

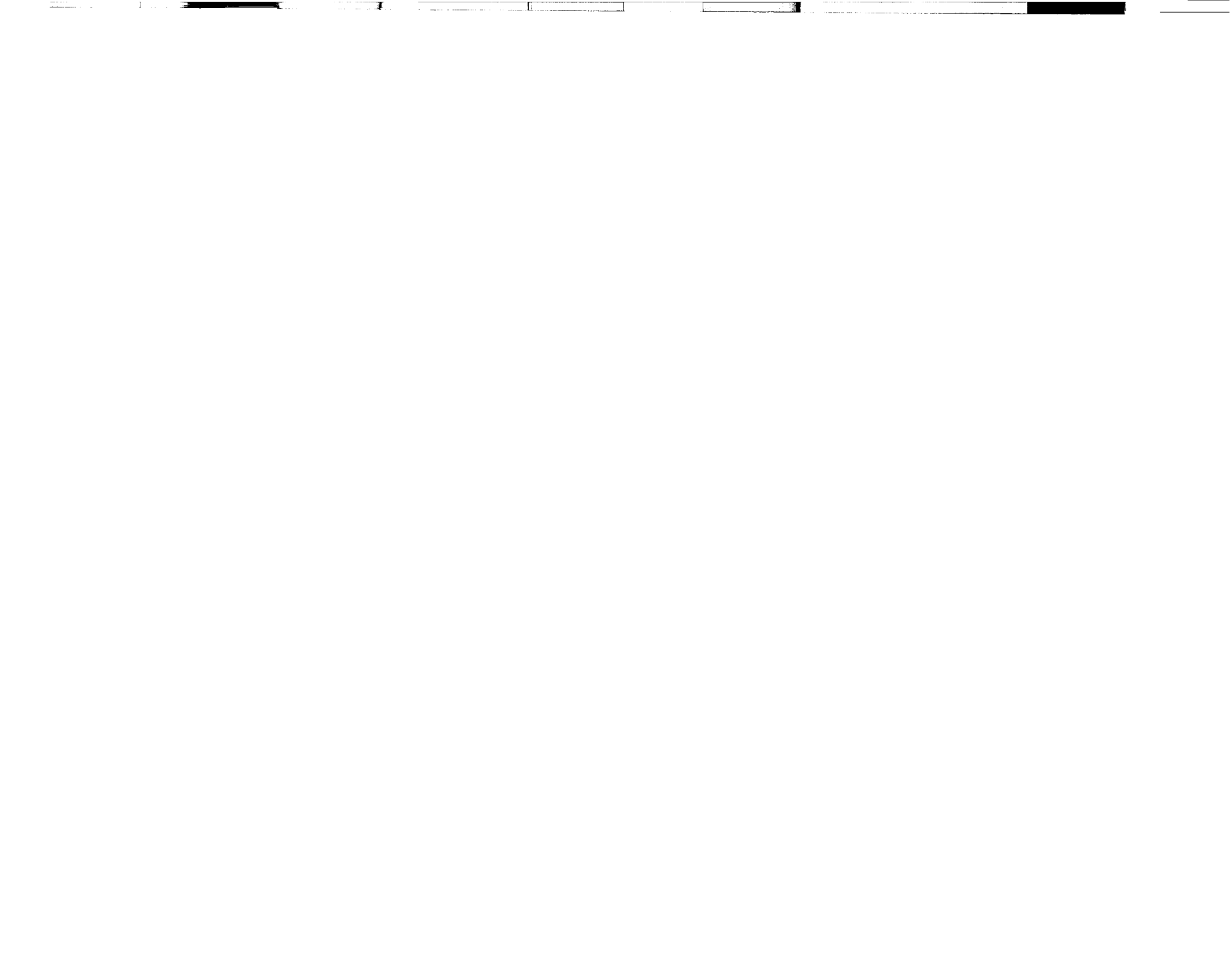
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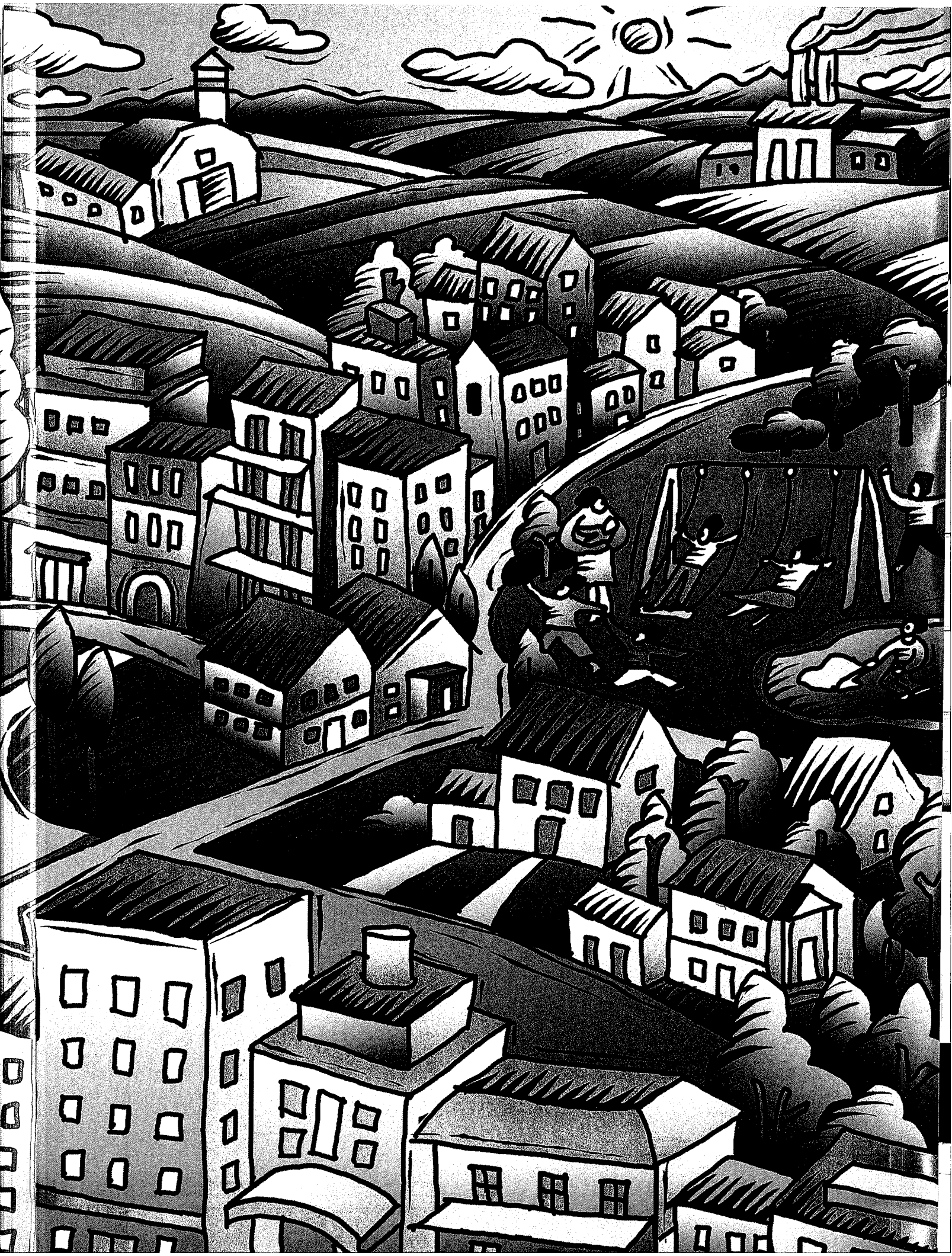
A NEW HUD: OPPORTUNITY FOR ALL

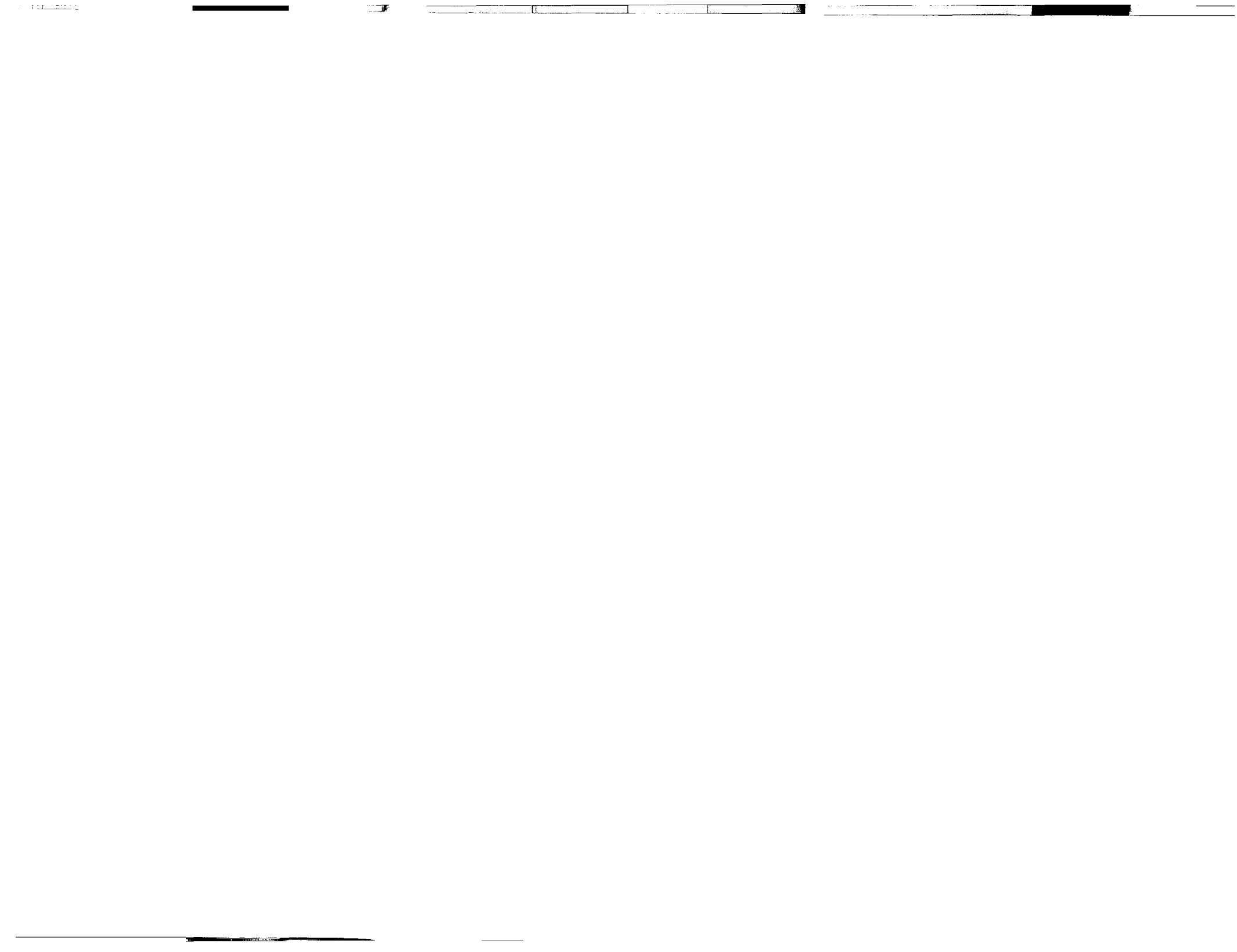
1997 CONSOLIDATED REPORT

This report consolidates information about all HUD programs, replacing
12 previously-published, congressionally-mandated reports with one.









A MESSAGE FROM THE SECRETARY

These are exciting times. Our country is in the sixth year of an economic expansion that has already generated more than 16 million new jobs. Inflation and unemployment are at their lowest points in a quarter of a century and poverty and welfare dependency are declining. Violent crime has fallen dramatically for six straight years, and the stock market has soared, adding more than a trillion dollars of wealth in the last year alone.

Yet not everyone has shared in this prosperity. The housing situation for those occupying the lowest rung of the economic ladder is worsening. Despite our Nation's growing economy, a record 5.3 million households pay half or more of their income for housing or live in poor-quality units.

Moreover, HUD's *State of the Cities 1998* report found that even though cities are fiscally and economically stronger than they have been in a decade, they continue to face the potent, long-term triple threat of concentrated poverty, constrained job growth, and a steady loss of middle-class residents. Cities are also challenged with bridging three fundamental opportunity gaps—in jobs, education, and housing—that are critical to reducing poverty and retaining middle-class families.

These troublesome disparities reinforce the importance of HUD's work to produce safe, decent, affordable housing, create jobs, and to help build strong communities. When I took office in January 1997, the Department faced a competence gap that compromised our mission. With a laser-like focus, HUD began the task of putting our own house in order. Drawing upon the best public- and private-sector management approaches and drawing on teams of HUD employees from all parts of the organization, we worked for months to create the *HUD 2020 Management Reform Plan*, a comprehensive plan to reform the way HUD delivers programs and services to America's communities.

I am proud to say that over the past year we have successfully implemented that plan and addressed many of the problems that have long plagued the Department. Some of the most significant reforms for the first time clearly divided the staff functions of those who give communities access to HUD programs from those who monitor and oversee programs to ensure integrity. Today the Department's new Community Builders are connecting clients and communities to the full range of HUD resources, while Public Trust Officers administer program competitions and oversee program operations—preventing waste, fraud and abuse in all parts of HUD. The Community Builder Fellows has taken off—with over 8,000 applications for the first class of 230 Fellows. To augment these efforts, we have also established a new Enforcement Centers headed by a Senior FBI agent to protect the taxpayers' investment in assisted housing and by the end of 1999 the first-ever nationwide inspection of HUD housing will be completed through our new Assessment Center.

In addition, "Storefront" offices are being established throughout the country in easily accessible areas of downtown business districts. The Storefronts will offer state-of-the-art computer technology to make HUD's consumer information available to anyone who wants it—with just a few keystrokes. These public information kiosks will contain basic information about HUD and its programs, while HUD "Answer Machines" will give customers easy access to useful information on all HUD's services.

An outside assessment by management expert David Osborne concluded that "if HUD continues down the road it is going today—and continues to refine its strategy—the agency that was once a symbol for government scandal in the 1980s could very well be a model for reinvention in the 1990s." And now HUD's proven competence is paying off as the agency is receiving from Congress the budget resources needed to help rebuild communities.

HUD's recently announced Fiscal Year 1999 budget, the agency's best in a decade, validates the success of these reforms—a \$2 billion overall increase shared by every major program area and a major reform of public housing. The new budget says that HUD's



Cuomo's blueprint for change gets really interesting when it moves from internal structures to how HUD interacts with the outside world. One of his goals is to increase dramatically the interactivity between HUD and its customers, including community groups and rank-and-file citizens. For example, Cuomo plans to install Web kiosks in government buildings. Such connectivity tools, he believes, are a way to share more information with community groups—which can, in turn, better monitor how HUD spends its money."

—Fast *Company* Magazine,
April/May 1998

affordable housing as a platform on which personal growth and improvement can occur. Our community initiatives support job growth and train people to fill those jobs. Our fair housing programs break down barriers for those who are unjustly held back by discrimination.

We are confident a more integrated Department that offers a menu of accessible tools and works in partnership with communities is the best vehicle to help close the opportunity gaps that we face. With a new HUD for a new century, we are better prepared to help communities help themselves—and ensure that all Americans have the opportunity to succeed and thrive in this new era. It is a time to be hopeful about what we can achieve and to work with renewed energy and vigor to seize this opportunity to invest our economic good fortune for the benefit of all Americans.



Andrew Cuomo
Secretary
U.S. Department of Housing and Urban Development

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Years of neglect left HUD with the dubious distinction of being the only Federal agency designated "high risk" by the U.S. General Accounting Office. During 1997, HUD made significant progress in correcting past problems, highlighted by management reforms to improve HUD's performance and an aggressive campaign to wipe out waste, fraud, and abuse in its programs.

Section 2: HUD—Your Community Partner 17

HUD's programs are designed to empower communities and build long-term solutions to the challenges these communities face by offering a comprehensive menu of Federal support. In 1997, HUD initiatives helped ensure that localities have the resources they need to create jobs, promote economic development, fight crime, and create healthier and more sustainable communities.

Section 3: HUD—Your Next Door Neighbor 39

President Clinton pledged to reach a 67.5-percent homeownership rate by 2000, and 1997 got the country off to a great start. The national homeownership rate hit an all-time high of 66 percent, driven by an upsurge in homeownership by minorities and new immigrants. HUD's efforts to promote homeownership spanned a wide gamut, from the time-tested Federal Housing Authority (FHA) mortgage insurance programs to such new efforts as Homeownership Zones in inner cities. However, the job continues.

Section 4: Putting the "Housing" Back in HUD 49

HUD is back in the housing business. In 1997, with the support of the Clinton-Gore Administration and the U.S. Congress, HUD successfully addressed a looming crisis in the Section 8 rental housing program and continued the historic transformation of public housing into mixed-income communities. HUD assisted homeless people not only with emergency shelter but also with transitional and permanent housing, education, training, health care, and social support.

Section 5: Creating Opportunities for All 65

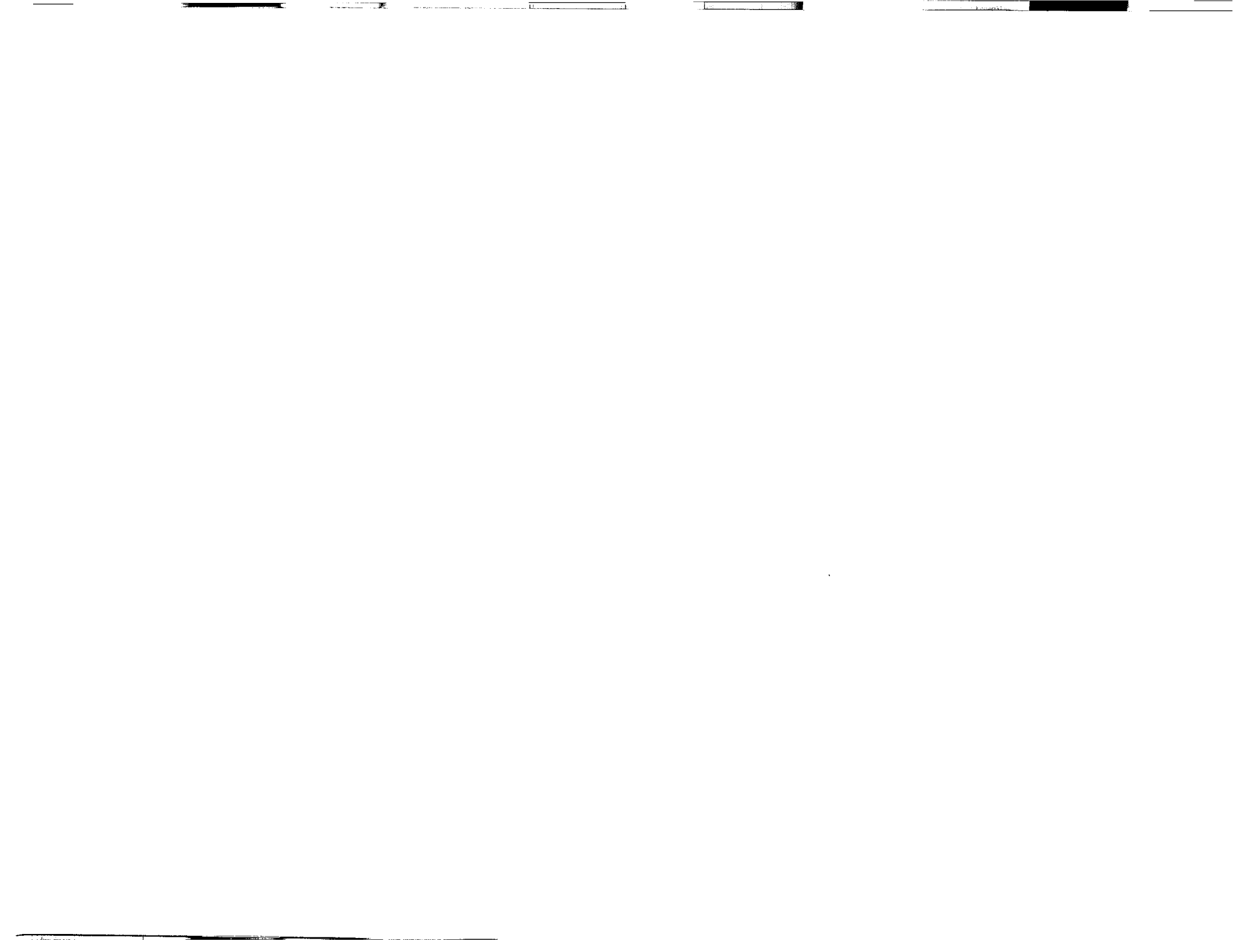
HUD programs helped welfare recipients and other low-income families get on the road to financial independence through education, job training, and other critical support.

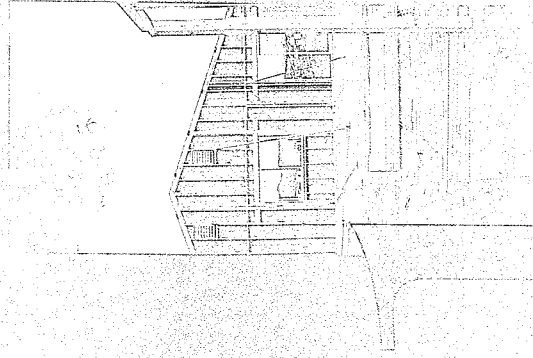
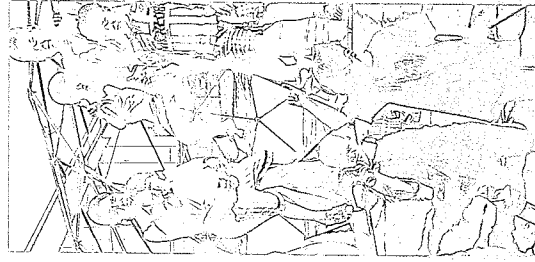
Section 6: Many Neighborhoods—One America 75

These days, housing discrimination is often more subtle than overt. That doesn't make it any less dangerous or illegal. Since 1968 HUD has assumed a leading role in administering the Fair Housing Act. Now, 30 years later, HUD is vastly stepping up its enforcement efforts, pledging to double the number of fair housing actions while creating innovative fair housing partnerships with the housing industry.

Headquarters and Regional Offices 80

Appendixes are available both as a separate document and on disk. Call 1-800-HUD-USER for additional copies of the 1997 Consolidated HUD Annual Report and appendixes. Both are available on HUD's home page at [HYPERLINK http://www.hud.gov](http://www.hud.gov).





PUTTING HUD'S HOUSE IN ORDER

1. PUTTING HUD'S HOUSE IN ORDER



1997 Highlights: Putting HUD's House in Order

Management Reform. On June 26, HUD announced the Management 2020 plan to fundamentally reform the Department. The plan clarifies HUD's mission, streamlines its operations, improves customer service, relocates HUD offices in neighborhoods, harnesses new technology, and promises to infuse the Department with a new generation of talent.

Community 2020. HUD's consolidated planning process and its Community 2020 mapping software enable citizens to help plan the future of their communities. These initiatives won Howard's John F. Kennedy School of Government Innovations in Government Award.

Housing 2020. Congress enacted legislation offered by Secretary Cuomo and U.S. Department of the Treasury Secretary Robert Rubin to end "out-of-whack" rental subsidies and help reform multi-family management. This historic legislation—the first time that HUD and the Treasury Department proposed joint legislation on housing and tax policy—helps ensure affordable housing for families and generates a savings to taxpayers of \$1.4 billion over 5 years.

Get Tough Campaign. Secretary Cuomo joined with U.S. Attorney General Janet Reno to launch the "Get Tough" campaign to crack down on waste, fraud, and abuse in housing programs. The new initiative resulted in the debarment of 125 owners and operators (a 307-percent increase over 1996), the arrests of 1,400 persons living in public housing, and the debarment of 26 public housing officials who failed to properly administer programs.

"For HUD to fulfill its mission, it must have credibility—with Congress, with local governments, and with the customer. They must all believe that HUD has the competence and capacity to perform its functions. It's time HUD put its own house in order."

Secretary Andrew Cuomo

Senate Confirmation Hearing, January 1997

Soon after taking office, Secretary Cuomo announced that, 'to survive,' HUD would have to reinvent itself. Years of neglect had left HUD with the dubious distinction of being the only Federal agency designated high risk by the General Accounting Office. The Department faced a competency gap that compromised its ability to empower people and communities by moving HUD's resources out of Washington and into communities.

At President Clinton's direction, and with Vice President Gore's strong support, HUD set out to fix these problems. With the release of the Management 2020 reform plan in June 1997, the Department's efforts focused on three ways of closing the competency gap:

- Improving customer service and reforming the way programs are delivered.
- Streamlining operations and integrating management systems through the use of new technology
- Eliminating fraud, waste, and abuse.

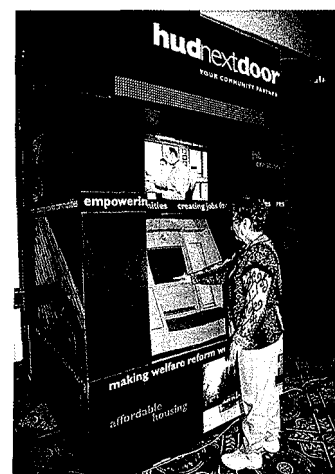
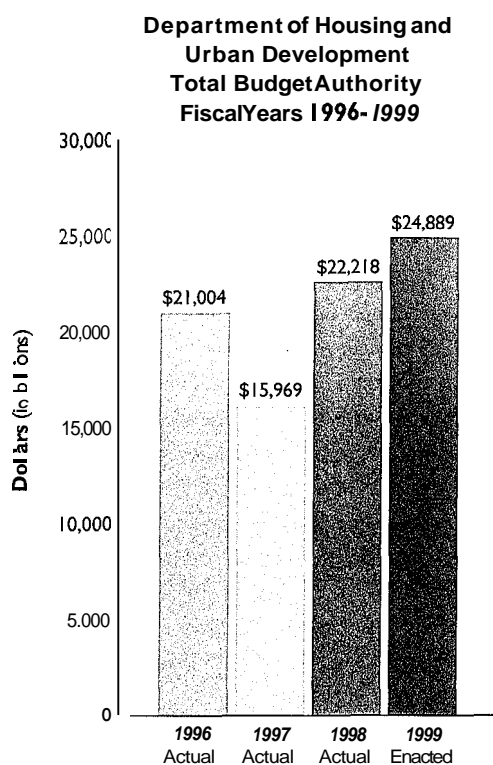
The HUD reform plan has two overriding goals: empowering communities and protecting the taxpayers' investment in the Nation's housing.

In one year, HUD has made significant strides in proving that it can be reformed and competently deliver programs and services to communities. These new management reforms will ensure better control and results over the Department's \$25 billion in community development and housing programs. The Clinton Administration has noted the

progress HUD has made in reforming itself, and the result was the smartest, strongest HUD budget in a decade. FY 1999 funding for HUD would increase \$2 billion, cutting across all program areas. Consistent with the Government Performance Results Act (GPRA), new funding will be directed toward achieving objectives outlined in HUD's 1999 Performance Plan.

HUD spent 1997 undertaking management reform not solely to improve administrative capacities, but also to restore public confidence so the Department can better serve the millions of low- to moderate-income Americans who need

HUD's job creation programs and depend on the Department for a decent, affordable place to live. We have made the transition from bureaucracy to community partner creating a new HUD where there is opportunity for all.



FOCUS ON CUSTOMER SERVICE

HUD's Management 2020 reform plan put into place important changes to improve customer service. The Department began to create a direct connection to its customers through its new "Storefront" offices and Community Builders, the new frontline HUD staff whose primary responsibility is to help empower communities to meet local needs. The new SuperNOFA process presents opportunities for empowerment and self-sufficiency through a coordinated process that lets communities design strategies to best address their needs. Through new technology, grants are now more easily and effectively monitored both at the local level and at HUD headquarters.

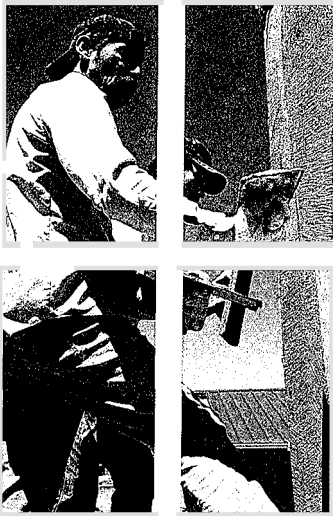
Deploying New Community Builders

Six hundred Community Builders — Harvard-trained and knowledgeable about the wide range of HUD programs — will be the voice of HUD in communities across America by the end of 1998. Community Builders assist communities in developing powerful local housing and community development strategies. The Community Builder team includes experienced HUD staff as well as some of the best and brightest local community leaders, who serve as fellows for two years. This new talent understands HUD's resources from a local perspective and uses that knowledge to advise grantees and to solve problems.

Borrowing an idea from President Kennedy, the federal government will seek experts from the private sector to help revitalize urban areas.

"Like the Peace Corps, we will expand over the years into a powerful movement for change, growth, and self-empowerment," says HUD Secretary Andrew Cuomo. "Community builders will bring to urban renewal what the Peace Corps continues to bring to global development."

— USA Today,
March 18, 1998



Brings New Storefront Office to D.C.

HUD Storefronts are new offices that literally take HUD to the streets. The first of these new offices recently opened at 801 North Capitol Street, NW, in Washington, DC, and serves as a national model for new HUD offices opening across the Nation over the next 3 years. Today most HUD offices are in highrise buildings. The Storefront brings together innovative space design, technology, and customer service all at the street level—breaking with staid Federal Government traditions. This allows easier access to HUD services and customers.

In addition to an easy-to-access street-level location, the new District of Columbia office has state-of-the-art technology to give people useful information about HUD services and programs. Technology available to the public includes a touch screen kiosk outside the HUD Storefront and dedicated computers inside (called HUD Answer Machines) to help people learn how to buy a home, get a home improvement loan, apply for rental assistance, or even file a housing discrimination complaint.

Staffed by Community Builders and HUD's new frontline staff, as well as experienced HUD program specialists, these new HUD offices will serve as the community's first point of contact with the Department. The public will have easy access to information such as how to buy a home and guidance on all HUD activities. In addition, the public will be encouraged to use the office for community meetings, participate in satellite training presentations, or just browse HUD's fact-filled home page on the Internet.

The new storefront is intended not only to be a clearinghouse for creative community development and help for the poorly housed, but also a symbol of the reinvention of HUD.

"When I walked in, I couldn't believe I was in a government establishment," said Maryland's Prince George's County Executive Wayne K. Curry.

—The Washington Post,
May 7, 1998

Getting HUD Resources Into Communities

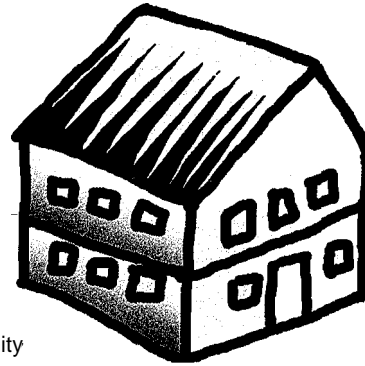
HUD is redesigning local offices as "one-stop shops" where the Department's face-to-face work gets done with community groups, residents, grantees, and other constituents. Offering advanced technology through HUD "Answer Machines" and HUD Kiosks allows customers at HUD's Storefront to obtain clearly presented, basic information on HUD's full range of programs and services 24 hours a day, seven days a week. This new technology also enables staff to access information, compile data, and address customer needs more effectively.

Improving Community Planning and Development (CPD)

HUD has developed state-of-the-art community mapping software called Community 2020 that enables planners to visualize a community's conditions by using vast demographic/census data and information on CPD-funded programs. HUD has incorporated special features into its design that make access easy for citizens and community organizations, including novice users. Residents can see exactly how much money is going into their communities—even at the neighborhood level—and how it is being spent. Modified versions of this powerful community planning tool are available on HUD Answer Machines and at HUD kiosks.

SuperNOFA: Moving Toward One HUD

Strong communities are the result of the hard work, vision, and dedication of the people who live and work within them. HUD can support these efforts with critical resources and broad national objectives, but it is the community—local government



agencies, nonprofit groups, residents, faith-based organizations, educators, and businesses—that must design strategies that best address the community's needs and opportunities.

In 1997, HUD changed its competitive programs to mirror how a community thinks, rather than how HUD is organized. In the past, each of HUD's 40 competitive programs had its own Notice of Funding Availability (NOFA) released at various times throughout the year. Each NOFA was published in the Federal Register with different timelines, rules, application requirements, and criteria used to evaluate applications. This fragmentation hindered communities' efforts to plan holistically and to fund coordinated, interconnected strategies.

HUD no longer issues separate Notices of Funding Availability (NOFAs) for each grant program. Instead, competitive grant programs are announced in one of three consolidated NOFAs (SuperNOFA). Each provides grant applicants with a complete menu of HUD competitive funding available in a given year to address community needs and opportunities. The SuperNOFA standardizes the application and selection processes, making HUD's expectations clearer and the application process easier. For example, if an applicant wants to apply for two or more programs that fall within a specific group of programs designed to address similar issues, the applicant will no longer be required to duplicate certain information required for each program.

HUD implemented this process at the request of community groups, who said that HUD resources and programs should be easier to access, easier to understand, and easier to coordinate in order to support coordinated neighborhood and community strategies more effectively (Refer to Exhibit I-2).

Tracking HUD Funding

HUD has put in place the Integrated Disbursement and Information System (IDIS) to track its four major formula grant programs that disburse more than \$6 billion annually. Previously, State and local governments submitted year-end reports, causing huge backlogs. Now, reporting occurs as each step of the project or activity is completed. This IDIS enables HUD and communities to better monitor projects, activities, accomplishments, and expenditures.

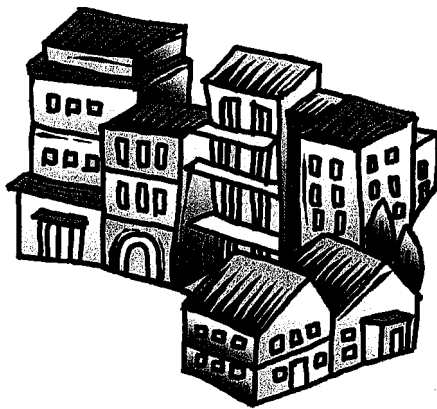
USING TECHNOLOGY TO IMPROVE SERVICES

Before the HUD reorganization, nearly every program operated its own information system. The new HUD will have a common, consolidated, financial management information system to facilitate communication among HUD, its grantees, and communities across the Nation. In the integrated data system, all accounting data will be fed into a standard general ledger and management information will be available to all managers.

HUD is also improving its financial systems to better coordinate budget processes, achieve more efficiency in accounting, and create stronger internal management controls. The budget office is now integrated into the Office of the Chief Financial Officer: Accounting operations will be consolidated from 10 field operations to one location.

DID YOU KNOW?

HUD was the only Federal department or agency to submit its FY1999 budget to the Office of Management and Budget on time.



USING NEW TECHNOLOGY TO STREAMLINE OPERATIONS

Using new technology the HUD reorganization will consolidate HUD programs and avoid costly duplication by consolidating routine administrative functions for housing assistance, accounting, enforcement, and single family homeownership. These functions will be handled in 70 special "back-office" regional processing centers across the country.

Exhibit 1-2

Grant Programs Included in the SuperNOFA

SuperNOFA	Grant Program	1998 Funding Amount ¹ (in millions of dollars)
Housing and Community Development	Technical Assistance (TA)	
	HOMETA	\$ 31.0
	Community Housing Development Organizations (CHDO) TA	42.0
	Supportive Housing Program TA (homelessness)	4.4
	Community Development Block Grant (CDBG) TA	5.0
	Universities and Colleges	
	Community Outreach Partnership Centers (COPC)	7.0
	Historically Black Colleges and Universities (HBCU)	6.5
	Community Development Work Study (CDWS) ²	3.5
	Hispanic-Serving Institutions Work Study Program (HSI WSP) ³	3.0
	Fair Housing Outreach and Assisted Housing Counseling	
	Fair Housing Initiatives Program (FHIP)	
	• Education and Outreach Initiative (EOI) ⁴	1.0
	• Private Enforcement Initiative (PEI)	9.3
	• Fair Housing Organizations Initiative (FHOI)	1.2
	Housing Counseling Program (HCP)	18.0
	• Local counseling agencies	
	• National, regional, multistate agencies	
	• State housing finance agencies	
	Lead-Based Paint Hazard Control	
	Lead-Based Paint Hazard Control Program	50.0
Economic Development and Empowerment	Modernization and Revitalization	
	Comprehensive Improvement Assistance Program (CIAP)	304.0
	HOPE VI	
	• Revitalization Grants	416.0
	• Elderly Housing Grants	260.0
	Drug Elimination in Public and Assisted Housing	
	Public and Indian Housing Drug Elimination Program (PHDEP)	
	• Grants	288.0 ⁵
	• Technical Assistance	2.0
	New Approaches Anti-Drug Program	20.0
	Multifamily Housing Drug Elimination Program (MHDEP)	16.3
	Economic Development Initiative (EDI)	38.0
	Brownfields Economic Development Initiative (BEDI)	25.0
	Youthbuild	35.0
	Economic Development and Supportive Services (ED/SS) program	43.0

¹ The funding amounts listed in the table are *approximate*. They do not necessarily reflect the exact amount of funding that will be made available through the 1998 competition.

² The CDWS and HSI-WSP programs were scheduled to be released in their own NOFAs prior to the date of the first SuperNOFA so that the applicants could meet recruiting requirements for the students assisted by these programs.

³ *Ibid.*

⁴ An additional \$3.5 million in funding for EOI notional projects will be *announced* under a *separate* national NOFA (see discussion at end of part I).

⁵ Approximately \$45 million of this total is FY1997 second-round funding and is available only to eligible applicants that did not receive funding from this program in FY1997.

Grant Programs Included in the SuperNOFA (continued)

	Tenant Opportunity Program (TOP)	16.8
	Portfolio Reengineering Outreach and Training Program ⁶	6.0
	Secondary Market Nonconforming Loans Demonstration ⁷	10.0
Targeted Housing and Homeless Assistance Programs	Homelessness Assistance	
	Continuum of Care	\$640.0
	• Supportive Housing Program (SHP)	
	• Section 8 Moderate Rehabilitation Single Room Occupancy (SRO) Program for Homeless Individuals	
	• Shelter Plus Care (S+C)	
	Elderly	
	Section 202 Supportive Housing for the Elderly	402.0
	Elderly/Disabled Service Coordinator Funds (EDSCF)	13.0
	Persons With Disabilities	
	Section 811 Supportive Housing for Persons With Disabilities	74.0
	Section 8 Mainstream Program	48.5
	Section 8 Designated Housing	40.0
	See EDSCF under Elderly above	
	Housing Opportunities for Persons With AIDS (HOPWA) (Competitive)	20.2
	Other	
	Section 8 Family Unification Program (FUP)	NA ⁸

⁶ Since the Portfolio Reengineering Outreach and Training Program and Secondary Market Nonconforming Loans Demonstration are related to housing, they were intended to be part of the Housing and Community Development NOFA of the SuperNOFA. However, program details were still in development as of the publication date of the Housing and Community Development NOFA; therefore, these programs were grouped in a subsequent NOFA.

⁷ Ibid.

⁸ The amount of funding allocated to the Section 8 Family Unification Program had not been determined at the time of publication.

Streamlining HUD's Workforce

Through unprecedented employee and personnel actions such as buyouts and personnel reorganization, HUD has streamlined staffing and reorganized operations. HUD's workforce is now 9,000,500 less than at the end of 1996. This achievement resulted from a historic agreement between Secretary Cuomo and HUD's union to downsize gradually without layoffs.

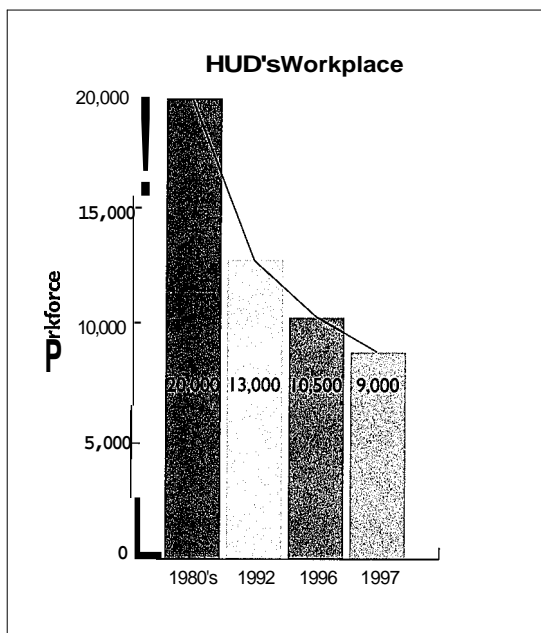
Consolidating Programs and Financial Systems

With Congress' help, HUD will consolidate 300 programs down to 71. Already, the reform effort has begun to integrate 89 separate financial systems into one system to help managers make decisions and show how communities invest their dollars.

Reorganizing FHA to Deliver Results

Reforms will have a major impact on HUD's largest division, the Federal Housing Administration (FHA). The Multifamily Housing program is consolidating Field Office structures into 18 Program Hubs and 33 Program Centers to enhance program administration and oversight. Multifamily Housing also will be using Contracting Administrators to administer Section 8 contracts. Both the Homeownership Centers and Hubs are operational. Before the reorganization, 2,000 employees in 81 Field Offices were needed to process mortgage insurance, manage assets, and dispose of single-family properties, with much

Exhibit 1 -



DID YOU KNOW?

HUD has begun using electronic bidding in auctions of HUD homes. At selected HUD offices, bids can be submitted through the Internet or a touchtone telephone. The new system gives brokers and agents the option to send in their bids 24 hours a day, seven days a week, from any location. As an example, the bidding process on HUD-owned properties in Ft. Worth is now totally paperless.

of the work being done manually FHA has consolidated single-family processing operations into four automated Single Family Homeownership Centers modeled on the private sector. These new centers are reducing FHA loan application processing time from 4-5 weeks to 4-5 days

Automated Underwriting

HUD has partnered with Freddie Mac and Fannie Mae to use new technology to help customers quickly find out whether they qualify for an FHA loan. Using "Loan Prospector" or "Desk Top Underwriter," a lender can determine whether a customer qualifies for a loan in just minutes. Previously, it took up to 6 weeks to process the paperwork for loan approval. Reduced document requirements and enhanced technology have cut the loan process to just days.

Adopting a New Management System for Public Housing

HUD reforms are also overhauling Public and Indian Housing. Now, 28 hubs will supervise and perform all administrative functions—including monitoring program performance, administration, technical assistance, and compliance—while 15 program centers will handle all program activities. There also will be two Troubled Agency Recovery Centers charged with helping troubled Public Housing Authorities improve their management.

Cross-Cutting Assessment Center

HUD is creating a new system for assessing the physical and financial health of multifamily properties and public housing authorities that will establish annual performance scores for each property and unit. By the end of 1999, the first nationwide inspection of HUD's assisted housing will be completed.

Developing a Strategic Plan

To help the Department better focus on its mission, HUD began to develop a strategic plan in 1997 that contains goals and objectives necessary for tracking program priorities and accomplishments—all within the context of a sound management structure and stewardship over billions of taxpayer dollars. In 1998, HUD submitted the Department's FY 1999 Annual Performance Plan to Congress. The plan contains specific performance goals such as increasing the national homeownership rate to 67.5 percent by 2000, reducing housing discrimination, increasing assistance and supportive services to homeless individuals and families to enable them to obtain permanent housing and achieve self-sufficiency, and strengthening the planning and development capacity of State and local governments to revitalize distressed neighborhoods and communities.

HUD's Strategic Objectives

- Empower communities to meet local needs.
- Help communities and States establish a full continuum of housing and services designed to assist homeless individuals and families in achieving permanent housing and self-sufficiency.
- Increase availability of affordable housing in standard condition to families and individuals, particularly the Nation's poor and disadvantaged.

- Reduce the isolation of low-income groups within a community or geographical area
- Provide empowerment and self-sufficiency opportunities for low-income individuals and families.
- Increase homeownership opportunities—especially in central cities—through a variety of tools such as expanding access to mortgage credit
- Promote equal housing opportunities for all Americans.

Source HUD Annual Performance Plan FY1999

ELIMINATING FRAUD, WASTE, AND ABUSE

During the first year of HUD's historic management reform effort, Secretary Cuomo worked to improve accountability in HUD's housing programs. These efforts include new enforcement measures to prevent those using HUD programs (property owners, tenants, contractors, or housing authorities), from abusing the public trust or defrauding the Government. HUD's reform and enforcement measures improved the living conditions for thousands of families and individuals whose housing had deteriorated from years of neglect.

Public Trust Officers (PTOs)

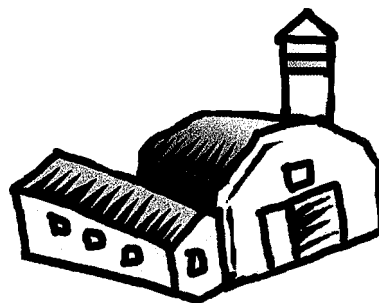
HUD is increasing the number of its employees working on troubled properties by moving them from program areas being downsized as a result of technology improvements. The majority of HUD employees are now PTOs—HUD's foot soldiers in promoting effective long-lasting program implementation and eliminating fraud, waste, and abuse. They are receiving additional training in contract administration, underwriting, finance, communications, problem solving, and project management. PTOs refer significant problems to the new Enforcement Center:

New Enforcement Center

In July 1997, Secretary Cuomo joined with the U.S. Department of Justice Attorney General Janet Reno and the FBI Director to establish an Enforcement Center. A senior FBI agent was appointed Director of HUD's new Enforcement Center. The Center's mission is to protect the taxpayers' investment and restore the public trust. Working cooperatively with DOJ and other law enforcement teams, the new Enforcement Center will take action against those abusing HUD programs. The Center will take aggressive action against owners and managers of HUD-supported housing that fails physical and financial inspections. The Center will also generate an ongoing fraud control strategy that identifies potential fraud situations and develops appropriate policy responses to ensure that fraud is stopped before it occurs.

Getting Tough on Bad Landlords

HUD's crackdown on bad landlords has been one of the Department's most dramatic enforcement measures. In partnership with DOJ, HUD cracked down on landlords who used Federal housing programs to make themselves rich while failing to provide safe and decent housing for the poor; increasing the number of debarments by 307 percent.



Appearing at a news conference with Attorney General Janet Reno,

Mr. Cuomo announced the "Get Tough" partnership with the Justice Department, which he said would reflect a new priority in his department—to search out landlords who are diverting money for their personal use and cheating tenants by ignoring problems that need repair.

"Our message to landlords is very simple: if you misuse Federal resources, we will find out, we will track you down and we will make you pay," Mr. Cuomo said.

— The New York Times,
March 25, 1997

DID YOU KNOW

In 1997 tougher enforcement resulted in the debarment of 125 landlords from HUD programs, a 307-percent increase over 1996.



Housing Secretary **Andrew M. Cuomo** yesterday announced efforts to shut down "estate planners" who have charged hundreds of elderly Americans thousands of dollars for services that were available free from the government.

— The Washington Post,
March 18, 1998

Ending "Out-of-Whack" Rent Subsidies

HUD Secretary Cuomo and Treasury Secretary Rubin won Congressional approval for legislation to end excessive subsidies to landlords. HUD received authority to bring "out-of-whack" rents for assisted housing into line with standard local rents. HUD previously was required to pay twice the fair market rates—or more—for some HUD-subsidized apartments. For example, in Las Vegas, the average Federally assisted apartment rented for \$820, while the private market rate was \$380. HUD's Housing 2020: Multifamily Management Reform legislation ends excessive rent subsidies by renegotiating and reducing HUD-insured mortgages while helping owners of housing developments manage adverse tax consequences as a result of the mortgage restructuring. The legislation ensures affordable housing and generates a savings to taxpayers of \$1.4 billion over 5 years.

Protecting Homeowners and the Elderly from Fraud

HUD initiated an effort to end contractor fraud in HUD's home improvement loan program and also protect senior citizens from reverse mortgage fraud.

HUD's Title I Home Improvement program is one of the principal sources of home improvement loans for low- and moderate-income families. In May 1997, HUD proposed changing the Title I Home Improvement program to prevent scam artists from preying on innocent homeowners. HUD found that some unscrupulous contractors performed shoddy work, falsified documents, and overcharged homeowners who needed the Title I program to renovate and repair their homes. Upon adoption of this new proposal, contractors will no longer be permitted to handle their own loan arrangements; instead, homeowners will work through certified lenders only. To date, this initiative has resulted in the debarment of, and/or penalties against, more than 25 contractors.

Secretary Cuomo also took steps to stop companies from defrauding the elderly in HUD's reverse mortgage program. The Home Equity Conversion Mortgage Program enables house-rich, but cash-poor seniors to tap into the equity in their homes, making cash available for retirement or emergency expenses. HUD directed more than 8,000 FHA lenders to stop doing business with companies that charge senior citizens large fees for reverse mortgage services that HUD provides for free. HUD established a 1-800 hotline for reverse mortgage information and complaints. More than 8,000 calls for information have been received, and 76 complaints have been referred for investigation.

Honest Lending Contracts

Secretary Cuomo developed an "Honest Lending Contract" in an effort to prevent uninformed borrowers from being exploited by dishonest mortgage brokers. The simple one-page contract informs homebuyers upfront about the key details of the mortgage—interest rate, fees, and whom the mortgage broker represents. The contract is a first for the \$720 billion-per-year mortgage industry and will protect 3 million homebuyers each year, saving them millions in inflated interest rates and fees.

Protecting Homebuyers: FHA Refunds

Secretary Cuomo launched a drive to find 100,000 homebuyers who were owed \$70 million in refunds by the Department. The refunds are owed to homebuyers who paid off FHA-insured mortgages in less than 7 years. He also began a crackdown on individuals and businesses that posed as Federal agencies and charged people millions in needless fees for refunds. HUD began working with the Internal Revenue Service to find thousands

more owed HUD refunds HUD is using the Internet, a toll-free phoneline, and public service announcements to give individuals easier access to information on their refunds. About 91 percent of all homebuyers owed refunds are found and paid in any given year. In FY1997, \$192.9 million in refunds went to 196,842 homebuyers.

The initiative also involves action by HUD and the Federal Trade Commission against companies and individuals—called tracers—that charge homebuyers 10 to 30 percent of their refunds to obtain the refunds. Tracer fees often reach hundreds of dollars per refund, and sometimes top \$1,000. Tracers also recruit people, often using the Internet, who pay fees to become tracers themselves—although the newcomers usually lack access to information needed to succeed.

One America: Ending Housing Discrimination

To meet his goal of achieving One America, in September 1997 President Clinton directed HUD to double the number of enforcement actions it brings under the Fair Housing Act during his second term. In response, HUD announced an intensified attack on housing discrimination and entered into partnerships with 67 nonprofit groups to reduce discrimination as well as 100 best practices agreements with key lenders, resulting in expanded opportunities for women and low-income minority families. As a result of this increased action, Secretary Cuomo recently announced the highest settlement of mortgage lending discrimination allegations in U.S. history—a conciliation agreement to target \$2.1 billion in mortgages to minorities and low- and moderate-income families in the next three years. In addition, the Department announced a major inquiry into the state of mortgage discrimination nationwide in an effort to close the "home-ownership gap" that divides cities from suburbs and whites from minorities.

Make 'Em Pay

Thirty years after the passage of the Fair Housing Act, housing discrimination continues to plague America. HUD's "Make 'Em Pay" initiative uses civil action and increased penalties against people who commit hate-related housing crimes. Make 'Em Pay also includes a closer partnership with DOJ, civil rights advocacy groups and fair housing organizations to identify and fight these crimes; better training for those fighting discrimination; and creative uses of interactive technologies to fight discrimination.

A NEW HUD: OPPORTUNITY FOR ALL

The management reforms HUD began in 1997 mean HUD is putting its house in order and restoring public trust. HUD's renewed competence enables the Department to pursue its mission better: Increased confidence in the new HUD resulted in a \$2 billion increase in HUD's FY1999 budget.

The additional funds will enhance programs that have been retooled and improved for the 21st century. The challenges of a global economy, combined with the implementation of welfare reform, have placed new demands on communities across America and made HUD's economic development mission more vital than ever.

Because of changes that began in 1997, HUD will reinvent several programs to meet these challenges in an innovative way, including vouchers to help people move from welfare to work, reform public housing, and fund a second round of Empowerment Zones to bring opportunity back to the inner city. The complete evaluation of HUD's existing programs undertaken in 1997 allows the Department to build on successful core

LOOKING AHEAD:

HUD's \$24.5 billion budget for FY 1999 will transform public housing by reducing segregation by race and income, encouraging and rewarding work, bringing more working families into public housing, and increasing the availability of subsidized housing for very poor families. To deconcentrate poverty, additional moderate-income working families will be admitted to public housing where the poorest residents on welfare are now concentrated. At the same time, the poorest families will be admitted to public housing developments where families with higher incomes are now concentrated. In addition, the bill implements public housing reforms that were proposed by the Clinton Administration to require improved public housing management and increased program efficiency.



programs, such as funding to convert old brownfields into thriving businesses, and streamlines the community Development Block Grant program to provide communities with more resources and more flexibility to turn their plans into reality.

The new budget also puts HUD squarely back in the housing business. Housing is the foundation on which communities are built. For the past two years, tight budgets prevented any increase in new rental assistance. The FY 1999 HUD budget gets America back into the housing business, not by creating new programs but by reinventing and investing in old ones. It includes 90,000 new vouchers to help people find affordable housing and increase in funding to end the tragedy of homelessness. It also makes clear that all of HUD's separate housing roads should ultimately lead to one place: homeownership. Our goal is to help more people become homeowners, and this budget does so in innovative ways: by raising the FHA loan limits to help more middle-class families buy homes and by increasing HUD's campaign to weed out housing discrimination once and for all.

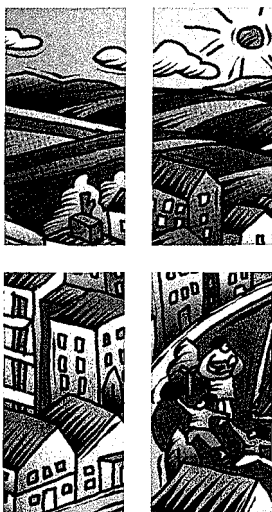
In the end, this budget increase is critical, not because HUD has closed its competency gap but because America still has an opportunity gap. Our country has more millionaires than at any other time in our history yet an estimated 600,000 Americans are still sleeping in the streets or in shelters every night. We have more homeowners than ever; but more than 5 million American households still pay more than 50 percent of their income for rent and receive no Federal rental assistance.

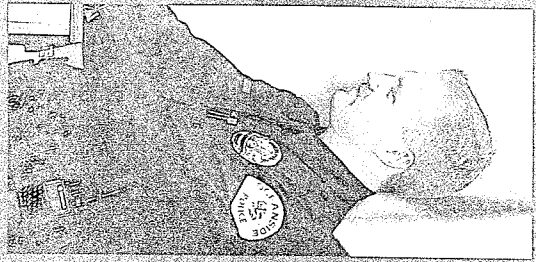
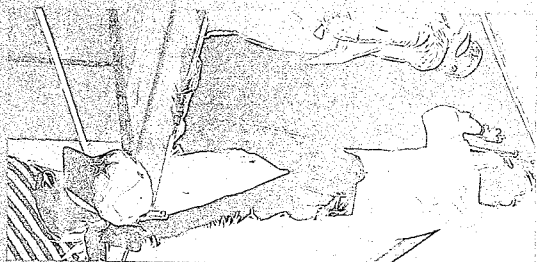
The goal of HUD and its FY 1999 budget is to be a better partner for communities and to empower them to address their unique local needs. This budget seeks to change HUD's role from that of a Washington commander to community partner with a Federal menu of opportunity. Not with solutions driven from the top-down, but from the bottom-up. Not with a one-size-fits-all mentality but with action plans written by and tailored to local communities. HUD's goal is not to tell communities what to do, but to help communities do what they want and need to do. In the process, the FY 1999 budget takes partnership to a new level by providing more resources and better tools that help communities close the opportunity gaps that exist for many Americans.

HUD Receives Best Budget In A Decade For FY1999

President Clinton has signed a \$245 billion FY 1999 spending bill for HUD that includes funds for 90,000 new housing vouchers—the first new vouchers in four years—and raises FHA mortgage loan limits up to \$200,000 opening up the dream of homeownership to more and more American families.

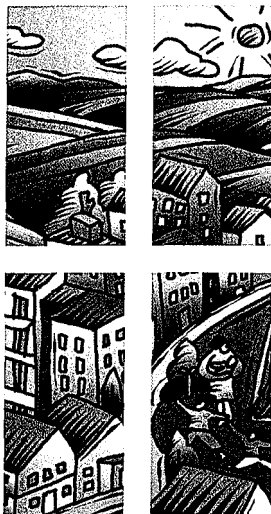
- Funding for HUD's key programs and renewals of Section 8 rental assistance is increased by a total of about \$2.7 billion in the budget over 1998 levels. Spending was not cut in any HUD program.
- Funding increases in HUD's budget include: a 1.7% rise over FY 1998 to \$4.75 billion for Community Development Block Grants, a 20% increase to \$3 billion for the Public Housing Capital Fund; a 6.7% rise to \$1.6 billion for HOME; an 18.5% increase to \$975 million for homeless assistance, a 33% jump to \$40 million for Fair Housing activities; and a 13.6% rise to \$625 million for HOPEVI.
- President Clinton said "this legislation will put America back in the business of providing new affordable housing, will transform public housing, and will increase homeownership opportunities."





HUD-YOUR COMMUNITY PARTNER

2. HUD—YOUR COMMUNITY PARTNER



HUD—Your Community Partner: 1997 Highlights

- **Community 2020 Series.** HUD launched the Community 2020 seminar series to engage the best minds in framing the cutting-edge issues facing the Nation's communities and regions and providing ideas that will help the Nation tackle the challenges of the new century.
- **Center for Community and Interfaith Partnerships.** HUD created this center in 1997 to foster deeper partnerships with faith-based organizations, community organizing networks, community development corporations, and other nonprofits.
- **Community Development Block Grants.** HUD distributed \$4.3 billion to 975 large and medium-sized cities and, through the States, to more than 3,000 small communities to promote community development partnerships across the country. More than 10,000 nonprofit groups and other public and private organizations received grants indirectly from HUD through CDBG.
- **Section 108 Loan Guarantees.** HUD provided nearly \$278 million in loan guarantees to help finance economic development projects nationwide.
- **Empowerment Zones/Enterprise Communities (EZ/EC).** The EZ/EC initiative reached \$4 billion of new private investment attracted to distressed areas since the program began, creating 20,000 jobs and providing job training and education for 45,000 EZ/EC residents.
- **Brownfields Redevelopment.** A new Brownfields National Partnership brought together resources from HUD and 14 other Federal agencies to clean up and redevelop contaminated brownfields. The Partnership represents a \$300 million Federal investment over two years in mostly urban land and is expected to support up to 196,000 jobs.
- **Disaster Recovery.** During 1997 HUD's Disaster Recovery Initiative, provided \$384.6 million in grants and other assistance to communities for recovery activities such as home and commercial rehabilitation, restoration of public facilities, homeowner-ship assistance, and businesses redevelopment.
- **Colleges as Community Partners.** HUD awarded \$6.5 million in grants to Historically Black Colleges and Universities (HBCUs) and, through the Community Outreach Partnership Centers program, an additional \$7.3 million to 25 academic institutions nationwide to support the efforts of colleges and universities to help revitalize their communities.
- **Fighting Crime.** HUD awarded 532 Drug Elimination Grants, totaling more than \$205 million, to fight crime and drugs in public housing.
- **Healthier Communities.** The Clinton-Gore Administration also announced a \$50 million Campaign for a Lead-Safe America to clean up lead paint and reduce the potential dangers of this highly hazardous material, which most threatens infants and young children.

The second annual *State of the Cities* report confirms that urban America is rebounding but still faces critical challenges in creating jobs for low-skilled workers, improving schools, and increasing the supply of affordable housing.

Jobs are growing in cities, and many downtown areas are undergoing a renaissance as centers of tourism, sports, entertainment, and the arts. Unemployment in central cities fell to an average of 5.3 percent in March 1998, down from 8.2 percent five years earlier:

Poverty rates fell too, from 21.5 percent in 1993 to 19.6 percent in 1996. Violent crime dropped an estimated 19 percent in large cities between 1993 and 1997. Although there is more work to do to raise the homeownership rate, half of all central-city households owned homes in 1997, up by 1 million homeowners since 1994.

Despite recent gains, central cities' share of metropolitan populations continues to decline, and a greater number of residents who remain live in poverty. In fact, most large cities have fewer people today than two decades ago, translating into a shrinking municipal tax base: about 1 in 5 urban families lived in poverty in 1996, compared with fewer than 1 in 10 suburban households. In employment, there is a sizable mismatch between the number of low-skilled jobs available and the number of urban residents who need work, especially minority youth, whose unemployment rate is five times the national average. In education, 60 percent of the children in urban school districts in 1996 failed to achieve basic levels of competency in reading and math on the National Assessment of Educational Progress. In the 20 largest urban school districts, more than half of all students never graduate high school.

HUD is changing its role in communities to ensure that localities have the tools and resources they need to address these challenges—not with Federal mandates or a one-size-fits-all formula, but with action plans written by local officials and tailored to local conditions. In 1997, as part of the effort to provide the Nation's communities with tools, not mandates, HUD launched the Community 2020 seminar series chaired by Vice President Gore. The Nation's best urban minds—scholars, mayors, and business and community leaders—have discussed and helped frame the cutting-edge issues facing the Nation's communities, such as jobs, fair housing, community policing, education, diversity, and homelessness. These forums are providing ideas and practical initiatives that will aid communities in successfully facing the challenges of the 21st century.

Exhibit 2-1

HUD—Your Community Partner: Budget Summary of Selected Programs FY1996-99 (in millions of dollars)

Program	FY 1996 (actual)	FY 1997 (actual)	FY 1998 (enacted)	FY 1999 (enacted)
Community Development Block Grants	4,650	4,604	4,674	4,750
Section 108 Loan Guarantees	33	32	30	30
Economic Development Initiative	[50]	—	[138]	[225]
Empowerment Zones/Enterprise Communities	—	—	5	45
Brownfields Redevelopment	—	—	25	25
Disaster Recovery	50	250	380	250
Historically Black Colleges and Universities	6.5	6.5	6.5	10
Community Outreach Partnership Centers	[7.5]	[7.5]	[7.5]	[7.5]
Drug Elimination Grants	290	290	310	310
Lead Hazard Reduction	[65]	[60]	[60]	80

[] Set aside within funding

* Mandatory funding

DID YOU KNOW?

During 1997 and 1998, HUD hosted six Community 2020 seminars. Topics included: Jobs and Economic Prosperity; Access Opportunity; Mobility: Making Diversity Work in America's Cities; The Road Home: Meeting the Challenge of Homelessness; Thirty Years of Fair Housing: Many Neighborhoods, One America; Strengthening Communities, Increasing Public Safety: Old Values, New Strategies; and Schools and Communities in the 21st Century: Educating Urban America.

HUD Creates Center for Community and Interfaith Partnerships

The mission of the Center for Community and Interfaith Partnerships, created in 1997, is to focus, integrate, and intensify HUD's efforts with faith-based organizations, community organizing networks, community development corporations (CDCs), and other nonprofit groups. The Center, while not a new funding source, is working to strengthen HUD's link with groups by providing information and expertise on HUD programs, seeking input on policies and programs and ways to better assist communities, and forging new and deeper partnerships.

HUD collaborates with community and faith-based organizations to help empower individuals who are low-income, disadvantaged, and homeless. In fact, many of HUD's current programs grew out of the vision and activities of these community-based organizations. Secretary Cuomo is committed to intensifying the Department's efforts to revitalize distressed communities by collaborating more effectively with grassroots organizations on these common goals.

Among the key tools required to meet these challenges are strong community development partnerships with local governments, businesses, and nonprofit organizations. HUD's new approach places great emphasis on nurturing such partnerships, because sustainable community development alone cannot succeed as a Federally driven objective. Partnerships have become particularly important as the number of highly capable community-based nonprofits has soared. Many of these organizations receive financial and technical support from HUD through such programs as CDBG, HOME, and the National Community Development Initiative, which is funded by HUD as well as major private corporations and foundations (refer to Exhibit 2-2).

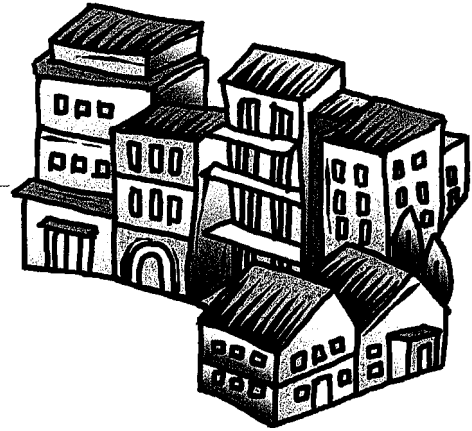
Exhibit 2-2

HUD Grant/Loan Programs That Help Communities Grow

Type of Applicant ¹	Available Programs
Governmental Organizations	
States	HOME Technical Assistance (TA) Supportive Housing Program TA (homelessness) Community Development Block Grants (CDBG) TA Community Development Work Study (CDWS) ² Fair Housing Initiatives Program (FHIP) <ul style="list-style-type: none"> • Education and Outreach Initiative (EOI) Lead-Based Paint Hazard Control Program Youthbuild Continuum of Care <ul style="list-style-type: none"> • Supportive Housing Program (SHP) • Shelter Plus Care (S+C) Housing Opportunities for Persons With AIDS (HOPWA)—Competitive

¹ Please refer to the "Eligible Applicants" section of the program description in the SuperNOFA for specific qualifications pertaining to who is eligible to apply.

² For Community Development Work Study, a State may apply on behalf of two or more colleges or universities located within the State. The schools must offer masters degree programs in eligible community building fields.



Units of General Local Government

HOMETA
Supportive Housing Program TA (homelessness)
CDBG TA
Fair Housing Initiatives Program (FHIP)
• Education and Outreach Initiative (EOI)
Lead-Based Paint Hazard Control Program
Economic Development Initiative (EDI)
Brownfields Economic Development Initiative (BEDI)
Youthbuild
Continuum of Care
• Supportive Housing Program (SHP)
• Shelter Plus Care (S+C)
Housing Opportunities for Persons With AIDS
(HOPWA)—Competitive

Public Housing Agencies (PHAs)

Fair Housing Initiatives Program (FHIP)
• Education and Outreach Initiative (EOI)
Comprehensive Improvement Assistance Program (CIAP)
(if PHA owns/operates less than 250 units)
HOPEVI
• Revitalization grants
• Elderly Housing grants
Public and Indian Housing Drug Elimination
Program (PHDEP)
• Grants
• TA
New Approaches Anti-Drug Program
Youthbuild
Economic Development and Supportive Services
(ED/SS) Program
Continuum of Care
• Supportive Housing Program (SHP)
• Section 8 Moderate Rehabilitation Single Room
Occupancy (SRO) program for homeless individuals
• Shelter Plus Care (S+C)
Elderly/Disabled Service Coordinator Funds (EDSCF)
Section 8 II Supportive Housing for
Persons with Disabilities³
Section 8 Mainstream program
Section 8 Designated Housing
• Allocation plans
• Specific projects
Section 8 Family Unification program

Tribally Designated Housing Entities (TDHE) Program

Public and Indian Housing Drug Elimination (PHDEP)
• Grants
• TA
New Approaches Anti-Drug Program
Economic Development and Supportive Services
(EDISS) Program

Indian Tribes

Economic Development and Supportive Services
(EDISS) program

Nonprofits and Others

Nonprofits

HOMETA
CHDOTA
Supportive Housing Program TA (homelessness)
CDBG TA
Community Development Work Study (CDWS)⁴
Fair Housing Initiatives Program (FHIP)⁵
• Education and Outreach Initiative (EOI)
• Private Enforcement Initiative (PEI)
• Fair Housing Organizations Initiative (FHOI)

³ To qualify for Section 8 II Supportive Housing the PHA must be 501(c)(3) tax-exempt

⁴ For CDWS, the nonprofit must be on areawide planning organization. Areawide planning organizations may apply on behalf of only two or more colleges or universities offering masters degree programs in eligible community-building fields.

⁵ For FHIP-PEI the nonprofit must be a fair housing enforcement organization. For FHIP-FHOI the nonprofit must be a fair housing enforcement organization or a nonprofit organizing to build capacity to provide fair housing enforcement

HUD Grant/Loan Programs That Help Communities Grow (continued)

Housing Counseling Program (HCP)⁴

- Local counseling agencies
- National, regional, multistate agencies
- State housing finance agencies

New Approaches Anti-Drug Program
Multifamily Housing Drug Elimination Program (MHDEP)¹
Portfolio Reengineering Outreach and Training Program
Secondary Market Nonconforming Loans Demonstration¹
Continuum of Care

- Supportive Housing Program (SHP)
- Section 8 Moderate Rehabilitation Single Room Occupancy (SRO) program for homeless individuals (private, nonprofits)

Section 202 Supportive Housing for the Elderly
Elderly/Disabled Service Coordinator Funds (EDSCF)
Section 811 Supportive Housing for Persons with Disabilities
Housing Opportunities for Persons With AIDS (HOPWA)—Competitive

Colleges and Universities

CDBG TA
Supportive Housing Program TA (homelessness)
Community Outreach Partnership Centers (COPC)
Historically Black Colleges and Universities (HBCUs)⁵
community Development Work Study (CDWS)¹⁰
Hispanic Serving Institutions Work Study Program (HSI—WSP)¹¹
Fair Housing Initiatives Program (FHIP)

- Education and Outreach Initiative (EOI)
- Private Enforcement Initiative (PEI)
- Fair Housing Organizations Initiative (FHOI)

Resident Organizations From Federally Assisted Housing Projects

Fair Housing Initiatives Program (FHIP)

- Education and Outreach Initiative (EOI)

Public and Indian Housing Drug Elimination

- TA

Tenant Opportunities Program (TOP)
Portfolio Reengineering Outreach and Training

Owners of Assisted Low-Income Housing

New Approaches Anti-Drug Program
Multifamily Housing Drug Elimination Program (MHDEP)¹²

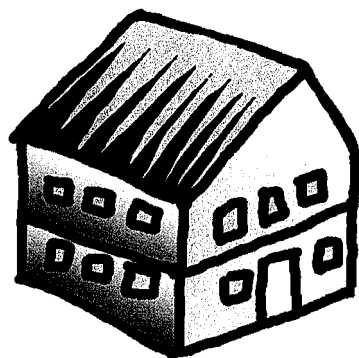
Federally Approved Education and Employment Training Organization

Youthbuild

For-Profit Professional and Technical Services Company

HOMETA
CDBG TA
Supportive Housing Program TA (homelessness)
Fair Housing Initiatives Program (FHIP)

- Education and Outreach Initiative (EOI)



⁴ For HCP the nonprofit must be a HUD-approved housing counseling agency.

⁷ Only nonprofits that own Federally assisted low-income housing may apply.

⁸ For the Secondary Market Demonstration, the nonprofit must be a community development financial institution.

⁹ To qualify for HBCUs the college or university must be designated as an HBCU by the U.S. Department of Education.

¹⁰ To qualify for CDWS the college or university must offer a masters degree program in a community-building field.

¹¹ To qualify for HSI—WSP the college must be a community college and meet the U.S. Department of Education's definition of a Hispanic-Serving Institution and offer an associate degree in an eligible community-building field.

¹² For MHDEP the housing assistance must be Federal housing assistance.

In 1997, HUD's Consolidated Plan was acknowledged as the primary tool for empowering communities to meet their local needs. This new planning mechanism seeks to alter the relationship between HUD, State and local governments, and citizens. Previously, HUD mandated that communities submit 12 separate planning, application, and reporting documents each year—often more than 1,000 pages of bureaucratic overkill. This requirement made comprehensive community planning more difficult, and narrow regulations hampered even more localities' ability to link their housing and community development activities. Through HUD's consolidated planning process, local agencies, non-profit organizations, and citizens come together to identify such needs as housing, public infrastructure, economic development, and crime. Using *Community 2020's* consolidated planning mapping software, community partners can now identify where resources are most needed, helping to reduce the isolation of low-income groups within the community. For example, once the community partners create the blueprint of action, they can work with the full array of community development and housing programs—more than \$7 billion in Federal funds available for local use—to develop a full continuum of housing and services.

Through core programs such as CDBG, HOME, and Section 108 Loan Guarantees, localities can create jobs and support businesses, improve streets and other infrastructure for urban revitalization, and generate affordable housing. During 1997, the CDBG program surpassed the \$66 billion mark in total funds distributed to cities and States since the program began, providing localities with flexible community development funds to use as they see fit. During 1997, HUD stepped up its efforts to help communities fight crime—a critical barrier to long-term economic development—by adopting a zero-tolerance policy toward drug dealers and criminals in public housing, engaging residents in crime prevention, and working closely with local law enforcement officials and civic leaders. HUD awarded hundreds of millions of dollars to localities to help promote sustainable and healthy development by cleaning up areas with lead hazards, redeveloping urban areas polluted by brownfields, and helping communities recover from natural disasters. Other specially targeted programs, including EZ/EC, continued to target job creation and large-scale community development assistance to neighborhoods that needed it most.

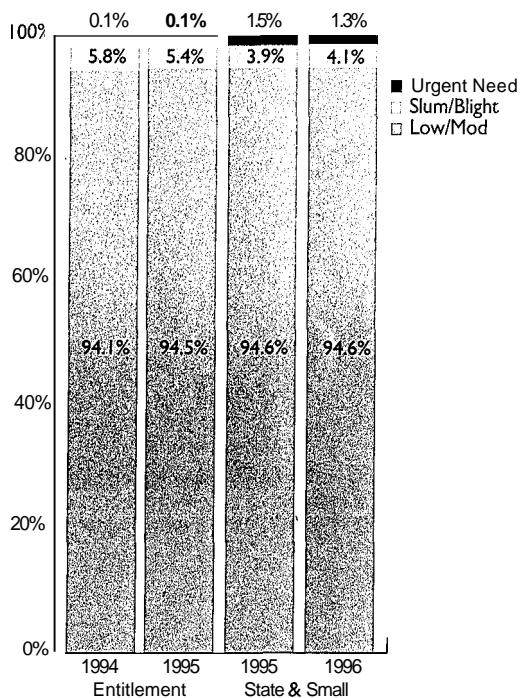
Community Development Block Grants

At the core of HUD's community development activity is the \$4.6 billion a year CDBG program, an essential ingredient in community development partnerships throughout the United States. In 1997 HUD distributed CDBG funds directly to 975 entitlement communities—large and medium-sized cities and counties that received their grants by formula—and, through the States, to more than 3,000 small communities. Localities have a great deal of discretion in the use of CDBG funds. HUD requires that 70 percent of CDBG funds be used for activities that principally benefit low- and moderate-income people—a target that most communities substantially exceed. More than 10,000 nonprofit groups and other public and private organizations receive grants indirectly from HUD each year through the program, which has operated for almost 25 years.

LOOKING AHEAD:

The FY 1999 Budget increases funding for Community Development Block Grants from \$4.675 billion last year to \$4.75 billion this year—a \$75 million expansion of the program, which provides flexible federal assistance to help local governments to carry out a wide range of community and economic development activities.

**CDBG Program
Percent of Funds
by National Objective**



New Mexico Helps Train for the High-Tech Economy

In 1997, an innovative New Mexico collaborative developed a state-of-the-art facility to train residents in high-technology occupations. The New Mexico Northern Community College High Technology Manufacturing Training Center includes a Class 100 clean room, robotics laboratory, semiconductor manufacturing facility and a telecommunications classroom.

Northern Community College serves a primarily rural area, with a high proportion of minority and economically disadvantaged students of whom many are first-generation college students. Without high-tech training, most of these students would work in blue-collar service, teaching, or social services.

The State of New Mexico, HUD and the Energy and Commerce Departments are partners in the 4,000-square-foot facility with HUD providing \$600,000 in CDBG funding. Eighty-five students are currently enrolled, and the first 20 graduates have already landed jobs at Intel Corp. and Los Alamos National Laboratory. Sixty-five students are expected to be placed annually with a base entry-level salary of \$30,000.

Exhibit 2-4

**CDBG: Housing Units Developed and Rehabilitated
by Primary Housing Activities, FY1994-96**

Activity	1994		1995		1996	
	Entitlement**	State***	Entitlement*	State***	Entitlement*	State***
Housing Rehabilitation	168,914	20,487	163,922	24,130	159,719	28,568
Housing New Construction	13,662	401	13,187	603	12,848	153
Homebuyer Assistance	11,226	335	11,522	295	11,227	57
Total	193,802	21,223	188,631	25,028	183,794	28,778

*Based on dollars allocated

**Based on 1994 Government Performance Review expenditures

***Proposed

Hawaii Program Targets Business Development

Honolulu, Hawaii's City and County of Economic Opportunity Program is an innovative program that takes into account the full spectrum of economic opportunities for its low and moderate-income persons. The program provides job training, microenterprise development initiatives, small business incubation, and economic development loan programs. It has resulted in 110 businesses being served, 193 persons receiving micro-enterprise training, and 71 business loans ranging from \$500 to \$15,000. The program is available island-wide and has increased public awareness of economic opportunities in the City and County of Honolulu.

Assisting Microenterprises

In 1992, Congress began to require that HUD assess the effectiveness of CDBG in promoting microenterprise development. The lawmakers added a separate eligibility category to the CDBG program authorizing financial assistance for the establishment, stabilization, and expansion of microenterprises and a way to provide technical



Exhibit 2-5

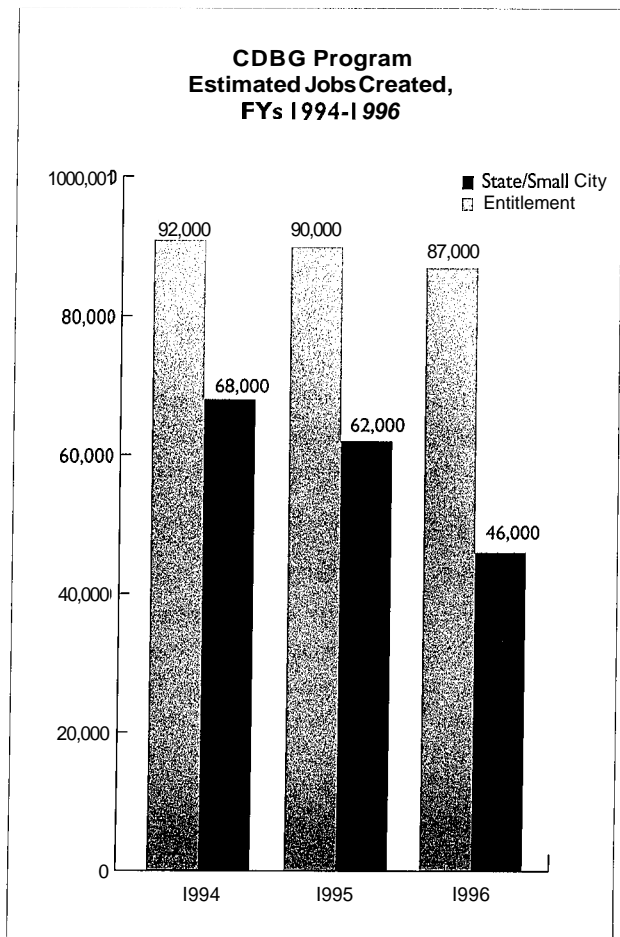
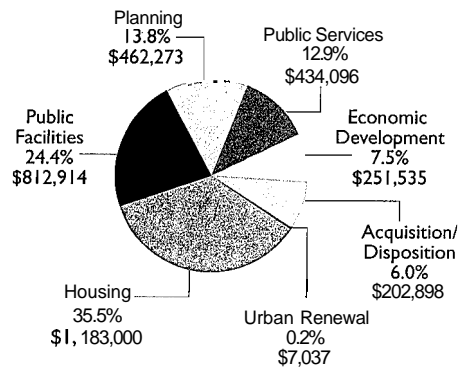


Exhibit 2-6

**CDBG Entitlement Communities
Percent and Dollar Amount of
Expenditures by Activity, FY 1995**
(Dollars in Thousands)



assistance and business support services. Because compliance with CDBG program requirements has historically been difficult for microenterprise owners, in 1995 HUD made the use of CDBG funds to microenterprises more logical, less

administratively burdensome, and more flexible HUD's changes in CDBG eligibility and regulations have been well received by microenterprise assistance providers. In 1996, 67 grantees funded 98 projects with approximately \$25 million from CDBG funds. To date, those grantees have used about \$15 million of that amount for microenterprise purposes.

South Carolina Uses CDBG for Rural Jobs

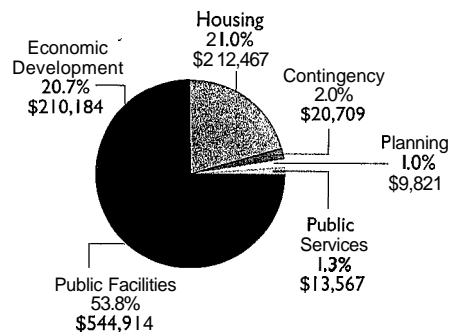
Although CDBG funds in large and medium-sized communities go toward housing more than toward any other single purpose, funds in small cities and rural areas are used primarily for public facilities, but also for economic development and housing.

South Carolina directs its State and small communities CDBG funds to promote development in rural areas. In 1996, the State invested CDBG funds in 27 local economic development projects. One project enabled Disney Distribution to construct a 525,000-square-foot center for its catalog merchandise in Union County, one of South Carolina's least-developed areas. The center initially will create 200 permanent jobs, with up to 100 additional seasonal employees. To make the transaction feasible, the Disney site needed water, sewer, and road improvements. The State allocated \$828,990 in CDBG funds for the initiative.

The initiative, funded with Federal, State, and local dollars, targets 22 timber-dependent counties. Five projects have already been funded, ranging from replacing failing

Exhibit 2-7

**CDBG State and Small Cities
Percent and Dollar Expenditures
by Major Purpose, FY 1996**
(Dollars in Thousands)



DID YOU KNOW?

An estimated 286,000 jobs were projected to be created by projects assisted with HUD Section 108 Loan Guarantees over a 3-year period: 38,175 jobs from 1994, 201,100 jobs from 1995, and 46,400 from 1996.

sewer systems to addressing downtown revitalization, for a total of \$3.6 million. These funds have attracted about \$7 million in funds from other sources. In addition, the State provides technical assistance to eligible communities to ensure that they have undertaken a thorough process of evaluating needs and developing comprehensive strategies for improvement.

Delaware Uses CDBG for Homeownership

New Castle County's Down Payment/Settlement Program enabled this Delaware locality to creatively leverage its limited CDBG funds in 1997 to expand homeownership opportunities for low- and moderate-income people. A second mortgage provided under the program to cover downpayment or settlement charges enables qualified families to purchase homes. Up to \$4,000 is available to each borrower upon successful completion of a prepurchase counseling program.

Section 108 Loan Guarantee Program

This loan guarantee provision of the CDBG program enables local governments to leverage their CDBG funds to finance economic development and other eligible activities. Under the program, entitlement communities may borrow up to five times their most recent CDBG allocation and pledge current and future CDBG funds as partial security for the loan guarantee. Nonentitlement communities may also participate, consistent with their State CDBG guidelines. Since the Section 108 program began, HUD has approved 1,048 commitments, valued at more than \$4.7 billion.

Under the Section 108 program, HUD arranges for local governments to borrow from private investors and provides a full faith and credit guarantee of payment. This arrangement enables Section 108 borrowers to secure long-term financing at highly favorable rates. The maximum term of a Section 108 loan is 20 years, and each loan must be secured by collateral other than the local government's pledge of CDBG funds.

Exhibit 2-8

Section 108 Loan Grantees: Number and Amount of Loan Commitment FY1978-97

Fiscal Year	Number of Commitments	Dollars (in thousands)
1978	1	\$ 476
1979	9	30,810
1980	23	156,933
1981	48	156,487
1982	52	179,377
1983	22	60,627
1984	29	86,952
1985	63	133,475
1986	25	113,290
1987	13	30,007
1988	43	143,578
1989	48	143,578
1990	44	119,260
1991	26	84,466
1992	46	163,780
1994	88	350,520
1995	218	1,847,005
1996	89	433,775
1997	118	277,683

Economic Development Initiative

Enacted in 1994, EDI grants support and enhance the economic viability of projects assisted with Section 108 Loan Guarantees. In FY1995, the availability of \$350 million in EDI grants made the Section 108 program extremely attractive to localities, and commitments rose to an unprecedented level of \$1.85 billion. EDI grants have helped finance an array of projects and activities, including shopping centers, entertainment complexes, industrial facilities, and housing developments. The most common uses for EDI funds include interest-rate subsidies, loan-loss reserves, debt-service reserves, overcollateralization of Section 108 loans, and the purchase of credit enhancements.

Exhibit 2-9

Economic Development Initiative: Number and Amount of Grants FY1994-97

Year	Number of Grantees	EDI Awards (in millions of dollars)
1994	45	19
1995	78	350
1996	17	50
1997	—	No appropriations
Total	140	419

Empowerment Zones (EZs) and Enterprise Communities (ECs)

The EZ/EC Initiative offers distressed communities new opportunities for economic growth and revitalization. A 10-year program that began in 1994, this initiative has designated 105 EZs and ECs, including 72 in urban areas. The goal is to create self-sustaining revitalization by mobilizing community partnerships that involve multiple stakeholders in the revitalization of distressed areas.

Each EZ/EC adopts a strategic vision for what the community will become in the future. Economic opportunities include creating jobs for zone residents and linking residents to jobs throughout the region. Strategies include a range of activities, from major economic development projects to providing entrepreneurs with technical assistance and capital to welfare-to-work initiatives. The EZ/EC initiative emphasizes local decisionmaking and encourages communities to use public resources to leverage private investment in the community. The strategic plan that each community develops serves as its roadmap for revitalization.

Job Creation in Michigan EZ Helps Turnaround of Motor City

Job creation in Detroit, Michigan's EZ is contributing to an economic turnaround in the Motor City. To finance development projects, eight Detroit banks formed the Empowerment Zone Financial Institutions Consortium, which pledged to invest \$1.1 billion in Detroit's future over the next 10 years. By 1997 the consortium had invested \$956 million, including loans to minority-owned suppliers to the big three auto manufacturers. EZ-related investments will ultimately create thousands of jobs and advanced manufacturing capacity in the city.

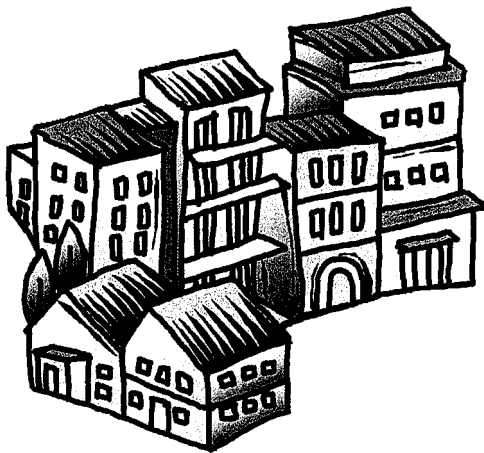
Detroit's unemployment rate fell from 14.2 percent in March 1993 to 7.2 percent in March 1998, partially as a result of this initiative.

LOOKING AHEAD:

In 1999, a demonstration program will be established, called the Community Empowerment Trust Fund, to enhance and expand the Section 108 Loan Fund and Economic Development Initiative (EDI) grant program. HUD estimates that this will enable communities to leverage private investment for business startup or expansion loans and may be used for virtually every business purpose from acquisition of real estate or equipment to export transaction financing.

In addition, by pooling economic development loans and standardizing the way they are underwritten, the CEF Trust will enable a secondary market for such loans to emerge for the first time ever. HUD's 1999 demo will show CEF to be a powerful new tool for channeling private capital into business-worthy investments in distressed areas.





By 1997 the EZEC initiative had attracted more than \$4 billion of new private investment to areas where there previously had been little. The initiative uses tax incentives and Social Services Block Grant flexible seed money to provide designees with financial assistance for revitalization efforts. EZ/ECs have created nearly 20,000 jobs and provided job training and education opportunities for nearly 45,000 EZEC residents. More than 52,000 children, youth, and adults have received services to enhance their potential, and more than 12,000 affordable housing units are being constructed or rehabilitated.

Live From New York—It's New Jobs in Harlem

Kyschia Frederick was out of work for 6 months before she completed STRIVE training. She now duplicates videotapes and operates video equipment at BroadwayVideo. "I'm doing things I never thought I would be doing, and what I like most about it here is that there is potential to move up," says Frederick. BroadwayVideo is just one part of the Harlem revitalization. Harlem USA, a \$56-million retail and entertainment complex, is scheduled to open in 1998, bringing 500 jobs. The complex will house a Disney Store, ice rink, jazz club, sports facility, 12-screen movie theater, and a children's recreation center.

The BroadwayVideo production facility is located in New York City's Upper Manhattan Empowerment Zone (EZ). Citibank and the EZ provided resources to buy equipment and renovate an old auto factory. The new facility provides video duplication, storage, and transmission of tapes by satellite. BroadwayVideo's 10 employees, all residents of the EZ, are graduates of the STRIVE jobs program, which provided the technical training.

Incentives available in all EZ/ECs include a welfare-to-work tax credit for businesses that hire welfare recipients, an environmental cleanup cost deduction to promote brown-fields redevelopment, a work-opportunity tax credit for businesses that hire 18-24-year-old EZ/EC residents and other hard-to-employ residents, and qualified zone academy bonds, enabling State and local governments to issue bonds that permit public schools to raise funds for curriculum development or physical improvements.

In 1997, Congress authorized the designation of 15 new urban EZs and 5 new rural EZs. Each will be eligible for new Federal tax incentives to stimulate job creation and economic development, including tax-exempt bond financing and immediate tax deductibility of the costs of new machinery and equipment.

Oregon EC Receives Largest Ever Housing Grant

Now under construction, the Alberta Simmons Plaza is a 74 unit 202 Elderly Project located in Portland, Oregon's Enterprise Community at Portland Blvd. and Martin Luther King Boulevard. This is the largest grant ever made in the City of Portland, by any federal, state, or local agency.

Cosponsors of the project are Housing Our Families, an African American women focused non profit neighborhood group, and Union Labor Retirement Association, an experienced Section 202 developer. The total HUD funding for this project is \$7.2 million. HUD awarded \$5.9 million in grant funding to build the project, and \$1.3 million for seven years of operating subsidy.

2.2. *Staphylococcus aureus* strains

Empowerment Zones Are Stimulating Redevelopment in Cities Throughout America



1000

LOOKING AHEAD:

The FY1999 budget provides the funding for brownfields redevelopment

generate 280,000 jobs

billion in private investment, support up to 196,000 jobs, and protect up to 34,000 acres of undeveloped greenfield areas outside of cities.

The U.S. Department of Transportation has instituted a new policy that gives States, localities, and transit agencies the flexibility to participate in transportation projects that include the reuse of brownfield sites. This action represents a major shift in previous policies, which called for avoiding contaminated sites whenever possible. The Clinton-Gore Administration's proposal for a brownfields tax incentive was signed into law by President Clinton in 1997. It allows cleanup costs to be expensed in the years the costs are incurred, rather than capitalized into the cost of the property. This \$1.6 billion incentive is expected to leverage \$1.6 billion in private sector cleanup of 11,000 brownfield sites over the next 3 years.

DISASTER RECOVERY

Plant closings and job loss can impact a community, but without warning, floods, fires, hurricanes, tornadoes, and other natural disasters can devastate communities. Disaster recovery is a key component of community development efforts. HUD's Disaster Recovery Initiative supports State and local disaster recovery efforts through grants and other assistance to help rehabilitate residential and commercial buildings, restore public facilities, provide homeownership assistance and replacement housing, and help aid local businesses through economic development activities. HUD's Disaster Recovery Initiative gives communities great flexibility in meeting local needs quickly. HUD's Office of Special Actions takes the lead in coordinating the Department's disaster response, which is carried out in support of the Federal Emergency Management Agency, Small Business Administration, and other Federal agencies.

HUD Helps North Dakota Recover From Floods

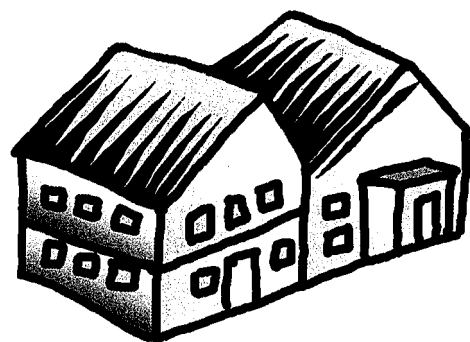
In April 1997, the upper Midwest was devastated by record floods. Staff at North Dakota's Grand Forks Housing Authority was in high gear at the city's emergency disaster center helping evacuate residents and trying to limit damage from rising flood waters. As the water rose unrelentingly in one section of the city after another, Housing Director Joel Manske got reports that the flood was swamping the buildings his housing authority had worked so hard to rehabilitate over the past 4 years. "The flood meant we had to rehabilitate that housing not once, but twice," he says.

Seven days after the flooding—and a major fire that destroyed much of the downtown—HUD flew in 13 staff members who were later joined by others. "They set up a local branch of the Secretary's office in our building," reports Manske. "It was an unprecedented level of help that proved to be a hugely effective way to help us manage our recovery."

HUD made sure that more than \$1 million in Emergency Flexible Subsidy Funding started flowing immediately to the Grand Forks Housing Authority, slicing through red tape when necessary. Within 90 days, all HUD-assisted properties were completely restored and fully operational. HUD also helped Grand Forks deal with the loss of more than 1,000 single-family homes due to the flood. Together, the housing authority, HUD and the city council developed a plan to use HUD's CDBG funds to cover the costs of financing the bonds needed to build 200 new homes. "Without HUD's help, there was no way we would have had the capacity on our own to put this all together so quickly," says Manske.

Examples of 1997 Grants From HUD's Disaster Recovery Program:

\$11.6 million to communities in California to recover from severe rainstorms and flooding.
\$2.8 million to communities in Idaho to repair public facilities damaged by landslides.
\$92 million to communities in Minnesota to recover from severe winter storms.
\$35.7 million to communities in North Carolina to recover from Hurricane Fran.
\$201.3 million to communities in North Dakota to recover from massive flooding.
\$2.8 million to communities in Ohio to recover from heavy storms and severe flooding.
\$4.3 million to communities in Oregon to recover from damage caused by sinkholes.
\$29.3 million to communities in Puerto Rico to recover from Hurricane Hortense.
\$4.8 million to communities in Washington to recover from landslides and flooding.



ENLISTING COLLEGES AS COMMUNITY-BUILDING PARTNERS

Academic institutions are among a community's greatest assets, yet often they are isolated from the mainstream of community problem-solving. Many colleges and universities are anxious to break down the traditional barriers and take a more active role in their community's well-being. To encourage such efforts, HUD sponsors programs to catalyze community development partnerships between cities and the academic institutions within their borders.

Historically Black Colleges and Universities (HBCUs)

HCBUs have been important housing and community development partners with HUD since 1980, when President Carter signed the first Executive Order for the HCBU program. Although education remains their primary mission, HBCUs play other important roles, including serving as economic anchors to the communities that surround them. HUD provides grants, awarded on a competitive basis from CDBG's special purpose grants, to help HBCUs undertake a range of community development activities, from rehabilitating homes to starting community development corporations. Since 1992, HUD has awarded more than \$43 million under this initiative.

West Virginia: HUD Helps Reopen Closed Glass Plant

When the Owens-Illinois Glass Plant in Huntington, West Virginia, closed its doors in 1993, the community felt the impact. The plant had manufactured glass bottles there for 80 years, and in its heyday had employed more than 2,000 people. When the plant closed, more than 630 employees lost their jobs.

Community leaders quickly took action. They held a series of town meetings and decided to apply to HUD for Enterprise Community designation, which was granted. The city secured more than \$5.5 million in grants and loans to buy and renovate the plant, renaming the site the Huntington Industrial Center. HUD provided grants through the Community Development Block Grant (CDBG) program and loan guarantees through the Section 108 program. The State of West Virginia and the U.S. Economic Development Administration also provided financial support.

The city's efforts paid off in May 1997, when SNE Enterprises, a Wisconsin-based vinyl windows manufacturer, announced plans to open a facility at the Huntington Industrial Center. "It's a success story," says Charlie Betts, who worked at the Owens-Illinois plant for 37 years and currently serves as plant engineer at the new industrial center. "Several people who worked at the old plant now work at the industrial center, and many of their children work at the industrial center, too. I think the community is more than happy about what is happening here."

Exhibit 2-11

Historically Black Colleges and Universities: Grantees and Grant Amounts, FY 1997

Historically Black College/University Grantees	Dollar Amounts
	(in thousands)
Oakbrook College (Huntsville, AL)	\$ 380,000
Stillman College (Tuscaloosa, AL)	400,000
Arkansas Baptist College (Little Rock, AR)	400,000
Howard University (Washington, DC)	370,000
Florida A&M University (Tallahassee, FL)	350,000
Morris Brown College (Atlanta, GA)	400,000
Kentucky State University (Frankfort, KY)	400,000
Southern University (Baton Rouge, LA)	330,000
Jackson State University (Jackson, MS)	400,000
Tougaloo College (Tougaloo, MS)	400,000
Saint Augustine's College (Raleigh, NC)	400,000
Bennett College (Greensboro, NC)	300,000
Elizabeth City State University (Elizabeth City, NC)	393,000
Fayetteville State University (Fayetteville, NC)	400,000
Winston Salem State University (Winston Salem, NC)	377,000
Voorhees College (Denmark, SC)	400,000
Wiley College (Marshall, TX)	400,000
Total	\$6,500,000

Source: HUD Press Release, September 27, 1997

HUD's Office of University Partnerships

Recognizing the crucial role that the Nation's academic institutions play in rebuilding communities, HUD established the Office of University Partnerships in 1994 to encourage and expand the efforts of colleges and universities and help them make a difference in their communities. The office awards grants on a competitive basis to promote community economic development through four programs: Community Outreach Partnership Centers (COPC), Community Development Workstudy, Hispanic-Serving Institution Workstudy, and the Doctoral Dissertation program.

Community Outreach Partnership Centers

The COPC program aims to help 2- and 4-year colleges and universities take the next step in developing and sustaining effective partnerships with local governments, nonprofit organizations, and others working on community revitalization. COPC grants are available to colleges and universities nationwide. Launched as a 5-year demonstration in 1994 and funded with approximately \$7.5 million annually, COPC provides multi-year grants of up to \$400,000 to the schools, which use them to undertake special research on community problems or work directly on neighborhood projects. Some schools have used their grants to support job-training programs, expand affordable housing, and create resident-backed strategies to reduce crime or combat housing discrimination and homelessness. Other programs include mentoring for neighborhood youth and financial and technical assistance for new businesses, health access and information, and K-12 school partnerships. Since 1994 COPC has awarded 59 grants to colleges, universities, and consortia. In 1997, HUD distributed \$7.3 million to 25 colleges and universities in 17 States.

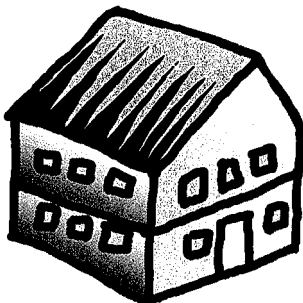


Exhibit 2-12

**1997 Grantees: Community Outreach Partnership Center Program:
Grantees and Grant Amounts, 1997**

State	School	Dollar Amounts (in thousands)
Alabama	University of Alabama-Birmingham	\$ 99,998
California	Rancho Santiago College	400,000
	San Jose State University	399,979
	University of California-San Diego	400,000
Georgia	Georgia State University	100,000
Illinois	Indiana University-Purdue University	395,080
	University of Illinois	99,990
	DePaul University	100,000
Massachusetts	Fitchburg State College	399,684
Missouri	University of Missouri-Kansas City	399,195
Nebraska	University of Nebraska at Omaha	400,000
New Hampshire	New Hampshire College	399,278
New York	Buffalo State College	391,596
	Brooklyn College	399,979
North Carolina	University of North Carolina	399,985
Rhode Island	University of Rhode Island	391,918
South Carolina	Clemson University	399,685
Tennessee	University of Memphis	99,959
	University of Tennessee	100,000
Texas	University of North Texas	399,692
	University of Texas at Austin	99,999
Virginia	Virginia Commonwealth University	399,358
	George Mason University	99,979
West Virginia	Marshall University	99,958
Wisconsin	University of Wisconsin-Parkside	399,966
Total		\$7.3 million



Exhibit 2-13

COPC Grantees 1994-1997



MAKING COMMUNITIES SAFER

Safety is fundamental to community building. Where safety is missing, citizens and businesses flee the neighborhood, residents are afraid in their own homes, and collective community action is difficult to catalyze. HUD sponsors a range of activities and programs to help communities fight crime as a prerequisite for promoting economic development and healthy interaction. Some programs are freestanding initiatives, while others are part of larger programs such as CDBG and public housing.

Fighting Crime Is a SNAP in Colorado

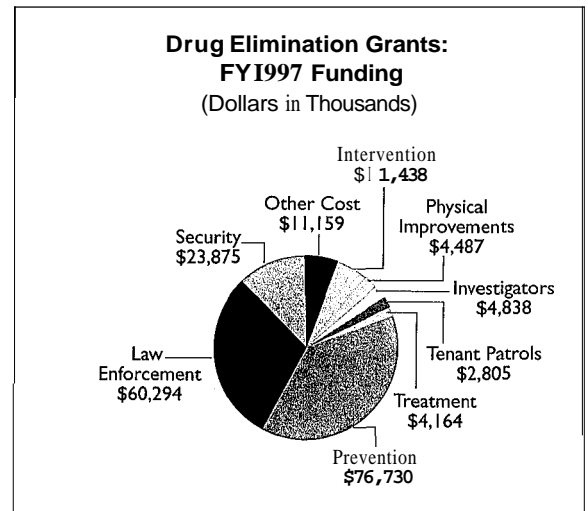
In 1994, after an unprecedented increase in youth violence, Denver, Colorado city officials joined with HUD to create a Safe Neighborhood Action Plan (SNAP) at HUD-insured and assisted apartments in their community. The SNAP coalition encourages cooperation among residents, property owners, government officials, and law enforcement agencies to fight crime. By 1997 four Denver-area housing developments had been designated as SNAP properties. Each property receives special HUD grants. Property owners and managers participate in Social Weapons and Tactics training to learn how to recognize criminal activity on their properties and work effectively with law enforcement. Members of HUD-funded Volunteers in Service to America go door to door to organize residents and establish resident councils.

Volunteers at Denver's East Village Apartments formed a youth baseball league in partnership with the Police Athletic League. Team sponsors say the young participants especially enjoy wearing their uniforms and are proud to be on their teams. That pride has made a difference, too. East Village managers report an immediate and dramatic reduction in vandalism as a result of the new baseball teams.

Drug Elimination Grants

Drug elimination grants are available to public housing authorities to fund drug- and crime-prevention activities. In FY1997, HUD awarded 532 grants, totaling more than \$205 million. Since 1989, HUD has awarded more than \$1.4 billion in drug elimination grants. Grantees can use funds for a variety of activities, from reimbursing law enforcement agencies to organizing tenant patrols. Housing authorities can also use the grants for job training or to hire residents as security guards and drug counselors. Some groups have used drug elimination grants for special youth activities, including sports, gang prevention, Boys & Girls Clubs, and Boy Scouts and Girl Scouts. HUD also provides funds to boost security and investigate and prosecute criminals for low-income housing developments that are not public housing.

Exhibit 2-14



Innovative Kansas Partnership Slashes Neighborhood Crime

Kansas City's Paseo Corridor—site of five public housing and seven assisted housing developments—underwent a transformation in 1997. Cleanup of litter and the addition of flowers altered the corridor's outward appearance. The most dramatic change, however, has been the observable change in attitudes of Paseo residents, brought about by a novel community partnership involving HUD and 60 other organizations. A special unit within the Jackson County prosecutor's office—Community Backed Anti-Drug Tax (COMBAT)—identified problems facing Paseo Corridor and turned to the local HUD Field Office for help. HUD staff organized community residents into special committees and identified invisible barriers that were isolating the housing complexes from one another. The committees then targeted strategies to unite the community. "The entire area is now a zero tolerance zone," said HUD resident initiatives specialist Kellie Svoboda. "For whatever crime committed—whether it is speeding or jaywalking or prostitution—you will get the highest fine and you will go to jail."

One Strike and You're Out

One Strike is the most aggressive anti-drug and anti-crime policy that HUD has undertaken. Announced by President Clinton at the Public Housing Anti-Crime Summit in March 1996, this zero-tolerance initiative directly affects public housing admissions and eviction policies and carries a powerful message: If you use or deal drugs or engage in other criminal activity, you can not live here. When combined with local crime-prevention activities, One Strike can be a highly effective tool in turning public housing developments into safe communities.

Under One Strike, public housing authorities have the authority to screen housing applicants and even access criminal records through the National Criminal Information Center databases, which are managed by the U.S. Department of Justice. One Strike is not funded through HUD's Drug Elimination Grant program. Since the One Strike policy was introduced, evictions have increased.

Community Policing Slashes Crime in New Hampshire Enterprise Community

In August 1995, Manchester, New Hampshire, expanded its community policing division with an EC funding commitment of \$731,000 over 5 years. Three officers and a police cruiser were assigned to a new substation. Training included 40 hours of classroom instruction on how to involve the community in fighting crime. Officers reviewed community issues ranging from youth gang activities to the needs of elderly residents.

By 1997, the initiative was registering strong results. Community police officers had become a regular part of neighborhood meetings and local events and volunteers helped with desk, telephone, and other customer service work at the substation. Crime had dropped by one-third in the EC in the 2 years since the program started. Drug activity, robbery, and burglary were all down by more than 50 percent, and weapons possession fell 40 percent. About 60 percent of residents in a survey reported that their quality of life had improved or held steady, and almost two-thirds said that they would feel "reasonably safe" or "very safe" being alone in their neighborhood at night.

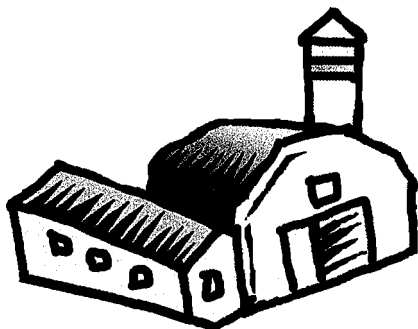
Officer Next Door

HUD offers incentives to encourage police officers to live in urban neighborhoods, where they can help deter crime, respond faster to emergencies, and create an economic boost for local businesses. Under the initiative, unveiled by President Clinton in June 1997 as

Vice President Gore said, "The presence of officers in an area can plant the seeds of revitalization that can transform struggling communities into thriving neighborhoods, attracting new businesses and jobs as well as new residents."

— *The Los Angeles Times*,
Sept 4, 1998





part of an overall urban agenda, the Officer Next Door program enables police officers to buy single-family homes in designated areas for half of their appraised value. Qualifying officers also get a Federal Housing Administration (FHA)-insured mortgage that allows them to purchase the homes with a downpayment of as little as \$100. Participating police officers must agree to occupy their homes for at least 3 years. Since the program began in August 1997, a total of 2,000 purchase contracts have been accepted from officers—double the initial goal. As a result, officers in the program are already making an important contribution to crime prevention and community revitalization.

Block Watches and Alert Centers Deter Crime in Alabama and Arkansas

Birmingham, Alabama, is putting its "eyes" on the street through 171 new neighborhood block watches. Birmingham plans to create 300 block watches in a concerted community effort to enforce zero tolerance of crime. As part of the block-watch program, residents work closely with police and become actively involved in neighborhood crime prevention. Community police attend weekly block club meetings and get to know residents. The Birmingham Enterprise Community (EC) purchased 30 cellular phones for residents' emergency communications while on patrol. Nearly 85 percent of neighborhood households participate in the block watches, and the results have been striking. Between 1996 and 1997, incidence of robbery in the EC area fell 22 percent, and burglaries fell 17 percent. Incidents involving narcotics dropped by 15 percent, while both vandalism and disturbance calls went down 14 percent.

Little Rock, Arkansas, has taken another approach to fighting crime. It has converted vacant buildings in targeted areas into 14 Local Neighborhood Alert Centers—one in each inner-city neighborhood. Each center is staffed by a housing counselor, two police officers, and a center manager. Crime in the targeted neighborhoods has been significantly reduced.

FOSTERING HEALTHY AND SUSTAINABLE COMMUNITIES

HUD sponsors a number of initiatives to protect communities from the dangers caused by environmental hazards and ensure that localities have quality healthcare facilities for their residents. While such activities typically do not attract the same level of attention as job development, public infrastructure, or housing and business creation, they are an essential component of successful community development.

Healthy Homes

Concerned by the growing problem of childhood injuries and illnesses resulting from health and safety risks in the home, Secretary Cuomo directed HUD staff to begin putting together a Healthy Homes campaign when he took office in 1997. Each year, residential fires, scald burns and fall-related injuries account for more than 2.5 million emergency room visits by children under age 14. Infestation, lead-based paint hazards, mildew, and other hazards contribute to a variety of childhood illnesses, including asthma, other respiratory diseases, and lead poisoning. Such illnesses disproportionately affect low-income children and minorities.

The goals of the initiative are to raise awareness of parents, children, educators, and the public about the serious threats of home hazards to young children and to ensure that communities have an effective local response by encouraging partnership among agencies, corporations, teachers, parent groups and health professionals. HUD has also



incorporated the concept of Healthy Homes into each of HUD's Notices of Funding Availability to encourage that housing built or supported with Federal funds addresses Healthy Homes issues. At press time, HUD had just released a "Healthy Homes" Campaign featuring two public service advertisements—one with home improvement expert, Bob Vila, and the other with comedian Tim Allen—as well as a brochure, which provides parents with 37 simple tips that can make their homes safer for their children.

Lead-Based Paint Hazard Reduction

Lead poisoning is the leading environmental hazard for children. Almost 1 million children under age 6 suffer from lead poisoning. Among low-income children living in older housing, about one in six, or 16 percent, is affected. HUD is working closely with the Centers for Disease Control and Prevention and the EPA to combat this menacing threat.

HUD made a strong push against lead hazards in 1997, and an independent report issued in 1998 by the National Center for Lead-Safe Housing and the University of Cincinnati's Department of Environmental Health found that HUD's program is proving effective in protecting children. "The lead hazard-control activities appear to reduce dust lead levels to a point where they were no longer a significant contributor to the child's blood lead levels, a major achievement," the report noted,

Becoming Lead-Safe in Massachusetts

"When it comes to the housing market, there are really two worlds here," says Peggy Hegarty-Steck, describing Cambridge, Massachusetts. "Although the city is the home of Harvard and MIT, it is also the home of a large number of low- and moderate-income families living in older multifamily housing." Hegarty-Steck is program manager of Lead-Safe Cambridge (LSC), operated by the city's community development department. Funded largely by HUD grants, LSC helps low-income families live in lead-free housing through a range of technical and financial assistance programs and broad-based community education. In 1997 LSC assisted 77 families, including Joan and Roger Abrams and their two infant children.

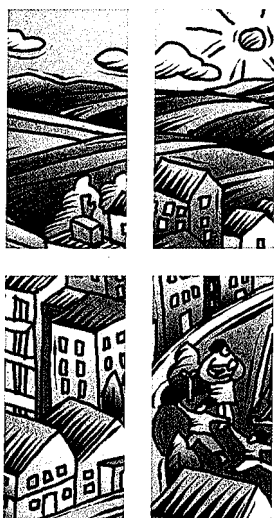
"LSC walked us through the process and helped out at every stage," says Mrs. Abrams. They helped us find a contractor; provided us a place to stay while the work was done, and guided us through all the logistics of the renovation." LSC also financed the lead-removal process and provided the Abrams with information about other sources of lead and how to protect their children from them. The Abrams are now enrolled in LSC's Safer Soil Pilot Program to reduce lead hazards that might be present in their yard.

HUD provides grants of \$1 million to \$4 million to States and cities to remove lead-based paint in older homes and apartments. Since 1993 the program has awarded \$385 million to clean up more than 40,000 homes in 30 States. In FY 1997 HUD awarded \$50 million to 25 States, cities, and counties, plus \$10 million in grants for additional research and technical assistance to promote the cost-effectiveness of new innovative methods of lead hazard detection and control.

In 1997, Tipper Gore, wife of Vice President Al Gore, joined with Secretary Andrew Cuomo and EPA Administrator Carol Browner in launching the Campaign for a Lead-Safe America. The campaign combines \$50 million in special aid to localities, a public education program, and a new agreement to develop a national enforcement strategy for lead-paint disclosure requirements. "If we can keep one million children from suffering from lead poisoning by the simple act of removing lead-based paint hazards and educating Americans everywhere, this Administration can continue our progress on behalf of our children's health," said Mrs. Gore.

LOOKING AHEAD:

The FY 1999 HUD budget increases the budget for lead hazard reduction activities by \$10 million to \$70 million. Additionally, the budget includes for the first time \$10 million for HUD's Healthy Homes Initiative, which seeks to develop and implement a program of research and demonstration projects to address multiple housing-related problems that affect the health of children.



Protecting Rhode Island's Children from Hazards

In November 1996, the Office of Public Housing in HUD's Rhode Island State Office initiated meetings regarding the issue of lead-based paint in tenant-based Section 8 housing. The health department and lead-based paint advocacy groups were concerned about the large number of lead-poisoned children under age 6 in Rhode Island. To address their concerns, a Memorandum of Understanding (MOU) was developed involving HUD, local housing authorities, and the health department. The MOU focuses the attention of Section 8 landlords on the issue of lead paint and heightens public awareness and inspection training for local housing authorities inspecting for lead-paint hazards.

Under the MOU, HUD agreed to stop paying Section 8 rental subsidies to landlords in Rhode Island for rental houses and apartment units where lead hazards have been found until action is taken to correct the hazardous conditions and until the landlord obtains a lead-safe certificate as required under State law. The agreement provides HUD a mechanism by which to offer special training to Rhode Island housing inspectors so that they can better identify lead hazards before children and families move into Section 8 housing.

Healthcare Facilities Financing

For almost 30 years, HUD has made it possible for millions of Americans to receive the healthcare treatment they need, particularly in underserved areas, by insuring private loans for hospitals, healthcare centers, and equipment. In 1997, the number of people served by 83 HUD-insured healthcare facilities was 6.7 million, including emergency treatment for 2.5 million people.

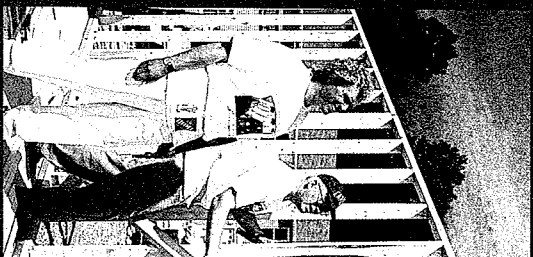
In 1997, HUD extended insurance to six new hospital loans, valued at \$268 million. The Department also approved five healthcare bond refinancings, totaling \$1.2 billion. Five healthcare construction projects were completed in 1997 with HUD assistance, including major upgrades to facilities in Chicago and New York. Since 1968 HUD has insured 300 hospital mortgages for \$8.6 billion dollars and generated more than \$250 million in net income for FHA through premiums and fees. As a result of improved portfolio monitoring and close work with insured hospitals, HUD has not had to pay a hospital insurance claim since 1994.

Michigan's Upper Peninsula Taps HUD for Healthcare Financing

Portage Health System is a community-owned and -operated healthcare provider that offers a range of services to more than 40,000 people in northern Michigan's rural Upper Peninsula. About half of the patients Portage serves receive support from Medicare; another 14 percent are low-income people on Medicaid.

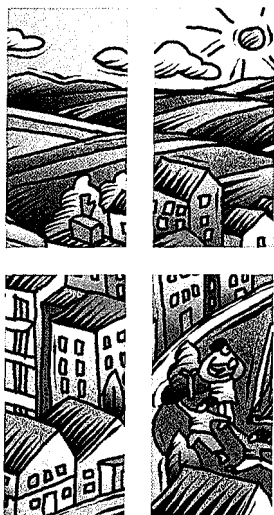
In 1997, Portage sought financing to build a new state-of-the-art facility that would allow it to bring its services, now spread out in four buildings, into one location. "We wanted to take into account the changing patterns of healthcare delivery," says James Bogan, Portage's Chief Executive Officer. "That includes providing less acute care, more outpatient delivery of services, and an integrated delivery system." Portage's investment bankers told the company that HUD's mortgage insurance for healthcare facilities could help Portage obtain financing for the new center at the lowest interest rate available. With HUD's aid, Portage secured almost \$25 million.

The new facility, scheduled for completion by January 2000, will enable Portage to provide the full continuum of healthcare under one roof. The new building will include outpatient areas for doctors, surgical services, obstetrics, an emergency department, an educational conference center, a pharmacy, and a 30-bed acute care facility. "With HUD's help, we were able to pay less for funding than the cost in the marketplace. That frees up money to improve on the delivery of medical care here," says Bogan.



HUD-YOUR NEXT DOOR NEIGHBOR

3. HUD—YOUR NEXT DOOR NEIGHBOR



DID YOU KNOW?

Ginnie Mae has eliminated all paper processes previously needed to issue mortgage-backed securities.

1997 Highlights: Promoting Homeownership

Record Homeownership. The US homeownership rate hit an all-time record high of 66 percent, driven by an upsurge in homeownership among minorities and new immigrants.

First-Time and Minority Homebuyers. Seventy-nine percent of the mortgages insured by the Federal Housing Administration (FHA) were for first-time homebuyers, a 10-percent rise since 1995. Nearly one-third of FHA's insured mortgages were for homes purchased by minority households.

HUD-City Partnership Boosts Homeownership in Connecticut

In 1997, Mayra Morales of Hartford, Connecticut, wanted a home with a yard where her two children could play. But saving enough money to cover the downpayment and closing costs was difficult for the single mother. Barbara Sturges-Brown had lived in the Hartford community for 26 years with her husband and four children but always ran into financial roadblocks and rising real estate prices when they tried to purchase a home. "I wish someone had a camera when we moved into our home in August 1997," said Brown, who runs her own home-based computer business. "You should have seen the smiles on the faces of my children."

The American dream finally became a reality for the Morales and Brown families thanks to HouseHartford, a partnership involving HUD, Fannie Mae, and local mortgage lenders launched in June 1996. Using funds from the city and HUD's HOME program, HouseHartford offers low- and moderate-income homebuyers assistance with mortgages and home financing, including a downpayment loan of up to 7 percent of the home's purchase price and a loan of up to \$3,000 for closing costs, both interest free.

More than 150 families have purchased their own homes and another 40 applications were scheduled for closing by the end of 1997. All but one of the purchasing families were first-time homebuyers.

Homeownership is the American dream. It represents work, achievement, sacrifice, and self-sufficiency. Homeownership creates jobs, increases wealth through equity, and strengthens our communities. From the South Bronx to rural Arizona, Americans take pride in homeownership.

Exhibit 3-1

Promoting Homeownership: Budget Summary of Selected Programs

Program	FY1996 (actual)	FY1997 (actual)	FY1998 (enacted)	FY1999 (proposed)
Housing Counseling	[12]	[15]	[20]	[25]
Homeownership Zones	—	[20]	—	25

[] Set aside within funding.



In 1997 the U.S. homeownership rate hit an all-time record high of 66 percent—with more than 67 million American families owning a home—exceeding the previous high of 65.8 percent set in 1980. Low interest rates, strong employment, steady real estate prices, and a robust economy contributed to the homeownership trend. Expanding homeownership helped the economy, too. According to the National Association of Home Builders, the construction of 1,000 single-family homes generates 2,448 full-time jobs in construction and construction-related industries; \$79 million in wages; and \$42 million in combined Federal, State, and local revenues and fees.

Missouri Town Saves Time And Money Through Rehab Innovation

A novel Rehabilitation Grants Program in Joplin, Missouri helps single family homeowners correct building code violations in their houses. As one unique aspect of the program, a rehabilitation specialist from the city uses a video camera to record work to be completed before, during and after rehabilitation. This has virtually eliminated the need for inspectors to return to the houses for missed items during inspection. It's also reduced disputes between the city homeowners, and contractors—and saved time and money.

The National Partners in Homeownership has been an important ally in generating these impressive results. At President Clinton's direction in 1995, HUD helped create this coalition of 65 national groups representing the housing industry. At that time, the President set a goal of adding 8 million new homeowners and reaching an all-time high homeownership rate of 67.5 percent by 2000. To achieve this goal, the National Partners are sponsoring targeted actions, ranging from homeownership counseling to developing new building technologies. NPH also sponsors National Homeownership Week, an annual campaign with locally planned events in all 50 States.

Despite the great progress, however, the job is not completely done. While the Nation has achieved record homeownership rates, homeownership for minorities, female-headed households, and residents of central cities remains 20 to 30 percentage points below the national rate. According to *State of the Nation's Housing 1997*, produced by the Harvard University Joint Center for Housing Studies, homeownership rates are 70 percent in suburbs, but just 50 percent in cities.

Data on mortgage lending to minorities show a similar pattern to that of homeownership rates—while there has been much progress, the job is not yet done. Lending to minorities has improved substantially over the past five years. Home loans to African Americans and Hispanics increased by approximately 60 percent between 1993 and 1997. Although HMDA data show that the growth in lending to African Americans and Hispanics has slowed down recently, these groups received a record number of loans during 1997.

HMDA data also show continuation of some disturbing trends with respect to mortgage denials. Large disparities continue to exist in denial rates for home loans, with African-American and Hispanic applicants experiencing substantially higher denial rates than white applicants. These disparities exist even at higher income levels. During 1997 higher-income African-American and Hispanic applicants were more than twice as likely to be denied a conventional mortgage as white applicants with similar incomes. This pattern of disparity has remained relatively constant by income group since 1993. HUD is committed to increasing homeownership opportunities, especially in central cities, through a variety of tools, such as expanding access to mortgage credit. In HUD's 1997 Strategic Plan, the Department set a goal of increasing the central city homeownership rate to 52.3 percent by 2000.

DID YOU KNOW?

Thanks to HUD's FHA loan program, the largest increases in homeownership are being registered by female-headed households, African Americans and Hispanics. Between October 1994 and June 1997, the numbers of female-headed homeowner households grew by 1.3 million, African-American homeowners by 523,000, and Hispanic homeowners by 463,000. However, racial discrimination at all income levels impedes homeownership, and African-American and Hispanic households of all income levels are less likely to own a home than white households of the same income group.

DID YOU KNOW?

Nearly 6 million more American families own homes today than when President Clinton took office.



HUD'S FHA: DELIVERING THE DREAM

FHA has been a driving force in creating opportunities for all Americans to buy homes. During the past 63 years, FHA has made homeownership possible for nearly 25 million families. Nearly all of FHA's activities are carried out in partnership with the private sector; through HUD-approved lending institutions such as banks, savings institutions, and mortgage companies.



FHA's 203(b) mortgage insurance program is the centerpiece of FHA's single-family business. The program's low downpayment requirements combined with flexible underwriting criteria make it a unique mortgage product, particularly for first-time homebuyers, central city residents, and racial and ethnic minorities who are not well-served by private lenders and private mortgage insurers. Many of these potential homebuyers, particularly young, first-time homebuyers, often lack sufficient savings for the downpayment and closing

costs necessary to purchase a home using conventional financing. In FY 1996, the latest year for which data are available, FHA's staff managed an insurance portfolio of \$426 billion. A 1996 report from the U.S. General Accounting Office indicated that about two-thirds of the loans insured by FHA in 1995 would probably not have qualified for private mortgage insurance.

How FHA-Insured Loans Benefit Homebuyers

- Downpayments can be as low as 3 percent.
- Homebuyers can include closing costs in their mortgages.
- FHA's credit requirements for homebuyers are more flexible than those of non-FHA lenders.
- FHA permits gifts from family members and nonprofit groups to be used when making downpayments.
- FHA permits borrowers to carry more debt than private mortgage insurers allow.

Single-family homes are not FHA's only focus. FHA also insures mortgages and loans made by private lenders on manufactured homes, apartment properties, condominiums, hospitals, health facilities, and nursing homes. FHA insures mortgages for disaster victims whose homes have been destroyed and, through its Home Equity Conversion Mortgage, provides mortgage insurance to elderly homeowners who are cash-poor but house-rich to convert the equity in their homes into monthly income or a line of credit to be repaid when they no longer occupy the home.

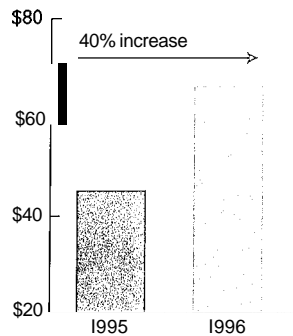
With a revised loan limit close to \$200,000, builders, real estate agents and lenders say the FHA should become an option again for thousands of first-timers.

— The Los Angeles Times,
Oct 25, 1998

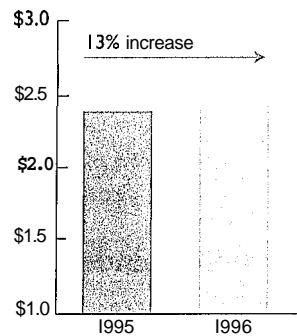
Exhibit 3-2

FHA Insurance Written in FY1996

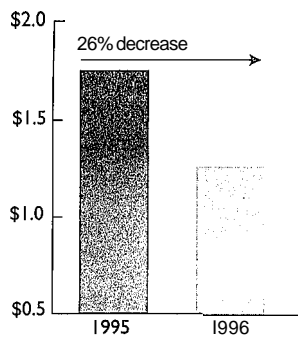
Single Family
\$65.9 Billion—788,789 Loans



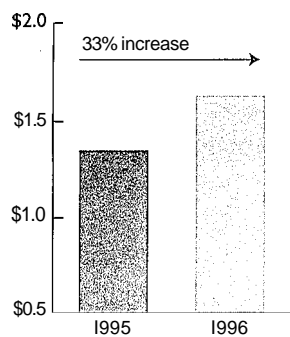
Multifamily
\$2.7 Billion—465 Loans



Hospitals & Nursing Homes
\$1.25 Billion—162 Loans



Property Improvement
\$1.6 Billion—107,392 Loans



LOOKING AHEAD:

The FY1999 budget provided \$10 million for the Partnership for Advanced Technology in Housing (PATH), a public/private partnership

new to make the next generation of American housing more affordable, durable, safe, and energy efficient.

Exhibit 3-3

What Does **FHA** Insure? (as of September 30, 1996)

FHA Insurance Product	% FHA portfolio
Single family	86.9
Multifamily	9.3
Title I Property Improvement	1.4
Hospitals and Nursing Homes	2.4

FHA-insured Title I property improvement loans and Section 203(k) rehabilitation loans are especially popular: Lenders originated 107,392 Title I loans in FY1996. FHA's Section 203(k) insurance enables homebuyers to finance the purchase of a home and the cost of rehabilitation through a single mortgage, or finance improvements to existing homes. Loans range from \$5,000 to \$25,000. This program has been particularly important in assisting homeownership in central cities.

DID YOU KNOW?

FHA foreclosures have fallen by 27 percent since 1992.

Featuring Homeownership in Maine

Maine has historically led the Nation in homeownership percentage. In 1997 HUD partnered with the Maine State Housing Authority to combine FHA mortgage insurance with downpayment assistance provided by the State. HUD also joined with more than 15 nonprofit agencies in Maine to dispose of HUD real estate-owned (REO) properties. REO properties are typically rehabilitated by the nonprofit organizations, often with Youthbuild workers, and then sold to first-time, low-income homebuyers who receive downpayment assistance from the State. HUD also actively promotes homeownership education in Maine, having trained 250 prospective homeowners so far this year. Maine has partnered with community action agencies and housing counseling agencies to present these sessions and will expand its educational partnerships by joining with the Maine Realtors Association in future sessions.

Current Trends Reflect Strong Housing Markets

In FY 1996, FHA-insured mortgages with an unpaid principal balance of more than \$71 billion, a 36-percent increase over the prior year. This increase is primarily due to growth in FHA's single-family mortgage insurance, reflecting strong housing markets nationwide. FHA insured nearly 800,000 single-family loans, totaling almost \$66 billion in FY 1996. Strong markets and improved HUD management are also reflected in reduced FHA claim rates, which have fallen by 27 percent since 1992. An independent audit of FHA conducted for the Department's Office of Inspector General by KPMG Peat Marwick states that FHA has steadily improved its management and overall financial condition, including improving its capital ratio, reducing its inventories of single-family and multifamily notes, and declining claims on single-family loans.

"FHA is changing for the better. We applaud management for its consistency in its efforts to make FHA relevant in and responsive to the marketplace."

Independent audit of FHA by KPMG Peat Marwick

Housing Opportunities for Mississippians Enhanced (H.O.M.E.)

The Mississippi Regional Housing Authority No. VI in Jackson, Mississippi, operates a novel homeownership program—H.O.M.E. Since 1988 the initiative has purchased 49 single-family homes from HUD's foreclosure inventory. The housing authority has built eight homes in Tchula, Mississippi, an economically distressed community. By 1997, H.O.M.E. was accomplishing two goals: providing affordable housing for a critical segment of the State's population, and opening the doors to homeownership for families who otherwise might never have that opportunity. H.O.M.E. targets families with incomes between 50 percent and 80 percent of the median. Participants are selected based on their rent payment history, prompt rental payments, stability of income, employment, and maintenance of their units.

First Time and Minority Homebuyers

FHA is particularly important to first-time and minority homebuyers. In 1997 almost 79 percent of the mortgages insured by FHA were for first-time homebuyers, compared to 58.5 percent in 1995. The median household income for an FHA-insured borrower was \$39,427 in 1997.

Exhibit 3-4

Breakdown of Borrowers' Race/Ethnicity for FHA-Insured Mortgages,

Race/Ethnicity	FY1997	FY1998	FY1999
White	68.72	71.05	70.92
Black	11.96	11.34	11.98
Hispanic	16.86	15.26	14.70
Asian	1.93	1.83	1.87
American Indian	0.53	0.53	0.53

How Raising the FHA Loan Limits Benefits Americans

New construction in rural America and other low-cost areas. Homebuilders in markets where the FHA loan limit is at or near the lower limit of \$86,317 find it increasingly difficult to provide homes that can be supported by this mortgage amount. The median sales price of newly constructed homes far exceeds the FHA loan limit, which impedes the construction of low- and moderate-income developments, particularly when combined with increasing land and building costs. "Probably the greatest single problem with financing new houses in rural Missouri are the FHA loan limits," says Earl McElwee, a real estate broker in Excelsior Springs.

Mixed-income housing. To create a successful mixed-income community, developers often need to build homes with values significantly greater than the FHA loan limit. However, many families seeking to purchase these homes are young, first-time homebuyers with little savings for a downpayment, who also need the flexibility of FHA financing. In Detroit's Empowerment Zone, for example, a builder is developing single family homes ranging in price from \$90,000 to \$250,000. In Chattanooga, Tennessee, a local consortium is working to revitalize the downtown city center and has been producing new homes that range in price from \$50,000 to \$250,000. In both cases the higher priced homes are above the FHA loan limit, shutting out families that are essential to creating the desired stability in these neighborhoods.

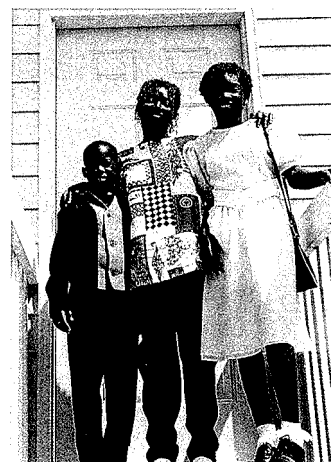
Big cities. In many market areas where the FHA loan limit is at its \$170,362 statutory maximum, even moderately priced housing exceeds levels supportable by the FHA limit. Middle-class purchasers who need FHA assistance are essentially precluded from these markets. The FHA loan limit presents a real problem in St. Louis, Missouri, where the city's charter has frozen the size of the city at 60 square miles. The city's low FHA loan limit of \$99,150 is a serious impediment to downtown revitalization. The loan limit in neighboring St. Louis County is \$142,050. Because the cost of building a home in the suburbs is the same or lower than in the city, homebuilders have little or no incentive to build homes downtown, and middle-income families are encouraged to buy homes outside the city.

Homeownership Opportunities for Women

The partnership, involving HUD and 32 national organizations, provides customized assistance and advice to women, especially single mothers, interested in buying their own homes. In 1997 the homeownership rate for women-headed households was 51 percent versus the national average of approximately 66 percent. The women's homeownership

LOOKING AHEAD:

HUD's FY 1999 budget creates a homeownership voucher program that will allow as many as 50,000 families to use their Section 8 rental assistance vouchers to become first-time homebuyers. Under the new program, the same HUD funds now going to help pay a family's rent will instead be used for the family's monthly mortgage payments. Rules for the new program are expected to require each participating family to have income from employment, contribute funds for a downpayment, and receive a mortgage loan from a conventional lending institution.



DID YOU KNOW?

Over the past 3 years, HUD has awarded a total of \$35 million to Habitat for Humanity for use in land acquisition and infrastructure development. These funds supported the production of 2,500 affordable units for self-help homeownership by low-income families.

Wisconsin Lending Consortium Targets Homeownership

In 1991 Milwaukee, Wisconsin Mayor John Norquist worked with local lenders and community-based homebuyer counseling groups to launch a new organization that would expand homeownership opportunities for modest-income families in his city. He and other civic leaders were also concerned about the high rate of loan denials to minorities seeking to finance homes in the city. They created New Opportunities for Homeownership in Milwaukee (NOHIM)—a consortium of lending institutions and counseling organizations.

By 1997 NOHIM was training and informing dozens of lenders and real estate professionals about resources available to help first-time, urban homebuyers. It was also sponsoring lending initiatives, including downpayment and closing assistance, mortgage products, home purchase seminars, housing fairs, and neighborhood tours. NOHIM refers prequalified mortgage applicants to lenders, complete with loan packages of all necessary underwriting documentation. NOHIM reaches out to homebuyers, too. Kim Hardiman, a single mother who bought a downtown duplex, has high praise. "I don't think I would have ever gotten my house without the program," she says. "My counselor helped me through the paperwork and talked to several lenders for me. It was a lengthy process, but worth every bit of it."

Since 1991 more than \$70 million in mortgage loans from NOHIM lenders has helped more than 2,000 families realize their dream of owning a home. Nearly 10,000 families have received prepurchase counseling and advice from NOHIM's community-based counseling groups. In 1997 NOHIM organizations closed 546 loans worth \$27.4 million. More than 83 percent of these went to minorities, and more than 47 percent went to families with low or very low incomes.

HOUSING COUNSELING



In 1997 the number of HUD-approved counseling agencies reached 1,270, more than double the number operating five years earlier. A set-aside in the HOME program, HUD's Housing Counseling program provides valuable financial guidance to potential homebuyers and is especially helpful for minority and immigrant households that lack knowledge about the homebuying process, financing options, and credit histories. During 1996 and 1997 HUD made total awards of more than \$22 million for housing counseling, which helped support counseling for 382,000 people. The program also awards housing counseling grants to national nonprofit intermediaries. In FY 1997 HUD awarded more than \$4.7 million to five

such organizations: Acorn Housing Corporation, Catholic Charities USA, National Association of Housing Partnerships, National Foundation for Consumer Credit, and Neighborhood Reinvestment Corporation.

Georgia Center Counsels Would-Be Homeowners

Alexander Harris works for the Atlanta school system and his wife is a technician at a local hospital. The Harris family came to the Atlanta Center for Homeownership to see about buying a home after years of renting.

The Atlanta Center for Homeownership, opened in February 1997, was established by the city, the housing authority, and the Atlanta Empowerment Zone. The Center offers

LOOKING AHEAD:

The FY 1999 budget

authorizes HUD to

develop a home rehabilitation demonstration program under which HUD will provide grants to subsidize interest loans for home rehabilitation in 10 communities. Grant funds could also be used to help make loan funds available for home rehabilitation by creating revolving loan funds, loan loss reserves, and other financial structures.

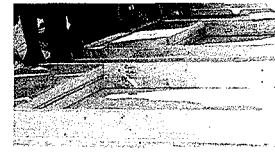
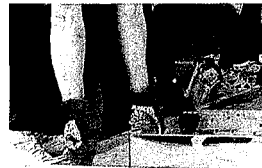
a comprehensive homeownership counseling program involving local lenders, affordable housing entities, consumer credit agencies, and social service providers. A trained housing counselor helped the Harris and Robertson families develop individualized homeownership action plans and worked with local lenders to ensure that the families met underwriting standards and understood the mortgage process.

The Harris' counselor helped the family receive \$8,000 in downpayment assistance from the Empowerment Zone and an affordable mortgage from a local lender. Mr. Harris says he "couldn't thank the Atlanta Center for Homeownership enough" for the help it had given him in realizing his dream. The Robertsons, who received downpayment assistance from the State and financing from Chase Manhattan Mortgage Company, were thrilled to spend Christmas 1997 in their first home. During its first year, the center facilitated nearly \$12 million in home sales.

HOMEOWNERSHIP ZONES

This HUD initiative is helping targeted cities expand homeownership by constructing and rehabilitating neighborhoods of single-family homes in formerly vacant or distressed sites. More than 2,000 homes are being produced in Baltimore, Maryland; Buffalo, New York; Cleveland, Ohio; Louisville, Kentucky; Philadelphia, Pennsylvania, and Sacramento, California.

The activity should boost the economies of these urban neighborhoods, creating demand for other activities such as grocery stores and dry cleaners. In 1997 HUD seed money from recaptured Nehemiah Funds were used for the purchase of land and infrastructure improvements to lower the cost of new housing in the Zones and to construct 1,400 new homes. HUD received 70 applications but was able to fund only six new Zones last year. The Homeownership Zone strategy builds on the successes of Empowerment Zones and Enterprise Communities by recognizing that the best strategies are forged from the ground up, are coordinated and comprehensive, and make sense for the community.



FANNIE MAE/FREDDIE MAC OVERSIGHT

The Office of Federal Housing Enterprise Oversight, an independent office within HUD, ensures that the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac) are adequately capitalized and operating in a safe and sound manner. Fannie Mae and Freddie Mac are the two largest providers of credit for conventional home loans.

The HUD Secretary also separately monitors these government-sponsored entities' (GSEs') compliance with other statutory responsibilities, including nondiscrimination. The Secretary's responsibilities include establishing and enforcing housing goals for the GSEs' purchase of mortgages for housing for low- and moderate-income families and for housing located in central cities, rural areas, and other underserved areas. HUD also has responsibility for reviewing new GSE programs and establishing fair housing requirements.

In 1997 Fannie Mae helped provide housing for 781,281 low- and moderate-income families, while Freddie Mac helped 503,459 families.

DID YOU KNOW?

People without sufficient cash to buy a home can contribute *sweat equity* instead under HUD's Self-Help Homeownership Opportunities (SHOP) initiative. HUD awards competitive grants to nonprofit organizations for self-help housing projects of at least 30 homes.

Exhibit 3-5

GSE Affordable Housing Goal Performance

	Percentage of Housing Units Financed					
	Low- and Moderate-Income		Special Affordable		Geographically Targeted	
	Goal	Performance	Goal	Performance	Goal	Performance
Fannie Mae	42 %	45.46 %	14 %	19.09 %	24 %	28.99 %
Freddie Mac	42 %	42.88 %	14 %	15.31 %	24 %	26.28 %

Special Affordable Subgoal for Multi-Family

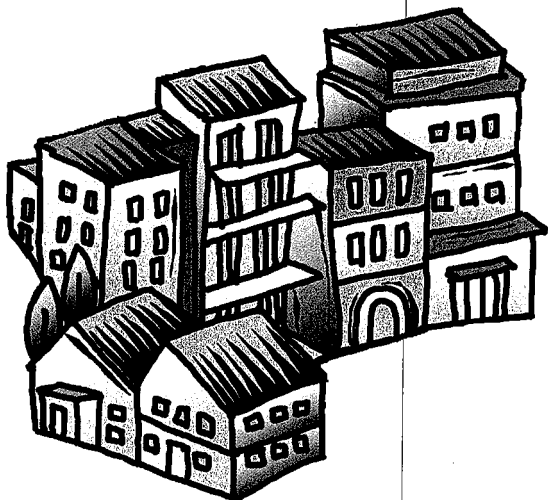
	Goal	Performance
Fannie Mae	\$1.3 billion	\$3.19 billion
Freddie Mac	\$988 million	\$1.21 billion

GINNIE MAE

The Government National Mortgage Association (Ginnie Mae) helps to ensure an efficient secondary market activity for Federally insured or guaranteed mortgages. A wholly-owned government corporation within HUD, its primary function is to guarantee securities backed by pools of mortgages issued by private institutions that participate in the Ginnie Mae Mortgage-Backed Securities (MBS) program. The mortgages are insured by FHA or guaranteed by either the Veterans Administration (VA) or the Rural Housing Service. By 1997 more than \$1 trillion in Ginnie Mae MBSs had been issued and more than \$472 billion remained outstanding.

Historically, 95 percent of all FHA and VA mortgages have been secured through Ginnie Mae, which has helped more than 18.9 million American families buy homes both by helping to eliminate regional differences in the availability of mortgage credit and by assuring mortgage capital for government housing programs. During FY1997 Ginnie Mae recorded substantial increases in both revenues and assets, reporting a record net income of \$601 million, a 17-percent increase over FY1996. Revenues rose 11 percent and total assets grew 13 percent, to \$5.7 billion.

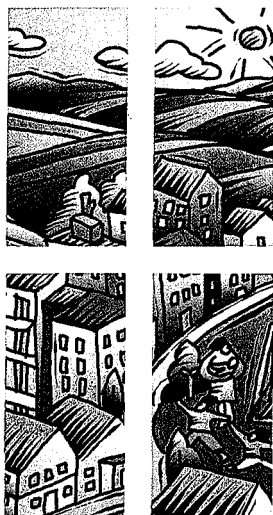
Ginnie Mae is spearheading a Federal initiative to stimulate at least \$1 billion in annual mortgage loans to help approximately 15,000 families annually buy homes in America's inner cities. With the Targeted Lending Initiative, Ginnie Mae reduces the guarantee fees it charges to lenders by up to 50 percent when the lenders make home mortgage loans to central city homebuyers in 72 Enterprise Zones and Enterprise Communities around the Nation.





PUTTING THE HOUSING BACK IN HUD

4. PUTTING THE HOUSING BACK IN HUD



MMr. Cuomo said the creation of 90,000 rental vouchers was especially important, because no new Section 8 vouchers had been authorized since 1994. Only two months ago, HUD negotiators had thought they might persuade lawmakers to authorize 15,000 new vouchers. Authorization of the far higher number left housing officials "ecstatic," as one put it today.

— The New York Times,
Oct. 6, 1998

1997 Highlights. Putting the Housing Back in HUD

Low-Income Housing Assistance. Congress and the Clinton-Gore Administration forged an historic agreement to increase funding for Section 8 contract renewals by \$4.6 billion, enabling HUD to renew all expiring contracts and averting a looming crisis that could have had grave consequences for more than 4 million low-income Americans

Public Housing. HUD allocated \$500 million in HOPEVI grants to help fund the transformation of distressed public housing developments into vibrant mixed-income communities **HOME.** This flexible HUD grant program allocated more than \$1 billion among states and localities to support a wide range of activities that build, buy, and rehabilitate affordable housing for rent or homeownership, often in partnership with local nonprofit housing organizations and other public and private partners. In 1997, the total number of units assisted by HOME since the program began reached 280,000

Housing for People Who are Elderly and/or Disabled. Secretary Cuomo announced that HUD would provide \$595.6 million in HUD assistance to nonprofit groups nationwide to create more housing for senior citizens and people with disabilities

Homelessness Assistance. HUD Continuum of Care programs provided \$823 million to assist homeless individuals and families—not just with emergency shelters, but with transitional housing and other support to help homeless people get back on the road to independence and permanent housing. Nevertheless, demand for help exceeded the available dollars by 240 percent.

During 1997, HUD began reinvigorating its affordable housing programs to fulfill HUD's mission to ensure decent, safe, and affordable housing. Despite America's booming economy, a recently released HUD report says a record 5.3 million households in 1995 with very low incomes—including growing numbers of working poor and suburban as well as urban families—have a desperate need for housing assistance because they face a crisis of unaffordable rents and substandard living conditions.

The report, *Rental Housing Assistance—The Crisis Continues*, presents clear and compelling evidence of deep and persistent housing problems for working families and other Americans with the lowest incomes. "The report makes it clear that the Federal Government must significantly enhance its efforts to create more affordable housing opportunities," said Secretary Cuomo. "The story of housing in the 1990's is a story of prosperity without progress."

Long Wait for Housing Assistance Strains Low-income Renters

Joyce Scott keeps hearing stories about the booming economy—but they mean little to her. Ms. Scott, who lives in a run-down Baltimore apartment with her two daughters and a grandson, pays \$356 a month for rent, which is more than half of her income. Ms. Scott lost her job as a childcare worker six months ago. She went on welfare, but eventually found a job as a sales associate at Joanne Fabrics through a job-search program. Ms. Scott has been on a waiting list for Section 8 rental assistance for 15 years.

"I want to provide a better life for my family," Ms. Scott says. "Through hard work and persistence, I know it can be done and I will not give up. But along the way there are some big obstacles. Putting most of my money to rent is one of the biggest." Ms. Scott's family is one of 39,000 households in the Baltimore metropolitan area with worst case housing needs. More than 28,000 Baltimore families are on waiting lists for HUD housing assistance.

Exhibit 4-1

Putting the Housing Back in HUD: Budget Summary of Selected Programs

Program	FY 1996 (actual)	FY 1997 (actual)	FY 1998 (enacted)	FY 1999 (enacted)
Section 8 Incremental	—	—	—	283
Section 8 Tenant Assistance and Protection	400	190	303	394
Section 8 Renewals	4,008	3,550	8,180	9,600
Indian Housing	163	204	605	620
HOME	1,400	1,400	1,500	1,600
Housing for Elderly and Disabled	1,088	839	839	854
Continuum of Care	823	823	823	975
Housing Opportunities for Persons With AIDS	171	196	204	225

[] Set aside within funding. All numbers in millions of dollars.

Among the most significant 1997 achievements was an historic agreement forged with Congress to address a looming crisis in Section 8, a main-stay housing program for the poor. Secretary Cuomo was instrumental in creating the bipartisan compromise and cooperation that preserved this vital housing resource, which serves 4 million poor Americans. "There is no single higher priority for HUD than solving the Section 8 crisis," Cuomo said at his January 1997 confirmation hearing.

In 1997, the flexible block grant approach of the HOME and Community Development Block Grant (CDBG) programs increasingly became the paradigm for HUD's housing assistance. Both programs attract significant investment from the private sector and other funding sources, enabling HUD to maximize its Federal housing dollars.

Rental Housing Assistance —The Crisis Continues: Major Findings

The number of American households with crisis-level rental housing needs grew by 400,000 from 1991 to 1995 to reach 5.3 million.

The supply of low-rent housing has decreased, but Congress has yet to approve requests to give more people housing assistance. The number of apartments affordable to families with very low incomes dropped by 900,000 from 1993 to 1995.

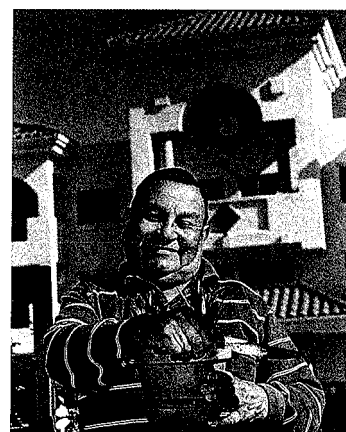
There has been a sharp increase in the numbers of working poor families needing housing assistance, with the total number jumping by 265,000—24 percent—from 1991 to 1995.

The affordable housing shortage, once concentrated principally in the cities, is also affecting the suburbs. The number of suburban households with critical housing needs jumped by 146,000 from 1991 to 1995—a 9 percent increase.

The 5.3 million households with worst case needs are made up of an estimated 2.5 million people—including 4.5 million children, nearly 1.5 million senior citizens, and between 1.1 million and 1.4 million adults with disabilities. These families qualify for HUD housing aid but cannot get it because HUD does not have the funding.

LOOKING AHEAD:

Newly enacted public housing reform legislation includes housing assistance vouchers for 90,000 more families with low and moderate incomes through the Section 8 program to enable them to rent privately owned apartments. This is the first increase in vouchers in five years. 50,000 new vouchers will be created for families moving from welfare to work, and 40,000 vouchers will be made available by eliminating a mandatory three-month waiting period to reissue vouchers that go from one family to another. In addition, the bill authorizes another 200,000 vouchers—100,000 in the year 2000 and an additional 100,000 in the year 2001.



LOOKING AHEAD:

The Clinton-Gore Administration's FY 1999 budget strengthens HUD's affordable housing programs by providing funds for new Section 8 rental housing vouchers—the first new vouchers since 1994.

The Clinton-Gore Administration's FY 1999 budget for Section 8 is sufficient to renew all expiring Section 8 contracts in 1999, covering 2 million units

Now, suddenly, comes passage of a housing measure that bolsters HUD's budget by \$2 billion, that will provide rent subsidies to 90,000 new families. By all accounts, the architect of this turnaround is Andrew Cuomo, who took over as HUD Secretary in January 1997. Mr. Cuomo streamlined the agency and worked hard to salvage one of its most important missions—to provide safe and decent housing to families shout out of the regular housing market.

—Bob Herbert,
The New York Times,
Oct 18, 1998

SECTION 8 TENANT-BASED VOUCHERS AND CERTIFICATES

HUD's tenant-based rental assistance programs help approximately 1.4 million households afford decent housing by providing funds through vouchers to let families rent housing in privately-owned developments, but in recent years, funding levels have covered only continued aid for families already assisted. The crisis facing America's poorest renters has been significantly heightened by Congress' decision to freeze housing assistance at 1995 levels. Between 1993 and 1995, the Nation lost almost a million units of affordable housing, even as the ranks of families needing housing assistance grew. Until the 1999 budget, Congress had not provided any new Section 8 housing vouchers for low-income families since 1995.

Section 8 Project-Based Rental Assistance

Starting in the mid-1990s, large numbers of Section 8 project-based contracts with private building owners began expiring. Renewal was uncertain for an estimated 1.8 million units in FY1998, 2.2 million units in FY1999 and 2.5 million units in FY2000. The Section 8 reform bill, enacted in October 1997, is an historic achievement—the first major housing legislation passed in six years and a product of bipartisan compromise.

Secretary Cuomo has made Section 8 reform his top priority. The Section 8 reforms contained in HUD's FY 1998 appropriations bill put Section 8 on a solid financial foundation and preserves affordable housing. The bill increased funding for Section 8 contract renewals by \$4.6 billion, enabling HUD to renew all contracts expiring this year. By separating the budget authority needed for contract renewals from other discretionary HUD funding, the Department will be able to maintain critical funding for other programs.

The legislation also ends excessive rental subsidies to private landlords under the project-based Section 8 program. During the past two decades, these subsidies escalated with inflation to far exceed rents for comparable apartments on the private markets. In Detroit, for example, the HUD-approved rent for a subsidized apartment is \$716, compared with \$499 for the same apartment on the private market. In the future, project-based subsidies that landlords receive from HUD will be tied to market rates, saving taxpayers \$562 million in 1998 and nearly \$1.6 billion over the next five years.

The Department has had to proceed carefully in reducing these subsidies to market levels to ensure that housing units aren't lost from the affordable housing stock due to defaults and foreclosures. Working with Congress, HUD launched a demonstration reform program in 1996 to address the complex challenges of restructuring Section 8 project finance. The Portfolio Reengineering program is experimenting with different approaches to refinancing projects, reducing subsidy costs, and protecting tenants. In 1997, 120 projects with 10,500 total units participated in the demonstration. HUD is requesting \$373 million in FY1999 to protect tenants who are displaced or face rent increases as a result of restructuring.

Other Section 8 reforms include lowering administrative fees and tightening monitoring to ensure that tenants are paying their full share of the rent, eliminating some Federal preferences for occupancy in Section 8 apartments to permit buildings to have a more economically mixed tenant base, and improving Section 8 management

PUBLIC HOUSING

Since 1937, the Federal Government has invested billions of dollars in the construction and operation of 1.4 million units of public housing specifically targeted to the Nation's working poor families. In most communities public housing is well-managed and provides decent quality housing for poor families who cannot afford private market housing. HUD supplies operating subsidies to more than 3,200 public housing authorities nationwide to ensure that a reasonable level of services are provided to public housing residents, including maintenance, utilities, and security. HUD also provides capital grants to the housing authorities to upgrade units, demolish obsolete units, assist displaced families, or build replacement units.

Exhibit 4-2

Public Housing Modernization Funding Amounts: FY 1997 and FY 1998

Program	1997 Allocations	1997 PHAs Funded	1998 Allocations	1998 PHAs Funded
Comprehensive Grant Program	\$2,003,573,300	830	\$2,121,002,666	832
Comprehensive Improvement Assistance Program	\$280,475,670	982	\$304,664,477	Application due to FOs by June 29, 1998
Yearly Total	\$2,284,048,970	1,812	\$2,425,667,143	—

Although most public housing is sound, some projects are plagued by deterioration, crime, and drugs. The Clinton-Gore Administration has worked for 5 years to implement a physical and social transformation of public housing, demolishing the worst public housing developments and replacing them with mixed-income, mixed-finance projects that blend into their neighborhoods.

HOPE VI: The New Face of Public Housing

HOPEVI is ending the terrible isolation that has plagued some public housing complexes for decades by giving local public housing authorities the money and the regulatory flexibility they need to transform their projects. Housing authorities are encouraged to seek partners in the community and create mixed-income, affordable housing that is radically different from traditional public housing. Highrise buildings are being replaced gradually with townhouses and garden-style apartments. The Department has set a goal of approving the demolition of 100,000 blighted or obsolete units and providing approximately 40,000 replacement dwellings and 60,000 Section 8 certificates and vouchers by 2003.

During 1997 the Department approved demolition of 20,364 units. With the \$550 million in HOPEVI funding appropriated by Congress for 1997, HUD approved 23 revitalization grants and 4 demolition grants. The money will go to rehabilitate 1,152 units, demolish 8,629 units, and construct 5,901 new units.

Most local public housing authorities combine HOPEVI funds with financing from City and State agencies and private entities to pay for demolition, construction, rehabilitation and other physical improvements, and self-sufficiency programs for residents. For many projects the funds raised outside of HUD equal or surpass HUD grant monies. From 1993 to 1997, HUD awarded grants totaling \$2.5 billion in HOPEVI funds to revitalize 81 public housing sites.

LOOKING AHEAD:

Funding for public housing capital improvements is rising even more dramatically, from \$2.5 billion last year to \$3 billion this year—a 20 percent increase. Capital improvement funds are used to upgrade public housing projects, tear down obsolete units, provide assistance to displaced families and build replacement units.

DID YOU KNOW?

The vast majority of public housing authorities provide decent affordable housing, with only 2 percent of the PHAs on HUD's troubled list.



DID YOU KNOW?

Since 1994 the CDBG and HOME programs have assisted in the production and rehabilitation of more than 850,000 homes and apartments for low- and moderate-income people.

Kentucky's Park DuValle: Public Housing Transformed

The Park DuValle section of Louisville, Kentucky used to be dominated by two warehouse-style public housing projects. Now, thanks to local ingenuity and support from HUD, Park DuValle is being transformed into an attractive, mixed-income neighborhood of Victorian-style fourplexes and single-family homes. By 1998 the first 100 units—The Oaks at Park DuValle—had been built. When completed, the Park DuValle community will include single-family homes, 350 market-rate apartments, and 350 units of public housing, as well as stores and small businesses.

"We are building a spectacular new city neighborhood that will have all the assets that make living in the city attractive to families of all income levels," says Louisville Mayor Jerry E. Abramson. Park DuValle is attracting the income mix planners hoped for: An expanded pool of Section 8 certificates helped many former residents of the demolished public housing rent new private units. Middle-class buyers are moving in too, including Larry Brown, a registered nurse specialist, and his wife Kim, a paralegal with the county attorney's office. "Park DuValle is headed in the right direction," Larry Brown told *The Louisville Defender*. "We like it that this is a settled, established neighborhood." Future plans include an information technology center with links to schools and libraries.

In 1995 HUD provided the housing authority a \$31.4-million grant for demolition and reconstruction. In 1996 Louisville received an additional \$20 million from HUD's HOPEVI program to continue the revitalization work.

HOME INVESTMENT PARTNERSHIPS PROGRAM (HOME)

The HOME program is a key tool in producing affordable housing. It is the first Federal program to provide funds directly to States and local governments to exclusively address a broad range of affordable housing needs. One of the most popular HUD programs, it allocates more than \$1 billion each year among the States and hundreds of localities nationwide. HOME's flexibility enables communities to design and implement strategies tailored to their own priorities, and they use HOME grants, often in partnership with local nonprofit groups, to fund a wide range of activities that build, buy and rehabilitate affordable housing for rent or homeownership or provide direct rental assistance to low-income people. Participating jurisdictions match 25 cents of every dollar in HUD funds.

Exhibit 4-3

HOME PROGRAM: Funding Commitments and Disbursements: FY1992-96

Fiscal Year	Amount Allocated
1992	\$1.46 billion
1993	990 million
1994	1.22 billion
1995	1.34 billion
1996	1.36 billion

HOME encourages public-private partnerships by providing incentives to for-profit and nonprofit developers to produce housing for low-income households. In so doing, HOME fills the gap that the private sector does not address. HOME strives to meet both the short-term goal of increasing the supply and availability of affordable housing and the longterm

goals of building partnerships between State and local governments and private and non-profit housing producers, strengthening their capacity to meet the housing needs of low- and very low-income residents. At least 15 percent of a local government's allocation must fund housing to be owned, developed, or sponsored by community-based nonprofit groups designated by the grantee as Community Housing Development Organizations (CHDOs). HOME reserved more than \$1.3 billion for CHDOs from FY 1992 through FY 1997.

Exhibit 4-4

Housing Activities Funded by HOME (as of September 30, 1997)

Activity	Rental	Homebuyer	Total	% of Total
New Construction	42,821	22,011	64,832	23.2
Rehabilitation	75,971	75,336	151,307	54.1
Acquisition	6,931	56,582	63,513	22.7
Total Units	125,723	153,929	279,652	—
Percent of Units	45.0	55.0	—	100.0

Source: 1997 HOME data

Flexible! HUD Grants Help Pennsylvania and Oklahoma Increase Affordable Housing Supply

Philadelphia, Pennsylvania and Oklahoma City, Oklahoma are among a growing number of cities that use flexible block grants from HUD to promote community-based partnerships with private firms, nonprofit organizations, and local groups to increase the affordable housing supply.

Using HUD funds for leverage, Philadelphia, in 1997, dramatically increased production of new and rehabilitated housing—adding 13,539 units for homeownership; nearly 2,000 units for rental housing; and almost 7,000 units for special needs, transitional, and permanent homeless housing. The city's \$12.6 million in HOME grants played a major role. Philadelphia also directed some of its \$70 million in CDBG funding to affordable housing. Other funding included \$1.8 million in HUD Emergency Shelter Grants, \$3 million in Housing Opportunities for People With AIDS (HOPWA), Section 108 Loan Guarantees, Empowerment Zone grants and incentives, and Homeownership Zone dollars.

To accelerate its production of affordable housing, Oklahoma City formed partnerships with community development organizations, using HUD funds to leverage private-sector investment. By 1997, the alliances had increased the city's production of affordable housing by 20 percent over prior years. Partners include nonprofit groups, a community action agency, public housing authority, and Catholic Charities. The city receives \$10.5 million in annual funding from CDBG, HOME, and Emergency Shelter Grants.

Alaska Consolidates HUD Programs to Enhance Results

Alaska's GOAL program—Greater Opportunities for Affordable Living—was developed by the Alaska Housing Finance Corporation to consolidate the application process for three separate housing programs (HOME, Low-Income Housing Tax Credits, and the Senior Citizens Housing Development Fund). By 1997, the single application had dramatically reduced the time and cost of processing applications, freeing up staff time to help more people and resources for more housing. Since the streamlining began in 1995, \$24 million in GOAL program funding and \$55 million from other funding sources has been used to develop 29 rental projects in 23 communities throughout Alaska. More than 700 households benefit from GOAL's activities.

LOOKING AHEAD:

HUD's \$24.5 billion budget for FY 1999 includes \$625 million for the HOPEVI program, a \$75 million increase over last year's appropriation. Cities that win the highly competitive HOPEVI grants use the funds to raze unlivable public housing developments and replace them with lower-density communities that reflect the architectural style of surrounding neighborhoods. HOPEVI encourages a more balanced income mix in the new communities to end the social and economic isolation suffered by many public housing residents.



HOME Partnership Houses Homeless People with Illnesses or Disabilities in Utah

Salt Lake City, Utah used HOME to help homeless people who pose a special housing challenge because they suffer from chronic illnesses or developmental disabilities. A wide range of public, private, and nonprofit partners joined in the development of the Gregson Special Needs Apartments. HOME helped finance the apartments, which also received funding from the State housing trust fund: Salt Lake City Corporation; and First Security Bank, which purchased housing tax credits. The complex features 16 apartments, and all ground-floor units are handicap accessible. Residents include people with mental illness, mental retardation, and controlled tuberculosis, as well as recovering alcoholics. Community agencies provide support services. To date, 63 special needs residents have been housed, including eight with tuberculosis.

Wyoming Housing Authority Creates Life Steps Campus

In 1997, the Casper, Wyoming Housing Authority used the HOME program to develop a Life Steps Campus that will, when completed, provide housing and social services for homeless people who are brain injured, victims of domestic violence, or living with AIDS. The project is a collaboration of nonprofit organizations, government agencies, and the private sector. Services will promote self-sufficiency and a better quality of life for residents. Funding for the \$2.2 million project is either committed or being sought from HOME, CDBG, HUD's Supportive Housing Program, HOPWA, private foundations, and the Federal Home Loan Bank.

LOW-INCOME HOUSING TAX CREDIT (LIHTC)

LIHTC, overseen by the U.S. Department of the Treasury, has become a very significant generator of affordable rental housing. Enacted as part of the Tax Reform Act of 1986 and made permanent in 1993, LIHTC has increased the Nation's supply of affordable housing by nearly one million units since its inception. LIHTC projects have anchored revitalization activities in many communities and primed the pump for further redevelopment. By 1997, LIHTC was producing 80,000 to 100,000 units each year and generating an estimated 70,000 jobs, \$1.8 billion in wages, and \$700 million in tax revenues annually. Since 1986, the housing tax credit has leveraged more than \$12 billion in corporate investment — much of it from corporations that had not previously invested in affordable housing.

Tax Credit Projects Help Minnesota Meet Housing Needs

Some of the country's most urgent housing needs are on the edge of fast growing cities, where rising costs can destabilize local housing markets and threaten existing residents. Dakota County, Minnesota fits that profile, and during 1997 it offered a full spectrum of housing assistance to address its housing needs. About 2,000 Dakota County households received Section 8 rental assistance. Ten senior housing projects, all developed since 1989, served 500 elderly households. The housing authority owned and managed 245 units of public housing, and through Dakota County's Family Townhome Partnerships, the county leveraged local financing for rental townhomes built with LIHTC. As of 1997, 158 housing tax credit units were spread out in five projects throughout the county. Proceeds from mortgage revenue bonds financed a Dakota County homebuyer loan program, serving families with an average income of \$35,000. Since 1983, the program has helped more than 3,000 families purchase their own homes.

Housing Tax Credits Used To Restore Affordable Housing in Ohio

Once a financially troubled, low-income housing project, Garden Hill Cooperative Homes in Cincinnati, Ohio is being transformed from a drug dealer's haven to a home for 276 families. The renovation of the complex, which has been renamed Silver Oaks, is being made possible thanks to a public/private partnership involving the local lending community; Federal, State, and local governments; and trade associations.

Preserving Affordable Housing, Inc., took over ownership of the complex from HUD in September 1997. HUD had acquired the development 2 years earlier after the owners defaulted on their FHA-insured mortgage. Money for the redesign of the complex is a combination of an up-front grant from HUD, LIHTC, tax-free bonds, city funds, and owner contributions. When completed, Silver Oaks will house two daycare centers, five playgrounds, and a Neighborhood Networks Center. The Cincinnati Building Trades offers a preapprenticeship program to area residents, many of whom are now working for contractors rehabilitating the complex. The property will be offered to residents for purchase after 15 years.

NATIVE AMERICAN HOUSING

HUD is charged by Congress with primary responsibility for providing affordable housing to low-income, Native American families living on reservations and in other traditional Indian areas. This assistance plays a critical role in the lives of Native Americans, who have a poverty rate of 36 percent and live in what has been described as some of the worst housing in the Nation.

During 1997, HUD and its tribal partners began to implement the historic 1996 Native American Housing Assistance and Self-Determination Act (NAHASDA). Beginning in 1998, the new law consolidates Native American housing and housing-related assistance into a single, formula-based Indian Housing Block Grant. "The days when the Federal government told Indian nations what to do, when to do it, and how to do it are over," said Secretary Andrew Cuomo at the Pine Ridge and Lower Brule Reservations in South Dakota.

Exhibit 4-5

Native American Housing Program Appropriations, 1997 (in Millions)

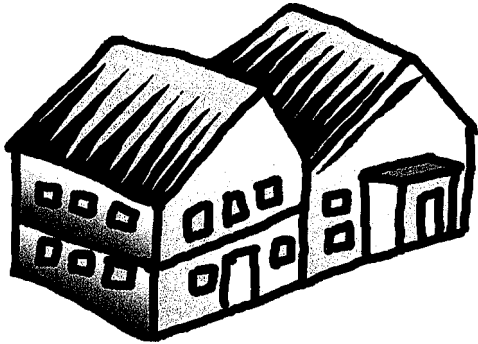
Program FY1997 Appropriation

Indian Loan Guarantee	\$3.0
Indian CDBG	67.0
Indian HOME	21.0
Indian Housing Development	200.0
Emergency Shelter Grants	1.3

LOOKING AHEAD:

The Clinton-Gore Administration's FY1999 budget includes \$100 million in additional HOME grants which would generate more than 78,520 homes and apartments and 11,200 families would receive tenant-based rental assistance.





NAHASDA gives tribes more authority to determine how to use HUD assistance and directs HUD aid to areas with the greatest need. The Act allows tribes, for the first time, to receive funds directly from HUD instead of through regional housing authorities. In addition to enabling tribes to use HUD funds for homeownership programs and tran-

HOUSING FOR THE ELDERLY AND DISABLED

Without HUD assistance, millions of older Americans or people with disabilities would live in substandard housing, be crowded together with relatives, be institutionalized, or be forced into homelessness. HUD helps house these vulnerable citizens, especially those with annual incomes of less than \$8,000, by providing capital advances to finance the construction and rehabilitation of supportive housing and subsidization of rents.

Idaho and Nevada Parents Create Housing Project for Disabled Adults

Concerned there would not be sufficient housing for their children when they became adults, parents of developmentally disabled children in Lewiston, Idaho banded together to form Project Idaho, Inc., to develop and operate housing for people with disabilities. The result is Fairview Terrace Apartments, a 12-unit, HUD Section 202/811 project. Project Idaho received a HUD grant to construct rental housing with supportive services, to enable persons with disabilities to live independently. HUD also provides rental assistance that covers the difference between the operating cost of the project and the amount of rent the resident pays.

HUD support in 1997 was instrumental to the Carol Haynes Apartments in Las Vegas. The complex houses low-income individuals with severe physical disabilities, most with traumatic brain injuries. A citizen campaign led by Carol Haynes, whose son survived an extreme brain injury, highlighted the fact that Nevadans with brain injuries had to be sent out of State for rehabilitation and lacked support services when they returned from their rehabilitation. In response, Accessible Space, Inc., secured the project financing using HUD's Section 811 program to construct the apartment building.

Residents of the one- and two-bedroom apartment building direct their own services and therapies, and share case management and 24-hour-a-day personal care delivered by about 30 staff members. The arrangement enables people with disabilities to live outside group homes or institutions and reacquire the skills they need to live independently, yet saves families and taxpayers money by sharing services and avoiding institutionalization.

In 1997, Secretary Cuomo announced that HUD would provide \$595.6 million in HUD assistance to nonprofit groups nationwide to create more housing for senior citizens and people with disabilities through the Section 202 elderly housing program, which will distribute \$501.3 million; and the Section 811 program for people with disabilities, which will award \$94.3 million. The funding will generate an estimated 6,000 apartments for elderly people and more than 1,100 apartments for people with disabilities.

South Dakota Housing Complex Serves People with Severe Disabilities

HUD support in 1997 helped a team of organizations establish the Hill Street Apartments in Spearfish, South Dakota. The project is uniquely designed to improve the quality of life for people with severe physical and mental disabilities. The South Dakota Housing Development Authority, the Northern Hills Training Center; and the State Department of Human Services launched Hill Street to allow people with disabilities to move from State institutions to community-based facilities, closer to their homes and families. "The people who live in the building have a range of abilities, from those who can live alone to those who need 24-hour monitoring," says Fred Romkema, executive director of the Northern Hills Training Center:

As an added benefit, the Hill Street Apartments are reducing the State's cost of care. When the people living at Hill Street were institutionalized, their average daily cost per person for care and housing was \$280, compared with \$175 at Hill Street, saving the State \$2.4 million. HUD provided the development with \$417,000 in HOME grants.



services for clients. Information on the success of the models, or lessons learned, may also benefit other areas in providing guidance on establishing appropriate responses to the housing needs associated with the HIV epidemic. The program helps people with AIDS who need housing assistance because of the high costs of treating their disease or because they have been unable to work due to their illness.

Exhibit 4-9

Housing Opportunities for People With AIDS

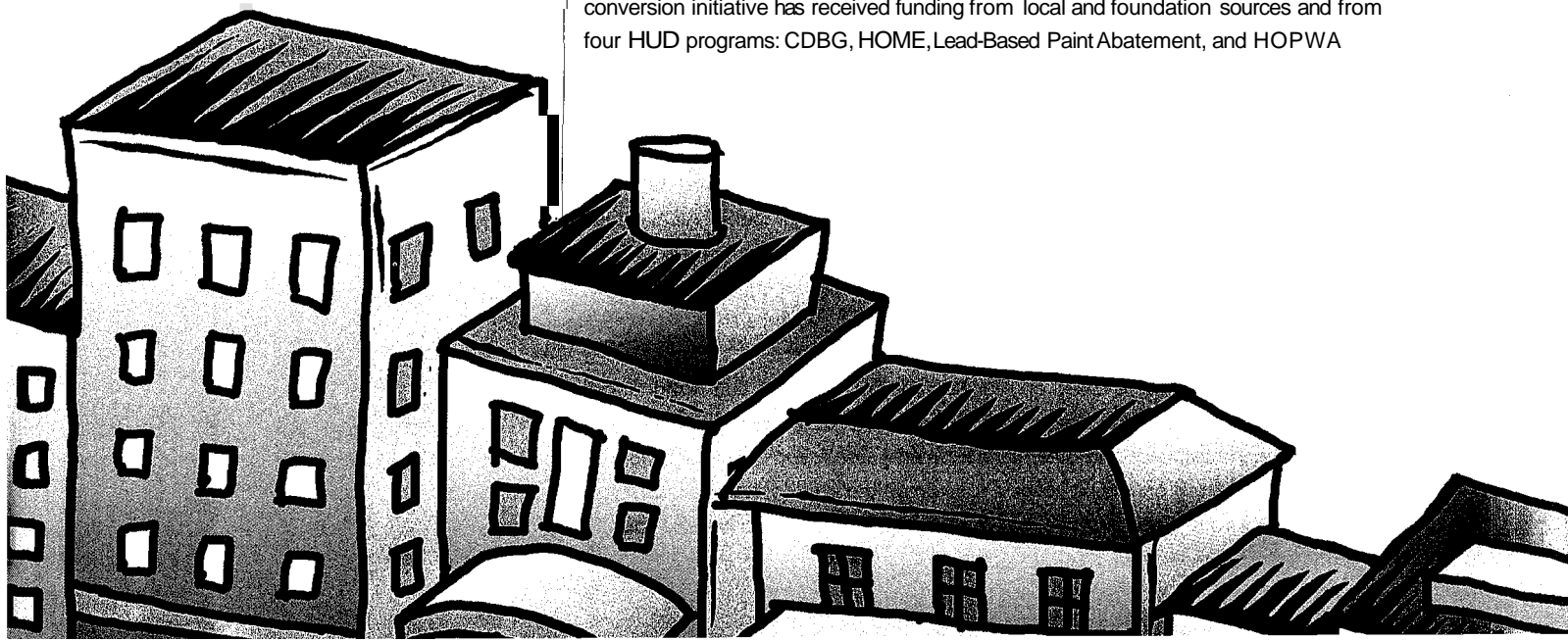
Use of Funds: FY1992-97

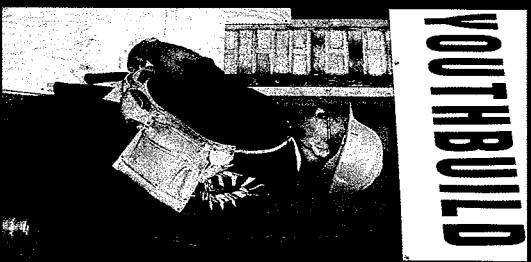
Activity	FY1994	FY1994	FY1992-97	FY1992-97
	Formula Grants Allocation	Formula Grants Percent of Allocation	Formula Grants Allocation	Formula Grants Percent of Allocation
Housing Development and Operation	\$54,931,951	39.1%	\$25,344,890	30.1%
Housing Payments	41,234,521	29.4	14,942,940	17.8
Supportive Services	31,420,235	22.4	26,992,351	32.1
Program Development	2,361,998	1.7	11,689,267	13.9
Administrative Costs	10,451,295	7.4	4,981,453	5.9
Totals	140,400,000	100.0	84,171,000	100.0

**California Converts Bases to Housing and Services
for Homeless People**

Homeless providers in Alameda County, California formed a novel collaborative that is making creative use of outdated military bases to expand the Continuum of Care for homeless people. The collaborative, involving 30 agencies, completed successful negotiations in 1997 at the Alameda Naval Air Station and the Oak Knoll Naval Hospital, and was conducting similar negotiations at the Oakland Army Base.

At the Alameda Naval Air Station, the collaborative is rehabilitating transitional and permanent housing, creating a childcare center for 60 homeless children, and acquiring buildings for economic development enterprises, including a woodworking shop and community food bank. A 70,000-square-foot building on the Naval base will serve as a multiservice center to provide office space, warehouse, and classroom facilities for job-training and employment services. At the Oakland Army Base, the collaborative is planning to create an industrial park geared to biotechnology and high-technology firms. The military base conversion initiative has received funding from local and foundation sources and from four HUD programs: CDBG, HOME, Lead-Based Paint Abatement, and HOPWA.





YOUTHBUILD

CREATING OPPORTUNITIES FOR ALL.

5.CREATING OPPORTUNITIES FOR ALL



1997 Highlights: Creating Opportunity for All

Public Housing Innovation: Twenty-four of the best-managed local housing agencies joined a pilot program under which HUD gives them new authority to manage their units and experiment with ways to help low-income families become economically self-sufficient.

Youthbuild: Nearly 2,000 at-risk young people learned valuable construction skills and produced 1,500 units of affordable housing for their communities.

Neighborhood Networks: The number operating in HUD-assisted housing grew to more than 300 centers offering advanced computer-based education and job training to residents. By year's end, approximately 700 additional centers were in various stages of development.

Exhibit 5-1

Creating Opportunities for All: Budget Summary of Selected Programs

Program	FY 1996 (actual)	FY 1997 (actual)	FY 1998 (enacted)	FY 1999 (enacted)
Youthbuild	[20]	[30]	[35]	[42.5]
Tenant Opportunity Program	15	5	5	[5]
Bridges to Work	[8]	—	—	—
Economic Development and Support Services	[53]	[60]	[55]	[55]
Moving to Work	—	5	5	—

[] Set aside within funding. All numbers in millions of dollars

Source: HUD Office of Policy Development and Research Fact Sheet, February 1998

Public Housing Residents Start Virginia Mountain Crafts Business

Nestled in the Appalachians, Bristol, Virginia, supported a microenterprise program in 1997 to teach public housing residents how to make, market and sell traditional mountain crafts. The program grew out of concerns about the onset of welfare reform. "A lot of residents were panicking because they had never worked and were unskilled," says Donna Malone, Bristol's Community Development Block Grant Coordinator.

City grants were secured to pay instructors to teach classes in sewing, ceramics, floral design, general crafting, and operating a small business. "The results have been beyond what we ever imagined," says Malone. The program has provided 3,000 training hours to more than 100 residents. "The majority of people in the program are single mothers," says Malone. "But we have participants from age 18 to one woman who is 90. She's the grandma of the group—and a darn good crafter."

The public housing residents established a workshop called Crafty Delights in a vacant apartment that they refurbished. Their crafts are selling well, both locally and on the East Coast. Crafty Delights has become a full-fledged small business and residents continue to attend classes to help them learn more business management and job skills. As a result of the workshops, the residents have also started two cleaning businesses.

"The program provides people with a lot of different skills and opportunities they have never had before," says resident Angela Carter. Malone believes the most significant accomplishment is the boost to residents' self-esteem. "Now they can use the classes we offer to truly better themselves."

HUD sponsors a range of initiatives that help low-income people get on the road to financial independence and homeownership. These initiatives took on new urgency with the enactment of welfare reform legislation in 1996, which replaced the existing Aid to Families with Dependent Children (AFDC) with Temporary Assistance to Needy Families (TANF). The new legislation gives States the authority to tighten eligibility requirements, strengthen sanctions, require work as a condition of receiving welfare payments, and permanently remove 80 percent of the people from assistance rolls after 60 months. In 1997, welfare reform began to have a significant impact on HUD-supported housing. About one in every five families living in HUD public and assisted housing receive public assistance benefits. For families with children, that figure is 42 percent (see exhibit 5-2).

Exhibit 5-2

Characteristics of Households Living in HUD Public and Assisted Housing

Program	Public Housing	Tenant-Based Section 8	Project-Based Section 8	Other Private Project-Based	Total
Total number	1.2 million	1.4 million	1.4 million	300,000	4.3 million
Families with children	46%	65%	35%	38%	48%
Families with children for whom public assistance is primary income	48%	49%	38%	10%	42%
Median income all households	\$6,939	\$7,547	\$7,501	\$13,326	—

Source: HUD Office of Policy Development and Research Fact Sheet, February 1998

Through a variety of programs across the Department, HUD offers access to education, training and workplace skills, transportation to work, and other support services targeted at raising household incomes over the long term. Some initiatives are components of larger programs, such as public housing and CDBG, while others are freestanding initiatives or pilot programs.

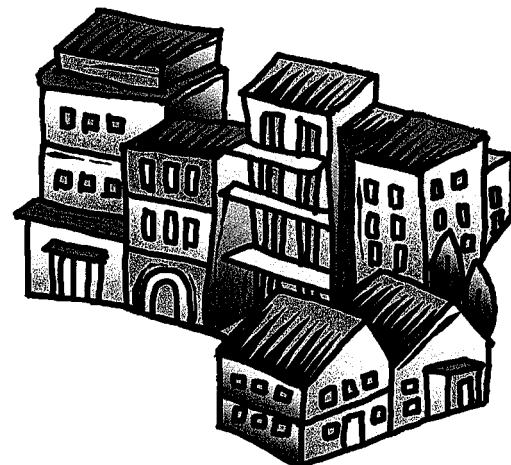
North Carolina Center Offers New Approach to Addiction and Crime

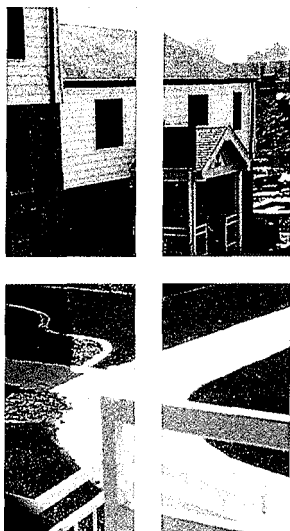
In 1994 the Mary Frances Center, a Rocky Mount, North Carolina, substance abuse treatment facility, considered shutting down. Changes in treatment protocols had brought its mission into question, and the center's HUD-insured loan was in default. Instead, HUD worked with the property owners and the North Carolina Department of Correction to create a new approach to the national problem of addiction and crime.

The center began offering specialized treatment for female offenders at high risk of passing their addiction onto their children. The women live at the center while undergoing an aggressive program of rehabilitation and training. By 1997 the center was scoring impressive results. Of the 617 women receiving treatment between March 16, 1995, and June 6, 1997, only 45—7.3 percent—had been returned to prison.

A study of American cities by the Clinton Administration says the strong national economy has left most of them in their best financial shape in decades. But the report, "The State of the Cities 1998," also finds that urban centers are still suffering from chronic problems afflicting the poor.

—The New York Times, June 19, 1998.





MOVING FAMILIES TO SELF-SUFFICIENCY

Despite a drop in poverty rates from 1993 to 1996, 1 in 5 urban families lived in poverty in 1996, compared with 1 in 10 suburban families. HUD is committed to providing empowerment and self-sufficiency opportunities to low-income individuals and families through programs that provide the necessary support services to help residents gain employment and education skills.

Family self-sufficiency (FSS)

Created as part of the National Affordable Housing Act of 1990, this welfare-to-work initiative helps public housing authorities (PHAs) provide resident job training and education in coordination with local service providers who provide childcare, education, job training, transportation, substance abuse counseling, parenting skills, and home finance management to residents. HUD does not pay for these services directly but instead funds program coordinators, with \$15 million in FY 1997 funding.

HUD established general guidelines, but each housing agency tailors its FSS program to local circumstances. Up to half of all openings may be reserved for families already involved in welfare-to-work programs sponsored by local service providers such as Job Training Partnership Act (JTPA) agencies and local welfare offices. The program is volun-

tary, but participating families must sign a contract with the housing agency. In addition to access to services, families have a chance to save money. Any rent increase that a family would otherwise have to pay as a result of increased earnings is deposited into an escrow account that they can access after they fulfill their contracts.

Economic Development and Supportive Services (EDSS) Grant Program

Designed to enhance the self-sufficiency of public and assisted-housing residents, this initiative provides grants to PHAs and nonprofit organizations for social services. Activities include entrepreneurship training and development, microloan funds, and credit union development activities. Supportive services include childcare, employment training and counseling, computer training, education, and transportation. In FY 1997, \$48.7 million was available for this initiative, a portion of which provided supportive housing services for elderly and disabled persons.



New Jersey Public Housing Reforms Reflect Growing National Trend

The Jersey City Housing Authority, located in New Jersey just across the Hudson River from Manhattan, housed almost 15,000 people in 1997. Like many other PHAs nationwide, Jersey City has begun taking important steps to streamline operations and help residents move to self-sufficiency. The housing authority decentralized its management and maintenance staffs and located an onsite manager and semi-skilled maintenance workers and janitors at each development. Today, residents are actively involved in improving physical and social conditions through nine resident management corporations and a Tenant Affairs Board comprised of leaders from each public housing development in the city.

Jersey City's public housing nurtures an environment where residents can succeed. There is an array of support programs, including the We Care basketball initiative, sponsored jointly with the Jersey City Police Department and the Office of the Hudson County Prosecutor. Afterschool tutoring programs are especially popular. In addition, an innovative trade apprenticeship funded by HUD and sponsored in conjunction with the American Federation of Labor and Congress of Industrial Organizations addresses the critical need for resident training and employment opportunities.

HOPE VI Self-Sufficiency

This major program to revitalize severely distressed public housing may also be used for community service programs and for supportive services, including literacy training, job training, and day care. Up to 20 percent of grant funds may be directed to these services, and each participating city must also make contributions for supportive services from non-Federal sources. Funding levels were up to \$96 million for community and supportive services in FY 1996 and up to \$110 million in FY 1997.

Tenant Opportunity Program (TOP)

This initiative provides grants to public housing resident councils and management corporations to fund job training, education, business development, and social services. Since 1988, 911 resident groups have been funded.

Service Coordinators for the Elderly

Since 1992 HUD has provided grants to fund service coordinators located in privately owned, multifamily housing for elderly people. In 1995 the program extended to public housing. An estimated 180,000 elderly persons have been served by these coordinators who improve access to support services such as meal delivery or housekeeping services, provide referrals to counseling or legal services, and establish programs of special interest to elderly residents including nutritional programs and preventive health screening.





JOB TRAINING AND EDUCATION

Communities face a sizable discrepancy between the number of low-skilled jobs available and the number of low-skilled urban residents who need work. In addition, over the past two decades, earnings inequality has widened as inflation-adjusted wages of low-skilled workers decreased and the wages of high-skilled workers increased. Urban schools are failing to prepare an alarming number of America's children to meet the challenges of the new high-technology economy. In many cases, the poorest schools are serving the children with the greatest needs. In 1997, in the Nation's 20 largest urban school districts, more than half of all students did not graduate. In response, HUD made a strong commitment to provide jobs, training, and support services to low-income persons through its economic development programs (which generate large numbers of new jobs) and its skill-building programs.

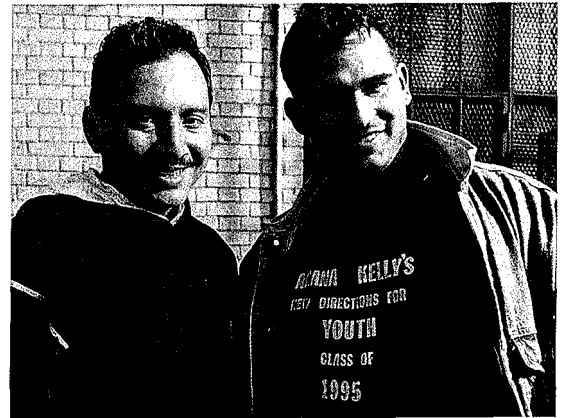
Youthbuild

Youthbuild grants fund onsite construction training for economically disadvantaged young adults ages 16 to 24.

Participants, the vast majority of whom are high school dropouts, also take academic courses and receive counseling and support services. While in training, students build and rehabilitate affordable housing in their communities. Many go on to work in construction trades or enroll

in college. More than 5,600 young people have participated in the program since it began in 1994. In 1997, 2,000 young adults participated in the program and more than 2,800 housing units were renovated or built.

During 1997 HUD awarded \$30 million in 41 Youthbuild grants to a wide variety of organizations—including nonprofit groups, PHAs, State and local governments, and Indian tribes—to cover the costs of staffing and operating Youthbuild programs. More than \$140 million has been appropriated to the program since 1994.



Giving Kids in D.C. and Arizona a Second Chance Through Youthbuild

Sylvester Dandridge of Washington, D.C., credits HUD with helping to turn his life around. Dandridge is a graduate of HUD's Youthbuild program, an intensive onsite construction training program for economically disadvantaged, young, high school dropouts. After completing the Youthbuild program at Arch Training Center in Southeast Washington, the 22-year-old went to work at a local construction company. Two years later, he became a foreman for the company, leading teams of eight workers to renovate apartments in a nearby housing complex.

"The instructors taught me a lot of valuable lessons," said Dandridge. "They taught me that even if you're having a bad day, you have to work through it." In 1997 the Arch Training Center program served more than 120 participants like Dandridge.

Youthbuild trainees help their communities, too. In 1997 students at the Arch Training Center teamed with the District of Columbia Housing Authority to fix units in

LOOKING AHEAD:

The FY 1999 budget expands the Youthbuild Program, which provides on-site training in construction skills, along with academic training, to unemployed high school drop-outs ages 16 to 24. Funding is increased from \$35 million last year to \$42.5 million this year—a 21 percent boost.

need of repair. The students did carpentry, patched drywall, laid tile, painted walls, and installed plumbing to transform two duplex apartments into single-family homes.

In Phoenix, Arizona, the Youthbuild program has assisted 99 students and constructed two triplex buildings and six units of transitional housing. The 1997 retention rate among those finding employment was 72 percent and cumulative attendance was 92 percent. The average cost per student for the two-year program is \$20,000 including followup.

Neighborhood Networks

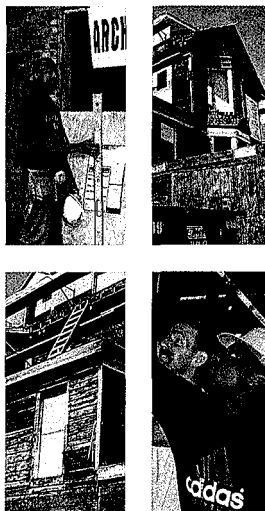
Launched by HUD in September 1995, Neighborhood Networks helps low-income people get on the "information superhighway" by establishing computer centers in HUD-insured and -assisted housing developments. Each center has its own mix of services and residents play a key role in determining what those will be. Most centers also offer computer and job training and educational activities. Staffed by trained professionals and resident volunteers, the centers also provide computer-based activities and afterschool programs for young people and special programs for seniors.

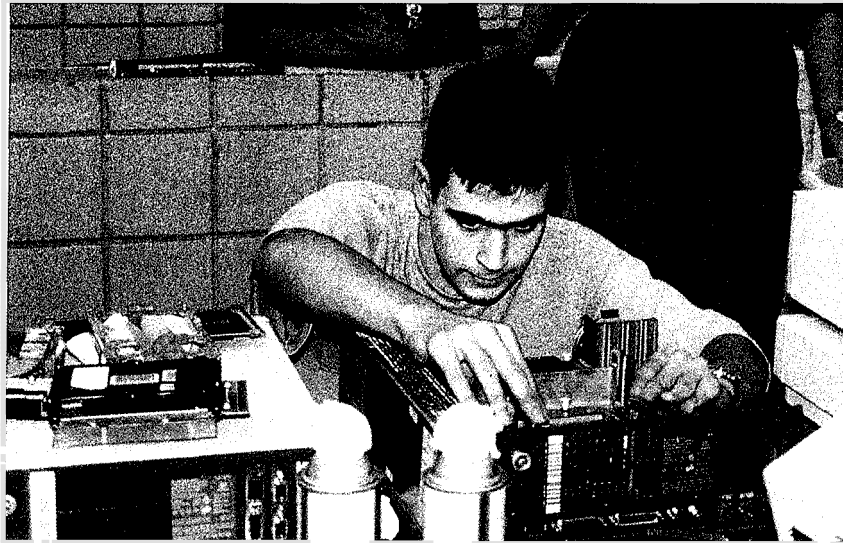
Florida and Washington Residents Use Neighborhood Networks To Boost Job Skills

Helen Stokes began her journey to self-sufficiency in 1997 when she became one of the first residents at the Escambia Arms Apartments in Pensacola, Florida, to enroll in computer classes at her complex's Neighborhood Networks Center. Stokes developed basic computer skills and soon landed a full-time job earning \$5.30 per hour as a dietary aide at Baptist Hospital. Three days before Christmas 1997, Stokes moved into a home of her own, which she helped build with assistance from Habitat for Humanity. Coworkers at Baptist Hospital contributed \$500 to Stokes' closing costs.

The Martin Luther King, Jr. Apartments in Seattle, Washington, used to be plagued by crime and drug trafficking. The management office at the 120-unit property averaged three calls to 911 per day. Now, after a \$5.9-million makeover, the apartments are a model of successful renovation. But the biggest change has been the Neighborhood Networks Center, which opened in 1996. The Aerospace Machinists Local 751, which owns the property, added the center by using a low-interest loan from HUD. More than 300 residents take computer classes and participate in the center's programs. "Now the property has a five-year waiting period for units," said Elridge Morgan, who directs the center. An average of two residents per month find jobs after completing training at the center.

Although HUD has provided some seed money to help launch the centers, the centers must sustain their operations with funds from property owners, local partners in each community, and income from the centers' own business efforts. By the end of 1997, less than 3 years after the initiative began, more than 300 centers were operating in 163 cities and serving 90,000 residents across the country. Approximately 700





additional centers were in various stages of development. More than 600 local, regional, and national partners had joined in the effort.

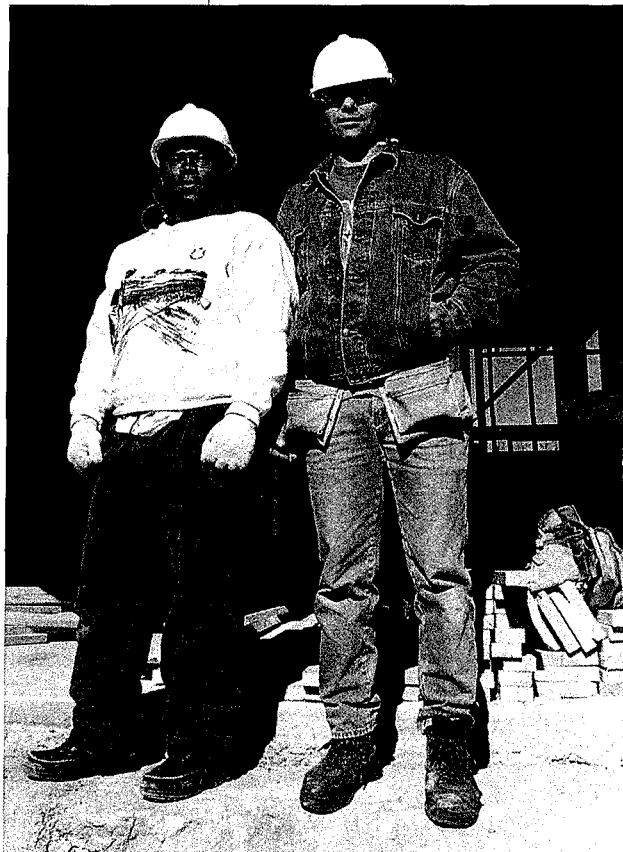
A 1997 survey of 23 centers that had been open for more than 1 year showed that nearly 300 residents had found jobs after using the centers.

Campus of Learners

Started by HUD in 1996, Campus of Learners helps public housing residents develop the skills they need to compete for jobs in today's workplace. Local PHAs raise money from pri-

rate and public partners to fund the initiative. Campus of Learners sites typically establish partnerships with local schools, vocational centers, community colleges, and universities. Now operating in 25 complexes nationwide, the program offers academic classes, job training, and computer learning, as well as programs for children and young adults.

CONNECTING RESIDENTS TO WORK



The lack of transportation for low-income urban workers to entry-level jobs in the suburbs is a substantial barrier. In many parts of the country, jobs are being created far from where welfare recipients live.

Three-quarters of welfare recipients live in cities or rural areas, while the majority of jobs are being created in the suburbs. In Boston, for example, 98 percent of welfare recipients live within one-quarter mile of a bus route or other mass transit stop, but only 58 percent of potential entry-level jobs in the Boston metro area are within one mile of mass transit.

Bridges to Work

This four-year pilot program connects inner-city residents to suburban jobs. Launched in September 1996, the initiative provides job placement, transportation, childcare, and other support services for low-income persons who are ready to work. In 1997 Bridges to Work operated in

five regions (Baltimore, Maryland, Chicago, Illinois, Denver, Colorado, Milwaukee, Wisconsin, and St. Louis, Missouri) and was administered jointly by HUD and Public/Private Ventures, a nonprofit research and program development organization.

Bridges to Work partners included neighborhood groups, employer organizations, and transportation providers. Funding for 1997 was \$17 million, approximately half of which came from HUD; the remaining funds were provided by several foundations. The US Department of Transportation (DOT) is proposing a companion initiative, Access to Jobs, to further improve city-to-suburb commuting through partnerships between transportation providers and social service agencies. DOT's recently passed reauthorization legislation includes an Access to Jobs program modeled on Bridges to Work.

Maryland Van Pool Takes City Residents to Suburban Jobs

The story is familiar across America's metropolitan areas. Affluent Howard and Anne Arundel counties in suburban Maryland can't attract enough workers to fill a growing number of jobs that pay low and moderate wages. Meanwhile, low-income residents in nearby Baltimore, eager to fill those jobs, have no way to get to work in the suburbs. Most do not own vehicles: Maryland's Mass Transit Administration has been reluctant to expand its limited service to outlying counties.

The solution: A \$1.6 million Bridges to Work grant from HUD enabled Baltimore to create a van pool for East Baltimore residents who want to work in the suburban counties. In 1997 the van pool operated mainly in the business corridor near Baltimore-Washington International Airport. Van poolers were riding to jobs that paid an average of \$7.50 per hour with benefits.

Moving to Work

This pilot HUD initiative is enabling some of the best-managed PHAs to experiment with new ways to help low-income families become economically self-sufficient. Under this 3-year demonstration program, HUD may relax certain Federal requirements placed on PHAs, and also provide them new powers to operate, produce, modernize, and replace public housing; and tools to help low-income residents become homeowners. HUD closely monitors effectiveness. Participating housing authorities also receive technical assistance. In FY1997, HUD allotted \$5 million to the Moving to Work initiative for

direct technical and training assistance. The pilot initiative allows up to 30 housing authorities to participate. In October 1997 HUD selected 24 housing authorities for the demonstration. Each had to certify that at least 75 percent of the families assisted were very low-income households and that the PHA would implement rent policies removing disincentives to employment.



LOOKING AHEAD:

HUD's FY1999 budget provides 50,000 new welfare-to-work vouchers at a cost of \$283 million, targeted to welfare recipients who need housing assistance to get or keep a job. Families could use these new vouchers to move closer to new jobs or to reduce long commutes. Local public housing agencies will have great flexibility in designing and operating the welfare-to-work voucher program within broad national guidelines.

DID YOU KNOW?

In December 1997 HUD awarded \$36 million to housing authorities, cities, and nonprofit groups around the Nation to help approximately 120,000 public housing residents move from welfare to work.

Vermont Residents Cycle to Work

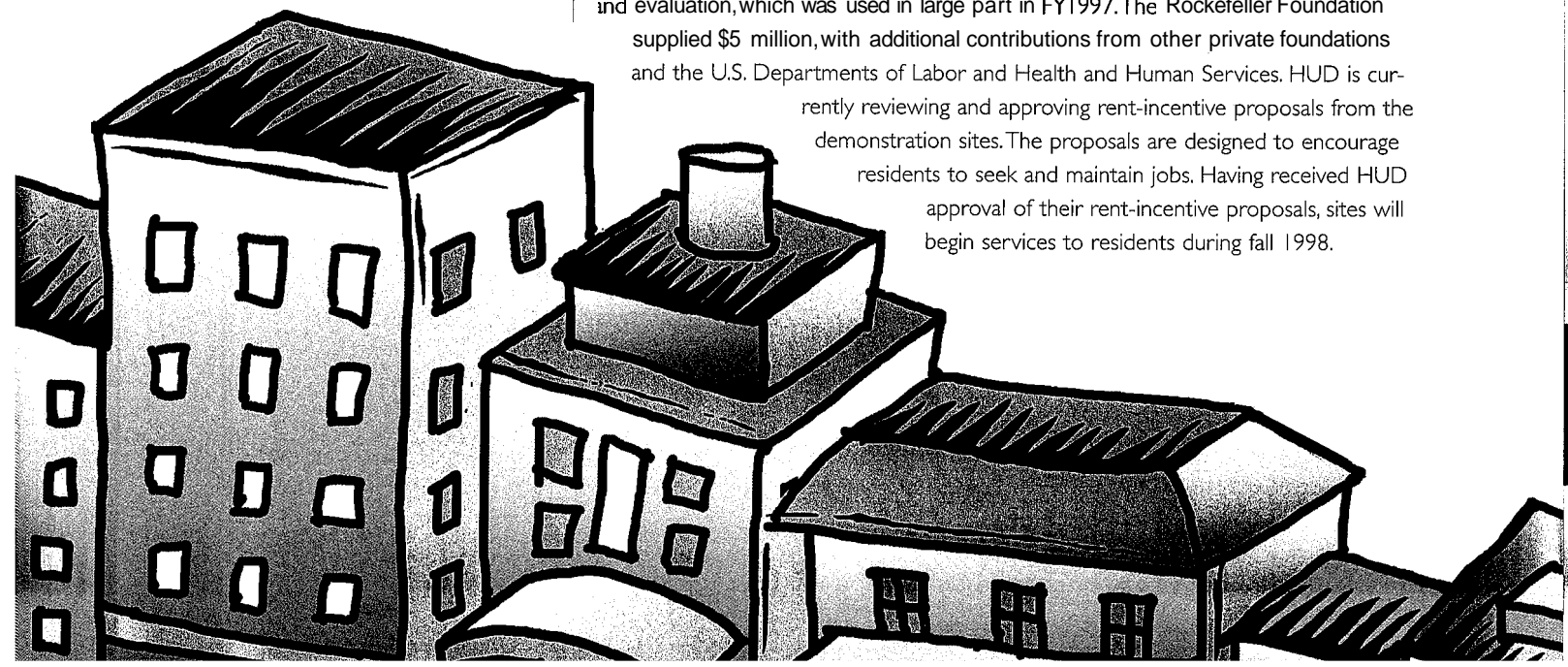
HUD support in 1997 was instrumental in helping two Burlington, Vermont, agencies implement a practical approach to providing reliable transportation to and from work for low-income residents. Sponsored by the Champlain Valley Office of Economic Opportunity and Lutheran Social Services of New England, the novel initiative offers Enterprise Community (EC) residents a range of transit options. Some residents cycle to work on donated bicycles that have been refurbished; others buy cars from the Good News Garage, which repairs donated vehicles and sells them, usually for only the cost of repairs. "We're like a community health center," says Hal Colston, who runs the garage. "You receive services you need regardless of income."

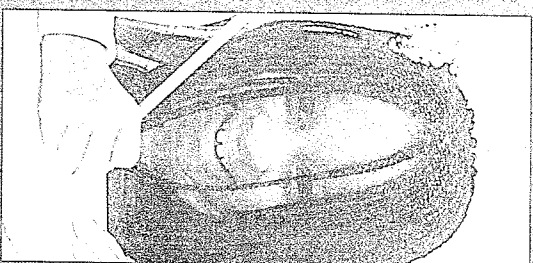
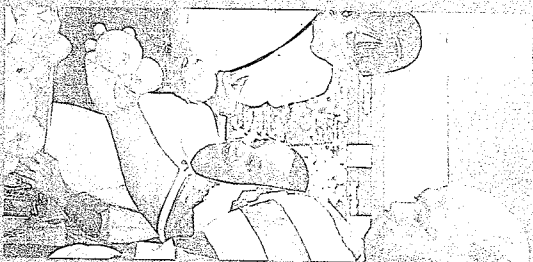
Many garage customers are referrals from Vermont's Department of Social Welfare. "Seventy-five percent of those referrals who have received our vehicles are off welfare now," says Colston. Adeline Dubose bought a Mercury Topaz from the garage for the price of repairs. "The car has made a big difference in my life," she says. "It's helped me get to work. I don't have to call people when I need to go grocery shopping or get to a doctor." With EC funding support, the initiative also includes the Road Runner service, a fixed van route that takes residents to jobs and shopping in Williston, an affluent suburb.

Jobs-Plus

A special component of the Moving to Work Demonstration, Jobs-Plus brings flexibility and new incentives to targeted public housing developments in seven designated cities. Demonstration sites in Baltimore, Maryland; Chattanooga, Tennessee; Cleveland and Dayton, Ohio; Los Angeles, California; St. Louis, Missouri; St. Paul, Minnesota; and Seattle, Washington, will be saturated with state-of-the-art employment and training services, as well as services designed to substantially increase the share of residents (primarily welfare recipients) who are employed. The demonstrations are designed and implemented by a local collaborative of residents, the local public housing agency, the welfare agency, the private industry council, private companies, job-training providers, and other agencies.

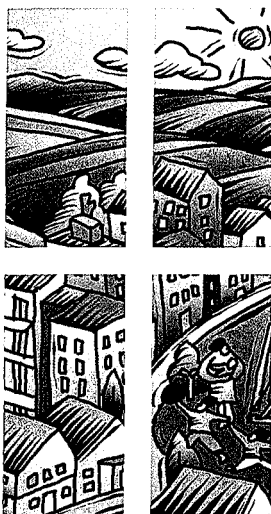
HUD has worked with the Manpower Demonstration Research Corporation to evaluate outcomes and provide technical assistance to the local collaboratives in the design of their programs. HUD provided \$5 million in FY 1996 for technical assistance and evaluation, which was used in large part in FY 1997. The Rockefeller Foundation supplied \$5 million, with additional contributions from other private foundations and the U.S. Departments of Labor and Health and Human Services. HUD is currently reviewing and approving rent-incentive proposals from the demonstration sites. The proposals are designed to encourage residents to seek and maintain jobs. Having received HUD approval of their rent-incentive proposals, sites will begin services to residents during fall 1998.





MANY NEIGHBORHOODS—ONE AMERICA

6. MANY NEIGHBORHOODS – ONE AMERICA



While race remains the great American obsession, very little notice is given to the debilitating everyday discrimination that is faced by so many. Most often it is endured in silence.

As Mr. Cuomo put it: "Discrimination is not just an ugly stain from this nation's past, it's still the reality of the present."

— Bob Herbert,
The New York Times,
Jan. 15, 1998

1997 Highlights: Many Neighborhoods—One America

Best Practices Agreement: More than 100 lending institutions and banking organizations signed a Fair Lending Best Practices Agreement designed to increase homeownership opportunities for low-income and minority home buyers.

Record Lending Agreement: Approximately \$2.1 billion in mortgage credit will be available to low and moderate-income and minority buyers due to the largest conciliation agreement ever settled under the Fair Housing Act.

"You're in the wrong neighborhood! If you buy *that* house, there will be trouble."

"To know that you are hated, that you are unwelcome, because you have been born into this world *and* born *black*—that's a painful feeling."

"We never had a chance to enjoy being homeowners. We were always worrying about coming home to find all our windows broken, or being burned out at night."

As part of a renewed drive to fulfill its mission and provide opportunity for all, HUD began strengthening its fair housing activities. Over the past 30 years, Americans have made great strides in opening housing markets. More than ever before, all citizens have an equal opportunity to live wherever they can afford. Yet the need to vigorously enforce fair housing laws remains as urgent today as ever. To meet the goal of achieving One America, President Clinton directed HUD in 1997 to double the number of enforcement actions it brings under the Fair Housing Act. In response, HUD Secretary Andrew Cuomo announced HUD's renewed commitment to crack down on discrimination.

Exhibit 6-1

Many Neighborhoods—One America: Budget Summary Selected Programs (in millions of dollars)

Program	FY 1996 (actual)	FY 1997 (actual)	FY 1998 (enacted)	FY 1999 (enacted)
Fair Housing Initiatives Program	17	15	15	17
Fair Housing Assistance Program	15	15	15	23

These days, housing discrimination is more often subtle than overt; however, that does not make discrimination any less dangerous or illegal. Since 1968 HUD has assumed a leading role in administering the Fair Housing Act, prohibiting discrimination in housing-related transactions based on race, color, religion, sex, or national origin. The 1988 passage of the Fair Housing Amendments Act strengthened the national fair housing law, giving the Department additional tools and far-reaching enforcement powers to combat housing discrimination. In April 1998 the Nation celebrated the 30th anniversary of the Fair Housing Act. Although we are closer to attaining its goals than we were in 1968, prejudice and discrimination persist.

HUD supports and works closely with a nationwide network of public agencies and non-profit fair housing organizations to enforce the Fair Housing Act, and has entered into voluntary best practices agreements with more than 100 key home mortgage lenders nationwide and with major housing industry groups. HUD's Fair Housing Assistance Program helps ensure that States and cities have the financial resources to process fair housing complaints. HUD's Fair Housing Initiatives Program provides competitive grants to dozens of local, regional, and national non-profit fair housing groups and helps fund their testing and enforcement, as well as education and outreach activities to fight housing discrimination.

FAIR HOUSING INITIATIVES PROGRAM (FHIP)

In 1997 HUD provided approximately \$15 million for the Fair Housing Initiatives Program. This program empowers communities and community-based organizations to identify and fight housing discrimination through a powerful partnership with the Federal Government. HUD supplies funding and other support to state and local government agencies, private groups, and non-profit organizations to stop housing discrimination. Applicants may apply for HUD funding under any of the four core areas.

Education and Outreach Initiative provides grants to develop materials that explain to the public and to the housing industry what the Equal Opportunity Act means to the sale, rental, and financing of homes and apartments. Many activities are eligible for such grants, ranging from educational materials and fair housing counseling to technical assistance and public service announcements.

Fair Housing Organizations Initiative funds non-profit organizations to enhance their capacity to enforce The Fair Housing Act. In 1997, \$2.7 million was set aside for groups addressing housing discrimination among people with disabilities.

Private Enforcement Initiative funds nonprofit organizations to carry out testing and other investigations of housing discrimination. The funds are also used to link fair housing organizations to regional enforcement activities and establish means of meeting legal expenses in support of fair housing litigation. In 1997, \$10.5 million was awarded for private enforcement activity.

Administrative Enforcement Initiative funds agencies that administer Fair Housing, which are "substantially equivalent" to the Federal Fair Housing Act.



Exhibit 6-2

FY 1997 Fair Housing Initiatives Program: Funding by Category

Category Number of Grants Allocation

Education and Outreach Initiative		
National program component	3	\$ 299,949
Regional/local/community-based component	11	1,000,000
Community tensions component	5	470,407
Private Enforcement Initiative	33	10,405,968
Fair Housing Organizations Initiatives		
Continued development component	0	1,350,000
Continued development (disability set-aside)	7	1,350,000
Total	67	\$14,964,324

FAIR HOUSING ASSISTANCE PROGRAM (FHAP)

HUD works with a large network of partners, which include State and local governments across the United States whose laws also protect the fair housing choices of their citizens. HUD supports the work of this partnership and encourages State and local agencies to assume a greater share of the responsibility for administering fair housing laws and ordinances through FHAP. The Department awards programs on a noncompetitive basis for capacity building, complaint processing, and special enforcement efforts and projects. In addition to financial support, eligible agencies also receive guidance, technical assistance, and training from HUD.

When local or State laws provide protection and remedies equal to those provided by Federal fair housing laws, and the current practices and past performance of an agency in that jurisdiction demonstrate that the law is being enforced, the agency is deemed to be "substantially equivalent" and eligible for FHAP funds.

DID YOU KNOW?

In October 1997, HUD Secretary Andrew Cuomo awarded \$11.5 million to State and local government agencies in 32 States as part of a continuing crackdown on housing discrimination. The agencies work in partnership with HUD to investigate discrimination complaints.



As President Clinton convened a conference on hate crimes, the Smiths were included in a news conference at the Department of Housing and Urban Development, where Housing Secretary Andrew M. Cuomo announced that the Administration would increase civil penalties for hate crimes committed in any neighborhood.

— The New York Times,
Nov. 11, 1998

In the wake of the Fair Housing Amendments Act of 1988, which strengthened the Fair Housing Act, many State and local jurisdictions found that their laws no longer provided the same protections as the Federal fair housing laws. In 1992 more than 100 agencies lost their ability to process cases on HUD's behalf. Since then, HUD has worked closely with State and local governments to encourage the adoption of legislation that would allow agencies to become certified as substantially equivalent and, thereby, eligible for FHAP funds. By the end of FY1997, HUD had made significant progress in expanding its network of substantially equivalent agencies.

MOVING TO OPPORTUNITY

This 10-year demonstration program combines Section 8 tenant-based rental assistance with housing counseling to help very low-income families move from poverty-stricken urban areas to low-poverty neighborhoods. The initiative tests the impact of housing counseling and other assistance on the housing choices of Section 8 households, as well as the long-term effects of moving to better neighborhoods. The goal is to develop more effective mobility strategies for recipients of HUD housing assistance in metropolitan areas. Five public housing authorities — Baltimore, Boston, Chicago, Los Angeles, and New York City — are administering HUD contracts under this 10-year demonstration.

VOLUNTARY FAIR HOUSING PROGRAMS

As part of its efforts to strengthen fair housing enforcement, HUD has adopted an approach based on partnership and cooperation with the housing industry and other interested parties. HUD's Office of Fair Housing and Equal Opportunity has signed Voluntary Fair Housing agreements with a range of housing industry organizations, including the National Association of Realtors®, the National Association of Real Estate Brokers, the National Association of Home Builders, the Association of Real Estate License Law Officials, the National Apartment Association, and the Mortgage Bankers Association of America (MBA).

As part of HUD's Voluntary Fair Housing Programs, housing and lending industries affirm their commitment to fair housing. These voluntary actions affect both the business of the industry and the internal operations of the individual member companies or organizations. In December 1996 the National Association of Realtors®, the first organization to enter into a voluntary fair housing agreement with HUD, renewed its commitment to fair housing by adopting a new National Fair Housing Partnership Resolution with the Department. The new Partnership Resolution replaced the Voluntary Affirmative Marketing Agreement, which had existed for 20 years, and focuses on the identification and eradication of housing discrimination in our communities. The partnership recognizes that fair housing is a collaborative endeavor requiring shared involvement by partners in activities such as training, self-testing, public education, affirmative marketing, and the promotion of housing choice and opportunities across racial and ethnic lines.

FAIR LENDING "BEST PRACTICES" AGREEMENTS

In December 1994, MBA took a leadership position within the lending community in response to HUD's call to address a need that minority and low-income borrowers did not have equal access to purchase money mortgage credit. HUD and MBA executed a

voluntary Fair Lending Best Practices Master Agreement, the first of its kind between a Federal agency and a national lending trade association. The new agreement called on MBA to urge individual lending institutions, State and local MBAs, and other organizations engaged in mortgage lending to negotiate separate agreements with HUD, modeled on the national agreement. Signatories commit to a set of best practices designed to create an environment that increases homeownership opportunities for low-income and minority homebuyers. The initiative to recruit signatories to the Fair Lending Best Practices Agreement has been a key component of HUD's National Homeownership Strategy; and by 1997 more than 100 lending institutions and banking organizations had signed the agreement.

An early assessment of the HUD/MBA national agreement indicates that the signatories, particularly lay institutions, are making progress in their efforts to combat inequity in the processing of loan applications. As successful as the HUD/MBA initiative has been, recent analysis of 1996 mortgage data by the Federal financial regulators reveals that much more remains to be done. Accordingly, to underscore the longstanding and continued commitment of MBA and the mortgage lending industry to fair and equal homeownership opportunities for all and to build on the success achieved thus far, MBA voluntarily agreed in December 1997 to enter into a second Master Agreement with HUD.

Record Lending Agreement In Texas Another Step Toward "One America"

Vigorous enforcement of the Fair Housing Act by HUD and local fair housing agencies in Dallas and Fort Worth will create homeownership opportunities for more than 15,000 families over the next 3 years. In settling two mortgage lending discrimination complaints, AccuBanc Mortgage Corporation agreed to target approximately \$2.1 billion in increased

mortgage credit to minorities and low- and moderate-income borrowers. HUD Secretary Cuomo called the settlement—the largest conciliation agreement ever negotiated under the Fair Housing Act—"a victory for everyone involved. More minority families will get the opportunity to become homeowners, and AccuBanc will do increased business." Even before the AccuBanc agreement, HUD's stepped-up fair housing enforcement activity, undertaken at President Clinton's direction as part of the One America initiative, had more than doubled the monetary relief obtained for victims of alleged housing discrimination.



LOOKING AHEAD:

The additional funds requested in the FY1999 budget to fight housing discrimination will enable HUD to intensify its crackdown and help local nonprofit groups and local enforcement agencies reduce housing discrimination. The FY1999 budget provides \$10 million for counseling low-income families to help them find homes outside of low-income neighborhoods through the Regional Opportunity Counseling Program.



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Housing Commissioner

Eva Plaza
Assistant Secretary for Fair Housing

Saul Ramirez
Deputy Secretary

Cardell Cooper
Assistant Secretary for Community Planning
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Harold Lucas
Assistant Secretary for Public and
Indian Housing

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Chief Financial Officer

Hal DeCell
Assistant Secretary for Congressional and
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