Within 30 days of enactment, the Secretary will provide a detailed operating plan to the Committees on Appropriations with the specific activities that will be undertaken toward achieving transformation at HUD.

FHEO currently utilizes the FHIP Integrated Complaint Tracking and Information Collection System (FICTICOS) to track the performance of FHIP enforcement grantees. FHEO analyzes consolidated data for these locations, providing reports on ranking and outcomes on a quarterly basis. This system was developed as an automated tool to improve data collection from the grantees directly, effectively improving and enhancing the previous data collection process, which was a manual form filling paper process.

Transformation funds would be used to further expand the FHIP grant reporting and monitoring functionality currently provided in the FICTICOS. The frequency and type of analysis reporting would be increased to improve oversight and identify best practices. The goal would be to provide HUD the same level of insight into performance that is currently available for Fair Housing Assistance Program (FHAP) participants. This "cradle to grave" system would: 1)process the applications for FHIP grants; 2)rate and rank applicants for FHIP funding; 3)assist GTRS with monitoring; 4)provide HUD with evaluations of grantees, monthly, quarterly, and yearly reporting requirements, and 5) produce an overall assessment of FHIP.

**FAIR HOUSING AND EQUAL OPPORTUNITY
FAIR HOUSING INITIATIVES PROGRAM
Performance Measurement Table**

Program Name: FAIR HOUSING INITIATIVES PROGRAM					
Program Mission: To enforce the Fair Housing Act and other civil rights laws by taking proactive steps to identify and combat discrimination in both its most obvious and more subtle forms, and to ensure the right of equal housing opportunity and free and fair housing choice regardless of race, color, religion, sex, national origin, disability, or family compositions.					
Performance Indicators	Data Sources	Performance Report		Performance Plan	
		2008 Plan	2008 Actual	2009 Plan	2010 Plan
Recipients of FHIP education and outreach grants will hold at least 675 activities, to include outreach to faith-based and grassroots organizations, reaching, at least, 300,000 people.	Logic Model a/	300 180,000	1,783 296,641	450 270,000	675 300,000
Improve fair housing complaint case outcomes with the Fair Housing Initiative Program grant funding. The percentage of cases with positive outcomes that are filed or referred by Fair Housing Initiative Program grantees is 12 percentage points higher than cases with positive outcomes where no Fair Housing Initiative Program filing or referral occurs.	TEAPOTS/Logic Model a/	N/A	N/A	N/A	+12

a/ Title VIII Automated Paperless Office and Tracking System (TEAPOTS).

N/A= Not Available

Explanation of Indicators

For fiscal year 2010, the Office of Fair Housing and Equal Opportunity proposes \$42.5 million in FHIP program funding.

Funding for FHIP is critical to achieving the Department’s Strategic Goal “Ensure Equal Opportunity in Housing” and addressing the findings of HUD-funded discrimination studies. FHIP provides non-profit organizations with the funding they need to investigate complaints of discrimination on the local and regional level, collect evidence to corroborate allegations, and educate communities about their fair housing rights. HUD studies demonstrate the effectiveness of testing in uncovering unlawful discrimination. HUD studies also indicate a need to do more education and outreach to inform the public and to improve their confidence in the government’s role in investigating and addressing housing-related discrimination.

FHEO’s annual performance measures track program contributions toward the achievement of long-term outcome goals that include increased public awareness of fair housing laws and decreased incidences of housing discrimination nationwide. HUD studies conducted in intervals of 5 to 10 years examine progress toward these outcomes. The Department is currently working to identify options for measuring national awareness and discrimination on a more frequent basis.

Fair Housing Initiatives Program

Strategies:

OBJECTIVE: IMPROVE PUBLIC AWARENESS OF FAIR HOUSING LAWS

Recipients of FHIP education and outreach grants will hold at least 675 activities, to include outreach to faith-based and grassroots organizations, reaching at least 300,000 people.

- Outreach events will provide education on a full range of fair housing issues in communities nationwide. Some resources will be targeted to topics of high priority, such as predatory and discriminatory lending.
- A national clearinghouse will support the efficient distribution of available outreach materials to a large number of organizations and individuals, potentially enhancing the effectiveness of outreach events.

Improve positive case outcome with the use of FHIP grant funded testing. The ratio/percentage of cases with positive outcomes that are filed or referred by FHIP grantees that include testing is higher than cases with positive outcomes where no testing is used.

- Positive outcomes are defined as cases that are conciliated, resolved, or charged.

**FAIR HOUSING AND EQUAL OPPORTUNITY
FAIR HOUSING INITIATIVES PROGRAM
Justification of Proposed Changes in Appropriations Language**

The fiscal year 2010 President's Budget includes proposed changes in the appropriations language listed and explained below. New language is italicized and underlined, and language proposed for deletion is bracketed.

For contracts, grants, and other assistance, not otherwise provided for, as authorized by title VIII of the civil Rights Act of 1968, as amended by the Fair Housing Amendments Act of 1988, and section 561 of the Housing and Community Development Act of 1987, as amended, [~~\$53,500,000~~]\$72,000,000, to remain available until September 30, [2010]2011, of which [~~\$27,500,000~~]\$42,500,000 shall be to carry out activities pursuant to such section 561[of which up to \$2,000,000 shall be made available to carry out authorized activities to protect the public from mortgage rescue scams]. *Provided*, That notwithstanding 31 U.S.C. 3302, the Secretary may assess and collect fees to cover the costs of the Fair Housing Training Academy and may use such funds to provide such training: *Provided further*, That no funds made available under this heading shall be used to lobby the executive or legislative branches of the Federal Government in connection with a specific contract, grant or loan[: *Provided further*, That of the funds made available under this heading, \$500,000 shall be available to the Secretary of Housing and Urban Development for the creation and promotion of translated materials and other programs that support the assistance of persons with limited English proficiency in utilizing the services provided by the Department of Housing and Urban Development]. (*Department of Housing and Urban Development Appropriations Act, 2009*).

Explanation of changes from fiscal year 2009.

The provision setting aside funding for the creation and promotion of translated materials to support the assistance of persons with limited English proficiency has been removed. In fiscal year 2008, \$380 thousand and \$500 thousand was provided in fiscal year 2009. All vital Housing documents have been translated and no additional funding is required.

The language directing HUD to allocate up to \$2 million to carryout activities to protect the public from mortgage rescue scams has been deleted. As a part of its fiscal year 2010 budget request for FHIP, HUD is proposing to allocate \$12 million to address lending discrimination and mortgage abuse schemes in support of the Department's new Mortgage Abuse Initiative. This larger, more comprehensive approach makes a \$2 million set-aside in FHIP unnecessary.

Fair Housing Initiatives Program

FAIR HOUSING AND EQUAL OPPORTUNITY
 FAIR HOUSING INITIATIVES PROGRAM
 Crosswalk of 2008 Availability
 (Dollars in Thousands)

<u>Budget Activity</u>	<u>2008 Enacted</u>	<u>Supplemental/ Rescission</u>	<u>Approved Reprogrammings</u>	<u>Transfers</u>	<u>Carryover</u>	<u>Total 2008 Resources</u>
Competitive Grants	\$24,000	...	...	...	\$711 ^a	\$24,711
Total	24,000	...	...	...	711	24,711

a/ Includes \$100 thousand in recaptures

Fair Housing Initiatives Program

FAIR HOUSING AND EQUAL OPPORTUNITY
 FAIR HOUSING INITIATIVES PROGRAM
 Crosswalk of 2009 Changes
 (Dollars in Thousands)

<u>Budget Activity</u>	<u>2009 President's Budget Request</u>	<u>Congressional Appropriations Action on 2009 Request</u>	<u>2009 Supplemental/ Rescission</u>	<u>Reprogrammings</u>	<u>Carryover</u>	<u>Total 2009 Resources</u>
Competitive Grants	<u>\$26,000</u>	<u>\$27,500</u>	<u>...</u>	<u>...</u>	<u>\$23,201^a</u>	<u>\$50,701</u>
Total	26,000	27,500	...	...	23,201	50,701

a/ \$23.2 million in grant awards planned for obligation at the end of fiscal year 2008 were obligated at the beginning of fiscal year 2009. Fiscal year 2009 grant awards are planned for the end of fiscal year 2009.