

**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
SALARIES AND EXPENSES  
Government National Mortgage Association**

(\$ in Thousands)

	<b>FY 2015 Actual</b>	<b>FY 2016 Enacted</b>	<b>FY 2017 Request</b>
<b>Personnel Services</b>	<b>\$19,718</b>	<b>\$21,738</b>	<b>\$23,000</b>
<b>Non-Personnel Services</b>			
Travel	465	450	-
Printing	-	-	-
Other services/Contracts	792	462	-
Training	330	320	-
Supplies	28	30	-
Attorney's Fees	-	-	-
<b>Non-Personnel Services Subtotal</b>	<b>\$1,615</b>	<b>\$1,262</b>	<b>-</b>
<b>Grand Total</b>	<b>\$21,333</b>	<b>\$23,000</b>	<b>\$23,000</b>
<b>Permanent FTE</b>	<b>124.6</b>	<b>134.5</b>	<b>139.9</b>
<b>Temporary FTE</b>		<b>12.5</b>	<b>25.0</b>
<b>Total Associated FTE <sup>1/</sup></b>	<b>124.6</b>	<b>147.0</b>	<b>164.9</b>

1/ In addition to the discretionary appropriations reflected in the table above, Ginnie Mae will utilize no-year funds available from prior year appropriations for funding administrative costs, including investments in improved risk management and oversight.

**Program Area Overview:**

The Government National Mortgage Association (Ginnie Mae) is integral to the success of our nation's housing finance system. Ginnie Mae's mission and purpose is to bring domestic and global capital into the nation's housing finance market. Ginnie Mae fulfills its mission by attracting investors to Ginnie Mae's mortgage backed securities (MBS) program, the sale of which provides the liquidity that keeps funds flowing to lenders, allowing them to continue to originate loans under the FHA, VA, RHS and PIH programs. At the heart of the demand for the Ginnie Mae MBS is the explicit government guaranty that effectively removes credit risk for investors, making Ginnie Mae MBS a valuable international commodity. Protecting the government guaranty, by insuring that only financially

## Government National Mortgage Association – Salaries and Expenses

and operationally capable lenders or issuers can issue MBS and reliably make payments to investors, has been one of Ginnie Mae’s two operational priorities. The other priority has been running the platform over which the MBS is issued and investors receive payment. In addition, without access to the Ginnie Mae program, lenders will be challenged to offer a 30-year fixed-rate mortgage at affordable interest rates. The 2017 request along with use of Ginnie Mae’s accumulated no-year funding will allow it to meet these priorities on a growing and changing portfolio.

Ginnie Mae’s core activities surround its guarantee of timely payment on Ginnie Mae guaranteed-MBS securities. Activities include the key operational functions of approving and monitoring the mortgage lenders who can issue and service the Ginnie Mae MBS, and maintaining the platform over which the MBS is issued and investors receive payment. When we approve lenders to issue MBS, we are providing potential investors with the U.S. government’s guarantee that they will receive timely payments from said Issuer while they remain in good standing in the program. Once a Ginnie Mae guaranteed MBS is issued, we must pay the investor if the Issuer does not or cannot.

As seen in Table 1 below, Ginnie Mae has experienced a tremendous growth rate in the number of issuers since 2008, and expects total growth to exceed 35 percent by calendar year 2017.

*Table 1: Calendar Years 2008 – 2017*

### **Number of SF, MF, MH and HECM Approved Issuers by Institution Type**

*Source: Ginnie Mae B07 Issuer Load file*

*Excludes Defaulted and Terminated Issuers*

Institution Type	Dec-08	Dec-09	Dec-10	Dec-11	Dec-12	Dec-13	Dec-14	Estimated 2015	Estimated 2016	Estimated 2017
1. Mortgage Company	222	232	252	256	286	314	317	325	330	332
2. Savings & Loan	36	32	28	25	24	24	20	21	21	20
3. Commercial Bank	63	62	57	58	61	67	73	78	80	81
4. Mutual Savings	7	9	9	8	9	11	11	11	11	11
5. Credit Union	7	8	12	14	14	16	14	14	14	14
6. Other	20	24	27	24	22	25	26	27	27	26
<b>Total</b>	<b>355</b>	<b>367</b>	<b>385</b>	<b>385</b>	<b>416</b>	<b>457</b>	<b>461</b>	<b>476</b>	<b>483</b>	<b>484</b>

To support the growing portfolio, Ginnie Mae plans to make full use of all available resources to improve management and oversight by decreasing the ratio of issuers to key risk managers, through hiring Account Executives and Monitoring Analysts.

### **Requested Level and Justification**

Ginnie Mae requests \$23,000K, which would support 139.9 FTE in fiscal year 2017.

## Government National Mortgage Association - Salaries and Expenses

Ginnie Mae's Salaries and Expenses (S&E) request is offset by an estimated \$101 million in collections from multiclass and commitment fees in fiscal year 2017. The net result is an estimated \$78 million contribution to the federal government's bottom line. Since 2012, Ginnie Mae's total impact to reducing the deficit through fees and subsidy receipts is estimated at \$589 million through the end of fiscal year 2017. Moreover, Ginnie Mae has generated an average negative subsidy in excess of \$900 million a year for a combined discretionary and mandatory collections contribution of \$4,194 million toward reducing the federal deficit between fiscal years 2012 and 2015.

In fiscal years 2016 and 2017, Ginnie Mae will utilize a portion of the \$7.2M in cumulated S&E funding made available until expended through the Commitment and Multiclass Fee Proviso (section 306 of the National Housing Act, as amended (12 U.S.C.1721(g)) to cover Non-Personnel Services, Working Capital Fund expenses and hire additional 2-year Term or Presidential Management Fellow (PMF) staff.

### Personnel Services:

The \$23M in Personnel Services supports 139.9 FTE to complete the following mission critical functions:

- Carrying out mission-critical work in the Offices of Issuer and Portfolio Management, Enterprise Risk, Enterprise Data and Technology, and the Office of the Chief Financial Officer, including building the foundation to reach targeted issuer to staff ratios. (See Table 2).
- Providing enhanced oversight of non-depository issuers to allow Ginnie Mae to continue issuing commitment authority and approving servicing transfers, both critical to ensuring liquidity in the Ginnie Mae MBS, loosening credit and providing greater accessibility to capital.
- Continuing modernization and transformational initiatives necessary to remain competitive in the market; comply with audits, organizational internal controls, security standards (e.g., FISMA, FISCAM, and NIST Rev. 4) and other regulatory mandates; and align with Ginnie Mae-imposed policies and procedures.
- Building increased capacity to strengthen the management oversight of contractors across the enterprise.
- Increasing focus on risk management of a portfolio of more than \$1.6 trillion in outstanding guaranteed securities, as the portfolio continues to grow.

### Non-Personnel Services:

\$1M of no-year S&E funding will be allocated for Non-Personnel Services to complete mission critical functions, including issuer applicant on-site reviews, on-site visits for new or probationary issuers, compliance reviews and reviews of GNMA's master subservicers and additional oversight and monitoring protocols.

Government National Mortgage Association – Salaries and Expenses

- \$425K in Travel
- \$298K in Other services/Contracts
- \$299 in Training
- \$27K in Supplies

Working Capital Fund:

An estimated \$675K to pay working capital fund fees for shared services, and other investments determined by the Secretary will also be covered by no-year S&E funding.

Government National Mortgage Association - Salaries and Expenses

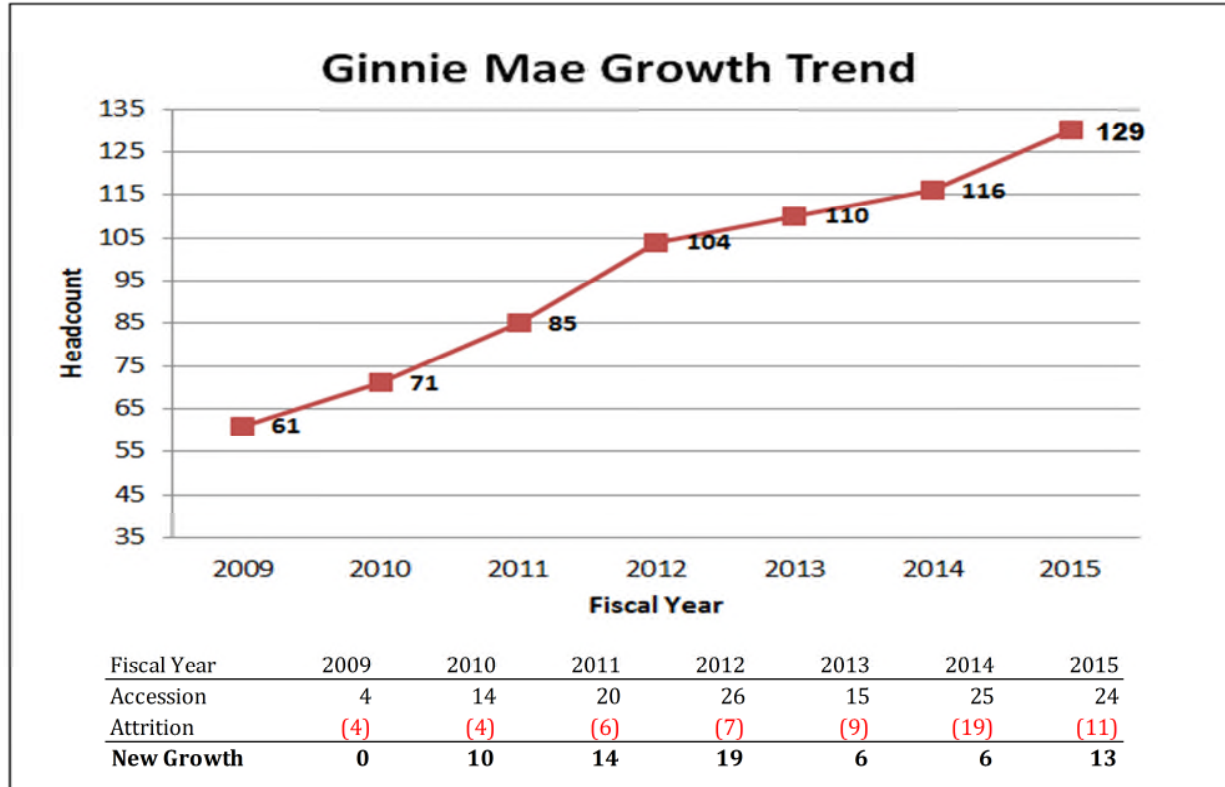
**Permanent Full-time Equivalents**

<b>Staffing</b>	<b>FY 2015 FTE</b>	<b>FY 2016 FTE (Est)</b>	<b>FY 2017 FTE (Est)</b>
OFFICE OF THE PRESIDENT/VP	4	3	4
OFFICE OF CHIEF FINANCIAL OFFICER	11	20	21
OFFICE OF ISSUER & PORTFOLIO MGMT	35.6	36.5	36.9
OFFICE OF ENTERPRISE RISK	13	15	15
OFFICE OF CAPITAL MARKETS	7	7	7
OFFICE OF ENTERPRISE DATA & TECHNOLOGY SOLUTIONS	19	20	20
OFFICE OF SECURITIES OPERATIONS	20	18	20
OFFICE OF MANAGEMENT OPERATIONS	15	15	16
<b>Permanent Staff Sub-Total</b>	<b>124.6</b>	<b>134.5</b>	<b>139.9</b>

**2-Year Term or PMF Full-time Equivalents**

<b>Staffing</b>	<b>FY 2015 FTE</b>	<b>FY 2016 FTE (Est)</b>	<b>FY 2017 FTE (Est)</b>
OFFICE OF THE PRESIDENT/VP		0	0
OFFICE OF CHIEF FINANCIAL OFFICER		2	3
OFFICE OF ISSUER & PORTFOLIO MGMT		2.5	5
OFFICE OF ENTERPRISE RISK		2	5
OFFICE OF CAPITAL MARKETS		1	2
OFFICE OF ENTERPRISE DATA & TECHNOLOGY SOLUTIONS		2	5
OFFICE OF SECURITIES OPERATIONS		2	4
OFFICE OF MANAGEMENT OPERATIONS		1	1
<b>Temporary Staff Sub-Total</b>	<b>-</b>	<b>12.5</b>	<b>25</b>
<b>Perm and Term/PMF Staff Total</b>	<b>124.6</b>	<b>147.0</b>	<b>164.9</b>

**Key Operational Initiatives – Hiring and Staff Retention**



Recognizing that human capital is at the heart of our operational success, Ginnie Mae leadership is focused on hiring and retaining staff in Ginnie Mae’s 2016 and 2017 operational plan, alongside running our securitization platform and administering the government guaranty.

Ginnie Mae’s key operational initiatives are designed to establish continuity of, and depth in, critical staff and skills; reduce our reliance on key person dependencies; and to develop an ability to respond to unforeseen events that require immediate attention without compromising other tactical and strategic efforts.

## Government National Mortgage Association - Salaries and Expenses

- Ginnie Mae will establish a Management Working Group to execute short-term tactical goals as well as develop longer-term strategies for achieving our hiring and retention objectives.
- Ginnie Mae will work very closely with HUD's Office of the Chief Human Capital Officer (OCHCO) and HUD's shared services provider for personnel services (Treasury's Bureau of Fiscal Services - BFS) to explore and employ all available OPM recruitment and retention tools, in order to combat the loss of its highly sought-after staff, who are being recruited for their industry skill set by other financial agencies that offer premium pay for the same work and often less hours; another goal is to reduce the time of the recruitment process, and increase the acceptance rate of job offers.

More specifically, the Management Working Group will analyze our current practices of hiring and will work hand-in-hand with our internal and external partners, including HUD's Budget Office and OCHCO, BFS, and OPM to execute the needed changes, including streamlining the processes for hiring, hiring multiple candidates off rosters, looking for new flexibilities in the process, and removing any impediments possible while staying within the government hiring rules.

**GOVERNMENT NATIONAL MORTGAGE ASSOCIATION  
MORTGAGE-BACKED SECURITIES PROGRAM  
2017 Summary Statement and Initiatives  
(Dollars in Thousands)**

GUARANTEES OF MORTGAGE-BACKED SECURITIES	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2015 Appropriation .....	\$500,000,000	\$500,000,000	...	\$1,000,000,000	\$505,586,103	...
2016 Appropriation .....	500,000,000	494,413,897	...	994,413,897	994,413,897	...
2017 Request .....	<u>500,000,000</u>	...	...	<u>500,000,000</u>	<u>500,000,000</u>	...
Program Improvements/Offsets .....	...	-494,413,897	...	-494,413,897	-494,413,897	...

GUARANTEES OF MORTGAGE-BACKED SECURITIES PROGRAM ACCOUNT	<u>Carryover</u>	<u>Spending Authority from Offsetting Collections</u>	<u>Precluded From Obligation</u>	<u>Gross Budget Authority<sup>1</sup></u>	<u>Obligations</u>	<u>Net Outlays</u>
<b>Administrative Expenses and Commitment and Multiclass Fees</b>						
2015 Appropriation.....	\$295,111	\$140,161	-\$409,272	\$26,000	\$21,333	-\$118,000
2016 Appropriation/Request.....	409,272	118,000	-504,272	23,000	25,000	-95,000
2017 Request.....	<u>504,272</u>	<u>101,000</u>	<u>-582,272</u>	<u>23,000</u>	<u>28,000</u>	<u>-76,000</u>
Program Improvements/Offsets.....	+95,000	-17,000	-78,000	...	+3,000	+19,000

**1. What is this request?**

The fiscal year 2017 Budget request for the Government National Mortgage Association (Ginnie Mae) consists of two parts:

- (1) \$500 billion in limitation on new commitments of single class mortgage-backed securities (MBS); and

<sup>1</sup> Gross Budget Authority represents new budget authority to be collected within the fiscal year and does not include the \$7.2 million balance of no-year S&E collected in prior fiscal years.



## Guarantees of Mortgage-Backed Securities

- (2) \$23 million to cover personnel compensation and benefits and non-personnel services expenses for fiscal year 2017 (the appropriations request also includes contingent budget authority should the actual guarantee volume exceed the prescribed threshold during execution).

### Commitment Authority

In recent years, private markets have played a diminished role in fulfilling the nation's residential housing funding needs. Ginnie Mae has stepped up to fill the gap and provide liquidity in the secondary market, bringing stability to a still-recovering housing market. Therefore, Ginnie Mae is requesting \$500 billion in commitment authority, to remain available until September 30, 2018, to issue guarantees of securities in order to meet the housing needs of Americans across the single family, multifamily, and healthcare segment of the market. This request provides ample authority given estimates of mortgage insurance and guarantee activity of the Federal Housing Administration (FHA), the Department of Veterans Affairs (VA), HUD's Office of Public and Indian Housing (PIH), and the U.S. Department of Agriculture (USDA).

### Salaries and Expenses

In fiscal years 2016 and 2017, Ginnie Mae will utilize a portion of the \$7.2M in cumulated S&E funding made available until expended through the Commitment and Multiclass Fee Proviso (section 306 of the National Housing Act, as amended (12 U.S.C.1721(g)) to cover Non-Personnel Services, Working Capital Fund expenses and hire additional 2-year Term or Presidential Management Fellow (PMF) staff.

Ginnie Mae's salaries and expenses (S&E) request of \$23 million, equal to the fiscal year 2016 enacted level, is offset by an estimated \$101 million in collections from multiclass and commitment fees for an expected net decrease to the deficit of \$78 million. This request of \$23 million will support 139.9 FTE and with the no-year S&E expected to fund 25 additional temporary FTE this brings the fiscal year 2017 FTE total to 164.9.

## **2. What is this program?**

Ginnie Mae is authorized by Title III of the National Housing Act, as amended (P.L. 73-479; codified at 12 U.S.C. 1716 et seq.). Section 306(g) of the National Housing Act authorizes Ginnie Mae to guarantee the timely payment of principal and interest on securities that are issued by approved entities and which are backed by FHA, VA, USDA Rural Development, or PIH mortgages.

Ginnie Mae is not in the business of making or purchasing mortgage loans, nor does it buy, sell, or issue securities. Instead, Ginnie Mae earns income by approving commitment authority for which qualified mortgage issuers pay a fee. Issuers use that authority to pool their eligible government loans into securities and issue Ginnie Mae MBS. Ginnie Mae, in turn, guarantees the performance of

## Guarantees of Mortgage-Backed Securities

the Issuer who issues the MBS and who continues to service and manage the underlying loans. The guarantee to investors also earns Ginnie Mae guarantee fee income from issuers. The Ginnie Mae guarantee, coupled with an expected return higher than U.S. Treasury securities, makes Ginnie Mae securities highly liquid and attractive to domestic and foreign investors of all types. This liquidity is passed on to the issuers who can then use the proceeds from issuances to make new mortgage loans at attractive interest rates to borrowers. The ongoing cycle (as depicted in Figure 1) helps to lower financing costs and supports increased access to capital for housing finance across the single-family, multifamily and healthcare housing markets. Because the securities are backed by the full faith and credit of the U.S. Government, capital continues to flow even during recessionary periods when liquidity stalls in the private market and in times of great market change as we are experiencing now with the withdrawal of major banks from the origination space.

Ginnie Mae's business model enables it to maintain a negative subsidy rate and earn money for the U.S. Treasury, which significantly reduces taxpayer exposure to the risk associated with the issuers' ability to meet its financial obligations to Ginnie Mae MBS investors. It is through this model that Ginnie Mae brings global capital and stability to the Nation's housing finance system.

Ginnie Mae is a mono-line business taking only counterparty risk – the risk that the Issuer does not have the financial strength and liquidity to cover borrower defaults and un-reimbursed losses on mortgage loans underlying their MBS issuances. There are three levels of protection that must be exhausted before the Ginnie Mae guarantee is at risk:

- 1) Homeowner equity;
- 2) Insurance provided by the government agency that insured the loans; and
- 3) Corporate resources of the lenders who issued the security.

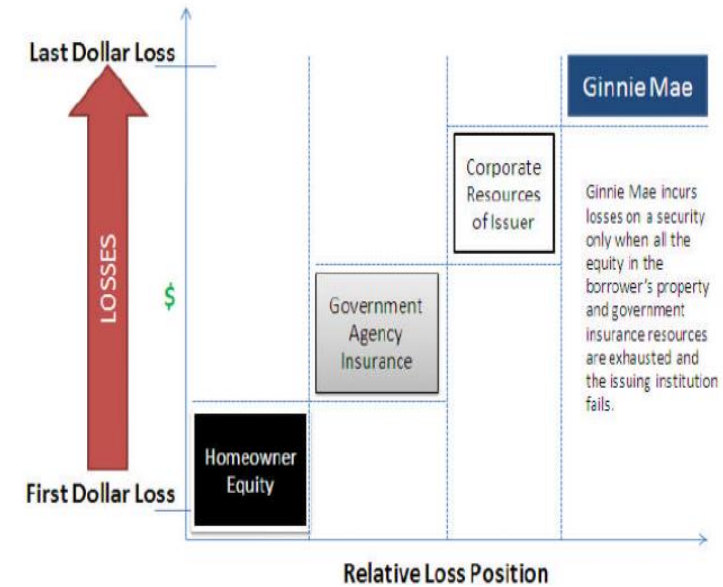
Ginnie Mae is in the fourth and last loss position (Figure 2). Ginnie Mae issuers must exhaust their corporate resources — usually through bankruptcy — before Ginnie Mae will pay on its guarantee through all financial losses in transferring the defaulted issuers Ginnie Mae obligations to another Ginnie Mae issuer. This process is very similar to the Federal Deposit Insurance Corporation (FDIC) closing a failed bank. Insuring only the performance of the Issuer and requiring that issuers make principal and interest payments to investors until they can no longer do so significantly reduces taxpayer exposure to risk. By actively managing and monitoring issuers, Ginnie Mae manages its risk of potential Issuer default and can better protect the guarantee from loss.

## Guarantees of Mortgage-Backed Securities

Figure 1: Capital Flow of Ginnie Mae Guaranteed Securities



Figure 2: Protecting the Ginnie Mae Guarantee



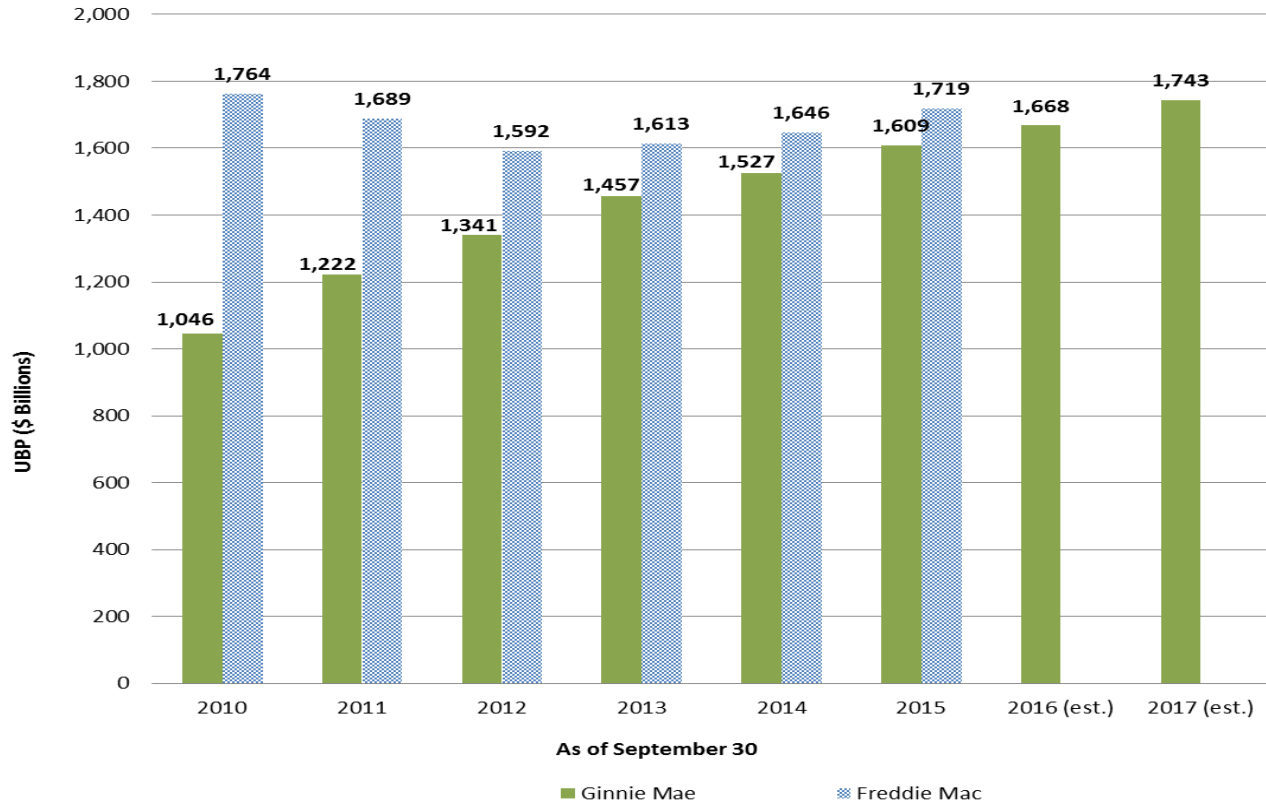
## Securities and Products

Ginnie Mae has become a major outlet providing global capital and liquidity to the housing market. Ginnie Mae's unpaid principal balance (UPB) is rapidly approaching Freddie Mac's MBS guarantee levels<sup>2</sup>. Ginnie Mae's UPB of securities outstanding in the market has risen from \$1.05 trillion to an estimated \$1.74 trillion between fiscal years 2010 – 2017 (estimated) (see Figure 3).

<sup>2</sup> Source: Table 4 - Freddie Mac Monthly Volume Summary Report, <http://www.freddiemac.com/investors/volsum/>

## Guarantees of Mortgage-Backed Securities

Figure 3: Ginnie Mae vs. Freddie Mac – Unpaid Principal Balance Outstanding in Mortgage-Backed Securities Portfolio



## Guarantees of Mortgage-Backed Securities

The outstanding principal balance of MBS for fiscal years 2015 – 2017:

	<u>ACTUAL</u> <u>2015</u>	<u>ESTIMATE</u> <u>2016</u>	<u>ESTIMATE</u> <u>2017</u>
	(Dollars in Thousands)		
Securities Outstanding, start of Year.....	\$1,526,470,160	\$1,608,790,109	\$1,667,531,494
Issued During Year.....	432,445,025	330,200,000	359,000,000
Principal Payments to Securities Holders.....	<u>-350,125,076</u>	<u>-271,458,615</u>	<u>-283,714,409</u>
Securities Outstanding, end of year.....	1,608,790,109	1,667,531,494	1,742,817,085

The Ginnie Mae MBS Program and Multiclass products provide liquidity for an array of FHA, VA, and USDA Rural Development programs:

### Home Equity Conversion Mortgages

Home Equity Conversion Mortgages (HECMs) allow homeowners ages 62 and older to tap into their home equity without repaying the money as long as they live in their homes. These "reverse mortgages" help more senior homeowners enjoy a better quality of life by allowing them to retain their homes and use their home's accumulated wealth to help with health care costs and other expenses. America's aging population makes HECMs an increasingly attractive product for issuers, and Ginnie Mae provides a capital markets solution to support this population.

Currently, FHA's HECM program allows Ginnie Mae-qualified issuers to help underserved and elderly borrowers while tapping into a safe, secure, and guaranteed capital markets solution. Ginnie Mae's securitization and MBS is the only securitization program for reverse mortgages in the world. Ginnie Mae's securitization of HECMs reduces costs to seniors by allowing issuers to offer loans at lower-than-market interest rates. By focusing on senior housing, Ginnie Mae is well positioned to serve the needs of a major demographic subgroup that is predicted to increase rapidly in the coming years.

## Guarantees of Mortgage-Backed Securities

### Multiclass Mortgage-Backed Securities Products

In fiscal year 1994, Ginnie Mae began guaranteeing Real Estate Mortgage Investment Conduits (REMIC). A pool or trust composed of mortgages or MBS back a REMIC security. The REMIC Issuer issues certificates of interest to investors and elects to be taxed under the REMIC provisions of federal tax law (Sections 860A through 860G of the Internal Revenue Code of 1986). REMICs are multiple class securities with different maturities, typically between 2 and 20 years, or with payments based on fractions of the MBS income stream. This multiple class characteristic is what largely distinguishes REMICs from single class Mortgage-Backed Securities.

Ginnie Mae REMIC products allow the private sector to combine restructured cash flows from Ginnie Mae MBS (including Home Equity Conversion MBS) and other permissible REMIC securities to be tailored to meet investor's preferences. The Ginnie Mae Callable Trust products permit one investor to receive the cash flows from the underlying MBS, while another investor has the right to buy the underlying MBS, under certain circumstances, thereby calling or terminating the Callable Trust. The Ginnie Mae Stripped Mortgage-Backed Securities (SMBS) Trust program complements the REMIC program and involves the allocation of principal and interest from pass-through securities in differing proportions than exist in the underlying mortgage loans. The Ginnie Mae Platinum security consolidates Ginnie Mae MBS pools with the same interest rate into larger pools that are sold to investors by securities dealers. Ginnie Mae, under its multiclass securities program, will guarantee only securities based on and backed by mortgage-backed securities guaranteed by Ginnie Mae. Since all Ginnie Mae, guaranteed multiclass securities are based on and backed by MBS issued securities pursuant to previously issued commitment authority, additional commitment authority is not required for the multiclass securities.

<b><u>REMICs</u></b>	<b><u>Callable Trusts</u></b>	<b><u>Platinum Securities</u></b>	<b><u>SMBS</u></b>
Investment vehicles that reallocate pass-through cash flows from underlying mortgage obligations into a series of different bond classes, known as tranches, which vary based on term and prepayment risk.	Allow investors the flexibility to redeem or call a security prior to its maturity date under certain conditions to hedge against fluctuating interest rate environments.	Allow investors who hold multiple pools of MBS to combine them into a single Ginnie Mae Platinum Certificate.	Custom-designed securities that redirect MBS principal and/or interest cash flows to meet investors' specific objectives. Ginnie Mae guarantees the timely payment of principal and interest on each class of SMBS.

## Guarantees of Mortgage-Backed Securities

The Multiclass Program activity, which involves a Ginnie Mae guarantee on the multiclass securities that are backed by Ginnie Mae MBS, is shown in the following table:

	<u>ACTUAL</u> <u>2015</u>	<u>ESTIMATE</u> <u>2016</u>	<u>ESTIMATE</u> <u>2017</u>
	(Dollars in Thousands)		
<u>MULTICLASS MBS SECURITIES</u>			
Securities Outstanding, start of year.....	\$495,140,000	\$541,007,625	\$574,297,648
Issued During Year.....	93,030,625	85,169,322	85,169,322
Principal Payments to Securities Holders.....	<u>-47,163,000</u>	<u>-51,879,300</u>	<u>-54,473,265</u>
Securities Outstanding, end of year.....	\$541,007,625	\$574,297,648	\$604,993,706

### 3. Why is this program necessary and what will we get for the funds?

Ginnie Mae plays a critical role in the U.S. housing finance system, as it is a low risk, high revenue-generating conduit for bringing private capital into the U.S. housing markets. Without such a conduit, the prevalence of the 30-year mortgage would significantly diminish. If issuers were unable to access the global capital market through the sale of Ginnie Mae securities, they would not have the long-term funding necessary to continue originating FHA, VA, PIH and USDA insured loans upon which so many in America depend. In response, issuers would originate mainly adjustable-rate mortgage (ARM) loans and be forced to raise mortgage rates for the loans they do make to individual borrowers, weakening a recovering but still somewhat fragile housing market. In addition, the existing global MBS market would experience a major disruption, with negative effects on both the liquidity and value of existing Ginnie Mae securities (which represent an important component of the balance sheets of many of the world's largest financial institutions). Ginnie Mae benefits borrowers, issuers, and investors while helping to stabilize the U.S. housing and capital markets.

The Ginnie Mae MBS transforms individual mortgages from relatively illiquid individual assets into liquid, tradable, and homogeneous capital market instruments that will allow the lender to transfer the risks of offering a 30 year fixed interest rate mortgage to the worldwide capital markets. Prior to MBS, borrowers across the United States had limited access to fixed interest rate home mortgages and some regions experienced localized credit crises because lenders only source of funding was form certificates of

## Guarantees of Mortgage-Backed Securities

deposits they sold in their local markets. Worse yet, borrowers faced strikingly uneven mortgage rates across different regions. Without Ginnie Mae’s support of the mortgage market, such problems could resurface.

The steep decline of the housing market in recent years placed tremendous stress on issuers, including Ginnie Mae’s issuers, and led to the retreat of investors from investing in MBS that the government did not guarantee the issuer’s ability to perform their financial obligations. As it has done before in troubled times, Ginnie Mae stepped into the market space previously dominated by others to ensure that core customers — issuers and investors — are well served. Ginnie Mae has guaranteed over \$2.8 trillion in new mortgage backed securities during fiscal years 2009 – 2015, bringing its outstanding guarantee to over \$1.61 trillion.

Since 2008 GNMA’s issuer base has grown 30 percent and is projected to reach 484 in fiscal year 2017. A significant subcategory of the new Issuer population is composed of sizable non-depository entities that have grown rapidly (Figure 4), and due to their financial and operational complexity will require substantial changes to Ginnie Mae’s counterparty monitoring and governing practices.

Figure 4: League Table Fiscal Years 2012 – 2015

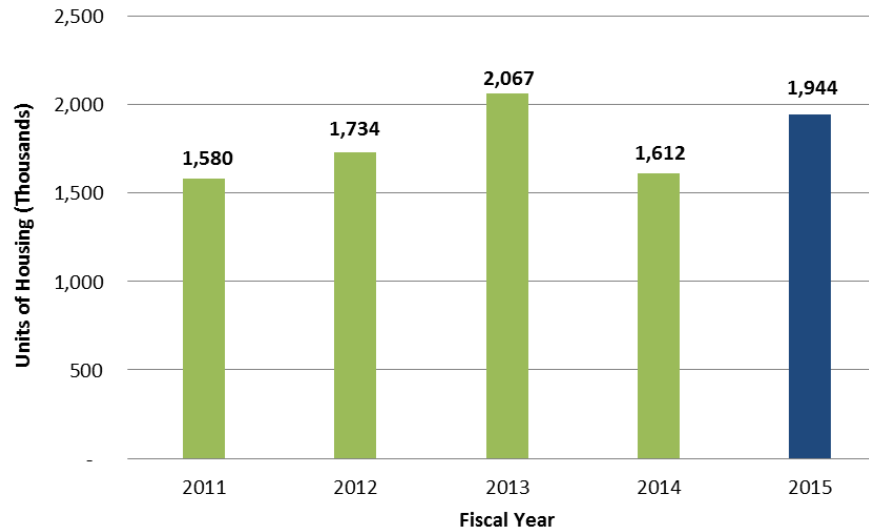
	FY 2012	FY 2013	FY 2014	FY 2015
<b>Top 20 Issuer's Issuance</b>	\$310,666,844,849	\$334,546,365,702	\$194,411,098,428	\$270,196,724,372
<b>Percent of Total Issuance</b>	86%	79%	70%	69%
<b>Percent of Top 20 by Depositories</b>	83%	75%	61%	38%
<b>Percent of Top 20 by Mortgage Banks</b>	17%	25%	39%	62%

As shown in Figure 5, Ginnie Mae supported approximately 1.9 million units of housing for individuals and families in fiscal year 2015. Ginnie Mae has made a significant impact on the availability of homeownership and rental opportunities. Ginnie Mae expects this participation rate to continue and with the requested commitment, authority will be able to provide financing for single-family homes, apartment units, hospitals, and nursing homes.



## Guarantees of Mortgage-Backed Securities

Figure 5: Ginnie Mae Supported Units of Housing



In addition, Ginnie Mae’s program serves special populations; the Multifamily Program makes safe and affordable rental housing available for millions of individuals and families. Ginnie Mae’s mission of supporting affordable housing and promoting stable communities extends to ensuring that decent rental units remain accessible. By guaranteeing MBS obligations that are collateralized by multifamily loans that are sold to investors in the global capital markets, Ginnie Mae enables issuers to reduce mortgage interest rates paid by property owners and developers of apartment buildings and other housing options. Ginnie Mae also supports lenders in providing funding for hospitals, nursing homes, and assisted-living facilities. The Multifamily Program guarantee portfolio increased from \$87.9 billion at the end of fiscal year 2014 to \$92.5 billion at the end of fiscal year 2015 marking the 21st year of consecutive growth. More so, Ginnie Mae’s MBS guarantee activities described above historically have operated at no cost to the U.S. Government.

### 4. How do we know this program works?

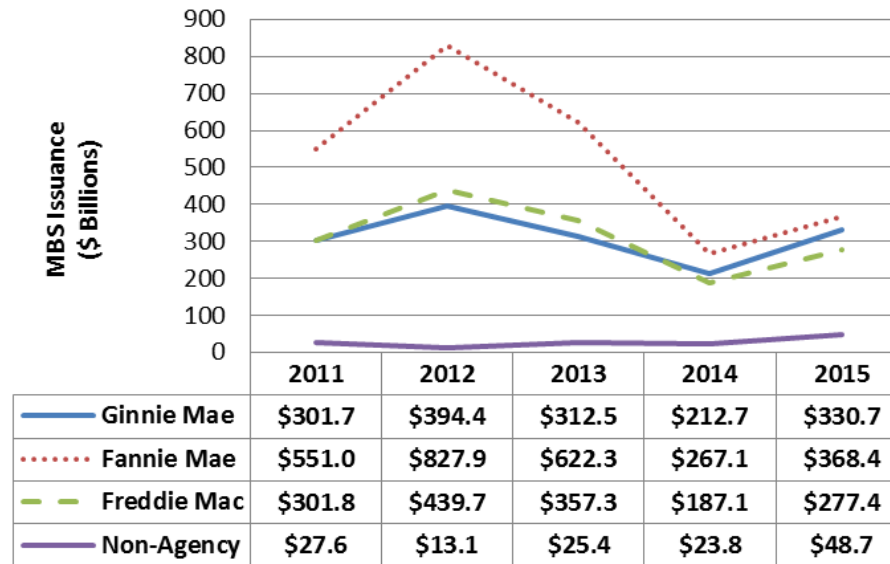
During the recent market crisis, Ginnie Mae has provided market stability and liquidity to America’s housing finance system—as evidenced by the steep trajectory of demand for our MBS. The UPB of Ginnie Mae securities outstanding in the market have risen from \$1 trillion in 2010 to over \$1.65 trillion estimated by the end of fiscal year 2016. In addition, Ginnie Mae has been profitable

## Guarantees of Mortgage-Backed Securities

every year since it began guaranteeing securities in 1970, becoming the major outlet for providing global capital and liquidity to the housing market. Ginnie Mae provides a steady source of funding for the vast majority of government-insured or guaranteed loans offered by FHA, VA, and USDA. As of September 30, 2015, 98.2 percent of FHA fixed-rate single-family loans, 99.1 percent of multifamily eligible loans, and 97.3 percent of VA fixed-rate single-family loans were funded through the issuance of Ginnie Mae MBS, making Ginnie Mae securities the primary source of funding for new home purchases.

Figure 7 shows the variances and periods of decline in the private-label market over the past several years and the consistent issuance of agency MBS—those backed by Ginnie Mae and the Government-Sponsored Enterprises (GSEs). Although Ginnie Mae has maintained a significant share of the MBS market over the past several years, maintaining a high market share is not its goal. Rather, its goal is simply to support the housing market by providing global capital and access to credit in a safe and efficient manner.

Figure 7: Relative Market Share of Ginnie Mae and GSE Securities<sup>3</sup>, 2011 through 2015



<sup>3</sup> Source: *Inside MBS & ABS*, MBS issuance figures based on the 12 months of the calendar year for 2011 through 2014, and for the first 9 months of Calendar Year 2015.

## Guarantees of Mortgage-Backed Securities

Notably, between fiscal years, 2012 and 2017 (estimated) Ginnie Mae will have contributed \$582 million from discretionary commitment and multiclass fee collections toward reducing the federal deficit. Moreover, Ginnie Mae has generated an average negative subsidy in excess of \$900 million a year for a combined discretionary and mandatory collections contribution of \$4,194 million toward reducing the federal deficit between fiscal years 2012 and 2015.

### 5. Proposals in the Budget

- **Risk Sharing Securitization:** HUD is expanding its pool of risk sharing lenders to include lenders that have demonstrated experience in affordable housing lending, specifically in order to increase the availability of capital to small multifamily properties of 5-49 units. The language would authorize Ginnie Mae to securitize these small loans made under Section 542(b). (Sec. 225)
- **Administrative Expenses Fiscal Year Limitations:** This provision makes limitations on administrative expenses inapplicable to certain expenditures of Ginnie Mae, including legal services contracts and the expenses of carrying out its programmatic duties. This provision ensures that administrative expenses provided in annual appropriations bills does not preclude Ginnie Mae's reliance upon its permanent, indefinite appropriation, in Section 1 of the National Housing Act, for essential operating funds.

This provision also adds the authorization by which Congress implements its responsibilities under section 104 of the Government Corporations Control Act (31 U.S.C. 9104), which is necessary to carry out the programs set forth in Ginnie Mae's budget for the coming year, permanent law. (Sec. 205)

Guarantees of Mortgage-Backed Securities

**GOVERNMENT NATIONAL MORTGAGE ASSOCIATION  
MORTGAGE-BACKED SECURITIES PROGRAM  
Summary of Resources by Program**

<u>Budget Activity</u>	<u>2015 Budget Authority</u>	<u>2014 Carryover Into 2015</u>	<u>2015 Total Resources</u>	<u>2015 Obligations</u>	<u>2016 Budget Authority</u>	<u>2015 Carryover Into 2016</u>	<u>2016 Total Resources</u>	<u>2017 Request</u>
Commitment Limitation	\$500,000,000	\$500,000,000	\$1,000,000,000	\$505,586,103	\$500,000,000	\$494,413,897	\$994,413,897	\$500,000,000
Total .....	500,000,000	500,000,000	1,000,000,000	505,586,103	500,000,000	494,413,897	994,413,897	500,000,000

## Guarantees of Mortgage-Backed Securities

### **GOVERNMENT NATIONAL MORTGAGE ASSOCIATION MORTGAGE-BACKED SECURITIES PROGRAM Appropriations language**

The fiscal year 2017 President's Budget includes proposed changes in the appropriation language listed and explained below. New language is italicized and underlined, and language proposed for deletion is bracketed.

New commitments to issue guarantees to carry out the purposes of section 306 of the National Housing Act, as amended (12 U.S.C. 1721(g)), shall not exceed \$500,000,000,000, to remain available until September 30, ~~[2017]~~2018: Provided, That \$23,000,000 shall be available for necessary salaries and expenses of the Office of Government National Mortgage Association: Provided further, that to the extent that guaranteed loan commitments will and do exceed \$155,000,000,000 on or before April 1, ~~[2016]~~2017, an additional \$100 for necessary salaries and expenses shall be available until expended for each \$1,000,000 in additional guaranteed loan commitments (including a pro rata amount for any amount below \$1,000,000), but in no case shall funds made available by this proviso exceed \$3,000,000: Provided further, That receipts from Commitment and Multiclass fees collected pursuant to title III of the National Housing Act, as amended, shall be credited as offsetting collections to this account. (Department of Housing and Urban Development Appropriations Act, 2016.)

**POLICY DEVELOPMENT AND RESEARCH  
RESEARCH AND TECHNOLOGY  
2017 Summary Statement and Initiatives  
(Dollars in Thousands)**

RESEARCH AND TECHNOLOGY	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2015 Appropriation .....	\$72,000	\$2,744	...	\$74,744	\$44,632	\$35,818
2016 Appropriation .....	85,000	30,123	...	115,123	115,123	67,000
2017 Request .....	<u>185,000<sup>a/</sup></u>	<u>...</u>	<u>...</u>	<u>185,000</u>	<u>185,000</u>	<u>107,000</u>
Program Improvements/Offsets .....	+100,000	-30,123	...	+69,877	+69,877	+40,000

a/ The 2017 request includes \$120 million in programs transfers.

**1. What is this request?**

The 2017 Budget requests \$185 million for the Department’s Research and Technology (R&T) account through a combination of direct appropriation and transfer authority. This request will support a range of research, data infrastructure, technical assistance, and capacity building all under one account:

- \$65 million in direct appropriations for the category of core research support, surveys, data infrastructure, and knowledge management (research dissemination.) “Core research support” is proposed as a new component of the core data and research infrastructure request, which supports: 1) the long-term commitment to evaluate Moving-to-Work policy initiatives and expansion, and 2) research on new innovation that facilitates behavior changes among builders, property owners and tenants that results in lower consumption of carbon based energy.
- Authority to transfer up to \$120 million from program accounts to the R&T account for the categories of research, evaluations, and demonstrations (\$33 million); technical assistance (\$52 million); and capacity building (\$35 million).

Program transfers for these purposes reflect the Department's enterprise-wide commitment to integrate evidence and cross-disciplinary intelligence throughout program policy, management, and operations. The transfer funding provides a devoted source of funds for research, evaluations and technical assistance as previously made available under the TI account during fiscal years 2010 to 2014.

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A summary of R&T funding for fiscal years 2015, 2016 and 2017 follows: Research & Technology	FY 2015 Enacted	FY 2016 Enacted	FY 2017 Request
Housing Market Surveys	\$37.7	\$41.5	\$41.5
*Knowledge Management	5.7	5.7	5.7
**Non-Survey Data Acquisition	0.6	0.6	0.6
Housing Finance Studies	1.0	1.0	1.0
Research Partnerships	1.0	1.0	1.0
Housing Technology	0.2	0.2	0.2
Core Research Support – Moving To Work	-	-	10.0
Core Research Support – Energy and Housing Innovation	-	-	5.0
Subtotal PD&R Research and Technology	<b>\$46.2</b>	<b>\$50.0</b>	<b>\$65.0</b>
Research and Demonstration a/	3.8	10.0	[33.0]
Technical Assistance a/	22.0	25.0	[52.0]
Section 4 – Capacity Building a/ b/	-	-	[35.0]
<b>Total PD&amp;R</b>	<b>\$72.0</b>	<b>\$85.0</b>	<b>\$185.0</b>

\* Formerly referred to as "Research Dissemination."

\*\* Formerly referred to as "Program Metrics/Urban Data."

a/ The 2017 request reflects transfers from programs.

b/ The Section 4 Capacity Building program was funded at \$35 million within the Self-Help Homeownership Opportunity Program account in 2015 and 2016, equal to the 2017 request.

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The table below provides the estimated program transfers:<sup>1</sup>

<b>Research and Technology Account - Program Transfers</b>	<b>Treasury Account</b>	<b>FY 2017 Budget Request</b>	<b>FY 2017 Estimated Transfers</b>
Choice Neighborhoods Initiative.....	86-0349	\$ 200,000,000	\$ 1,000,000
Community Development Fund.....	86-0162	2,880,000,000	14,400,000
Fair Housing Activities.....	86-0144	70,000,000	350,000
Family Self-Sufficiency.....	86-0350	75,000,000	375,000
HOME Investment Partnerships Program.....	86-0205	950,000,000	4,750,000
Homeless Assistance Grants.....	86-0192	2,664,000,000	-
Housing Counseling Assistance.....	86-0156	47,000,000	235,000
Housing for Persons with Disabilities (Section 811).....	86-0237	154,000,000	770,000
Housing for the Elderly (Section 202).....	86-0320	505,000,000	2,525,000
Housing Opportunities for Persons with AIDS.....	86-0308	335,000,000	1,675,000
Lead Hazard Reduction.....	86-0174	110,000,000	550,000
Mortgage Mutual Insurance Program Account.....	86-0183	160,000,000	800,000
Native American Housing Block Grants.....	86-0313	700,000,000	3,500,000
Native Hawaiian Housing Block Grant.....	86-0235	500,000	-
Project-Based Rental Assistance.....	86-0303	10,816,000,000	28,325,500
Public Housing Capital Fund.....	86-0304	1,865,000,000	9,325,000
Public Housing Operating Fund.....	86-0163	4,569,000,000	22,844,000
Rental Assistance Demonstration.....	86-0406	50,000,000	250,000
Tenant-Based Rental Assistance.....	86-0302	20,854,000,000	28,325,500
<b>Total.....</b>		<b>47,024,500,000</b>	<b>120,000,000</b>

<sup>1</sup> Represents estimated R&T transfers based on the 2017 Budget priorities, program requirements, and application of \$28.3 million cap per account.



## Research and Technology

### **2. What is this program?**

The Office of Policy Development and Research (PD&R) provides fundamental support for the mission of the Department and the policy agenda of the Secretary. PD&R performs policy analysis, research, surveys, studies, and evaluations, both short- and long-term, to assist Congress, the Secretary, and other HUD principal staff to make informed decisions on HUD policies, programs, budget, and legislative proposals. In addition, PD&R provides data and information to support program operations and serves as a key resource to stakeholders for data, research, and best practices through knowledge management (research dissemination) activities.

Strategic investments in research and evaluation build knowledge, provide public accountability, and inform policy to increase efficiency and effectiveness of the Department's existing programs. The major program demonstrations funded through R&T are used to explore fundamental questions about housing market dynamics and their impact on economic, social and environmental objectives. The demonstrations will improve programs, help state and local governments, non-profits, and for-profit organizations develop more effective strategies for housing and community and economic development, and improve the delivery and reduce the cost of public services.

The technical assistance and capacity building funds are used for the benefit of all of HUD's programs. PD&R's role is to ensure an efficient allocation of these funds – identifying where the funds can be used cross-program, program specific, or grantee specific – and allocating the funds in a way to increase the probability that HUD's grantees and other partners succeed at achieving program goals efficiently. After allocation of the resources, the actual management of technical assistance and capacity building resources are done by program office staff – in PIH, CPD, Housing, and FHEO - with the knowledge and expertise to effectively manage the funds.

### **3. Why is this program necessary and what will we get for the funds?**

#### **Research, Evaluations, and Demonstrations - \$33.0 million (Transfers)**

High quality research, evaluations and program demonstrations are essential for building knowledge, providing public accountability, and informing policy in the manner that increases the efficiency and effectiveness of the Department's programs.

The table below outlines the prioritized list of research, evaluation, and demonstration projects PD&R proposes to fund in fiscal year 2017. In establishing fiscal year 2017 priorities, PD&R first seeks to complete previously initiated research efforts and leverage opportunities generated through such investments. Newly proposed projects address emerging research needs identified through

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early research findings, stakeholder input through the Research Roadmap process, which PD&R is updating during fiscal year 2016, and other means.

Estimated budgetary costs for projects are shown, but the final project selections will be made after funding enactment on the basis of updated cost estimates and agency and Congressional priorities. HUD will notify Congress of significant deviations from these priorities through HUD’s annual operating plan.

**Summary of PD&R FY 2017 Research, Evaluation, and Demonstration Projects Under Consideration**

<b>Project Title</b>	<b>Summary Description</b>	<b>FY17 Budget Request</b>	<b>Funding Request Type</b>
<b>Moving to Work Demonstration, Phase 2: Impacts of Promising Self-Sufficiency Interventions in the Current 39 MTW Locations</b>	Building off of current work in progress documenting the scope of interventions being tested under MTW, this study will focus on a few promising MTW initiatives designed to promote self-sufficiency, housing choice, and cost-effectiveness such as time-limited and/or short-term assistance, work incentives, and mobility programs. This research would include costs and benefits of different approaches to the housing and other social service systems and investigation of impacts or outcomes relevant for households, PHAs, and the community.	\$2,400,000	Continuing
<b>Multidisciplinary Research Team (MDRT): Rapid Policy Research</b>	Initiated in FY2014, MDRT provides funding for a team of qualified researchers to provide high-quality, quick-turnaround research that leverages HUD and external data to help support answers for priority policy questions. Five task orders were awarded with the first round of the program. This funding request will allow HUD to continue to fund the MDRT contract.	\$800,000	Continuing
<b>Pre-Purchase Counseling Demonstration, Phase 3: Administrative Data Follow-Up</b>	Supports continued demonstration on impacts of in-person vs. remote education and counseling for first-time homebuyers. The funding request for Phase 3 supports the collection and analysis of administrative data (loan servicing and origination and credit report data) to assess the impacts of the pre-purchase counseling interventions over a 36-month period on the sample of over 5,500 study participants.	\$1,350,000	Continuing

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<b>Project Title</b>	<b>Summary Description</b>	<b>FY17 Budget Request</b>	<b>Funding Request Type</b>
<b>Pre-Purchase Counseling Demonstration, Phase 4: 36-month Follow-Up Survey</b>	Supports continued demonstration on impacts of in-person vs. remote education and counseling for first-time homebuyers. Requested funding for Phase 4 supports a survey of approximately 5,500 study participants at 36 months. It would provide context for the administrative data analysis and final report on impacts at 36 months.	\$2,840,000	Continuing
<b>Choice Neighborhoods: Exploring the Impact of Investment on Family and Neighborhood Outcomes</b>	In fiscal year 2014, HUD completed an implementation study of five Choice Neighborhood sites in Boston, Chicago, New Orleans, San Francisco, and Seattle. Resident households have been tracked for the past three years. This study will assess the outcomes of the completed Choice Neighborhood investments in the same five sites for two years (2017-2019) after conclusion of the grant period (2016). A follow-up survey and collection and analysis of administrative data will help to measure the effects of the completed Choice Investments in these first five implementation sites.	\$2,400,000	Continuing
<b>Rent Reform</b>	This investment will support continued work on a critically important study of MTW interventions, scientifically testing a combination of rent reforms common among many MTW agencies, specifically: (1) 28 percent of Gross Income instead of 30 percent of Adjusted Income; (2) A higher minimum rent (\$50-\$150 depending on site); (3) triennial recertification, with interim recerts not increased for increased earned income; (4) simplified utility allowance; and (5) streamlined hardship policies. The funds will be used to survey approximately 7,000 households enrolled in the Demonstration.	\$6,000,000	Continuing

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<b>Project Title</b>	<b>Summary Description</b>	<b>FY17 Budget Request</b>	<b>Funding Request Type</b>
<b>Family Options Study--Extending the Analysis</b>	This project would allow HUD to fully leverage the investment made in the Family Options Study by extending the analysis of the existing study data and ensuring access to this unique data source for future researchers. Specifically, this request has two separate components: 1) a data storage component, which would support the cost of contracting with an outside entity to store and manage access to the restricted access data file, as well as store the personally identifiable information of study participants for future administrative data matching efforts, and 2) an analysis component that would support researchers to use the existing Family Options Study data to explore policy and research questions that HUD deems important.	\$600,000	Continuing
<b>Evaluation of PBRA Transfer Authority</b>	The 2012 Consolidated Appropriations Act provided HUD with the authority to transfer PBRA subsidies from currently assisted properties to different properties. Building on the results of in-house research, this phase of the evaluation will examine the impact of these transfers on the cost-effectiveness of the subsidy as well as the physical and financial condition of the subsidized stock, as well as its location.	\$1,100,000	Continuing
<b>Housing Choice Voucher Regional Mobility Demonstration-- Impact Evaluation</b>	This project will evaluate the impacts of the HCV Regional Mobility Demonstration by randomizing 300-500 eligible families from public housing or assisted multifamily developments at each of 10 sites (total sample of 3,000 to 5,000). Families would be assigned to receive either no mobility services or one of three models of mobility services: using turnover vouchers to develop new project-based vouchers, relocating existing voucher holders, or using turnover vouchers to relocate existing households. Treatment will vary in design and implementation across the sites (e.g., mobility counseling only or incentives only). Data collection for an outcome study will include case studies, focus groups, tracking moves to opportunity neighborhoods and housing costs in administrative data. Impact evaluation will add baseline and follow-up surveys, and interim reporting, to assess the intermediate and long-term effects of mobility services and neighborhood opportunity.	\$5,000,000	New

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<b>Project Title</b>	<b>Summary Description</b>	<b>FY17 Budget Request</b>	<b>Funding Request Type</b>
<b>Evaluation of the FUP/FSS Demonstration Program</b>	The 2015 Consolidated Appropriations Act provided authority for HUD to implement a demonstration program to allow PHAs administering both the Family Unification Program (FUP) and the Family Self-Sufficiency (FSS) program to overlay these two programs for youth being served through FUP. Youth accessing a FUP voucher in a demonstration site will be eligible to maintain their housing assistance for the full-term of their FSS contract, and bypass the required 18-month time limit applied to a standard FUP youth voucher. HUD plans to conduct in in-house evaluation of this demonstration program beginning in fiscal year 2016, and these additional funds will enable HUD to extend and enhance this in-house effort.	\$150,000	New
<b>Competitive Evaluation Grants: Assessing the Impacts of CDBG and HOME Eligible Activities</b>	42 USC 5305 enumerates 25 eligible activities under the CDBG program. 42 USC 212 enumerates a narrower but still substantial range of purely housing activities under HOME. This project would fund grants to researchers who would investigate the extent to which one or more enumerated activities, as actually implemented, cost-effectively accomplish the goals set forth in the respective statutes. The project would harness the dispersed local knowledge of practitioners and academics to inform Congress and HUD about policy efficacy and efficiency.	\$2,500,000	New
<b>Multifamily Pilot to Reduce Energy Consumption</b>	This will evaluate the Office of Multifamily Housing clean energy PFS pilot authorized in 2016 by the FAST Act (P.L. 114-94). The pilot is intended to incentivize multifamily owners and tenants to reduce energy consumption. The evaluation will have two components: (i) process evaluation to examine feasibility, deal structuring, and outcome payments; and (ii) quick turn-around Randomized Control Trial behavior evaluations of how various messaging and other business process changes impact the energy choices made by property owners and tenants. This investment complements the broader investment in "Energy and Housing Innovation" requested under the Core Research Supports.	\$5,000,000	New

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<b>Project Title</b>	<b>Summary Description</b>	<b>FY17 Budget Request</b>	<b>Funding Request Type</b>
<b>Comparing Subsidy Costs of Federal Rental Housing Assistance Programs</b>	This study will analyze the comparative costs of providing a unit of housing with various housing subsidy programs. About \$2.0 million of the requested \$2.4 million would be devoted to the cleaning and reconciliation of subsidized unit data to support the comparison. Research will also examine subsidy layering, characteristics, and benefits of cost-effective housing subsidy programs.	\$2,400,000	New
<b>Understanding Child Development Trajectories in Public and Assisted Housing</b>	This project will support a contractor of the National Center for Education Statistics will link HUD tenant data with the National Child Longitudinal Survey (NCLS) and analyze the merged data to shed light on questions that are critical for reducing intergenerational poverty.	\$200,000	New
<b>Innovative Approaches to Healthcare Service Delivery to Aging Populations in Rural Communities</b>	This request will inform efforts to support innovative service delivery strategies to seniors residing in federally assisted housing in rural areas. These efforts will include: characterizing the housing, health, and supportive service needs of residents in elderly restricted properties in rural areas; and second, providing a framework for future investments that build on the findings from an expert convening PD&R hosted on this topic in September 2015, especially strategies focusing on: tele-medicine, transportation services, university healthcare collaborations, enhanced service delivery within wellness centers, family care providers, and adaptive approaches in response to high-utilizers of emergency healthcare services. HUD expects that any effort to explore rural housing and supportive services needs and strategies will be developed jointly with USDA to ensure the inclusion of Section 515 properties, and HHS partners, such as HRSA and CMS, who have overlapping interest in this issue area.	\$250,000	New

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<b>Project Title</b>	<b>Summary Description</b>	<b>FY17 Budget Request</b>	<b>Funding Request Type</b>
<b>Estimating Cross-System Cost Impacts of Homeless Interventions with Administrative Data</b>	This project would expand on an existing technical assistance contract that estimates the savings in Medicaid costs of clients experiencing chronic homelessness who obtain permanent supportive housing by linking Medicaid and HMIS data. The analysis would add more sites and more systems (statewide HMIS systems and administrative systems in addition to Medicaid, such as child welfare and public benefits). The purpose is to gain a more complete picture of the cost savings associated with providing homelessness assistance to any individuals and families, but specifically those experiencing chronic homelessness.	\$500,000	New
<b>Estimating Vulnerability of Gulf Coast Public Housing to Climate Risk</b>	Recent developments in climate science and meteorology suggest that climate-driven risks to the built environment could escalate rapidly in coming decades. This study will assess such risks for public housing in the Gulf Coast region, in partnership with federal agencies such as NOAA, USGS, and FEMA. This study will support the goals of the HUD Climate Council and HUD's Adaptation Plan by advancing interagency coordination, risk modeling, and enhanced data collection methods that could be applied to understand and reduce the risk to federal assets across the nation.	\$500,000	New
<b>Impact of the Coordinated Entry Model for Homelessness</b>	This project would measure the impacts of which coordinated entry models work better for whom and the associated effects on ending homelessness for all populations. This project would be a process evaluation on the development of these systems to provide examples of how communities made decisions about coordinated entry (e.g. use HMIS or not/centralized or decentralized/phone based or not), and then how each of these decisions affected how well their coordinated entry process worked.	\$1,200,000	New
<b>Evaluating Choice Planning Grants</b>	This study would look at a sample of planning grants, and collect, through interviews with key stakeholders and local administrative data, descriptive information about the effect of planning grants on placed based development.	\$675,000	New

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### **Technical Assistance and Capacity Building - \$87 million (Transfers)**

Most HUD-supported work in America's communities is carried out by state and local partners. Technical assistance and capacity building has a direct impact on the ability of HUD's partners and grantees to carry out affordable housing and community development programs. Continued investment in this work in fiscal year 2017 will ensure that HUD can sustain the progress made toward cross-programmatic, better-targeted technical assistance and capacity building.

#### Technical Assistance (TA) - \$52.0 million

Complex federal requirements, staff turnover at city, county, and state agencies and Public Housing Agencies (PHAs), changing housing market conditions, and the knowledge required to understand financing for housing and community development projects necessitate ongoing technical assistance, training, and support for HUD grantees and PHAs. Technical assistance protects the billions of dollars that the federal government invests in communities by ensuring that grantees and intermediaries have the knowledge, skills, and ability to use funds effectively.

In fiscal year 2017, HUD will use program transfers into the R&T account to fund TA for:

- Targeted TA for addressing troubled PHAs and local implementation of HUD programs, including CDBG, Public Housing Capital Fund, the Rental Assistance Demonstration, and Native American Programs;
- Technical assistance and training, including on-line training, that cross program areas, such as a single web-site for TA resources, rental housing management and occupancy, housing development, energy efficiency and fair housing; as well as targeted training to develop the skills of PHAs; and
- Innovative approaches to support communities, such as place-based efforts that focus on communities of persistent poverty and distress as well as those facing challenges recovering from disaster. Place-based technical assistance can provide TA support for effective implementation of neighborhood initiatives such as Choice Neighborhoods – as well as TA that provides focused attention on city or state agencies that show inadequate capacity to administer HUD's programs – including communities implementing CDBG Disaster Recovery programs and agencies consistently found through monitoring and IG findings to have implementation challenges.

HUD expects to allocate TA funding as follows:

- \$27 million for targeted or program-specific TA, including \$5 million for Native American TA
- \$15 million for cross-cutting TA



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- \$10 million for innovative, place-based TA

Eligible uses of funds include: needs assessments and direct TA; tools and products; self-directed and group learning (training); data analysis; knowledge management; and NAHASDA formula development, allocation, and negotiation.

Full funding at the requested \$52.0 million would allow HUD to provide basic, programmatic technical assistance, primarily through online tools, curricula, and resources, as well as ensuring the most deeply troubled and at-risk grantees and PHAs are able to continue providing housing and services in their communities.

The TA funding provided through program transfers allows HUD a flexible mechanism for delivering assistance that spans multiple HUD program areas and results in more efficient management and use of TA resources. Funds are awarded and managed through HUD's Community Compass program.

### Capacity Building - \$35.0 million

In addition, the fiscal year 2017 request for R&T includes the capacity building tools previously funded through the SHOP account. The Capacity Building for Affordable Housing and Community Development Program, also known as the Section 4 program, was originally authorized under Section 4 of the HUD Demonstration Act of 1993 (Pub. L. 103-120, 107 Stat. 1148, 42 U.S.C. 9816 note), as amended. The program enhances the capacity and ability of community development corporations (CDCs) and community housing development organizations (CHDOs) to carry out community development and affordable housing activities that benefit low-income persons. By integrating new tools, such as loans and grants to CDCs and CHDOS, concurrently with an expansion of more aggressive place-based TA, we anticipate getting both improved outcomes across HUD's programs and better efficiencies from the TA investments.

For both Technical Assistance and Capacity Building, PD&R will coordinate the allocation of resources as well as facilitate collaboration across program offices. The program offices will be the allotment holders of the funds and administer the resources.

### **Core Research Support, Surveys, Data Infrastructure, and Knowledge Management- \$65 million (Direct Appropriation)**

#### Core Research Support - \$15.0 million

The fiscal year 2017 request of \$15.0 million would provide funding for two core data and research infrastructure support activities:

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- Moving-to-Work Research. In the fiscal year 2016 Consolidated Appropriations Act, Congress directed HUD to expand the MTW program to 100 agencies over 7 years. As part of the MTW expansion, Congress directed HUD to establish an MTW advisory committee to develop specific policy proposals and methods to rigorously evaluate those proposals. This creates a long-term obligation for HUD and thus it becomes a core cost to PD&R operations. Specifically, HUD is proposing a new component to its core research funding that would support: (i) the continuing costs of an MTW advisory committee; (ii) some of the costs incurred by PHAs for participating in the research in order to ensure the research is done rigorously; and (iii) costs to rigorously evaluate the policy changes. (\$10 million)
- Energy and Housing Innovation. On December 11, 2015, the U.S. committed with 195 nations to reducing greenhouse gas emissions. As part of that landmark commitment, 20 countries, including the U.S., committed to doubling their governmental clean energy research and development investment over five years. To support this effort, HUD proposes to invest in research on innovations that facilitate behavior changes among builders, property owners, and tenants that will reduce consumption of carbon based energy. Like the MTW core research, this proposal would include the creation of an advisory group of researchers, builders, tenants, and homeowners to propose simple, testable approaches to facilitate long-term behavior change in the housing sector. There have been substantial advances in cost-effective technologies that reduce individual carbon emissions, such as the advances in residential building technologies resulting from the Department of Energy's major investments in the Building America program. There also is growing understanding of how behavioral biases, cognitive shortcuts, and habits impede adoption of beneficial technologies and impact energy consumption. This research center would leverage building technology advances by using social science insights to span the last mile--informing and incentivizing technology adoption and behavioral changes to reduce energy waste and reduce carbon emissions. The program will work with the Department of Energy's Decision Science program to collaborate and coordinate clean energy behavioral R&D efforts. (\$5 million)

### Housing Market Surveys - \$41.5 million

The fiscal year 2017 funding target of \$41.5 million would provide funding for five housing market surveys:

- The American Housing Survey (AHS), which provides national, regional, and metropolitan area estimates of the characteristics of the nation's housing stock. The AHS gathers data every 2 years; for the survey that is conducted in fiscal year 2017, funding from both fiscal year 2016 and fiscal year 2017 will be used. The total estimated cost for this survey (both fiscal year 2016 and fiscal year 2017 funding) is approximately \$70 million. The fiscal year 2016 funds (\$33.75 million), combined with the fiscal year 2017 funding target (\$33.35 million), will fund the national sample of the AHS and 35 metropolitan area oversamples.

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- The Survey of Construction (SOC), which provides two principal economic indicators (new homes sales and new residential construction) on a monthly basis (\$3.6 million).
- The Survey of Market Absorption of Apartments (SOMA), which provides absorption rates and other key estimates for multifamily housing uptake (\$1.1 million).
- The Manufactured Homes Survey (MHS), which is statutorily mandated to produce estimates of manufactured homes production, shipments, and placements for the nation and each of four Census regions, and at least annual estimates for each State (\$450 thousand).
- The Rental Housing Finance Survey (RHFS), which provides national estimates of mortgage and other characteristics for rental properties. The RHFS gathers data every two years; for the survey that is conducted in fiscal year 2017, funding from both fiscal years 2016 and 2017 will be used. The total estimated cost for this survey (both fiscal years 2016 and 2017 funding) is approximately \$6 million. The fiscal year 2016 funds (\$3 million), combined with the fiscal year 2017 funding target (\$3 million), will be sufficient to fully fund the fiscal year 2017 RHFS based on current survey cost estimates.

### Housing Finance, and Non-Survey Data Acquisition - \$1.8 million

- The request includes \$1.2 million for housing finance-related studies needed to help advance the understanding of housing finance markets and inform decision making on Federal Housing Administration (FHA) and Government National Mortgage Association (GNMA) policy. The specific study proposals were developed through the Research Roadmap process.
- Non-Survey Data Acquisition- PD&R requires purchases of private sector data not otherwise collected by HUD or other federal statistical agencies to monitor housing finance and local housing market conditions (\$600 thousand).

### Knowledge Management (Research Dissemination) - \$5.7 million

Knowledge management is accomplished primarily through HUD User— the essential tool for HUD's dissemination of research and data. In addition to providing free on-line access to hundreds of useful housing and community development research publications dating back to the 1970s, these funds would continue to support the research periodicals *Cityscape*, *Evidence Matters*, and *The Edge*; easily digestible housing market data from the US Housing Market Conditions application; case studies of award-winning projects; the Secretary's award programs; and a student design competition. Extensive data resources needed for program operations (of both HUD and sister agencies) and research are also shared and managed through this site. These include income limits, fair market rents, qualified census tracts, and difficult development areas. HUD User also supports the new Enterprise Geographic Information System (eGIS) storefront, with tools including the Single Family Home Locator for real estate owned (REO) properties and Neighborhood Stabilization Program (NSP) target areas; the Choice Neighborhoods mapping tool; and CPD maps, which show CDBG, HOME and other HUD investments.

## Research and Technology

### Research Partnerships - \$1.0 million

The Budget includes \$1.0 million for the Research Partnerships initiative, which allows PD&R to engage in the design and execution of externally-led housing and community development research. Since proposers must provide at least 50 percent cost share, this investment will leverage an additional \$1.0 million (minimum) from philanthropic entities, federal, state, and local governmental agencies to conduct research on HUD policy relevant issues. These projects are aligned with PD&R's research priorities and help the Department and PD&R answer key policy and programmatic questions in ways that can inform new policy and program development efforts.

#### **4. How do we know this program works?**

##### **Research, Evaluations, and Demonstrations**

Research, evaluations and demonstrations have contributed to critical policy guidance in the housing and urban development domain. As early as the 1970s, the Housing Allowance demonstrations tested the tenant-based model of providing housing assistance at modest cost that has evolved to today's Housing Choice Voucher program. More recent examples include two studies released during fiscal year 2015: the *Family Options Study*, a multi-site random assignment experiment designed to study the impact of various housing and services interventions for families experiencing homelessness, and the *Housing Choice Voucher (HCV) Program Administrative Fee Study*, which measured the costs of operating a high-performing and efficient HCV program to help develop a new administrative fee formula. Both of these studies answered fundamental questions about policy effectiveness and impact, and the findings of each study are currently supporting active policy dialogues and programmatic changes.

Importantly, investments in research, evaluations, and demonstrations can continue to generate ground-breaking results years after "final reports" are completed. For example, the Moving-To-Opportunity (MTO) demonstration measured long-term impacts of MTO on families and children over more than 16 years, and showed that promoting housing mobility and poverty deconcentration has powerful impacts on resident health. In May 2015, new work leveraging the MTO data was released by Raj Chetty, Nathan Hendren, and Larry Katz. The study expands the body of evidence on MTO and while it was not funded directly by HUD, it does rely upon data from the original demonstration provided by HUD as well as the Internal Revenue Service. "The Effects of Exposure to Better Neighborhoods on Children," a new contribution to a large body of work looking at MTO, specifically examines how moving as a child from high poverty to low poverty between 1994 and 1998 has shaped the adult economic outcomes of those children. The release of the Chetty, Hendren, and Katz work launched a new national dialogue about mobility—a dialogue made possible by the Department's original investment in MTO as well as our ongoing practice of making data available to other researchers.

## Research and Technology

### **Technical Assistance and Capacity Building**

#### Technical Assistance

Over the last few years of managing TA funds through a coordinated funding source, HUD has developed more efficient ways to deploy and manage cross-Departmental TA funds. As a result, the Department can obligate and deploy TA funding faster and more effectively, and grantees receive assistance sooner.

Examples of Technical Assistance benefits in 2015 include:

- Lead the Way: 793 PHA staff and boards commissioners from 513 different PHAs enrolled in this free, online training to help PHA boards and staff fulfill their responsibilities in providing effective governance and oversight.
- Rental Assistance Demonstration TA: 284 PHAs have received technical assistance this year, for a total of 48,899 converting units.
- At-Risk/Troubled PHA TA: Provided TA to 28 PHAs (10 PHA received or receiving ongoing TA into fiscal year 2015 from prior year and 18 PHAs started TA in fiscal year 2015).
- Highlights of Other TA:
  - Development and Capital Improvements TA led 1,840 new and rehabbed units at Puerto Rico Public Housing Administration, Virgin Islands Housing Authority, St. John the Baptist Housing Authority, and Detroit Housing Commission.
  - Guided the New York City Housing Authority's (NYCHA) solicitation and contract to perform an investment-grade energy audit for their planned large scale energy performance contract (EPC). Presumably, this contract leads to negotiation of an Energy Services Agreement to implement the EPC project, which could cover up to 90,000 units and include improvements in water consumption, light fixtures, boilers and water heaters, new systems controls, and leverage the rate reduction incentive.

#### Capacity Building

- A 2013 policy brief from Local Initiatives Support Corporation (LISC)<sup>2</sup> found that from 2002 to 2011, Section 4 has created or preserved over 83,000 homes and attracted over \$13.2 billion in investment for lower-income neighborhoods and

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<sup>2</sup> Local Initiatives Support Corporation. "2013 LISC Policy Briefs: Section 4—Capacity Building for Community Development and Affordable Housing." 2013. [http://www.lisc.org/docs/resources/policy/Policy\\_Brief\\_Section\\_4.pdf](http://www.lisc.org/docs/resources/policy/Policy_Brief_Section_4.pdf)

## Research and Technology

communities across the country. The same brief also found that median business operating budgets grew by over 157 percent for Section 4 CDC recipients from 2001 to 2011. This has resulted in increased potential for growth and revitalization, inspiring further investment in areas in which traditional investors have seen little value.

- The Section 4 Capacity Building program was also the subject of a 2011 independent evaluation by Social Compact and Weinheimer and Associates<sup>3</sup>. Relying primarily on an online survey of 235 CDCs receiving Section 4 grants between 2001 and 2009, the study supported the conclusion that CDCs that received Section 4 assistance had greater capacity to carry out their programs, and that CDCs and CHDOs receiving Section 4 assistance showed a dramatic increase in their ability to carry out HUD and other federal programs.
- The CDCs surveyed and interviewed for the Social Compact reported Section 4 assistance helped them boost their capacity. Section 4 assistance was rated as having a "moderate positive" or "significant positive" impact by a majority of CDC respondents in each of 12 organizational capacity dimensions. Investments in targeted areas produced observable overall organizational capacity growth and enabled recipients to boost their production of affordable housing and other community assets.

## **Core Research Support, Surveys, Data Infrastructure, and Knowledge Management**

### Core Research Support

- Moving to Work Research. The fiscal year 2016 expansion of MTW requires the creation of an advisory group to assist the Department with identifying promising innovations to be tested to meet the MTW statutory objectives of:
  - Reduce cost and achieve greater costs effectiveness in federal expenditures;
  - Give incentives to families with children where the head of household is working, is seeking work, or is preparing for work by participating in job training, educational programs, or programs that assist people to obtain employment and become economically self-sufficient; and
  - Increase housing choices for low-income families.By involving an advisory group to identify promising innovations and requiring agencies wishing to gain MTW authority to rigorous testing the effectiveness of the innovations, it represents an opportunity to understand the impacts of the innovations.

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<sup>3</sup> Social Compact and Weinheimer & Associates. "Assessing Section 4: Helping CDCs to Grow and Serve." 2011. <http://www.lisc.org/content/publications/detail/19970/>

## Research and Technology

- Energy and Housing Innovation. In recent years, there has been a significant expansion of research on how small changes in business processes can result in behavior changes. One component of reducing greenhouse gas emissions is human behavior – adoption of new lower carbon emitting technologies in housing; changing individual use of energy in housing. As with MTW, by involving an advisory group to identify promising business process change innovations and quickly testing those innovations to see their impact on behavior could assist with more quickly reducing carbon emission from housing.

## Housing Market Surveys

The housing survey data collections provide the primary source of information for assessing the state of housing in the United States, problems to be addressed, and progress by HUD towards solving these problems. These surveys are relevant and necessary data sources, as evidenced by the many major housing research efforts to which they contribute, and as confirmed by stakeholders through PD&R's *Research Roadmap* consultation. Examples include:

- The American Housing Survey (AHS) data assists in identifying the characteristics of owners with underwater mortgages and other housing finance problems, and informs the national understanding of the growing rental affordability gap.
- The Survey of Market Absorption of Apartments is used by the National Association of Home Builders, the National Multi Housing Council, the Congressional Budget Office, the Council of Economic Advisors, and the Office of Thrift Supervision as well as many other public and private entities for such purposes as analysis of the rental housing market and forecasting future trends.

## Housing Finance and Non-Survey Data Acquisition

The studies of pressing housing finance topics and proprietary data sources acquired through this request provide critical intelligence about housing finance markets and implications for FHA and Ginnie Mae program policy. Such investments contributed to the successful emergence of FHA's Mutual Mortgage Insurance Fund during fiscal year 2015 to a positive position relative to the statutory capital reserve requirement following FHA's crucial countercyclical role during the housing finance crisis.

One of the major purchases of non-survey data PD&R makes every year is private sector data on the apartment construction pipeline. This helps PD&R's Field Economists to more accurately assess rental housing demand and supply conditions in local markets when they are determining demand for potential market-rate multifamily developments applying for FHA-insured mortgages. Purchases of private sector mortgage data allow HUD to keep abreast of developments in the wider mortgage market and understand how FHA is fitting into it.

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PD&R also is generating high-impact data evidence at minimal cost by leveraging the Department's administrative data through collaborations with a number of federal agencies and other partners. These partnerships provide for securely linking administrative records for assisted renters with a variety of survey and administrative data sources and analyzing the linked data to address crosscutting policy issues and outcomes affecting HUD tenants. Such recent and ongoing efforts include, with the Department of Health and Human Services: the National Health Interview Survey, the National Health and Nutrition Examination Survey, Medicare and Medicaid health utilization records, and a Disaster Data Enclave (which includes the Federal Emergency Management Agency); and with the Department of Education, Federal Student Aid application records and the Early Childhood Longitudinal Survey.

### Knowledge Management (Research Dissemination)

PD&R is responsible for assuring broad-based awareness of and timely access to current Departmental research and policy through its Knowledge Management (Research Dissemination) services.

At the core of Knowledge Management is HUD's research information clearinghouse, HUDuser.gov. HUDuser.gov provides a broad range of stakeholders access to downloadable housing reports and publications; datasets and databases; an e-magazine (*PD&R's Edge*); e-lists and e-books; a newly launched portal to access geospatial datasets and mapping tools; current information on housing needs, market conditions, and existing housing programs; and other housing and community development information that PD&R develops such as case studies. HUDuser.gov houses over 1,000 publications and datasets as well as a Bibliographic Database dedicated to housing related issues with more than 10,000 full abstracts of research reports, articles, books and data sources. Finally, HUDuser.gov serves as the platform for complying with GAO recommendations for documenting how PD&R calculates Fair Market Rents (FMRs) for the Housing Choice Voucher Program. PD&R projects that 18 million files will be downloaded in fiscal year 2016 as compared to 17.7 million in fiscal year 2015 and 16.9 million in fiscal year 2014.

Knowledge Management also includes the following activities:

- *Evidence Matters*, PD&R's quarterly data-driven publication designed to support evidence-based policy-making at all levels of government. In the last year, *Evidence Matters* has added nearly 700 new subscribers for a total subscribership of approximately 24,000.
- Information and order fulfillment services are provided through an information center operated by staff knowledgeable in housing and community development matters. The call center fields 4,000 inquiries per year on average.
- The Innovation in Affordable Housing Student Design and Planning Competition, which is now in its third year, is a competition for multidisciplinary teams of graduate students designed to encourage research and innovation in affordable housing, to raise practitioner and future practitioner capacity, and to foster cross-cutting team-work within the design and



## Research and Technology

community development process. In 2014, seven teams from seven universities participated and that grew to 34 teams from 25 universities in 2015.

- *The Edge*, an online magazine that translates research, shares partner reports, frames policy issues; and highlights housing data. The Edge generated 56,622 unique page views in fiscal year 2015.

## Research Partnerships

Through cooperative agreements, Research Partnerships allow PD&R to partner with outside researchers who are addressing questions of high priority to HUD, and where 50 percent or more of the costs are borne externally. This strategy has proven to be a highly productive way to move forward on a larger set of projects, leveraging both the ideas and financial resources of a broader set of stakeholders. To date, we have entered into 25 research partnerships by awarding nearly \$6.0 million. Those funds have leveraged any addition \$25.0 million in matching funds secured by each of the lead partners. Recently completed efforts include the examination of a promising family self-sufficiency demonstration program and a study leveraging MTO data to answer the question of what happens to residents who leave housing assistance programs.

## **5. Proposals in the Budget**

- Eliminate Units Under Lease Report. The Department proposes to repeal Section 314 of the fiscal year 2006 Appropriations Act, which required the Department to submit a report in 2006, and annually thereafter, on the number of federally assisted units under lease and per unit cost. It is a significant administrative burden to produce this report and the data it contains is available in other sources including the Department's Annual Performance Report and on the website. The Department can provide this data to the Committees on Appropriations upon request and the repeal of this requirement would reduce the administrative burden of preparing an annual report. (Sec. 223)
- Improve the Process for Establishing Fair Market Rents. Fair Market Rents (FMRs), which are based on rent survey data, are currently used for rent-setting in both the voucher and project-based Section 8 programs. This proposal removes the statutory requirement that FMRs be printed in the in the Federal Register to become official. While HUD would continue to announce proposed FMRs with a Federal Register notice seeking public comment on the proposed FMRs and any proposed methodology changes, the FMRs themselves would be published on a HUD web site rather than printed in the Federal Register. Final FMRs would be announced and made available similarly. A similar version of this language appeared in the Department's fiscal year 2015 and 2016 budget requests. This provision will save printing expenses of \$90,000 to \$100,000 per annum and reduce administrative burden. (Sec. 227)

## Research and Technology

- Evaluation Funding Flexibility Pilot. Allows funding for research, evaluation and statistical purposes that is unexpended at the completion of a contract, grant or cooperative agreement to be deobligated and reobligated for additional research, evaluation or statistical purposes. (Sec. 218)

Research and Technology

**POLICY DEVELOPMENT AND RESEARCH  
RESEARCH AND TECHNOLOGY  
Summary of Resources by Program  
(Dollars in Thousands)**

<u>Budget Activity</u>	<u>2015 Budget Authority</u>	<u>2014 Carryover Into 2015</u>	<u>2015 Total Resources</u>	<u>2015 Obligations</u>	<u>2016 Budget Authority</u>	<u>2015 Carryover Into 2016</u>	<u>2016 Total Resources</u>	<u>2017 Request</u>
Core R&T .....	\$50,000	\$2,744	\$52,744	\$44,632 <sup>a</sup>	\$50,000	\$8,123	\$58,123	\$65,000
Technical Assistance ..	22,000	...	22,000	...	25,000	22,000	47,000	52,000
Research, Evaluations, and Demonstrations ...	...	...	...	...	10,000	...	10,000	33,000
Capacity Building .....	...	...	...	...	...	...	...	35,000
Total .....	72,000	2,744	74,744	44,632	85,000	30,123	115,123	185,000

NOTE: The fiscal year 2017 request includes \$120 million in program transfers for Research, Evaluations, and Demonstrations; Technical Assistance; and Capacity Building.

**POLICY DEVELOPMENT AND RESEARCH  
RESEARCH AND TECHNOLOGY  
Appropriations Language**

The fiscal year 2017 President's Budget includes proposed changes in the appropriation language listed and explained below. New language is italicized and underlined, and language proposed for deletion is bracketed.

For contracts, grants, and necessary expenses of programs of research and studies relating to housing and urban problems, not otherwise provided for, as authorized by title V of the Housing and Urban Development Act of 1970 (12 U.S.C. 1701z-1 et seq.), including carrying out the functions of the Secretary of Housing and Urban Development under section 1(a)(1)(i) of Reorganization Plan No. 2 of 1968, [and for technical assistance, \$85,000,000,]\$65,000,000, to remain available until September 30, [2017]2018: Provided, That with respect to amounts made available under this heading, notwithstanding section 204 of this title, the Secretary may enter into cooperative agreements funded with philanthropic entities, other Federal agencies, or State or local governments and their agencies for research projects: Provided further, That with respect to the previous proviso, such partners to the cooperative agreements must contribute at least a 50 percent match toward the cost of the project: [Provided further, That for non-competitive agreements entered into in accordance with the previous two provisos, the Secretary of Housing and Urban Development shall comply with section 2(b) of the Federal Funding Accountability and Transparency Act of 2006 (Public Law 109-282, 31 U.S.C. note) in lieu of compliance with section 102(a)(4)(C) with respect to documentation of award decisions:] *Provided further, That of the amounts made available in this Act under each of the headings under this title, the Secretary may transfer to and merge with this account up to \$120,000,000, and such transferred amounts shall be available until September 30, 2019, for (1) research and evaluation; (2) program demonstrations; and (3) technical assistance and capacity building, including forms of assistance described under Sections 4(b)(1) and 4(b)(2) of the HUD Demonstration Act of 1993, as amended: "Choice Neighborhoods Initiative", "Community Development Fund", "Fair Housing Activities", "Family Self-Sufficiency", "HOME Investment Partnerships Program", "Homeless Assistance Grants", "Housing Counseling Assistance", "Housing for Persons with Disabilities", "Housing for the Elderly", "Housing Opportunities for Persons with AIDS", "Lead Hazard Reduction", "Mutual Mortgage Insurance Program Account", "Native American Housing Block Grants", "Native Hawaiian Housing Block Grant", "Project-Based Rental Assistance", "Public Housing Capital Fund", "Public Housing Operating Fund", "Rental Assistance Demonstration", and "Tenant-Based Rental Assistance":* *Provided, That any such amounts, or portion thereof, transferred to this account from any account, may be transferred back to and merged with the original account and be available for the same purpose and same time period as provided under this Act.* [Provided further, That prior to obligation of technical assistance funding, the Secretary shall submit a plan, for approval, to the House and Senate Committees on Appropriations on how it will allocate funding for this activity.] (Department of Housing and Urban Development Appropriations Act, 2016.)

**FAIR HOUSING AND EQUAL OPPORTUNITY  
FAIR HOUSING PROGRAMS  
2017 Summary Statement and Initiatives  
(Dollars in Thousands)**

FAIR HOUSING PROGRAMS	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2015 Appropriation .....	\$66,036 <sup>a</sup>	\$11,973 <sup>b</sup>	...	\$78,009	\$41,103	\$65,563
2016 Appropriation .....	65,969 <sup>c</sup>	36,897	...	102,866	91,125	65,337
2017 Request .....	<u>70,000<sup>d</sup></u>	<u>11,741</u>	...	<u>81,741</u>	<u>71,000</u>	<u>66,580</u>
Program Improvements/Offsets .....	+4,031	-25,156	...	-21,125	-20,125	+1,243

a/ The 2015 enacted level includes \$736 thousand collected in National Fair Housing Training Academy (NFHTA) fees.

b/ Includes \$356 thousand in recaptures.

c/ The 2016 enacted level includes \$669 thousand in estimated collected NFHTA fees.

d/ Does not include 2017 collections of NFHTA fees. This number does include an estimated transfer to the Research and Technology account of \$350 thousand.

**1. What is this request?**

For fiscal year 2017, the Department requests for Fair Housing programs \$70 million, a \$4.7 million increase from the enacted fiscal year 2016 appropriations.

Fair Housing Programs

<b>Fair Housing Activity</b>	<b>FY 2015 Enacted</b>	<b>FY 2016 Enacted</b>	<b>FY 2017 Request</b>	<b>Increase/Decrease From FY 2016</b>
Fair Housing Initiatives Program (FHIP)	\$40,100,000	\$39,200,000	\$46,000,000	\$6,800,000
Fair Housing Assistance Program (FHAP)	23,300,000	24,300,000	21,900,000	(2,400,000)
Limited English Proficiency	300,000	300,000	300,000	0
National Fair Housing Training Academy (NFHTA)*	1,600,000	1,500,000	1,800,000	300,000
<b>Program Total</b>	<b>\$65,300,000</b>	<b>\$65,300,000</b>	<b>\$70,000,000</b>	<b>\$4,700,000</b>

\*Does not include fees collected from program participants.

*The Fair Housing Initiatives Program (FHIP)* requests a funding level of \$46 million, an increase of \$6.8 million from enacted 2016 appropriations. The FHIP provides fair housing enforcement and education nationally. The requested amount will continue to support 150 private fair housing organizations that interview potential complainants and conduct investigations to include testing for unlawful discrimination and supporting local compliance with the Fair Housing Act. This level of funding will:

- allow a variety of education and outreach activities for consumers and the housing industry, including media campaigns;
- allow for the continued operation of the Accessibility Fair Housing Instruction Resources Support and Technical guidance (Accessibility FIRST) that trains industry professionals on the design and construction requirements of the Fair Housing Act;
- provide for the establishment of new fair housing enforcement organizations in communities not currently well served by a strong fair housing organization;
- Provide \$325,000 annual funding level to multiyear Private Enforcement Initiative grantees and continue larger grants to serve the nation’s largest metropolitan areas; and
- Continue support for one or more Education and Outreach Initiative (EOI) national or regional enforcement effort on significant Fair Housing Act violations such as mortgage redlining or lending discrimination or discrimination based on race or national origin in real estate rental or sales.

## Fair Housing Programs

*The Fair Housing Assistance Program (FHAP)* requests a funding level of \$21.9 million, a \$2.4 million decrease from enacted 2016 appropriations. This level will provide for the investigation and remedy of complaints of discrimination; deterrence of willful violators through increased severity, immediacy, or probability of penalties; and education of potential victims both to assert their civil rights and to seek remedies. For fiscal year 2017, FHEO also intends to use its existing statutory authority (24 C.F.R. 115. 304 and 305) to enhance FHAP program outcomes through the award of Partnership funds and Special Enforcement Effort funds, subject to the availability of funds. These agencies often serve as the principal civil rights enforcers in their communities and assist jurisdictions' efforts to affirmatively further fair housing.

*The National Fair Housing Training Academy (NFHTA)* requests a funding level of \$1.8 million, a \$300 thousand increase from enacted 2016 appropriations. NFHTA provides consistent training nationwide on fair housing and conciliation techniques for investigators from the Fair Housing Assistance Program (FHAP), HUD and other fair housing organizations. This is accomplished through a managed training curriculum; a continued program that helps ensure that the performance of these investigators meets national standards and that training is provided and available at a single point of contact nationally; and assured continuation and enhancement of an important national fair housing education clearing-house.

*The Limited English Proficiency Initiative (LEPI)* requests a continued funding level of \$300 thousand. This funding will allow FHEO and HUD to continue department-wide language access services to ensure that Limited English Proficiency (LEP) individuals are able to receive information and services in a meaningful and accessible way from HUD. LEP services are offered through contracts to all of HUD staff.

## **2. What is this program?**

### Fair Housing Initiatives Program

The Fair Housing Initiatives Program (FHIP) was created under Section 561 of the Housing and Community Development Act of 1987 to establish and support a network of non-governmental, experienced fair housing enforcement organizations throughout the nation to foster compliance with the Fair Housing Act and state and local fair housing laws. This is the only grant program within the federal government whose primary purpose is to support private efforts to prevent and address housing discrimination, especially cases involving systemic patterns of discrimination that affect underserved areas. This is accomplished through the interplay of three major components: the Private Enforcement Initiative (PEI), the Fair Housing Organizations Initiatives (FHOI), and the Education and Outreach Initiatives (EOI).

## Fair Housing Programs

PEI supports high quality, effective investigations and testing by private fair housing organizations in more than 120 communities. These private organizations have advantages over HUD, state, and local agencies in handling complaints of housing discrimination: FHIP grantees provide on-the-spot assistance without the lengthy administrative and legal requirements of a formal legal complaint. When necessary, they do not hesitate to file court cases on behalf of victims of discrimination. PEI grantees also perform testing to detect and deter housing discrimination, conducting almost all of the fair housing testing in the country and engage in enforcement activities. These grants are critical to the pursuit of cases involving systemic patterns of discrimination that affect large numbers of people in underserved areas or individual cases in those areas.

A second major initiative, FHOI, supports the establishment of new fair housing organizations in underserved areas. Without this funding, communities such as Indianapolis, Indiana; Dallas, Texas; and Columbia, South Carolina would have no local private fair housing presence. FHOI also enhances the capacity of existing organizations by providing grants to allow enforcement organizations to bring in an expert such as an architect or economist to assist in bringing a case.

Through EOI, FHIP grantees conduct education campaigns on the rights, responsibilities, remedies, and resources available under the Fair Housing Act. Each year the Department awards local and regional grants that fund more than 32,000 local education and outreach efforts, working with people in their communities to provide information, referrals, education and training on fair housing rights. These organizations also train lenders, housing providers, real estate agents, and others on how to comply with the Fair Housing Act. In addition, the Department awards a national fair housing education and outreach grant to disseminate a broad national fair housing message, which reached over 384 television stations and 189 radio stations nationwide. Further, this national grant produced two videos for multimedia distribution to consumers and landlords: (1) How to file a Housing Discrimination Complaint: What Every Homebuyer and Renter Should Know; and (2) Fighting Housing Discrimination: One Family's Story. As a separate education program, Fair Housing Accessibility FIRST educates builders, designers, architects, and planners on the Fair Housing Act's accessibility requirements for multifamily housing.

In order to ensure the efficiency and effectiveness of FHIP, the Department conducts multiple reviews throughout the life of the grant. First, prior to awarding funding, the Department assembles a panel of fair housing experts to review grant applications and select the best organizations for funding. Secondly, during the grant application process, each grantee informs the Department of specific measurable outcomes it will achieve during the course of the grant, and if it receives an award, it reports to the Department quarterly on its progress on these goals. In addition, every year for every grant, the Department conducts a monitoring review of the grantee. This includes reviewing the grantees' cases, financial records, testing methodology, compliance with established procedures and grant requirements and the timeliness of investigations.



## Fair Housing Programs

### Fair Housing Assistance Program

The Fair Housing Assistance Program (FHAP) provides consistent and dependable funding to HUD's partner state and local civil rights enforcement agencies that provide rights, remedies, and procedures that are equivalent to the Fair Housing Act. FHAP provides support to 89 state and local government civil rights agencies to investigate and prosecute housing discrimination within their jurisdictions. These agencies investigate the majority (75 percent) of the administrative fair housing complaints filed in the country to ensure compliance with fair housing laws, and, where necessary, litigate complaints to address violations. FHAP agencies plan the investigations, interview parties and witnesses, gather and analyze evidence, facilitate resolution, and render determinations. Further, these agencies ensure compliance with settlement agreements and, where necessary, litigate complaints to address violations. The FHAP budget is formulated based on years of data regarding the projected level of cases from year to year and the associated administrative, technical-assistance and training costs for these cases. FHAP agencies also conduct education on fair housing and fair lending at events throughout their communities.

### National Fair Housing Training Academy

Established in 2004, the Patricia Roberts Harris National Fair Housing Training Academy (NFHTA) was formed as a specialized Fair Housing training Academy by the Office of Fair Housing & Equal Opportunity (FHEO). It is FHEO's goal through fee for service and appropriated funding, to train fair housing professionals nationwide on increasing the efficiency of complaint case processing and to raise industry standards on effective investigative techniques. The Academy administers a well-executed fair housing training program and fees collection to sustain its operations. The overall result is fair housing professionals and housing industry personnel effectively enforcing the federal Fair Housing Act and substantially equivalent state and local fair housing laws.

NFHTA provides fair housing and civil rights training to federal, state, and local agencies, educators, attorneys, industry representatives, FHEO staff, and other housing industry professionals. With a faculty composed of some of the foremost experts in fair housing litigation, training, and research, NFHTA brings real-life experts to the classroom. NFHTA provides investigators with a 5-week certification program and offers advanced courses in predatory lending, accessibility, executive leadership, and conciliation. This investment into the future of fair housing and the capacity of fair housing professionals will allow the FHIP and FHAP programs to operate more efficiently and produce cases with larger impacts in coming years. NFHTA instructors regularly travel from their base in Washington, D.C. to 10 regional locations to accommodate trainees who cannot travel away from their jurisdictions due to state and federal budget constraints. Cost factors include instructor time and travel costs and overhead, curriculum development and updates and development of consistent fair housing education materials.

## Fair Housing Programs

### Limited English Proficiency Initiative

Limited English Proficiency Initiative (LEPI) is vital to ensuring that individuals who are not proficient in English are aware of their rights, able to understand the terms of leases and other housing-related documents, and able to receive important announcements that affect the health or safety of their households. In addition, the initiative educates HUD-assisted housing providers on their responsibilities under federal law and HUD regulations to ensure that their housing programs and activities are fully accessible to all, regardless of national origin or English proficiency. Finally, this initiative saves HUD staff time, as it helps HUD more efficiently communicate with, and thereby serve, the needs of people who are not fluent in English. HUD continues to work to fully implement the "HUD Speaks" campaign, which is designed to raise awareness of HUD's commitment to serve the LEP community in the most requested languages. Every year Congress has appropriated \$300,000 for HUD to fulfill its LEP requirements stated in Executive Order 13166. In fiscal year 2015, HUD expanded its LEP services to improve accessibility to HUD services, programs, and housing for LEP persons. This expansion of LEP services included expanding the type of services offered and the launching of the "HUD Speaks" campaign which focuses on the creation of tools to assist HUD staff in their communication and interaction with LEP persons. The HUD Speaks campaign includes the creation of posters, desk guides, and language cards to be utilized by HUD staff in the office or out in the field conducting inspections, investigations, and/or meetings. These tools allow the LEP person to identify their native language to the HUD staffer so further assistance can be provided. The key cost driver for LEPI is the increased demand for written translation and oral interpretation services seen by local fair housing organizations which has resulted from training staff on the types and uses of HUD's language services. Additionally, HUD continues to prioritize its efforts to comply with Executive Order 13166 by effectively providing information on its programs, services and housing to the LEP population that is timely, accurate and vital.

### Key Populations this Program targets/serves:

While services are open and available to everyone, the primary beneficiaries of FHIP and FHAP are overwhelmingly minorities who face historical discrimination and persons with disabilities who through the programs benefit from investigation of their complaints of housing discrimination at the local level. NFHTA provides direct training to fair housing investigators at government agencies and nonprofit organizations, the instruction then carry over to benefit all people in this country who avail themselves of these services. LEPI primarily serves new immigrants who are low income.

### **3. Why is this program necessary and what will we get for the funds?**

Housing is critical to many aspects of a person's life. The neighborhood a child grows up in has a large effect on their future: the quality of schools they attend, their health, and their future employment opportunities. Homeownership is a way to build wealth. Therefore, housing discrimination can have a compounding effect on its victims: the inability to move to an area with better schools

## Fair Housing Programs

keeps children from realizing their potential. This prevents them from doing better than their parents, preventing them from escaping the cycle of poverty and leaving their children vulnerable to the same problems they experienced.

The exclusion of African Americans and other minorities from neighborhoods that offer high quality schools and access to jobs and quality services has perpetuated racial inequalities in the United States. A study on the effect of housing segregation on Latino employment found that in cities with greater segregation, employment rates were lower for Latino men, and as these cities became more segregated over a 20-year period, employment rates of Latino men decreased even further.<sup>1</sup> Racial segregation has also been identified as having a negative effect on communities' economic growth as well as on individual skill sets.<sup>2</sup> America cannot reach its fullest potential compared to the rest of the world if segregation and discrimination prevent people from accessing good schools and good jobs.

Despite the persistence of discrimination, federally funded fair housing enforcement and education have complimented and reinforced social changes, and thereby have moved the needle significantly in several key aspects. There are four complementary mechanisms by which Congressional appropriations for FHAP, FHIP, and NFHTA reduce housing discrimination:

1. Detection and remedy of discrimination;
2. Deterrence of willful violators through increased severity, immediacy, or probability of penalties;
3. Education of ignorant violators about their legal responsibilities; and
4. Education of potential victims both to assert their civil rights and to seek remedies.

The FHIP, the FHAP, and NFHTA address housing discrimination and its long-term consequences and are the only funded programs in the federal government dedicated to assisting individuals to get justice for housing discrimination. Along with the work of HUD's Office of Fair Housing and Equal Opportunity, these programs work in concert to redress injuries to victims, prevent housing discrimination and eliminate segregation.

HUD's fair housing programs each play a crucial and unique role in the Department's work to support fair housing enforcement and education and to strengthen the efforts of states, communities, and public housing authorities to prevent discrimination. Though Title VIII of the Civil Rights Act of 1968 outlawed housing discrimination more than 45 years ago, housing discrimination of all types continues in communities throughout the nation.

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<sup>1</sup> Dickerson vonLockette and Jacqueline Johnson, "Latino Employment and Residential Segregation in Metropolitan Labor Markets," *Du Bois Review*, 7(1), 2010.

<sup>2</sup>Li Huiping, Campbell, Harrison, Fernandez, Steven, "Residential Segregation, Spatial Mismatch and Economic Growth across US Metropolitan Areas," (2013) available at <http://usj.sagepub.com/content/50/13/2642>

## Fair Housing Programs

### *Enforcement*

While HUD has the primary responsibility for enforcement of the Fair Housing Act, it cannot possibly fulfill this vital responsibility without its partners, both public (FHAP) and private (FHIP). These partners provide are valuable because they provide local knowledge and context to HUD's enforcement efforts. The FHAP program, in particular, fills a crucial gap in ensuring that potential victims of housing discrimination have the opportunity to pursue relief for alleged fair housing violations. The National Fair Housing Alliance, a national consortium of more than 220 private, non-profit fair housing organizations, state and local civil rights agencies, and individuals, estimates that more than 4.0 million people every year are victims of discrimination.<sup>3</sup> The HUD-sponsored Housing Discrimination Study (HDS 2012) concluded that while the most blatant forms of housing discrimination have declined, other, less easily detectable forms of discrimination persist, affecting millions of American families annually, keeping them from the opportunities they deserve.

The total number of fair housing complaints filed under the Fair Housing Act and equivalent state and local laws in fiscal year 2015 was 8,246; FHAP agencies processed 6,972, or 84.6 percent, of those complaints. This represents nearly a 5 percent increase from fiscal year 2014 FHAP agencies increasingly serve as the initial point of contact for persons who believe they have been subject to fair housing violations. In fiscal 2015, FHAP agencies initiated more than half--54.6 percent--of the complaints filed, and the share of FHAP-initiated complaints has grown steadily since fiscal year 2010, demonstrating the value of the local presence of FHAP agencies.

FHAP's state and local agencies provide a presence in their communities to serve the needs of their own citizens. Because of the timeliness of FHAP investigations and efficiencies gained through local presence (the average age of FHAP closed cases is consistently well below the age of HUD-closed cases), the FHAP program allows HUD to meet its own responsibilities with respect to civil rights enforcement – through its enforcement partners – in a cost-effective manner. The presence of a FHAP agency in a community increases the likelihood that a victim of discrimination will file a complaint. For fiscal year 2017, FHEO also intends to use its existing authority to enhance FHAP program outcomes, to further educate individuals about their fair housing rights and to support increased enforcement of reasonable cause findings, through the award of Partnership funds and Special Enforcement Effort funds.

### *Education*

Funding for FHAP agencies and FHIP organizations both contribute substantially to the first two mechanisms, detection and deterrence. The National Fair Housing Training Academy enhances the first two factors by increasing the capacity of local partners to improve the timeliness, consistency, and probability of detection and conciliation. Speedy and successful investigations, especially

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<sup>3</sup> National Fair Housing Alliance, 2013 Fair Housing Trends Report; Modernizing the Fair Housing Act for the 21<sup>st</sup> Century, 2013.

## Fair Housing Programs

when publicized,<sup>4</sup> strengthen the deterrence of willful violations. FHIP education and outreach efforts primarily operate through the latter two mechanisms, educating landlords/agents, as well as those seeking housing.

Further, similar to fiscal year 2016, we would seek to provide EOI funding to the National Media campaign to support training and education and outreach on a national basis. For example, our current EOI National Media TV PSA campaign received over \$6.5 million in donated media and achieved over 280 million household impressions. The radio campaign received over \$625,000 in donated media and reached over 21 million listeners.

### **4. How do we know this program works?**

The long-term results of HUD's efforts to combat housing discrimination are seen both in reduced discrimination in HDS studies and in controlled econometric studies. The Department's Housing Discrimination against Racial and Ethnic Minorities (HDS)<sup>5</sup> Study in 2012 found that real estate agents and rental housing providers recommend and show fewer available homes and apartments to minority families, thereby increasing their costs and restricting their housing options. However the study also showed that FHIP and FHAP are having an effect, finding that, "long-term trends in patterns of discrimination suggest that the attitudes and actions of rental and sales agents have changed over time, and that fair housing enforcement and public education are working." The 2012 HDS recommended follow-up testing and enforcement so that enforcement strategies do not rely primarily on individual complaints of suspected discrimination. It recommended that HUD encourage the local fair housing organizations it funds to conduct more proactive testing.<sup>6</sup> Studies of the effectiveness of FHIP have shown that FHIP agencies increase the number and quality of fair housing complaints investigated.

In addition, HDS 2012 found continued evidence of discrimination against Black and Asian home-seekers, although reduced from prior studies. Ross and Galster studied variation of enforcement activity between metropolitan areas, and concluded, "Higher amounts of state and local enforcement activity supported by HUD through its FHIP and FHAP programs (especially the amount of dollars awarded by the courts) were consistently associated with greater declines in discrimination against black apartment-seekers and home-seekers."<sup>7</sup>

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<sup>4</sup> Myers, Samuel L., Jr. "Final Report: The Deterrent Effects of Media Accounts and HUD Enforcement on Racial Disparities in Loan Denial Rates." 2007. [http://www.hhh.umn.edu/centers/wilkins/pdf/HUD\\_finalreport\\_march2009.pdf](http://www.hhh.umn.edu/centers/wilkins/pdf/HUD_finalreport_march2009.pdf).

<sup>5</sup> Housing Discrimination Against Racial and Ethnic Minorities, (2012) at page 13, *available at* [http://www.huduser.org/Publications/pdf/HUD-514\\_HDS2012\\_execsumm.pdf](http://www.huduser.org/Publications/pdf/HUD-514_HDS2012_execsumm.pdf)

<sup>6</sup> Ibid.

<sup>7</sup> Ross, Stephen L., and George C. Galster. "Fair Housing Enforcement and Changes in Discrimination between 1989 and 2000: An Exploratory Study." University of Connecticut Working Paper 2005-16, 2005.

## Fair Housing Programs

A study of FHIP-referred complaints to HUD and FHAP agencies found that 90 percent of FHIP-generated inquiries referred to HUD are converted to complaints. The study also found that for cases closed between fiscal years 2003 and 2005 where a FHIP-funded organization was a complainant, 63 percent were conciliated and settled, and for cases where a FHIP-funded organization represented a complainant, 36 percent of the cases were conciliated and settled. Moreover, FHIP-referred cases also had a higher cause finding rate, and FHIP-referred cases ending in a cause finding took less time to complete. These findings are likely a result of FHIPs evaluating inquiries and developing complaints, and providing crucial testing evidence to support complaints. Further, FHIP has funded a comprehensive Tester Coordinator training program to build consistency in testing among all FHIP funded enforcement organizations.

HUD's FHAP partners achieve positive outcomes for numerous complainants and other affected parties and represent a cost-effective strategy for the execution of HUD's Fair Housing Act enforcement responsibilities. FHAP agencies routinely process 80 percent or more (84.6 percent for fiscal year 2015) of the fair housing cases filed with HUD and FHAPs in a given year, and consistently reach determinations of reasonable cause in a higher percentage of cases than HUD – 6.5 percent for fiscal year 2015. The efficiencies of local processing also lead to greater timeliness by FHAP agencies, more than half of all FHAP cases completed in fiscal year 2015 were completed in less than 100 days. FHAP agencies vindicate the rights of victims of unlawful housing discrimination through both enforcement of cause findings and through conciliation – FHAP agencies successfully conciliated 21 percent of their cases in fiscal year 2015. The resolution of these cases opens doors to housing opportunities that otherwise would have been closed, providing monetary relief to aggrieved persons for the violation of their fair housing rights and securing reasonable accommodations and modifications for persons with disabilities who might otherwise be unable to obtain housing suited to their needs. In addition to obtaining relief for victims, FHAP agencies often obtain relief for the greater community as well in the form of public interest relief such as changes in discriminatory policies and training for housing providers who have violated fair housing laws.

In May 2015 MCAD Hearing Officer Betty Waxman ordered Attorney David Zak to pay \$233,600 for discriminating against a group of seventeen Latino homeowners by targeting them with predatory and deceptive mortgage modification advertising. Waxman determined that Zak specifically targeted Latinos; evidence introduced in the case showed that Zak opened an office in Revere, Mass. because he believed its Latino community would be "easy targets" and "gullible." Zak used radio and written advertisements in Spanish and Portuguese and even hired a "Coordinator of the Latino Market," whose job it was to leverage her extensive network of contacts in the Latino community to recruit agents and clients.

Waxman found that Zak charged Latino clients inflated and duplicative fees for services that were available elsewhere for free, encouraged them to intentionally fall behind on mortgage payments, failed to adequately translate documents, misrepresented the

## Fair Housing Programs

status of clients' cases, performed minimal, substandard work—often failing to secure promised mortgage modifications, refused to provide appropriate refunds, and engaged in threats, intimidation, and demeaning conduct.

Victories for fair housing like this are possible because of the partnerships formed between HUD and local public and private fair housing organizations. The hard work of these organizations and HUD grants help ensure that Americans across the country receive equal access to housing, neighborhoods, and opportunity.

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**FAIR HOUSING AND EQUAL OPPORTUNITY  
FAIR HOUSING PROGRAMS  
Summary of Resources by Program  
(Dollars in Thousands)**

<u>Budget Activity</u>	<u>2015 Budget Authority</u>	<u>2014 Carryover Into 2015</u>	<u>2015 Total Resources</u>	<u>2015 Obligations</u>	<u>2016 Budget Authority</u>	<u>2015 Carryover Into 2016</u>	<u>2016 Total Resources</u>	<u>2017 Request</u>
Fair Housing Initiatives Program ..	\$40,100	\$2,078	\$42,178	\$13,146	\$39,200	\$28,916	\$68,116	\$46,000
Fair Housing Assistance Program .....	23,300	9,592	32,892	25,518	24,300	7,374	31,674	21,900
Fair Housing Limited English Proficiency Program .....	300	300	600	289	300	300	600	300
National Fair Housing Training Academy .....	2,336	3	2,339	2,150	2,169	307	2,476	1,800
Research and Technology (transfer) .....	---	---	---	---	---	---	---	[350]
Total .....	66,036	11,973	78,009	41,103	65,969	36,897	102,866	70,000

NOTES:

The 2015 enacted level for the National Fair Housing Training Academy (NFHTA) includes \$736 thousand of collected in fees.  
 The carryover into 2015 includes recaptures of \$75 thousand for FHIP and \$281 for FHAP.  
 The 2016 enacted level for the NFHTA includes \$669 thousand in estimated collected fees.



## Fair Housing Programs

### **FAIR HOUSING AND EQUAL OPPORTUNITY FAIR HOUSING PROGRAMS Appropriations Language**

The fiscal year 2017 President's Budget includes proposed changes in the appropriation 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, [~~\$65,300,000~~] *\$70,000,000*, to remain available until September 30, [~~2017~~] *2018*: *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, \$300,000 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, 2016.*)

**LEAD HAZARD CONTROL AND HEALTHY HOMES  
LEAD HAZARD REDUCTION  
2017 Summary Statement and Initiatives  
(Dollars in Thousands)**

LEAD-BASED PAINT HAZARD REDUCTION PROGRAM	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2015 Appropriation .....	\$110,000	\$1,947	...	\$111,947	\$108,284	\$111,951
2016 Appropriation .....	110,000	3,140	...	113,140	104,000	120,277
2017 Request .....	<u>110,000<sup>a</sup></u>	<u>9,000</u>	<u>...</u>	<u>119,000</u>	<u>110,000</u>	<u>84,272</u>
Program Improvements/offsets .....	...	+5,860	...	+5,860	+6,000	-36,005

a/ This number includes an estimated transfer of \$550 thousand to the Research and Technology account.

**1. What is this request?**

To help fulfill the mission of its Office of Lead Hazard Control and Healthy Homes to provide safe and healthy homes for at-risk families and children, the Department requests \$110 million for the Office's programs in fiscal year 2017, the same as the 2016 enacted level. This request will allow the Department to fund:

- Lead Hazard Control Program: \$83 million
- Healthy Homes Program: \$25 million
- Lead Technical Studies and Programmatic Support: \$2 million

Key outcomes of this program include:

- At least \$1.6 billion (and as much as \$20.5 billion) in reduced healthcare costs and increased income of children not lead-poisoned as a result of making 8,800 low-income privately-owned housing units lead safe;
- At least \$110 million (and as much as \$ 330 million) in reduced healthcare costs as a result of eliminating asthma-inducing and other health and injury exposures in 13,000 low-income privately owned housing units;
- New and enhanced methods for assessing and controlling lead and other housing-related health and safety hazards will be developed;
- More than 5,500 children under 6 will live in homes where lead hazards will be addressed using fiscal year 2017 funds;

## Lead Hazard Reduction

- More than 2,600 children under 18 will live in homes where asthma hazards will be addressed using fiscal year 2017 funds; and
- More than 5,500 people will live in homes where injury hazards will be addressed using fiscal year 2017 funds.

HUD is proposing two General Provisions in the 2017 budget, requesting:

- Subpoena authority for enforcement of the Lead Disclosure Statute (42 U.S.C. 4852d); and
- An increased threshold for lead abatement under the Lead Safe Housing statute (42 U.S.C. 4822(a)(1)) to reflect inflation since the enactment of that statute.

A full explanation of these proposals is in Section 5 "Proposals in the Budget." HUD will also submit a legislative proposal to update Healthy Homes program standards and definitions (within §§ 4851b and 4852).

## 2. What is this program?

The mission of the Office of Lead Hazard Control and Healthy Homes (OLHCHH) is to provide safe and healthy homes for at-risk families and children by promoting and funding housing repairs to address conditions that threaten the health of residents. As part of this mission, the OLHCHH is involved in coordinating disparate health and housing agendas, supporting key research, targeting enforcement efforts, and providing tools to build sustainable local programs that mitigate housing-related health hazards. The OLHCHH assists states and local governments in remedying unsafe housing conditions and addressing the acute shortage of decent and safe dwellings for low-income families.

### OLHCHH Budget (in thousands)

	2015 Enacted	2016 Enacted	2017 Request
Lead Hazard Control	\$93,000	\$88,000	\$83,000
Healthy Homes	15,000	20,000	25,000
Technical Studies and Programmatic Support	2,000	2,000	2,000

## Lead Hazard Control

Lead paint in housing presents one of the largest threats to the health, safety, and future productivity of America's children. The OLHCHH's Lead Hazard Control programs currently include both the Lead Based Paint Hazard Control (LBPHC) and Lead Hazard Reduction Demonstration (LHRD) grant programs. Although they are similar in their overall goal of producing lead-safe homes for

## Lead Hazard Reduction

low-income residents, the LHRD grant program is focused, in accordance with the annual HUD Appropriations Acts, on jurisdictions with higher numbers of pre-1940 rental housing and higher rates of childhood lead poisoning cases. Funding assists states, Native American Tribes, cities, counties/parishes, or other units of local government to identify and eliminate lead-based paint hazards in low- and very low-income private housing where children under 6 years of age reside or are likely to reside. These programs are authorized under Section 1011 of the Residential Lead-Based Paint Hazard Reduction Act of 1992 (Title X of the Housing and Community Development Act of 1992; Public Law 102-550; 42 U.S.C. 4852).

## Healthy Homes

The Healthy Homes program goes beyond just addressing lead-based paint hazards and covers other serious threats to residents' health and safety. Grantees can use Lead Hazard Control funds to remove the lead paint in a residence, but these grants cannot clean up mold, install smoke detectors, or fix other obviously unsafe or unhealthy conditions present in those same houses. Healthy Homes funding supplements Lead Hazard Control grants to give communities a more holistic approach to creating safe homes. The OLHCHH's Healthy Homes program currently includes:

- Healthy Homes Supplemental funding for Lead Hazard Control Grants, which allows Lead Hazard Control grantees to conduct housing interventions to address multiple health hazards in addition to lead, including hazards that contribute to, trigger, or cause asthma, cancer, and unintentional injuries;
- Healthy Homes Technical Studies (research) grant programs, which provides funding for academic institutions, non-profit organizations, and governments to assess the efficacy and cost-effectiveness of methods for the evaluation and control of housing-related health and safety hazards; and
- Healthy homes contracts for training and public education programs that help state, local, and nongovernmental agencies, housing industry stakeholders, and the public to understand the health-and-housing relationship and identify and address housing-related health and safety hazards.

For fiscal year 2017, the OLHCHH will also award a Healthy Homes Production grant program, in which homes beyond those completed under the Lead Hazard Control grants will be treated for housing-related health and safety hazards. Healthy Homes funds fill a critical need by assisting cities, states, other units of local government, and not-for-profit organizations to make repairs that reduce or eliminate significant housing-related health and safety hazards. Unlike the lead hazard control programs, the Healthy Homes programs goes beyond just addressing lead-based paint hazards and covers other serious threats to residents' health and safety. Unlike housing rehabilitation programs, which focus on renovations without health and safety as a primary concern, the lead hazard control and healthy homes programs focus intentionally on making homes safer for children and families to live in using established assessment methods that are addressed with cost-effective interventions. As such, no other federal grant program directly and specifically identifies and addresses health and safety hazards in low-income privately owned homes.

## Lead Hazard Reduction

### Technical Studies and Programmatic Support

For fiscal year 2017, the Department requests \$2 million for Lead Technical Studies and Programmatic Support. The requested funding will continue the significant progress we have made to further our understanding of housing conditions and their connections to resident health. This includes identifying effective interventions and preventive practices, and demonstrating health benefits of targeting interventions to reduce or eliminate health and safety hazards in homes. The OHHLHC's lead technical studies and programmatic support activities advance and support OLHCHH programs. These activities include contracts, grants and cooperative agreements, technical support and training, grant management and evaluation tools, and interagency collaborative projects.

The Department is constantly working to enhance the way that it controls lead and deals with household hazards. Through collaborating with HUD's Real Estate Assessment Center, we are working to standardize health and safety inspection protocols across HUD's programs. Also, through our new grants management software, we are gaining a better understanding of the hazards that grantees are identifying and the interventions that they are using. Over time, we will introduce new and enhanced methods based on an analysis of the grantees' data and outputs.

In order to determine if the process for enrolling families to have their homes treated under its lead hazard control grants can be streamlined; HUD is conducting a 3-year demonstration of processes for using low-income eligibility determinations made by other federal programs for determining eligibility for its lead hazard control grants. If successful, this approach collect a minimum amount of information from the family and rely on the other program's determination to avoid the time- and effort-consuming full duplicate eligibility determinations for the large fraction of families that have already been determined eligible for such low-income programs as HOME; the special supplemental nutrition program for women, infants and children; reduced or free price lunch programs; low-income home energy assistance program; weatherization assistance program; etc. If successful, the demonstration would yield cost and time savings, and would not expand the scope of eligibility, because the determinations for the lead hazard control grant programs would continue to be for programs with thresholds at or below 50 or 80 percent, as applicable, of the area median income as per the authority for the lead hazard control grant programs (42 U.S.C. 4852(a)(1)-(2)).

### **3. Why is this program necessary and what will we get for the funds?**

The program identifies and addresses home-based health and safety hazards that contribute to a wide range of illnesses and injuries, including lead poisoning, asthma, home injuries, and lung cancer.

Researchers have found that more children than previously thought have too much lead in their blood. The CDC redefined the level at which children are considered to have too much lead in their blood in January 2012, from a "level of concern" (a blood lead level

## Lead Hazard Reduction

of 10 micrograms of lead per deciliter of blood ( $\mu\text{g}/\text{dL}$ ) in a child under age 6) to a new “blood lead reference range value” based on the distribution of blood lead levels among U.S. children under age 6. This change in the threshold increased the number of children considered to have too much lead in their bodies from less than 100,000 to about 535,000. Because this program targets children with too much lead in their blood, 435,000 more children than previously thought are in the most urgent need of its services. Twenty three million U.S. homes have one or more lead based paint hazard, 1.1 million of which are low-income households with one or more children under age 6.<sup>1</sup> Because residential lead-based paint hazards are the primary source of lead intake for United States children,<sup>2</sup> continued investment and effort is needed to reduce lead hazards in older homes. This funding will be used to protect children against lead exposure by targeting the highest risk properties for priority action, to ensure that lead-safe practices are followed during renovation, repair and painting of pre-1978 homes, and to eliminate lead-based paint hazards in as many pre-1978 homes as feasible. This program has contributed to the significant decrease in childhood lead poisoning from the early 1990s to today.<sup>3</sup>

HUD has aligned its lead hazard control and research activities with the Department of Health and Human Services’ (HHS’) Healthy People 2020 Environmental Health objective 8.2, to, “Reduce the mean blood lead levels in children” aged 1 to 5 years from HHS’ baseline of 1.5  $\mu\text{g}/\text{dL}$  over the 2005–08 period, to HHS’ target for 2020 of 1.4  $\mu\text{g}/\text{dL}$ .<sup>4</sup> To maintain progress made and reduce remaining disparities, efforts must continue to test children at high risk for lead poisoning, and identify and control sources of lead. Coordinated prevention strategies at national, state, and local levels will help achieve the goal of eliminating lead poisoning in children. The OLHCHH’s lead hazard control grants and lead regulatory enforcement efforts will reduce the exposure by young children – particularly those most at risk – to lead-contaminated paint chips, dust, and soil. This will, therefore, reduce the blood lead level in these children, and, over time, contribute to moving the national distribution of children’s blood lead values downward. Unhealthy and unsafe housing conditions continue to affect the health of millions of people from all income levels and geographic areas in the United States; however, these hazards disproportionately affect children, the poor, minorities, people with medical conditions, people with disabilities, and older adults. In addition to lead hazards, discussed above, the following housing-related health hazards are of particular importance:

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<sup>1</sup> Dewalt, G, Cox, D, O’Haver, R, et al. Prevalence of Lead Hazards and Soil Arsenic in U.S. Housing. *Journal of Environmental Health*. Vol. 78, no. 5, pp. 22-29, December 2015, <http://www.neha.org/node/6429>.

<sup>2</sup> Lanphear BP, Dietrich KN, Berger O. Prevention of lead toxicity in US children. *Ambul Pediatr*. 2003 Jan-Feb;3(1):27-36. <http://www.ncbi.nlm.nih.gov/pubmed/12540251>.

<sup>3</sup> Centers for Disease Control and Prevention. Low Level Lead Exposure Harms Children: A Renewed Call for Primary Prevention. 2012. [http://www.cdc.gov/nceh/lead/acclpp/final\\_document\\_030712.pdf](http://www.cdc.gov/nceh/lead/acclpp/final_document_030712.pdf).

<sup>4</sup> <http://www.healthypeople.gov/2020/topicsobjectives2020/objectiveslist.aspx?topicId=12>.

## Lead Hazard Reduction

- According to the most recent data available, more than 6.8 million housing units have radon levels above the current EPA action level; radon exposure causes approximately 21,000 deaths per year from lung cancer attributable to this preventable hazard.<sup>5</sup>
- Approximately 24 million homes have elevated levels of 4 or more different types of allergens that have been associated with increased negative health outcomes among residents with asthma.<sup>6</sup>
- Falls are the leading cause of non-fatal injuries for all children ages 0 to 19 and for older adults (65 years of age or older).<sup>7</sup> Each year, approximately 2.8 million children and 2.4 million older adults have an initial emergency department visit for injuries from a fall.<sup>8</sup> Research suggests that the total direct and indirect costs for unintentional injuries (e.g., falls, poisonings, fires) in the home have averaged over \$200 billion annually, with falls alone responsible for almost half of those costs.<sup>9</sup>

HUD grantees will use their Healthy Homes grants and supplemental funding to perform simple radon tests, remediate mold, install allergen filtering, and provide basic safety upgrades, such as installing grab bars and hand rails, repairing tripping hazards, fixing stairs, and installing safety bars or child locks on windows, among other actions.

As noted above, the Healthy Homes Supplemental funding proposed for fiscal year 2017 will allow Lead Hazard Control grantees to conduct housing interventions to address multiple health hazards in addition to lead. Of the over 6,500 units made lead-safe by our Lead Hazard Control grantees in fiscal year 2015, grantees identified and addressed hazards that may cause or contribute to asthma and allergies in over 1,500 homes (24 percent of homes made lead-safe) and hazards that may cause or contribute to unintentional injuries in over 1,500 homes (23 percent). Grantees also addressed hazards that may cause or contribute to a wide range of other illnesses and injuries, including cancer. The most common healthy homes hazards addressed in addition to lead were dampness and mold (16 percent of homes made lead-safe), carbon monoxide (13 percent), fire hazards (11 percent), electrical hazards (9 percent),

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<sup>5</sup> U.S. Environmental Protection Agency. 2003. EPA Assessment of Risks from Radon in Homes. <http://www.epa.gov/sites/production/files/2015-05/documents/402-r-03-003.pdf>.

<sup>6</sup> The number of homes was calculated by multiplying 18% (Salo PM, Arbes, Crockett PW, Thorne PS, Cohn RD, Zeldin DC. 2008. Exposure to multiple indoor allergens in US homes. *J Allergy Clin Immunol*. 2008 Mar; 121(3): 678–684.e2. <http://www.ncbi.nlm.nih.gov/pmc/articles/PMC2376121/>) by 133 million (U.S. Department of Housing and Urban Development and U.S. Census Bureau. (HUD and Census). 2013. American Housing Survey <http://www.census.gov/programs-surveys/ahs/data/2013/national-summary-report-and-tables---ahs-2013.html>).

<sup>7</sup> Centers for Disease Control and Prevention, National Center for Injury Prevention and Control. Web-based Injury Statistics Query and Reporting System (WISQARS) [online]. Accessed August 15, 2013. <http://www.cdc.gov/injury/wisqars/>.

<sup>8</sup> Centers for Disease Control and Prevention. 2008. CDC Childhood Injury Report: Patterns of Unintentional Injuries among 0-19 Year Olds in the United States, 2000-2006. <http://www.cdc.gov/safekid/images/CDC-ChildhoodInjury.pdf>; Centers for Disease Control and Prevention, National Center for Injury Prevention and Control. Web-based Injury Statistics Query and Reporting System (WISQARS) [online]. Accessed August 15, 2013. <http://www.cdc.gov/injury/wisqars/>.

<sup>9</sup> Zaloshnja E, Miller TR, Lawrence BA, Romano E. 2005. The costs of unintentional home injuries. *Am J Prev Med* 28(1):88-94. <http://www.ncbi.nlm.nih.gov/pubmed/15626562>.

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fall hazards on stairs (9 percent), excess cold (insufficient insulation/energy efficiency) (8 percent), pests (7 percent). OLHCHH expects to see similar results from its fiscal year 2017 grantees.

## The Cost Burden of Unhealthy Housing

Researchers estimate that the health effects of poor housing conditions could cost billions of dollars annually in healthcare for asthma, lead-based paint poisoning and injury, as well as lost productivity in the labor force.<sup>10</sup> The Lead Hazard Reduction and Healthy Homes programs are investments that pay off. Research has proven time and again that providing safe, decent and sanitary homes for the most at-risk American families more than pays for itself in lower health care costs and increased productivity.

- A 2011 study of the total annual costs of pediatric disease in American children estimated that the total cost of lead poisoning in 2008 was \$5.9 million in medical care costs and \$50.9 billion in lost economic productivity.<sup>11</sup>
- In addition to the physical toll an at-risk home can have on its inhabitants (e.g., unnecessary emergency room visits annually due to housing-related injuries and illness), some research suggests that the cumulative financial burden of unhealthy homes for the nation is considerable. For example, one study estimates the total (direct and indirect) cost for unintentional injuries in the home at over \$200 billion annually, with \$90 billion of that due to falls alone.<sup>12</sup> Researchers found that nearly 30 percent of residential injuries among children in a randomized controlled trial could have been prevented by interventions.<sup>13</sup> If the same proportion of preventable injuries were found for adults, the annual cost of preventable injuries in the home would be about \$60 billion.
- One study finds that the costs for asthma due to one root cause in the home – dampness and mold – could be \$3.5 billion annually.<sup>14</sup> Other modifiable childhood asthma risk factors within the home (e.g., pet dander, cockroach allergen, use of stove or oven for home heating) were estimated to cost nearly \$1 billion.<sup>15</sup>

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<sup>10</sup> Landrigan PJ, Schechter CB, Lipton JM, Fahs MC, Schwartz J. Environmental pollutants and disease in American children: estimates of morbidity, mortality, and costs for lead poisoning, asthma, cancer, and developmental disabilities. *Environ Health Perspect.* 2002 Jul;110(7):721-8.

<http://www.ncbi.nlm.nih.gov/pubmed/12117650>.

<sup>11</sup> Trasande L, Lui Y. 2011. Reducing The Staggering Costs of Environmental Disease in Children, Estimated at \$76.6 Billion In 2008. *Health Affairs.* 30 (5):863-870.

<sup>12</sup> Zaloshnja E, Miller TR, Lawrence BA, Romano E. 2005. The costs of unintentional home injuries. *Am J Prev Med* 28(1):88-94.

<http://www.ncbi.nlm.nih.gov/pubmed/15626562>.

<sup>13</sup> Phelan KJ, Khoury J, Xu Y, Liddy S, Hornung R, Lanphear BP. A randomized controlled trial of home injury hazard reduction: the HOME injury study. *Arch Pediatr Adolesc Med.* 2011 Apr;165(4):339-45. <http://www.ncbi.nlm.nih.gov/pubmed/21464382>.

<sup>14</sup> Mudarri D, Fisk WJ. 2007. Public health and economic impact of dampness and mold. *Indoor Air.* 17(3):226-35.

<http://onlinelibrary.wiley.com/doi/10.1111/j.1600-0668.2007.00474.x/full>.



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The high health-related costs of unsafe housing are matched by significant and enduring social costs. Researchers have found a clear relationship between elevated blood lead among children and their cognitive and behavioral impairment. “Even low levels of exposure appear to lower children’s IQ, which increases the need for enrollment in special education services, reduces the likelihood of high school and college graduation, lowers lifetime earnings (both through educational and IQ pathways), and greatly increases their propensity to engage in violent criminal activity.”<sup>16</sup>

### 4. How do we know this program works?

The work of the grantees funded through HUD’s Lead Hazard Reduction program has led to real results. The prevalence of elevated blood lead levels in children under age 6 that are at least 10 micrograms per deciliter ( $\geq 10$  mg/dl) decreased from 8.6 percent in 1988-1991 to 0.75 percent in 2003-2010, a 91 percent decline, according to the on-going National Health and Nutrition Examination Survey (NHANES) conducted by the CDC.<sup>17</sup> HUD’s lead hazard control grants have contributed to this decline in the more than 180,000 housing units treated under the program.

HUD’s Healthy Homes grants fund interventions that ensure positive, healthy outcomes for vulnerable populations, especially children:

- A randomized controlled trial in Cleveland, OH (Cuyahoga County and Case Western Reserve University) funded by HUD’s Healthy Homes Technical Studies program demonstrated significant improvement in asthma symptoms (including reduced acute care usage) among children following remediation focusing on mold and moisture problems in their homes. During the 12 months of follow-up, the control (non-intervention) group saw an almost 20 percent higher rate of emergency department visits or hospital in-patient visits than the intervention group. The difference between the two groups was 30 percent from 6 months post-randomization to the end of follow-up.<sup>18</sup>
- In Seattle, WA, a HUD Healthy Homes grant to nonprofit “Neighborhood House” and partners was used to upgrade 35 green-built public housing units (built through HUD’s HOPE VI Program) to “Breathe Easy Homes” with special features to improve

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<sup>15</sup> Lanphear BP, Aligne CA, Auinger P, Weitzman M, Byrd RS. Residential exposures associated with asthma in US children. *Pediatrics*. 2001 Mar;107(3):505-11. <http://www.ncbi.nlm.nih.gov/pubmed/11230590>.

<sup>16</sup> Gould E. Childhood Lead Poisoning: Conservative Estimates of the Social and Economic Benefits of Lead Hazard Control. *Environ Health Perspect*. 2009 Jul; 117(7): 1162–1167. <http://www.ncbi.nlm.nih.gov/pmc/articles/PMC2717145/>

<sup>17</sup> [www.cdc.gov/nchs/nhanes.htm](http://www.cdc.gov/nchs/nhanes.htm); [www.cdc.gov/mmwr/preview/mmwrhtml/00048339.htm](http://www.cdc.gov/mmwr/preview/mmwrhtml/00048339.htm); [www.cdc.gov/mmwr/preview/mmwrhtml/mm6213a3.htm?s\\_cid=mm6213a3\\_e](http://www.cdc.gov/mmwr/preview/mmwrhtml/mm6213a3.htm?s_cid=mm6213a3_e).

<sup>18</sup> Kercsmar, CM, Dearborn, DG, Schlucter M, Xue, XL, Kirchner HL, Sobelowski, J, Greenberg, SJ, Vesper SJ, Allen, T 2006 Reduction in asthma morbidity in children as a result of home remediation aimed at moisture sources *Environ Health Perspect* 114: 1574-1580.

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indoor air quality and reduce indoor asthma triggers.<sup>19</sup> Children with asthma, who were moved into these homes, experienced a mean of 12.4 asthma symptom-free days per 2 week period after 1 year, compared with 8.6 asthma symptom-free days in the control group. Urgent asthma-related clinical visits in the previous 3 months decreased from 62 percent to 21 percent and the caretakers' quality of life increased significantly. The study reported significant reductions in exposures to mold, rodents, and moisture in the Breathe Easy Homes.

- The NY State Healthy Neighborhoods Program that provided healthy homes services to over 36,000 residents in 13,120 dwellings in 12 counties across the state. A program evaluation found that, among the 22 percent of homes randomly reassessed at a follow-up visit, the analysis indicates significant improvements in tobacco control, fire safety, lead poisoning prevention, indoor air quality, and general environmental health and safety (e.g., pests, mold). For residents with asthma, there were significant improvements in the presence of environmental triggers, self-management, and short-term morbidity outcomes, including up to 3.5 fewer days with worsening asthma in a 3-month period.
- HUD-funded projects to the Boston Public Health Commission and the Harvard School of Public Health included Integrated Pest Management (IPM) interventions and related cleaning and educational efforts in private and public housing, as well as limited case management and community health support from trained advocates. In pre-post analyses, significant reductions in a 2-week recall respiratory symptom score were observed, dropping from 2.6 to 1.5 on an 8-point scale. Reductions in the frequency of wheeze/cough, slowing down or stopping play, and waking at night were also noted.<sup>20</sup>

## Costs and Benefits

The programs run by the HUD's Office of Lead Hazard Control and Healthy Homes offer high returns on investment. Study after study has proven that small investments ensuring that children grow up in healthy, lead-free homes provide a lifetime of benefits for both that child and society as a whole.

- Studies suggest that each dollar invested in interventions similar to those funded by HUD for:
  - Controlling lead paint hazards results in a return of \$17–\$221;<sup>21</sup>
  - Reducing household allergens, which contribute to or trigger asthma and allergies, results in a return of \$5.30–\$16.50;<sup>22</sup> and

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<sup>19</sup> Takaro TK, Krieger J, Song L, Sharify D, Beaudet N. 2011. The breathe-easy home: The impact of asthma-friendly home construction on clinical outcomes and trigger exposure. *Am J Public Health*. 101:55-62.

<sup>20</sup> Levy JI, Brugge D, Peters JL, Clougherty JE, Saddler SS. 2006. A community-based participatory research study of multifaceted in-home environmental interventions for pediatric asthmatics in public housing. *Soc Sci Med*. 63(8):2191-203.

<sup>21</sup> Gould E., Childhood Lead Poisoning: Conservative Estimates of the Social and Economic Benefits of Lead Hazard Control. *Environmental Health Perspectives*. 117(7):1162-7. <http://ehp.niehs.nih.gov/0800408/>

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- Installing battery-operated smoke alarms results in a return of \$18.<sup>23</sup>
- Based on estimates of health benefits, as also noted above, the value of lead hazard control programs similar to those operated by HUD is conservatively estimated at \$30.6 billion based on the cost/benefit ratio of at least 17:1.<sup>24</sup>
- A study of the costs of childhood asthma from man-made environmental sources, both indoors and outdoors, as estimated at \$7 billion in direct and indirect costs in 2008.<sup>25</sup> Outdoor sources are important to consider in the healthy homes context; poorly maintained and inadequately sealed homes will permit higher infiltration rates of outdoor air into the home. Exposure to dampness and mold in homes alone is projected by some researchers to contribute to approximately 21 percent of current asthma cases in the United States, at an annual cost of \$3.5 billion.<sup>26</sup> Another study suggests that for every \$1 spent on asthma reduction there is a \$5.30-\$16.50 return on investment.<sup>27</sup>
- Minor to moderate remediation of housing hazards attributed to asthma, such as reducing interior moisture and improving indoor air quality, results in a substantial return for money invested. Following the guidelines in the National Asthma Education Prevention Program's (NAEPP) Expert Panel Report 3 (EPR3) concerning the need for environmental control measures for asthma, the Connecticut Department of Public Health conducted a study to explore the cost-effectiveness of housing interventions directed at mitigating conditions that exacerbated asthma. Net savings at 6 months follow-up were estimated at \$267 per participant due to decreases in unscheduled acute care visits for adults and children.<sup>28</sup>
- Working smoke alarms cut the risk of dying in a home fire in half.<sup>29</sup> Our grant programs have identified and addressed fire hazards in 1,524 units over the past 3 years.

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<sup>22</sup> Nurmagambetov TA et al., 2011. Economic Value of Home-Based, Multi-Trigger, Multicomponent Interventions with an Environmental Focus for Reducing Asthma Morbidity: A Community Guide Systematic Review. *American Journal of Preventive Medicine*. 41(2S1):S33–S47. [www.ajpmonline.org/article/S0749-3797\(11\)00314-X/fulltext](http://www.ajpmonline.org/article/S0749-3797(11)00314-X/fulltext). (Also available at [www.thecommunityguide.org/asthma/supportingmaterials/Asthma%20Econ.pdf](http://www.thecommunityguide.org/asthma/supportingmaterials/Asthma%20Econ.pdf).)

<sup>23</sup> Children's Safety Network/Pacific Institute for Research and Evaluation. Injury Prevention: What Works? A Summary of Cost-Outcome Analysis for Injury Prevention Programs (2012 Update). [www.childrenssafetynetwork.org/sites/childrenssafetynetwork.org/files/InjuryPreventionWhatWorks2012.pdf](http://www.childrenssafetynetwork.org/sites/childrenssafetynetwork.org/files/InjuryPreventionWhatWorks2012.pdf)

<sup>24</sup> Gould E., Childhood Lead Poisoning: Conservative Estimates of the Social and Economic Benefits of Lead Hazard Control. *Environmental Health Perspectives*. 117(7):1162-7. <http://ehp.niehs.nih.gov/0800408/>.

<sup>25</sup> Trasande L, Lui Y. 2011. Reducing The Staggering Costs of Environmental Disease in Children, Estimated at \$76.6 Billion In 2008. *Health Affairs*. 30 (5):863-870. <http://content.healthaffairs.org/content/30/5/863.full>

<sup>26</sup> Mudarri D, Fisk WJ. 2007. Public health and economic impact of dampness and mold. *Indoor Air*. 17(3):226-35. <http://onlinelibrary.wiley.com/doi/10.1111/j.1600-0668.2007.00474.x/full>.

<sup>27</sup> Nurmagambetov TA, Barnett SBL, Jacob V, Chattopadhyay SK, et al. 2011. Economic Value of Home-Based, Multi-Trigger, Multicomponent Interventions with an Environmental Focus for Reducing Asthma Morbidity. *American Journal of Preventive Medicine*. 41(2S1):S33–S47. [www.ajpmonline.org/article/S0749-3797%2811%2900320-5/ppt](http://www.ajpmonline.org/article/S0749-3797%2811%2900320-5/ppt).

<sup>28</sup> Nguyen KH, Boulay E, Peng J. 2010. Quality-of-Life and Cost–Benefit Analysis of a Home Environmental Assessment Program in Connecticut. *Journal of Asthma*. [http://www.ct.gov/dph/lib/dph/hems/asthma/pdf/kims\\_final\\_published\\_airs\\_in\\_ct.pdf](http://www.ct.gov/dph/lib/dph/hems/asthma/pdf/kims_final_published_airs_in_ct.pdf).

<sup>29</sup> Ahrens M. Smoke Alarms in US Home Fires. 2015. <http://www.nfpa.org/research/reports-and-statistics/fire-safety-equipment/smoke-alarms-in-us-home-fires>.

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- Approximately 21,000 radon-related lung cancer deaths annually are attributed to exposure to radon gas in the home, resulting in over \$2 billion per year.<sup>30</sup> Our grant program has tested for the presence of radon in 2,627 units over the past 3 years. Of these units tested, grantees found and remediated radon hazards in 181 units.

## HUD Initiatives

HUD, through its Lead Hazard Control and Healthy Homes programs, continues to be a national leader in the effort to ensure that all children in America live in safe and healthy houses. HUD's goal, in conjunction with other federal, state, and local programs, is to eliminate lead poisoning in children nationwide as a major public health problem. It is working towards that goal in several different ways. Low-income residential units made lead-safe and healthy by HUD's grant programs are supplemented by units remediated by its regulatory enforcement actions, through our innovative public-private partnerships that promote cross-discipline housing and health interventions, and through collaborative efforts with other federal agencies.

HUD and its grantees are working on several initiatives to make its programs more effective.

- Some HUD grantees are working to combine Lead Hazard and Healthy Homes grant funds with weatherization grants from the Department of Energy so with one trip to a home can make it safe and efficient. In Cuyahoga County, OH (Cuyahoga County Board of Health) and Bellingham, WA (Opportunity Council) grantees partnered their Lead Hazard and Healthy with weatherization grants to provide an integrated approach to improve both energy efficiency and indoor environmental quality. These projects demonstrated the benefits of this integrated approach and the Department of Energy is now providing training and encouraging Weatherization Programs to adopt this "weatherization plus health" model.<sup>31</sup>
- As part of implementing the federal Hurricane Sandy Rebuilding Strategy, the OHLCHH convened and chaired the interagency Indoor Environmental Pollutants Working Group, which created resources for the public, workers, and employers on reducing, cleaning up or remediating asbestos, lead, mold, and radon after disasters.<sup>32</sup> In addition to these resources, OHLCHH created a mobile application that helps homeowners and tenants learn about how to make homes safe and healthy after disasters.

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<sup>30</sup> U.S. Environmental Protection Agency (EPA). 2003. EPA Assessment of Risks from Radon in Homes. <http://www.epa.gov/sites/production/files/2015-05/documents/402-r-03-003.pdf>; U.S. Environmental Protection Agency (EPA). 2013. Radon. [www.epa.gov/radiation/radionuclides/radon.html](http://www.epa.gov/radiation/radionuclides/radon.html); Oster, Colditz, & Kelley. 1984. National Cancer Institute statistics of 14,400 annual radon lung cancer deaths.

<sup>31</sup> Finet, D. 2004. Restoring indoor health, one house at a time. Home Energy. Jan/Feb 2004. <http://homeenergy.org/index.php>; see also <http://www.nascsp.org/Healthy-Homes/776/Weatherization-Plus-Health.aspx?iHt=48>.

<sup>32</sup> [portal.hud.gov/hudportal/documents/huddoc?id=HSRebuildingStrategy.pdf](http://portal.hud.gov/hudportal/documents/huddoc?id=HSRebuildingStrategy.pdf).

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- The OLHCHH is playing a leadership role in implementing the Coordinated Federal Action Plan to Reduce Asthma Disparities,<sup>33</sup> with a focus now on instituting and promoting policies and practices for housing interventions to control asthma triggers in both federally assisted and non-assisted low-income housing.
- The OLHCHH organized and managed the development of the overall federal healthy homes strategic plan, Advancing Healthy Housing – A Strategy for Action.<sup>34</sup> The Strategy for Action presents a vision for addressing the nation’s health and economic burdens caused by preventable hazards associated with the home, and outlines the pathway for federal agencies to take coordinated preemptive actions that will help reduce the number of American homes with health and safety hazards. The Strategy was developed by the federal Healthy Homes Work Group, chaired by HUD, and the Work Group is monitoring its implementation.
- The OLHCHH is currently working on a pilot that would harmonize the income eligibility criteria for its Lead Hazard Control grant programs with income eligibility criteria of other federal programs. Families that meet OLHCHH’s income eligibility criteria may already participate in a number of other federal programs, such as DOE’s Weatherization Assistance Program, the Supplemental Nutrition Assistance Program, Medicaid, or HUD’s Housing Choice Voucher program. The purpose of the pilot is to increase the efficiency and effectiveness of OLHCHH’s Lead Hazard Control grants’ recruitment process by reducing duplication of income eligibility determinations for families that have already been deemed eligible for another federal program. The pilot would provide an opportunity to evaluate how standardized income eligibility requirements across federal programs decreases delays in enrolling eligible families into the various programs and see how best to set up this program to prevent improper payments.

### Program Improvements through Information Technology Investments

With the deployment of a new OLHCHH grants management cloud computing system, staff and grantees alike have access to tools for planning, reporting, and evaluation. The use of cloud services for the OLHCHH grants program has reduced the use of HUD servers and increased the stability of the system, has made it more accessible to grantees, and has reduced maintenance and operational costs. The system has allowed for in-depth analysis of program outputs, outcomes, and performance for our lead hazard control grants.

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<sup>33</sup> [www.epa.gov/childrenstaskforce/federal\\_asthma\\_disparities\\_action\\_plan.pdf](http://www.epa.gov/childrenstaskforce/federal_asthma_disparities_action_plan.pdf).

<sup>34</sup> [portal.hud.gov/hudportal/HUD?src=/program\\_offices/healthy\\_homes/advhh](http://portal.hud.gov/hudportal/HUD?src=/program_offices/healthy_homes/advhh).

## **5. Proposals in the Budget**

HUD is submitting the following legislative proposals as General Provisions to make the program more effective in protecting the health and safety of families, especially children:

- HUD is requesting an increase in the threshold for requiring lead abatement under the Lead Safe Housing statute (42 U.S.C. 4822(a)(1)) to reflect inflation since the October 28, 1992 enactment of that statute. The statute has a fixed threshold above which lead-based paint hazard abatement is required when substantial rehabilitation projects in “target housing” (generally, pre-1978 housing) receive more than \$25,000 per unit in federal funds. Costs of construction have increased significantly in the two decades since the enactment of the statute, causing many projects for which Congress had intended interim control measures to be used to require hazard abatement. This section would retain Congress’ original performance requirement of an abatement threshold while considering the effects of inflation, thereby increasing grantee flexibility. The increase in the threshold would give HUD housing assistance providers the flexibility to conduct interim controls instead of abatement when the amount of rehabilitation assistance is between the original level and the escalated level. Because the cost of interim controls is usually less than the cost of abatement, this amendment would result in more units being made lead-safe and thus more children being protected from lead-based paint hazards. HUD would issue a notice for comment on revising the abatement threshold, and, when further threshold increases are appropriate in subsequent years, issue a notice for comment for each such increase. (Sec. 266)
- HUD is requesting subpoena authority for the Lead Disclosure Statute (42 U.S.C. 4852d(a)), eliminating a statutory gap in order to allow HUD to obtain documents from rental housing owners suspected of violating this statute, which provides information to families renting or buying older (pre-1978) homes that may have lead-based paint. This relates to owners who have been recalcitrant in providing them in response to requests from the Department. While HUD and EPA have joint authority for enforcing the statute, only EPA has the authority to issue subpoenas, which it has under the Toxic Substances Control Act (15 U.S.C. § 2610(c)), an EPA authority unavailable to HUD. This legislative proposal would provide HUD with its own subpoena authority, which will allow HUD to conduct these investigations in a more timely and efficient manner than it can currently. (Section 231)

Lead Hazard Reduction

**LEAD HAZARD CONTROL AND HEALTHY HOMES  
LEAD HAZARD REDUCTION  
Summary of Resources by Program  
(Dollars in Thousands)**

<u>Budget Activity</u>	<u>2015 Budget Authority</u>	<u>2014 Carryover Into 2015</u>	<u>2015 Total Resources</u>	<u>2015 Obligations</u>	<u>2016 Budget Authority</u>	<u>2015 Carryover Into 2016</u>	<u>2016 Total Resources</u>	<u>2017 Request</u>
Lead Hazard Control								
Grants .....	\$48,000	\$687	\$48,687	\$48,481	\$43,000	\$140	\$43,140	\$83,000
Technical Studies .....	2,000	498	2,498	1,029	2,000	1,163	3,163	2,000
Healthy Homes .....	15,000	762	15,762	13,713	20,000	1,837	21,837	25,000
Lead Hazard Reduction								
Demonstration .....	45,000	...	45,000	45,000	45,000	...	45,000	...
Research and Technology (transfer) .....	...	...	...	...	...	...	...	[550]
Total .....	110,000	1,947	111,947	108,223	110,000	3,140	113,140	110,000

## Lead Hazard Reduction

### **LEAD HAZARD CONTROL AND HEALTHY HOMES LEAD HAZARD REDUCTION Appropriations Language**

The fiscal year 2017 President's Budget includes proposed changes in the appropriation language listed and explained below. New language is italicized and underlined, and language proposed for deletion is bracketed.

For the Lead Hazard Reduction Program, as authorized by section 1011 of the Residential Lead-Based Paint Hazard Reduction Act of 1992, \$110,000,000, to remain available until September 30, [2017]2018, of which [~~\$20,000,000~~]\$25,000,000 shall be for the Healthy Homes Initiative, pursuant to sections 501 and 502 of the Housing and Urban Development Act of 1970 that shall include research, studies, testing, and demonstration efforts, including education and outreach concerning lead-based paint poisoning and other housing-related diseases and hazards: Provided, That for purposes of environmental review, pursuant to the National Environmental Policy Act of 1969 (42 U.S.C. 4321 et seq.) and other provisions of the law that further the purposes of such Act, a grant under the Healthy Homes Initiative, or the Lead Technical Studies program under this heading or under prior appropriations Acts for such purposes under this heading, shall be considered to be funds for a special project for purposes of section 305(c) of the Multifamily Housing Property Disposition Reform Act of 1994: [Provided further, That of the total amount made available under this heading, \$45,000,000 shall be made available on a competitive basis for areas with the highest lead paint abatement needs: Provided further, That each recipient of funds provided under the previous proviso shall contribute an amount not less than 25 percent of the total: Provided further, That each applicant shall certify adequate capacity that is acceptable to the Secretary to carry out the proposed use of funds pursuant to a notice of funding availability:] Provided further, That amounts made available under this heading in this or prior appropriations Acts, and that still remain available, may be used for any purpose under this heading notwithstanding the purpose for which such amounts were appropriated if a program competition is undersubscribed and there are other program competitions under this heading that are oversubscribed. (Department of Housing and Urban Development Appropriations Act, 2016.)