

Mel Martinez, Secretary  
U.S. Department of Housing and Urban Development



# ANNUAL PERFORMANCE PLAN



Fiscal Year 2004

**U.S. Department of Housing  
and Urban Development**

**FY 2004  
Annual Performance Plan**

**April 2003**

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## MESSAGE FROM THE DEPUTY SECRETARY

As the Deputy Secretary and Chief Operating Officer, I am pleased to present the Fiscal Year (FY) 2004 Annual Performance Plan (APP). Secretary Mel Martinez and I embrace the President's Management Agenda and its focus on improving performance goals and accurately measuring the performance of the Department and its partners, as required by the Government Performance and Results Act.

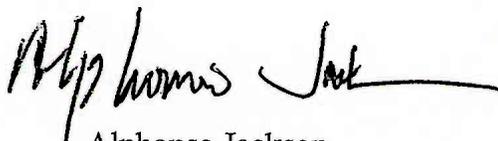
Sound management and excellence in program performance is critical for HUD to achieve its mission. The Department recently transmitted to Congress a revised Strategic Plan for Fiscal Years 2003-2008, six months earlier than required. While the Strategic Plan outlines key measurable intermediate and long-term goals necessary for the Department to achieve its mission, this APP serves as a more-detailed road map for achieving these intermediate and long-term goals.

The presentation of the FY 2004 APP has been modified to enhance its usability. A new feature, the Executive Summary, captures the emphasis, energy, and impact of the Department's efforts in key areas. Part I of the APP, organized by Strategic Goal and Objective, includes a discussion of HUD policies, resources, means and strategies, and other performance-related issues. Part II provides separate discussions of each program performance indicator in greater detail.

In crafting the FY 2004 APP, we tried to continue to improve data quality and the baseline data necessary for measuring performance. We also address all major priorities of the Department, including implementation of the President's Management Agenda. This APP documents HUD's continued progress in the following areas:

- Improving the physical conditions of HUD assisted properties
- Improving performance of HUD's program intermediaries
- Improving key areas of risk management strategies and program controls
- Reducing unnecessary reporting burdens while improving performance reporting
- Advancing the strategic management of human capital
- Improving financial performance
- Integrating budget and performance
- Advancing electronic government
- Improving competitive sourcing
- Strengthening Faith-based and community development activities

HUD is committed to collaborating with Congress and our many partners to improve program performance and provide better results in FY 2004 and beyond.



Alphonso Jackson

## EXECUTIVE SUMMARY

The Fiscal Year (FY) 2004 Annual Performance Plan for the U.S. Department of Housing and Urban Development (HUD) outlines the performance goals of the Department and the means and strategies that will be used in FY 2004 to achieve them. The Department is committed to a strong performance management system that provides accountability and transparency to Congress and the public.

The Annual Performance Plan is closely related to both HUD's Strategic Plan and HUD's FY 2004 budget request. The Annual Performance Plan also dovetails with HUD's new Human Capital Strategic Plan for FY 2003–2008 that was completed in March 2003. This new Human Capital Strategic Plan supports the HUD Strategic Plan. HUD's three strategic goals for human capital are: 1) a mission focused agency; 2) a high quality workforce; 3) an effective succession plan. The Annual Performance Plan outlines the steps that HUD plans to take in FY 2004 to achieve the Strategic Goals and Objectives outlined in HUD's recently released Strategic Plan. The Annual Performance Plan also tells Congress and the public what we expect to achieve with the funds requested in the FY 2004 budget.<sup>1</sup>

Reflecting HUD's role as the primary Federal agency responsible for addressing America's housing needs and improving and developing the nation's communities, the Administration is proposing \$31.3 billion in funding for HUD for FY 2004. These funds will support HUD's broad, yet focused strategic goals:

- Increase homeownership opportunities
- Promote decent affordable housing
- Strengthen communities
- Ensure equal opportunity in housing
- Embrace high standards of ethics, management and accountability
- Promote participation of faith-based and community organizations

This Executive Summary provides a brief overview of the key performance measures the Department has adopted to track its progress in achieving its strategic goals during FY 2004. Details on the means and strategies the Department will utilize to achieve these measures and goals, and the performance measures the Department has in place to assess its performance, are provided in the body of the Annual Performance Plan.

### Increase Homeownership Opportunities

For many families, the American Dream means owning their own home. HUD is dedicated to helping more Americans—especially minorities—realize the dream for themselves. The following are some of the key performance goals HUD has established to track our progress in increasing homeownership opportunities in FY 2004:

- **Minority homeownership.** President Bush has committed the nation to creating 5.5 million new minority homeowners by the end of this decade. As the President said last October, “We can put light where there's darkness, and hope where there's despondency in this country. And part of it is working together as a nation to encourage folks to own their own home.” In FY 2004, HUD will track progress towards this Presidential commitment by measuring the change in minority homeownership rates.

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<sup>1</sup> HUD's new Strategic Plan and FY 2004 Budget Request may be found on HUD's website at: [www.HUD.gov](http://www.HUD.gov).

- **Simplifying the Homebuying process.** The Department is in the process of overhauling the Real Estate Settlement Procedures Act rules to dramatically simplify the homebuying process, cutting costs for the homebuyer. Once adopted, the proposal is projected to reduce settlement costs by an average of \$700 per closing. Overall, the annual savings to consumers could be as much as \$8 billion, allowing many Americans who are priced out of the homebuying market today to buy a home. HUD will measure progress in achieving this objective by analyzing changes in the closing costs for loans insured by the Federal Housing Administration (FHA). A study now underway is preparing a baseline of closing costs in FY 2001. A subsequent study will be conducted in FY 2006 to determine if the costs have been reduced.
- **Downpayment Assistance.** For FY 2004, HUD proposes to provide \$200 million for the second year of funding for the American Dream Downpayment Initiative. These funds will help approximately 40,000 low-income families—for whom coming up with downpayment cash is the most significant obstacle to homeownership—with the downpayment on their first home. By the end of FY 2004, HUD expects the Downpayment Assistance Initiative will be fully implemented and will have assisted at least 10,000 new homebuyers.
- **Voucher Homeownership.** The FY 2004 budget proposes to help low-income families move into homeownership by allowing them to put up to a year's worth of their Housing Choice/HANF Voucher assistance toward a home downpayment. Vouchers can also be used to subsidize the ongoing costs of a mortgage. HUD's goal during FY 2004 is to increase by 20 percent the number of households who have used vouchers to become homeowners.
- **FHA single-family insurance.** FHA operates the Federal Government's single largest program to extend access to homeownership to individuals and families who lack the savings, credit history or income to qualify for a conventional mortgage. In 2002, FHA insured \$150 billion in mortgages for almost 1.3 million households, most of them first-time homebuyers, which represents a 21 percent increase over the previous year. Thirty-six percent of FHA-insured home purchases were by minority households. Performance goals for FY 2004 include first-time homebuyers accounting for at least 80 percent of FHA-insured home-purchase mortgages and the FHA Mutual Mortgage Insurance Fund meeting Congressionally mandated capital reserve targets.

## Promote Decent Affordable Housing

At the same time HUD pursues its mission of increasing the ranks of homeowners, the Department's work encompasses housing in every other form as well, from single-family rentals and multifamily developments to meeting the special needs of society's most vulnerable citizens. Improving the quality and accessibility of public and assisted housing remains a top priority.

The following are some of the key performance goals HUD has established to track our progress in promoting decent affordable housing in FY 2004:

- **Improving the physical quality of public and assisted housing.** An important President's Management Agenda goal for HUD is to substantially improve the physical quality of public and assisted housing. HUD is well on track to accomplishing this goal, and projects that the share of assisted and insured privately-owned multifamily properties that meet HUD-established physical standards will be at least 94.7 percent in FY 2004 and 90.1 percent for Public Housing. HUD also expects the average satisfaction of assisted renters and public housing tenants with their overall living conditions to increase by at least one percentage point.
- **Improvements in Management and Resource Utilization.** Improving the management and performance of public and assisted housing are important Departmental goals. For FY 2004, HUD has set a goal of improving public housing management scores (PHAS) by 5 percent

and Housing Choice Voucher management scores (SEMAP) by 1 percentage point. HUD also expects voucher utilization to improve by one percentage point from the FY 2003 level.

- **Expanding flexibility to better meet the needs of public and assisted housing.** To expand flexibility and improve coordination of housing and welfare assistance, the Administration proposes converting the Housing Choice Voucher program—one of HUD’s major rental housing programs—to a state-run block grant called Housing Assistance for Needy Families (HANF). HUD has also proposed the Public Housing Reinvestment Initiative that would give public housing authorities a new ability to leverage private capital to modernize public housing. For both initiatives, HUD’s goal in FY 2004 is to secure passage of the necessary legislation.
- **The HOME program.** In FY 2004, the HOME program will provide states and local governments with \$2.2 billion to help finance the costs of land acquisition, new construction, rehabilitation, down payments and tenant-based rental assistance. Among other goals, HUD seeks to maximize the number of homeowners assisted with HOME, as well as the number of HOME production units completed during the year.
- **Elderly and Persons with Disabilities.** HUD has a number of programs that aim to help the elderly and persons with disabilities. HUD plans to measure the success of these programs by examining whether service-enriched housing increases the satisfaction of elderly families and individuals with their units, developments, and neighborhoods.
- **Progress towards self-sufficiency.** A key goal of the public and assisted housing programs is to help assisted families make progress towards self-sufficiency. For FY 2004, HUD expects that average earnings will increase by 5 percent from year to year among non-elderly non-disabled households in public housing, the Housing Choice Voucher/HANF program, and the project-based Section 8 program. HUD also plans in 2004 to establish a baseline for a longer-term assessment of the success of HUD’s efforts to promote self-sufficiency among public and assisted households.

## Strengthen Communities

State and local governments depend upon HUD and its system of grants to support community development projects that revive troubled neighborhoods and spark urban renewal. In FY 2004, HUD will support and strengthen these core programs by ensuring that grantees have even greater flexibility to address locally determined priorities and maintain long-term prosperity.

Key performance measures include:

- **Community Development Block Grant (CDBG).** In FY 2004, the CDBG program will provide \$4.436 billion in funding to states and local governments to meet locally identified community and economic development needs in more than 1,000 eligible cities, counties and states. Among other performance goals for FY 2004, HUD expects the CDBG program to create or retain 84,000 jobs.
- **Homelessness.** Homelessness remains a special focus of the Bush Administration, which made a commitment in 2001 to end chronic homelessness within a decade. HUD also aims to help other homeless individuals and families secure affordable housing. In FY 2004, HUD proposes a new Samaritan Initiative aimed at improving the coordination of housing and services to help persons experiencing chronic homelessness; consolidation of homeless assistance grants to increase local flexibility; and continuation of the Interagency Council on Homelessness.

HUD has a long-term performance goal of reducing the number of chronically homeless individuals by up to 50 percent by FY 2008. To assist in tracking trends in homelessness, HUD is requiring jurisdictions to implement Homeless Management Information Systems

(HMIS). By the end of FY 2004, HUD expects that at least 360 functioning Continuum of Care communities (or 90 percent of our Continuum) will have such systems.

- **Streamlining the Consolidated Plan.** HUD is working closely with local program stakeholders to streamline the Consolidated Plan requirement to make it more results-oriented and useful to communities in assessing their own progress toward addressing the problems of low-income areas. A stakeholders group has been convened to discuss alternatives for improving the process. Working groups were formed to work with HUD in the design of pilot projects to be tested and evaluated over the 2003–2004 period.

## Ensure Equal Opportunity

HUD's commitment to creating equal housing opportunities for all Americans regardless of race, color, religion, sex, national origin, age, disability and familial status has never been stronger. Within the FY 2004 budget, HUD will have the tools it needs to help Americans receive fair and equal access to housing, without fear of discrimination or intimidation.

- **Reducing Housing Discrimination.** The Department's fair housing strategy is guided by rigorous research on trends in housing discrimination. Among other findings, recent research indicates that housing discrimination against Hispanic renters has remained steady, even as discrimination against Hispanic homebuyers and African American homebuyers and renters has declined somewhat (though still remains unacceptably high). This research has led to expanded efforts to educate Hispanic renters on their fair housing rights.
- **Fair Housing Awareness.** Through its outreach and education efforts, HUD seeks to increase public awareness of fair housing laws such that the share of the population with adequate awareness of the fair housing laws increases from the 2003 baseline by 2006.

## Embrace High Standards of Ethics, Management and Accountability

HUD has made great progress over the past two years in implementing the President's Management Agenda and making the Department work better for the taxpayers and for every American who seeks a place to call home. HUD today is insisting on completion, performance and results. The steps the Department has taken have gone a long way toward restoring the confidence of Congress and the public in HUD's management of its financial resources.

In accordance with the President's Management Agenda, HUD is embracing the highest standards of ethics, management and accountability in carrying out its work. To this end, in FY 2004, HUD will make measurable improvements in the following areas:

- **Income and Rent Determinations.** HUD overpays hundreds of millions of dollars in low-income rent subsidies due to the incomplete reporting of tenant income and the improper calculation of tenant rent contributions. Under the President's Management Agenda, HUD's goal is to reduce rental assistance program errors and resulting erroneous payments 50 percent by 2005. HUD has established aggressive interim goals for a 15 percent reduction in 2003 and a 30 percent reduction in 2004. Updated error measurement studies will be performed on program activity in 2003 through 2005 to assess the effectiveness of efforts to reduce program and payment errors.
- **FHA Fraud Reduction and Improved Program Controls.** FHA will continue to vigorously attack predatory lending practices that encourage families to buy homes they cannot afford and cause homeowners to lose their homes by refinancing into loans with high interest rates. Recent accomplishments in this area include the establishment of a new Appraiser Watch program, improvements to the Credit Watch program that will identify problem loans and

lenders earlier on, new standards for home inspectors, a proposed rule to prohibit property “flipping” in FHA programs and rules to prevent future swindles like the 203(k) scam that threatened the availability of affordable housing in New York City.

By no later than FY 2004, HUD will implement procedures to prevent the issuance of FHA mortgage insurance on properties that have been transferred within 90 days. HUD also will continue to implement procedures to hold single-family lenders accountable for the selection and performance of appraisers for FHA-insured mortgages.

- **Human Capital.** After many years of downsizing, HUD faces a potential retirement wave and loss of experienced staff. HUD has taken significant steps to enhance and better utilize its existing staff capacity, and to obtain, develop and maintain the staff capacity necessary to adequately support HUD’s future program delivery. Building upon a new staff resource estimation and allocation system implemented in 2002, HUD will complete a Comprehensive Workforce Analysis in 2004 to serve as the basis to fill mission critical skill gaps through succession planning, hiring and training initiatives in a five-year Strategic Human Capital Management Plan.

The Human Capital Management Strategy has already begun to utilize the following: 1) the HUD Human Capital Management Steering Committee; 2) the Intern Program; 3) the Brain Trust effort. The Departmental Workforce Plan is already underway. This comprehensive plan will identify the kind of work to be done now and in the future; knowledge, skills, and abilities of staff to do this work; capabilities and development needs of staff and appropriate deployment across organizations; and strategies for identifying and filling gaps. The Strategic Human Capital Management Plan will support other HUD management improvement initiatives such as integrating budget and performance and providing the skills needed to better manage information technology and reduce risks in the rental housing assistance and single family housing programs.

- **Improved Financial Systems.** HUD has strived over the past two years to enhance and stabilize its existing financial management systems operating environment to better support the Department and produce auditable financial statements in a timely manner. In FY 2004, the Department will continue making progress to reduce the number of material weaknesses or reportable conditions in its financial systems. HUD is looking to the future as well, as it studies the feasibility, cost and risk of various options for the next generation core financial management system.
- **Blueprint for FHA Financial Management.** The FHA Comptroller has developed a Blueprint for Financial Management that will implement an integrated Core Financial Management System to address financial management and system deficiencies documented by HUD’s Inspector General, FHA and HUD financial statement auditors, OMB examiners and GAO auditors. The new Core Financial Management System will support the President’s Management Agenda for HUD by strengthening program controls through improved information systems. Implementing this new system is one of the Secretary’s strategic actions to address material weaknesses and reportable conditions identified in FHA’s most recent audited financial statement, reported to Congress in “Building the Public Trust.” In FY 2004, FHA will continue to address financial management and system deficiencies through the phased implementation of an integrated financial system to support FHA functions to be completed by December 2006.
- **Electronic Government/Information Technology.** HUD is not only pursuing increased electronic commerce and actively participating in the President’s “E-Government” projects, but is also focused on more fundamental HUD-specific information technology management improvements. HUD’s FY 2004 information technology (IT) portfolio will benefit from continuing efforts to improve the IT capital planning process, convert to performance-based IT service contracts, strengthen IT project management to better assure results, extend the

data quality improvement program, and improve systems security on all platforms and applications.

- **Budget and Performance Integration.** HUD developed its FY 2004 budget with a focus on collecting and using quality performance information, utilizing full cost accounting principles and emphasizing program evaluations and research to inform decision makers. Staffing and other resources are aligned with strategic goals, objectives and accomplishments. The Department will continue to work hard to improve and measure program performance.

## **Promote Participation of Faith-Based and Community Organizations**

The Administration is committed to knocking down the barriers that faith-based and community organizations face in acquiring federal grants. In 2002, HUD conducted an exhaustive review of its internal regulations to identify barriers to faith-based participation in its programs. Following this review, the President proposed eliminating federal regulations that unnecessarily limit the ability of religious organizations to access grant programs administered by HUD.

HUD's proposed budget for FY 2004 builds on the Administration's commitment to place faith-based and community organizations on an equal footing with other programs that serve low-income Americans and revitalize distressed neighborhoods. Through HUD's Center for Faith-Based and Community Initiatives, the Department is eliminating the barriers to participation and substantially strengthening its partnership—and its communication and information sharing—with faith-based and community groups.

To measure progress in leveling the playing field for faith-based and community organizations, HUD has set as a FY 2004 performance measure to increase both the number of applications from faith-based and community organizations relative to a FY 2003 baseline.

## **Conclusion**

As reflected in the key measures highlighted above, HUD is committed to a strong performance management system that will provide transparent measures of the Department's progress in meeting its Strategic Goals and Objectives. Details on the means and strategies the Department will employ to achieve these measures and goals, and the performance measures the Department has in place to assess its performance, are provided in the body of the FY 2004 Annual Performance Plan. The Plan also includes modest revisions to the FY 2003 Annual Performance Plan that reflect the realities of the final FY 2003 appropriation from Congress.

## **PART 1: HUD'S STRATEGIC GOALS**

- *Objectives*
- *Resources*
- *Means and Strategies*
- *Performance Measures*
- *Interagency Coordination*
- *External Factors*

## **Introduction**

This Annual Performance Plan outlines the means and strategies the U.S. Department of Housing and Urban Development (HUD) will implement to meet its mission, goals, performance measures, and the many challenges a Cabinet-level Department must confront. Today, HUD annually subsidizes housing costs for approximately 4.5 million low-income households through rental assistance, grants and loans. It helps revitalize over 4,000 localities through community development programs. The Department provides housing and services to help homeless families and individuals become self-sufficient. HUD also encourages homeownership by providing mortgage insurance for more than six million homeowners, many of whom would not otherwise qualify for loans.

The Fiscal Year (FY) 2004 budget proposed by President Bush for HUD offers new opportunities for families and individuals to lift themselves toward self-sufficiency and achieve the American Dream. It offers new opportunities for communities nationwide to generate renewal, growth and prosperity through their participation in programs that promote local decision-making. And it provides HUD with new opportunities to improve the Department's management and performance, ensuring that HUD is well run and results-oriented.

Reflecting HUD's role as the Federal agency responsible for addressing America's housing needs and improving and developing the nation's communities, HUD's FY 2004 funding will support the Department's broad, yet focused strategic goals:

- Increase homeownership opportunities
- Promote decent affordable housing
- Strengthen communities
- Ensure equal opportunity in housing
- Embrace high standards of ethics, management and accountability
- Promote the participation of faith-based and community organizations

The table on the following page presents HUD's Strategic Framework, which was developed for the Department's new Strategic Plan for FY 2003–2008, completed in March 2003. HUD's Strategic Framework consists of a mission statement supported by strategic goals and objectives that summarize the Department's aims over the next six years. This new strategic framework includes three programmatic strategic goals and three cross-cutting strategic goals. Programmatic goals reflect the program areas where HUD's efforts benefit families and communities. Cross-cutting goals reflect HUD priorities with a wide cross-cutting impact that affect each of HUD's program areas. Under each goal are the key strategic objectives that HUD will use to guide its performance.

## **Organization of this Plan**

HUD has restructured this Annual Performance Plan for FY 2004 to enhance readability and achieve stronger budget integration.

Part 1 summarizes each of HUD's strategic goals and objectives, describes the means by which HUD hopes to achieve its goals, as well as the specific programmatic and staffing resources we plan to use in FY 2004. Part 1 briefly lists the performance measures we will use to track our progress under each Strategic Goal.

For readers interested in the specifics of the performance indicators in the FY 2004 Annual Performance Plan that HUD has developed to track its successes, Part 2 provides detailed information about each performance measure including past performance, data used, and limitations of the data.

The appendices of this Annual Performance Plan include: revisions to the FY 2003 Annual Performance Plan, which now reflect actual HUD appropriations for FY 2003; a comprehensive list of goals, objectives and performance indicators; descriptions of HUD programs; and an index.

## HUD's Strategic Framework

<b>Mission:</b> Increase homeownership, support community development, and increase access to affordable housing free from discrimination.			
<b>Programmatic Strategic Goals</b>	<b>Increase homeownership opportunities</b>	<b>Promote decent affordable housing</b>	<b>Strengthen communities</b>
	<ul style="list-style-type: none"> <li>• Expand national homeownership opportunities.</li> <li>• Increase minority homeownership.</li> <li>• Make the homebuying process less complicated and less expensive.</li> <li>• Fight practices that permit predatory lending.</li> <li>• Help HUD-assisted renters become homeowners.</li> <li>• Keep existing homeowners from losing their homes.</li> </ul>	<ul style="list-style-type: none"> <li>• Expand access to affordable rental housing.</li> <li>• Improve the physical quality and management accountability of public and assisted housing.</li> <li>• Increase housing opportunities for the elderly and persons with disabilities.</li> <li>• Help HUD-assisted renters make progress toward self-sufficiency.</li> </ul>	<ul style="list-style-type: none"> <li>• Provide capital and resources to improve economic conditions in distressed communities.</li> <li>• Help organizations access the resources they need to make their communities more livable.</li> <li>• End chronic homelessness and move homeless families and individuals to permanent housing.</li> <li>• Mitigate housing conditions that threaten health.</li> </ul>
<b>Cross-Cutting Strategic Goals</b>	<b>Ensure equal opportunity in housing</b>		
	<ul style="list-style-type: none"> <li>• Resolve discrimination complaints on a timely basis.</li> <li>• Promote public awareness of fair housing laws.</li> <li>• Improve housing accessibility for persons with disabilities.</li> </ul>		
	<b>Embrace high standards of ethics, management and accountability</b>		
	<ul style="list-style-type: none"> <li>• Rebuild HUD's human capital and further diversify its workforce.</li> <li>• Improve HUD's management, internal controls and systems and resolve audit issues.</li> <li>• Improve accountability, service delivery and customer service of HUD and its partners.</li> <li>• Ensure program compliance.</li> <li>• Improve internal communications and employee involvement</li> </ul>		
	<b>Promote participation of faith-based and community organizations</b>		
<ul style="list-style-type: none"> <li>• Reduce regulatory barriers to participation by faith-based and community organizations.</li> <li>• Conduct outreach to inform potential partners of HUD opportunities.</li> <li>• Expand technical assistance resources deployed to faith-based and community organizations.</li> <li>• Encourage partnerships between faith-based/community organizations and HUD's traditional grantees.</li> </ul>			

## **Strategic Goal: Increase Homeownership Opportunities**

Americans place a high value on homeownership because its benefits for families, communities and the nation as a whole are so profound. Homeownership creates community stakeholders who tend to be active in charities and churches. Homeownership inspires civic responsibility, and owners vote and get involved with local issues. Homeownership offers children a stable living environment that influences their personal development in many positive, measurable ways—at home and in school.

Homeownership's potential to create wealth is impressive, too. For the vast majority of families, the purchase of a home represents the path to prosperity. A home is the largest purchase most Americans will ever make—a tangible asset that builds equity, credit, borrowing power and overall wealth.

Due in part to a robust housing economy and Bush Administration budget initiatives focused on promoting homeownership, more Americans were homeowners in 2002 than at any time in this nation's history. The national homeownership rate for the year was 67.9 percent. That statistic, however, masks a deep "homeownership gap" between non-Hispanic whites and minorities: while the homeownership rate for non-Hispanic whites is nearly 75 percent, it is less than 50 percent for African-Americans and Hispanics.

The Administration is focused on giving more Americans the opportunity to own their own homes, especially minority families who have been shut out in the past. In June 2002, President Bush announced an aggressive homeownership agenda to increase the number of minority homeowners by at least 5.5 million by the end of this decade. The Administration's homeownership agenda is dismantling the barriers to homeownership by providing down payment assistance, increasing the supply of affordable homes, increasing support for homeownership education programs, simplifying the homebuying process, and fighting housing discrimination.

Through "America's Homeownership Challenge," the President called on the real estate and mortgage finance industries to take concrete steps to tear down the barriers to homeownership that minority families face. In response, HUD created the Blueprint for the American Dream Partnership, an unprecedented public/private initiative that harnesses the resources of the Federal Government with those of the housing industry to accomplish the President's goal.

HUD is proposing several new or expanded initiatives in FY 2004 to continue the increase in overall homeownership while targeting assistance to improve minority homeowner rates. HUD is also working to make the homebuying process simpler, clearer and less expensive—and less of a target of predatory lenders—through comprehensive reform.

Six strategic objectives support this goal.

### **Objective H1: Expand national homeownership opportunities.**

This objective reflects HUD's goal of helping more families, particularly low- and moderate-income families, attain homeownership. Since its creation in 1934, FHA has insured almost 32 million single-family mortgages totaling \$1.6 trillion, and has served as a model for housing finance around the world. While the overall homeownership rate for 2002 was 67.9 percent, the homeownership rate for low- and moderate-income families was only 52.0 percent. Recognizing that homeownership is not an option for everyone, HUD will focus on ensuring that the benefits of homeownership are made available to more American families.

### **Objective H2: Increase minority homeownership.**

The homeownership rate for minorities in 2002 was 49.2 percent, more than 25 percentage points below the 74.5 percent homeownership rate for non-minority households. The objective reflects HUD's specific commitment to reducing this imbalance over the long term. The President has

charged HUD with creating a public/private partnership to eliminate barriers to minority homeownership and add 5.5 million more minority homeowners by 2010. This unique partnership will bring together government, the real estate and mortgage finance industry, affordable housing groups and advocacy organizations on a nationwide campaign to increase homeownership opportunities for minority families.

**Objective H3: Make the homebuying process less complicated and less expensive.**

Under this strategic objective, HUD is pursuing major reform of Real Estate Settlement Procedures Act (RESPA) regulations that provide basic consumer protections in the homebuying process. HUD's efforts will require better disclosure of settlement costs, allow consumers more choices, limit excessive settlement fees and encourage innovation and competition in the marketplace.

HUD's efforts are founded upon a set of consumer-driven principles that guide the settlement process. These principles mandate that homebuyers have several rights:

- To receive settlement cost information early in the process, allowing borrowers to shop for the mortgage product and settlement services that best meet their needs;
- To have the disclosed costs be as firm as possible, thereby avoiding surprises at settlement;
- To benefit from new products, competition and technological innovations that could lower settlement costs;
- To have access to better borrower education and simplified disclosure;
- To know they are protected through vigorous RESPA enforcement and a level playing field for all industry providers.

**Objective H4: Fight practices that permit predatory lending.**

Recognizing the harm that predatory lending causes to neighborhoods and families—in particular low-income families—this strategic objective is specifically devoted to eliminating practices that permit predatory lending. Predatory lending may be undertaken by creditors, brokers, or even home improvement contractors. It involves deception or fraud, manipulating the borrower through aggressive sales tactics, or taking unfair advantage of a borrower's lack of understanding of loan terms. HUD is committed to working with other federal and state agencies and to vigorously enforce RESPA and fight predatory lending.

**Objective H5: Help HUD-assisted renters become homeowners.**

HUD is committed to helping more HUD-assisted renters become homeowners through expanded use of Housing Choice Vouchers for homeownership. Homeownership vouchers cover the cost of a downpayment or the ongoing costs of a mortgage. Other policies designed to help HUD-assisted renters make progress toward self-sufficiency also contribute to the achievement of this objective.

**Objective H6: Keep existing homeowners from losing their homes.**

It is not enough to help more families become homeowners; HUD also is increasing the focus on assisting new homeowners in maintaining their homeownership status through housing counseling, foreclosure prevention activities and better monitoring of appraisals. The loss mitigation HUD requires of lenders has proven successful. In FY 2002, of the 73,000 loss mitigation claim payments made by FHA, 69,000 resulted in families being able to remain in their homes.

<b>Resources supporting Strategic Goal: Increase homeownership opportunities— Budget Authority and Staff Levels</b>									
<b>Program</b>	<b>Budget Authority (\$ in thousands)</b>			<b>Headquarters (HQ) and Field (F) Staff</b>					
	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2002</b>		<b>FY 2003</b>		<b>FY 2004</b>	
				<b>HQ</b>	<b>F</b>	<b>HQ</b>	<b>F</b>	<b>HQ</b>	<b>F</b>
<b>Office of Community Planning and Development</b>									
Community Development Block Grants Fund	180,293	196,184	189,280	4	13	4	13	4	13
HOME	449,010	693,100	693,100	11	15	13	18	13	18
Community Renewal	7,650	0	0	2	0	2	0	2	0
<b>Office of Public and Indian Housing</b>									
Housing Certificate Fund	20,747	23,320	0	14	8	14	8	0	0
Housing Assistance for Needy Families	0	0	408,216	0	0	0	0	2	33
Indian Housing Loan Guarantee Fund	5,987	5,266	1,000	4	0	4	0	4	0
Native Hawaiian Loan Guarantee Fund (Section 184A)	1,000	1,028	1,000	1	0	1	0	1	0
<b>Office of Housing</b>									
Interstate Land Sales	0	0	0	4	0	9	0	9	0
FHA-GI/SRI	24,753	22,861	23,411	12	62	15	65	15	65
FHA-MMI/CMHI	334,858	287,154	293,811	108	562	135	591	135	581
Manufactured Housing Standards Program	719	760	1,000	1	0	1	0	1	0
Housing Counseling Assistance	[16,000]	[29,805]	33,750	3	54	4	56	6	57
<b>Ginnie Mae</b>									
Mortgage-Backed Securities	4,692	5,138	5,348	32	0	39	0	39	0
<b>Policy Development and Research</b>	23,500	21,857	23,200	32		34	0	34	0
<b>Total</b>	<b>1,053,209</b>	<b>1,256,668</b>	<b>1,673,116</b>	<b>228</b>	<b>714</b>	<b>275</b>	<b>751</b>	<b>265</b>	<b>767</b>

## Means and Strategies

HUD brings a wide variety of tools to bear on the goal of increasing homeownership opportunities. The overall strategy is to carefully apply public-sector dollars, whether through mortgage insurance, grants, loans, or direct subsidies, to leverage the private market to make it easier for low- and moderate-income Americans to buy and keep their own homes. In addition, HUD continues to strengthen its regulatory role in reforming RESPA and preventing predatory lending.

In FY 2004, continued funding for HUD's core homeownership programs will work together with a number of new or expanded initiatives designed to improve homeownership opportunities, especially among minority and low-income families. These efforts include:

### Low-income Homeowner Assistance Programs

- **American Dream Downpayment Initiative.** This program will target funding under the HOME program specifically to low-income families wanting to purchase a home. The FY 2004 budget provides \$200 million to assist approximately 40,000 low-income families with down payment and closing costs on their homes.
- **Housing Counseling.** Counseling has proven to be an extremely important element in both the purchase of a home and in helping homeowners keep their homes in times of financial stress. The FY 2004 budget expands funds for counseling services from \$40 million to \$45 million. This will provide 473,199 families with home purchase and homeownership counseling and about 232,370 families with rental counseling.
- **Housing Choice Voucher Homeownership.** HUD will continue to authorize PHAs to use Section 8 funds as down payment assistance for individuals already receiving assistance through the Housing Choice Voucher program. Instead of using a voucher for rental assistance, the individual may use up to one year's worth of voucher funds as a down payment to purchase a home. PHAs already have the authority to use this monthly rental assistance for mortgage subsidy rather than rental subsidy. Under a new HUD proposal, in the years after FY 2004, states would be given the authority and flexibility to facilitate self-sufficiency and homeownership under the Housing Choice Voucher/Housing Assistance for Needy Families (HANF) program.
- **Self-Help Homeownership Opportunity Program (SHOP).** SHOP provides grants to national and regional non-profit organizations to subsidize the costs of land acquisition and infrastructure improvements. Homebuyers must contribute significant amounts of sweat equity or volunteer labor to the construction or rehabilitation of the property. The HUD budget requests \$65 million for SHOP, triple the funding received in 2002. This reflects President Bush's commitment to self-help housing organizations such as Habitat for Humanity. These funds will help produce approximately 5,200 new homes nationwide for very low-income families.

### HOME Investment Partnerships Program

The HOME program plays a key role in addressing the shortage of affordable housing in America. Recipients of HOME funds have substantial discretion to determine how the funds are spent. HOME funds can be used to expand access to homeownership by subsidizing down payment and closing costs, as well as the costs of acquisition, rehabilitation and new construction for rental, homebuyer and homeowner housing. To date, HOME grantees have committed funds to provide homebuyer assistance to more than 270,258 low-income households. Based on historical trends, 36 percent of the homeownership-related funds will be used for new construction, 47 percent for rehabilitation and 14 percent for acquisition.

### Federal Housing Administration (FHA)

FHA administers the Federal Government's single largest program to extend access to homeownership to individuals and families who lack the savings, credit history or income to qualify for a conventional mortgage. In 2002, FHA insured \$150 billion in mortgages for almost 1.3 million households, 683,677 of them for first-time homebuyers, which represents a 21 percent increase over the previous year. Thirty-six percent were minority households.

FHA offers a wide variety of insurance products, the largest being single-family mortgage insurance products. FHA insures single-family homes, home rehabilitation loans, condominium loans, energy efficiency loans and reverse mortgages for elderly individuals. Special discounts are available to teachers and police officers who purchase homes that have been defaulted to HUD and who promise to live in their homes in revitalized areas.

- **FHA Loss Mitigation.** Loss mitigation activities will continue to expand in order to minimize FHA claims and property disposition costs. Loss mitigation also keeps families in their homes rather than having properties go to foreclosure and sale, benefiting the homeowner while saving FHA the management and marketing costs associated with foreclosed properties.
- **FHA Neighborhood Watch.** The Neighborhood Watch program helps homeowners to help themselves by providing an Internet-based lender monitoring service that allows prospective buyers an opportunity to track the performance of lenders in the area they are considering.
- **TOTAL Scorecard.** FHA's TOTAL Mortgage Scorecard evaluates the overall creditworthiness of the applicants based on a number of credit variables and, when combined with the functionalities of the Automated Underwriting System (AUS), indicates a recommended level of underwriting and documentation in determining a loan's eligibility for insurance by FHA. TOTAL will facilitate prompt approval of loans for insurance. FHA will continue to evaluate the most effective means of using this technology to increase the availability of mortgage credit to underserved populations.
- **Claims Process Reform.** At the beginning of FY 2003, FHA inaugurated a major reform in its claims process with the first sale of defaulted single-family loans acquired under the Accelerated Claims Disposition demonstration program. This initiative will accelerate the claims process by taking mortgage notes rather than requiring lenders to foreclose and transfer single-family properties to FHA. FHA will continue to sell defaulted notes to the private sector for servicing and/or disposition, thereby eliminating most of the real property that FHA currently acquires. By accelerating the FHA claims process, properties will remain vacant for shorter periods of time, reducing the potential of such properties to be used in a manner that destabilizes communities.
- **Credit Watch.** FHA has made a commitment to address deficiencies in the loan origination performance of FHA-approved lenders by monitoring loans and terminating lenders that make loans with excessive loss rates. Under the Credit Watch initiative, lenders whose loans default and claim at twice the rate experienced in their geographic area are subject to having their ability to originate FHA-insured loans terminated.
- **Appraiser Watch.** Because accurate appraisals are essential to prevent undue risk, FHA is also implementing a program similar to Credit Watch called Appraiser Watch. This program will identify appraisers who appraise loans with excessive claims and default rates for field review. Both the Credit Watch and Appraiser Watch initiatives are important to the Administration's fight against predatory lending.

Additional efforts to improve the quality of appraisals are underway, such as issuance of a new appraiser handbook for FHA loans, examinations to test appraisers' knowledge of new requirements, and requirements that appraisers disclose readily observable defects have been completed. These disclosures by appraisers, in combination with a new disclosure form,

provide better information to homebuyers prior to purchase and should reduce defaults due to poor property condition. Further efforts to more closely monitor appraisers are being examined.

### **Homeownership Programs for Native American and Hawaiian Communities**

Five HUD programs help to promote homeownership in Native American and Hawaiian communities:

- **Indian Housing Block Grants (IHBG).** The IHBG program provides funds to tribes and to tribally designated housing entities for a wide variety of affordable-housing activities.
- **The Title VI Federal Guarantees for Tribal Housing.** The Title VI Federal Guarantees for Tribal Housing program provides guaranteed loans to IHBG recipients who need additional funds to engage in affordable-housing activities but who cannot borrow from private sources without the guarantee of payment by the Federal Government.
- **Indian Home Loan Guarantee (Section 184).** Section 184 helps Native Americans to access private mortgage financing for the purchase, construction or rehabilitation of single-family homes. The program guarantees payments to lenders in the event of default.
- **Native Hawaiian Home Loan Guarantee Fund.** The Hawaiian Homelands Homeownership Act of 2000 established a loan guarantee program, modeled after the Indian Home Loan Guarantee program (Section 184). The guarantees will be used primarily to secure private financing for infrastructure to purchase, construct or rehabilitate single-family homes on Hawaiian Home Lands.
- **Native Hawaiian Housing Block Grant (NHHBG).** Modeled after the IHBG, the Native Hawaiian Housing Block Grant was authorized by the Hawaiian Homelands Homeownership Act of 2000. Native Hawaiians experience the worst housing conditions in the state and constitute nearly 30 percent of the homeless population.

### **Government National Mortgage Association (Ginnie Mae)**

Through its mortgage-backed securities program, Ginnie Mae helps to ensure that mortgage funds are available for low- and moderate-income families served by FHA and other government programs such as those at the Department of Veterans Affairs and the Rural Housing Service of the U.S. Department of Agriculture.

During FY 2002, Ginnie Mae surpassed a total of \$2 trillion in mortgage-backed securities issued since 1970. Reaching this milestone means that more than 28.4 million families have had access to affordable housing or lower mortgage costs since Ginnie Mae's inception. Ginnie Mae's role in the secondary mortgage market provides an important public benefit to Americans seeking to fulfill their dream of homeownership.

### **Oversight of Fannie Mae and Freddie Mac**

To augment the amount of mortgage credit available to low- and moderate-income families, HUD is responsible for setting affordable-housing goals for two other key institutions that play a vital role in financing affordable owner-occupied and rental housing throughout the nation. These institutions are the two housing government-sponsored enterprises, or GSEs: Fannie Mae and Freddie Mac. Along with Ginnie Mae, these GSEs are the major participants in the secondary market. HUD has oversight responsibilities for establishing the GSEs' affordable-housing goals and for monitoring their progress toward achieving those goals. In FY 2004, HUD's oversight activities will include:

- Setting, monitoring and enforcing the GSEs' goals for the purchases of mortgages made to low- and moderate-income families, mortgages on properties located in underserved areas,

and mortgages made to low- and very low-income families in low-income areas, including mortgages on multifamily properties;

- Prohibiting discrimination in the GSEs' mortgage purchase activities and reviewing the GSEs' requests for approval of new programs;
- Reviewing and commenting on the GSEs' underwriting guidelines to ensure their consistency with fair housing laws;
- Releasing an annual public use database on the GSEs' mortgage purchases, and reports and research on the GSEs' activities.

### **RESPA Reform and Predatory Lending**

HUD will continue to take steps to comprehensively reform the homebuying process and make it less complicated and less expensive for consumers. New disclosure requirements proposed by the Administration under the Real Estate Settlement Procedures Act (RESPA) call for full, upfront disclosure and explanation of all fees that buyers pay at settlement, making it clear to the borrower what options are available for financing a home and what they might cost. This will allow consumers better opportunities to shop for lower-cost mortgages.

Once adopted, the proposal is projected to reduce settlement costs by an average of \$700 per closing. Overall, the annual savings to consumers could be as much as \$8 billion, allowing many Americans who are priced out of the homebuying market today to buy a home.

Tightly interwoven with reform of the mortgage origination process is HUD's commitment to stopping predatory lenders from doing business. The Administration is targeting unscrupulous lenders in part by pooling the resources of the Federal Government and helping agencies work together to fight abusive lending practices. As a result, HUD and its partners are becoming much more effective in tracking down lenders who target first-time homebuyers, senior citizens and minorities for predatory practices.

### **Performance Measures**

The following tables summarize HUD's performance indicators, including measures of outcomes and outputs, that will be used to gauge performance for each strategic objective under this goal during FY 2004. A detailed discussion of each indicator is presented in Part II of this APP.

<b>FY 2004 Performance Goals</b>	
<b>Strategic Goal: Increase Homeownership Opportunities</b>	
<b>Strategic Objective H.1: Expand national homeownership opportunities.</b>	
H.1.1:	Improve National homeownership opportunities.
H.1.2:	The share of all homebuyers who are first-time homebuyers.
H.1.3:	The number of FHA single-family mortgage insurance endorsements nationwide.
H.1.4:	First-time homebuyers will account for at least 80 percent of FHA-insured home-purchase mortgages.
H.1.5:	The homeownership Downpayment Assistance Initiative will be fully implemented and assist 10,000 new homebuyers.
H.1.6:	Ginnie Mae securitizes at least 85 percent of single-family FHA , VA, and RHS loans.
H.1.7:	Housing Counseling is provided to 137,000 more homebuyers and homeowners in FY 2004.
H.1.8:	The number of homeowners who have been assisted with HOME is maximized.
H.1.9:	The number of homeowners who have used sweat equity to earn assistance with SHOP funding is maximized.
H.1.10:	The FHA Mutual Mortgage Insurance Fund meets Congressionally mandated capital reserve targets.
H.1.11:	The share of REO properties that are sold to owner-occupants will be maintained at 67.7 percent.
H.1.12:	The share of FHA loan applications processed through Automated Underwriting Systems increases by 10 percentage points.
H.1.13:	Fannie Mae and Freddie Mac meet or surpass HUD-defined targets for low-and moderate-income mortgage purchases

<b>Strategic Objective H.2: Increase minority homeownership</b>	
H.2.1:	The minority homeownership rate.
H.2.2:	The ratio of homeownership rates of minority and nonminority low and moderate-income families with children increases by 0.4 percentage points by 2005.
H.2.3:	The share of minority homebuyers among FHA home purchase-endorsements.
H.2.4:	The share of minority endorsements processed by the FHA Technology Open To All Lenders (TOTAL) Scorecard increases by 1 percentage point.
H.2.5:	Fannie Mae and Freddie Mac meet or surpass HUD-defined targets for special affordable mortgage purchases.
H.2.6:	The share of Housing Counseling clients who are minorities will increase by 113,000 to support the Department's goal of increasing the minority homeownership.
H.2.7:	The number of minority households assisted in becoming homeowners through the HOME program increases.
H.2.8:	Section 184 mortgage financing is guaranteed for 200 Native American homeowners during FY 2004.

- H.2.9: The homeownership rate among households with incomes less than median family income.
- H.2.10: The homeownership rate in central cities.
- H.2.11: The mortgage disapproval rates of minority applicants.

**Strategic Objective H.3: Make the home buying process less complicated and less expensive.**

- H.3.1: Receive 1,000 RESPA complaints per year.

**Strategic Objective H.4: Fight practices that permit predatory lending.**

- H.4.1: By the end of FY 2003, FHA will prevent the issuance of FHA mortgage insurance on properties that have been transferred within 90 days.

**Strategic Objective H.5: Help HUD-assisted renters become homeowners.**

- H.5.1: The number of households who have used Housing Choice Voucher/Housing Assistance for Needy Families Vouchers to become homeowners increases by 20 percent.
- H.5.2: The number of households receiving housing counseling from HUD-approved housing counseling agencies to assist them in utilizing their Housing Vouchers to become homeowners increases by 900.

**Strategic Objective H.6: Keep existing homeowners from losing their homes.**

- H.6.1: Loss mitigation claims are at least 40 percent of total claims on FHA-insured single-family mortgages.
- H.6.2: At least 62 percent of total mortgagors receiving default counseling will successfully avoid foreclosure.

**Coordination with other Federal Agencies**

In addition to private partners and state and local government, HUD relies extensively on other federal agencies to help accomplish its goals. The interagency coordination associated with Strategic Goal H, "Increase homeownership opportunities," is summarized below.

- Ginnie Mae will continue to guarantee mortgage-backed securities backed by pools of mortgages that are insured by the FHA and the Department of Agriculture's Rural Housing Service (RHS) or guaranteed by the Department of Veterans Affairs (VA).
- To implement and enforce the Real Estate Settlement Procedures Act (RESPA) effectively, HUD will enhance coordination with the major banking regulators including the Federal Deposit Insurance Corporation (FDIC), the Comptroller of the Currency, the National Credit Union Association, the Office of Thrift Supervision and the Federal Reserve Board. In addition, HUD will work with the Department of Justice, the Federal Trade Commission, the Internal Revenue Service and state attorneys general on joint enforcement actions.
- HUD also will continue to work cooperatively with these five regulatory agencies to collect data under the Home Mortgage Disclosure Act (HMDA). The Federal Financial Institutions Examination Council (FFIEC) is the governing board that is responsible for collecting and

disseminating this information. HMDA data show how mortgage credit is provided across the country and are invaluable in assessing disparities in lending practices among mortgage lenders that affect underserved groups.

- HUD will continue to work with agencies such as the Department of Treasury to address predatory lending. The Interagency Task Force on Predatory Lending consists of federal law enforcement and banking supervisory agencies jointly seeking solutions to the problem of predatory lending.
- HUD cooperates with the Department of Justice to enforce fair housing laws that prohibit discrimination on the basis of minority status or disability. HUD also serves on the Interagency Task Force on Fair Lending, whose members include the Departments of Justice and the Treasury, the FDIC, Federal Housing Finance Board, Federal Reserve Board, Federal Trade Commission, National Credit Union Administration, Office of Federal Housing Enterprise Oversight, Office of the Comptroller of the Currency, and Office of Thrift Supervision. The Task Force coordinates fair lending activities across all federal agencies.
- Under a plan approved by the Federal Housing Finance Board, HUD formed a new partnership with the Federal Home Loan Bank (FHLB) of Seattle to buy up to \$100 million in loans guaranteed by HUD under Title VI of the Native American Housing and Self Determination Act. HUD guarantees of principal and interest will help create an incentive for other financial institutions to extend financing to Native American communities.

## **External Factors**

National and regional economic conditions have a strong impact on the homeownership rate and on several performance measures related to HUD homeownership programs.

State and local grantees under the CDBG program have discretion about whether to use funds for homeownership, rental housing, or other community development activities.

Historical patterns of discrimination and differences in schooling and income levels make it more difficult for minorities to secure the income and credit history needed to become homeowners.

With respect to predatory lending, a variety of state and federal authorities regulate home mortgage lending, and none have a formal definition of predatory lending. Therefore it is difficult to quantify the scope of predatory lending practices, whether market-wide or specific to FHA.

The impacts of HUD efforts may be limited by structural, economic and social influences on neighborhood housing markets. These include the lack of financial sophistication of disadvantaged households, language barriers to understanding the intricacies of the American real estate finance and lending markets, and the numerous actors and inherent complexity of the home purchase and mortgage processes.

## **Strategic Goal: Promote Decent Affordable Housing**

Helping American families find safe, decent housing in a suitable living environment has been a central part of HUD's statutory mission for decades. HUD recognizes that homeownership may not be practical for all families, especially those with limited or unstable income. Even with its new and expanded homeownership initiatives, the Administration recognizes that many families will have incomes insufficient to support a mortgage in the areas where they live. Therefore, along with boosting homeownership, HUD's proposed FY 2004 budget promotes the production and accessibility of affordable housing for families and individuals who rent. This is achieved, in part, by providing states and localities new flexibility to respond to local needs.

HUD has three major rental assistance programs that collectively provide rental subsidies to approximately 4.5 million households nationwide. The major vehicle for providing rental subsidies is the Section 8 program. Under this program, HUD provides subsidies to individuals (tenant-based) who seek rental housing from qualified and approved owners, and also provides subsidies directly to private property owners who set aside some or all of their units for low-income families (project-based). Finally, HUD subsidizes the operation, maintenance and modernization of an additional 1.2 million public housing units.

To help low-income families afford the high costs of rental housing in FY 2004, HUD will provide rental assistance to approximately 2 million households through the newly established Housing Assistance for Needy Families (HANF) program. This program will be phased in during FY 2004 and will replace the current tenant-based Housing Choice Voucher Program and will streamline funding, administrative, and reporting processes.

HUD also helps to provide affordable rental housing through the HOME program, the Indian Housing Block Grant, FHA mortgage insurance, Community Development Block Grant (CDBG) funds, and other programs. In addition, HUD meets the specialized housing needs of the elderly and individuals with disabilities through grants for the development and operation of supportive housing projects for these target populations.

Four strategic objectives support this goal.

### **Objective A1: Expand access to affordable rental housing.**

To help low-income families afford the costs of rental housing, HUD provides rental assistance to more than four million households through public and assisted housing programs. HUD funds a number of rental assistance programs geared to special populations, such as the Housing Opportunities for Persons with AIDS (HOPWA) program and homeless assistance programs. Through the HOME program HUD provides states and localities with flexible funding they can use to produce affordable rental housing. Within the constraints of its budget, the Department seeks to provide affordable housing opportunities to as many families as possible.

HUD also will work to develop creative solutions to the problems presented by local regulatory barriers and other obstacles to the development of affordable rental housing.

### **Objective A2: Improve the physical quality and management accountability of public and assisted housing.**

HUD is committed to improving the quality of HUD-assisted housing and ensuring that all subsidized families live in units that meet basic quality standards. Through the use of management tools that track the housing quality of public and assisted housing, the Department will continue to work with its partners toward meeting this objective.

The Department will also continue its focus on improving the management accountability of public and assisted housing. Public and assisted housing programs have suffered from a number of serious management weaknesses: the lack of a comprehensive evaluation system; the failure to accurately calculate tenant incomes and rents, leading to subsidy overpayments; the failure to

maintain subsidized developments in adequate condition; and, in extreme cases, severe mismanagement or even fraud.

As part of the effort to preserve affordable housing through the Mark-to-Market program, HUD sets appropriate market-level rents for HUD-assisted housing—thereby eliminating subsidy overpayments—and incorporates policies and procedures to ensure good management and good physical condition at properties that have gone through the program.

**Objective A3: Increase housing opportunities for the elderly and persons with disabilities.**

Elderly households and persons with disabilities have special needs that require flexible housing strategies. HUD’s strategies supporting this objective are intended to maximize the independence of these households by focusing on promoting community-based living opportunities for the elderly and persons with disabilities, where appropriate, and making supportive services available to residents of rental housing, enabling them to live as independently as possible in the most integrated setting. One way HUD supports independence for persons with disabilities is to promote visitability in all HUD-funded projects.

HUD’s Section 202 and 811 programs for elderly households and persons with disabilities are unique among HUD programs in providing the only focused construction financing program for affordable supportive rental housing for the target populations.

**Objective A4: Help HUD-assisted renters make progress toward self-sufficiency.**

This objective, together with Objective H5, “Help HUD-assisted renters become homeowners,” reflects the Department’s intention to maximize public and assisted housing’s role as a springboard that helps low-income families progress toward self-sufficiency and homeownership.

Efforts to promote self-sufficiency among residents of public and assisted housing serve four core objectives:

- By helping increase the capacity for family earnings, improving the quality of life for families in subsidized housing;
- Assisting families in subsidized housing to acquire sufficient assets and incomes high enough to buy a home;
- By helping families in subsidized housing to become homeowners or afford the costs of unsubsidized rental housing, freeing up space for other needy families;
- Helping to achieve a mix of incomes in public housing and project-based assisted housing.

<b>Resources supporting Strategic Goal: Promote decent affordable housing— Budget Authority and Staff Levels</b>									
<b>Program</b>	<b>Budget Authority (\$ in thousands)</b>			<b>Headquarters (HQ) and Field (F) Staff</b>					
	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2002</b>		<b>FY 2003</b>		<b>FY 2004</b>	
				<b>HQ</b>	<b>F</b>	<b>HQ</b>	<b>F</b>	<b>HQ</b>	<b>F</b>
<b>Office of Community Planning and Development</b>									
Community Development Block Grants Fund	1,170,000	1,128,057	1,088,360	25	83	26	88	25	86
HOME	1,347,030	1,347,239	1,479,300	35	43	39	52	39	53
Housing Opportunities for Persons with AIDS	238,592	249,420	255,420	11	8	14	8	14	8
Rural Housing and Economic Development	25,000	24,838	0	7	1	7	0	7	0
<b>Office of Public and Indian Housing</b>									
Housing Certificate Fund	10,857,365	12,198,506	0	88	195	96	194	0	0
Housing Assistance for Needy Families	0	0	13,198,985	0	0	0	0	203	83
Native American Housing Block Grants	648,570	644,782	646,600	22	131	22	132	22	132
Indian Housing Block Grants	648,570	644,782	646,600	22	131	22	132	22	132
Public Housing Operating Fund	3,494,868	3,576,600	3,559,000	138	155	141	154	137	154
Public Housing Capital Fund	2,843,400	2,650,763	2,601,000	328	266	338	267	338	267
Revitalization of Severely Distressed Public Housing	573,735	570,269	0	58	110	62	110	62	110
Native Hawaiian Housing Block Grants	[9,600]	[9,538]	10,000	3	0	3	0	3	0

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<b>Office of Housing</b>									
Housing for the Elderly (Section 202)	551,924	543,371	541,815	14	184	18	181	18	183
Housing for the Disabled (Section 811)	196,588	204,640	205,132	11	100	12	99	12	101
FHA-GI/SRI	271,617	227,198	231,771	161	651	194	602	194	598
Flexible Subsidy Fund	0	0	0	0	13	0	14	0	14
Rent Supplement Program	0	0	0	1	2	1	2	1	2
Rental Housing Assistance Program (Section 236)	0	0	0	1	2	1	2	1	2
Housing Certificate Fund	3,684,698	3,488,763	3,760,493	140	309	154	311	65	395
Housing Counseling Assistance	[4,000]	[7,948]	9,000	1	17	1	18	2	18
<b>Ginnie Mae</b>									
Mortgage-Backed Securities	4,691	5,137	5,347	31	0	38	0	38	0
<b>Policy Development and Research</b>	9,000	9,488	11,100	22	36	25	45	25	45
<b>Office of General Counsel</b>	0	0	0	89	0	85	0	85	0
<b>Total</b>	<b>25,917,078</b>	<b>26,869,071</b>	<b>27,603,323</b>	<b>1,186</b>	<b>2,306</b>	<b>1,277</b>	<b>2,279</b>	<b>1,291</b>	<b>2,251</b>

## Means and Strategies

HUD supports this strategic goal in a variety of ways. Beginning in the late 1990s the Department began implementing a number of monitoring systems to better assess the quality of the public and assisted housing stock. These protocols have led to significantly better reporting and significant improvements in both the physical stock and the management of HUD's public and assisted housing portfolio.

But HUD's housing programs do more than put a roof over families' heads; they also provide the housing stability that many families need to make progress towards self-sufficiency or increase their earnings. A number of HUD's programs seek to maximize these benefits by linking families in affordable housing to services in the community that help them improve their skills, find work, and overcome obstacles to full employment.

HUD is committed to expanding opportunities for multifamily rental developments both through FHA's unassisted mortgage insurance program, and through its oversight of Fannie Mae and Freddie Mac, the two housing enterprises it oversees. HUD is also working with states and local communities to reduce regulatory barriers to the development of affordable housing.

In FY 2004, HUD plans the following activities:

### Housing Assistance for Needy Families (HANF)

HUD is proposing a new initiative—HANF—under which the funding for vouchers, which has been allocated to approximately 2,600 public housing authorities, would be allocated to the states. States, in turn, could choose to contract with PHAs or other entities to administer the program. The funding for both incremental and renewal vouchers will be contained in the HANF account.

There are a number of advantages to providing the voucher funds to the states. The allocation of funds to states rather than PHAs should allow for more flexibility in efforts to address problems in the underutilization of vouchers that have occurred in certain local markets. The allocation of funds to the states will be coupled with additional flexibility in program laws and rules, to allow states to better address local needs and to commit vouchers for program uses that otherwise would go unused. In the former Housing Certificate Fund, more than \$2.41 billion has been recaptured over the last two years from the Housing Choice Voucher program. These large recaptures have resulted in a denial of appropriated housing assistance for thousands of families, which will be avoided under HANF. The administration of the HANF program should run more smoothly, with HUD managing fewer than 60 grantees compared to approximately 2,600 today.

Allocation of the funds to the states should also allow for more coordinated efforts with the Temporary Assistance for Needy Families (TANF) welfare program and other statewide efforts, successfully administered by the states, to support the efforts of those now receiving public assistance who are climbing the ladder of self-sufficiency.

HUD proposes that FY 2004 be a transition year in which PHAs would continue to receive voucher funds directly while states ramp up in preparation for administering the HANF program. Up to \$100 million would be made available to assist states with this effort.

### **Public Housing**

In FY 2004, HUD anticipates that there will be approximately 1.2 million public housing units occupied by tenants. These units are under the direct management of approximately 3,050 PHAs. Like the Section 8 program, tenants pay approximately 30 percent of their income for rent and utilities, and HUD subsidies cover the remaining costs.

HUD is committed to ensuring that the existing public housing stock is either maintained in good condition or is demolished. Maintenance is achieved through the subsidy to PHAs for both operating expenses and modernization costs. HUD is proposing legislation to implement a new financing initiative in FY 2004 (see below). This will allow for the acceleration of the reduction in the backlog of modernization requirements in public housing facilities across the nation.

- **Public Housing Operating Fund.** The formula distribution of funds takes into account the size, location, age of public housing stock, occupancy and other factors intended to reflect the costs of operating a well-managed public housing development. In FY 2004, HUD will increase the amounts provided for operating subsidies from \$3.530 billion to \$3.559 billion, plus \$15 million to fund activities associated with the Resident Opportunities and Supportive Services (ROSS) program, which provides supportive services and assists residents in becoming economically self-sufficient.
- **Public Housing Capital Fund.** This program provides formula grants to PHAs for major repairs and modernization of its units. The FY 2004 budget provides funds to meet the accrual of new modernization needs in FY 2004. Some funds will be made available for natural disasters and emergencies, for demolitions and for the ROSS program.
- **Public Housing Reinvestment Initiative (PHRI).** To address the backlog of capital needs, the Department is including a legislative proposal in its 2004 budget that will allow PHAs to use their Operating Fund and Capital Fund grants to facilitate the private financing of capital improvements. This initiative will leverage private-sector funds and also will encourage development-based financial management and accountability in PHAs. These objectives would be achieved by authorizing HUD to approve, on a property-by-property basis, PHA requests to convert public housing developments (or portions of developments) into project-based voucher assistance. The conversion of units to project-based vouchers will allow the PHAs to secure private financing to rehabilitate or replace their aging properties by pledging the project-based revenue as collateral for private loans for capital improvements. The FY 2004 budget enhances this proposal, which was made in last year's budget request as the

Public Housing Reinvestment Initiative (PHRI), by also proposing a guarantee of up to 80 percent of the principal of loans made to provide the capital for PHRI.

- **Revitalization of Severely Distressed Public Housing (HOPE VI).** A principal goal of the HOPE VI program has been the demolition, replacement and rehabilitation of 86,000 severely distressed public housing units, as identified in the 1992 final report issued by the National Commission on Severely Distressed Housing. The program has resulted in the demolition of 55,000 units, and over 140,000 public housing units have been approved for demolition under HOPE VI and other programs. Because progress is often slow under the HOPE VI program for various reasons, billions of dollars in HOPE VI funds remain in the pipeline and demand the concentrated attention of HUD and the current grantees. Therefore, the FY 2004 budget does not include additional funding for new HOPE VI projects.

### **Other Rental Assistance Programs**

**FHA Multifamily Insurance Program.** FHA insures mortgages on multifamily rental housing projects. In FY 2004, FHA will reduce the annual mortgage insurance premiums on its largest apartment new construction program, Section 221(d)(4), for the second year in a row—from 57 basis points to 50 basis points. With this reduction, the Department estimates that it will insure \$3 billion in apartment development loans through this program, for the annual production of an additional 42,000 new rental units. When combined with other multifamily mortgage programs, including those serving non-profit developers, nursing homes and refinancing mortgagors, FHA anticipates providing support for a total of some multifamily 178,000 housing units.

**HOME Investment Partnerships Program.** In addition to the extensive use of HOME funds for homeownership, the HOME program invests heavily in the creation of new affordable rental housing. The program has supported the building, rehabilitation and purchase of 308,500 rental units. The HOME Program has also provided direct rental assistance to 89,717 households.

**Indian Housing Block Grant (IHBG).** This block grant is a flexible source of funding to tribes or tribally designated entities and is used for a wide variety of affordable-housing activities. Authorized uses include both rental and homeownership assistance.

**Native Hawaiian Housing Block Grant (NHHBG).** The Native Hawaiian Housing Block Grant is modeled on the IHBG, and provides funding to the Department of Hawaiian Home Lands for a wide variety of eligible affordable-housing activities, including construction, rehabilitation or acquisition of rental units for native Hawaiians who are eligible to reside on, or who already live on, Hawaiian Home Lands.

Several other HUD programs contribute to rental assistance, although not as a primary function. For example, the flexible Community Development Block Grant can be used to support rental housing activities.

### **Regulatory Barriers to the Development of Affordable Housing**

HUD plans to create a new Office of Regulatory Reform, which will, among other things, commit an additional \$2 million next year for research efforts to learn more about the nature and extent of regulatory obstacles to affordable housing. Through this office, researchers will develop the tools needed to measure and ultimately reduce the effects of excessive barriers that restrict the development of affordable housing at the local level.

### **Energy Action Plan and Energy Star**

HUD's Energy Action Plan, developed by a Department-wide Task Force, consists of 21 actions that HUD proposes to undertake to support the energy efficiency and conservation goals of the President's National Energy Policy. These actions are designed to encourage energy efficiency in some housing units that are assisted, insured or subsidized through HUD's programs (including housing financed through HUD formula grant programs such as CDBG and HOME). Some of the

measures will require implementation through HUD's rulemaking process. One element of the Action Plan is promoting the use of Energy Star appliances and products through HUD programs, which was the subject of a Memorandum of Understanding with the Environmental Protection Agency and the Department of Energy. The actions included in the Energy Action Plan are for the most part operational steps that program offices can take within existing program guidelines and existing budgets.

### **Programs for the Elderly and Persons with Disability**

Nearly two million households headed by an elderly individual or a person with a disability receive HUD rental assistance that provides them with the opportunity to afford a decent place to live and often helps them to live independent lives. A majority of these are assisted through HUD's Section 8 and Public Housing programs.

Funding specifically for housing for the elderly (Section 202) is awarded competitively to private non-profit organizations to develop new housing units through new construction or rehabilitation. The facilities are then provided with rental assistance, enabling them to accept very low-income residents. Many of the residents live in the facilities for years; over time, these individuals are likely to become frailer and less able to live in rental facilities without some additional services. Therefore, the program provides grants to convert all or part of existing properties to assisted-living facilities. Doing so will allow individual elderly residents to remain in their units. In addition, grant funds will provide the service coordinators who help elderly residents obtain supportive service from the community.

The disabled facilities program also will continue to set aside funds to enable persons with disabilities to live in mainstream environments. Up to 25 percent of the Section 811 funds can be used to provide rent vouchers that offer an alternative to congregate housing developments. In FY 2004, grant funds will be provided to renew "mainstream" vouchers so that, where appropriate, individuals can continue to use their vouchers to obtain rental housing in the mainstream rental market. The Department proposes to reform the Section 811 program to allow faith-based and other nonprofit sponsors the ability to better respond to local needs. In addition, the reformed program would recognize the unique needs of people with disabilities at risk of homelessness as part of the Administration's initiative to end chronic homelessness.

- **Non-Elderly Disabled Vouchers.** One of the targeted uses of new incremental vouchers under the Section 8 program is for non-elderly disabled individuals who are currently residing in housing that was designated for the elderly. Disabled individuals are provided rent vouchers to continue their subsidies elsewhere. If a sufficient number of applications for these vouchers are not received, PHAs may use them for any other disabled individuals on their waiting lists.
- **Housing Opportunities for Persons with AIDS (HOPWA).** HUD provides grant funds for housing assistance and related supportive services for low-income persons with HIV/AIDS and their families. Although most grants are allocated by formula, based on the number of cases and highest incidence of AIDS, a small portion are provided through competition for projects of national significance. The program will renew all existing grants in FY 2004 and provide new grants for an expected three new jurisdictions. Since 1999, the number of formula grantees has risen from 97 to an expected 114 in FY 2004.
- **FHA Reverse Mortgages.** FHA's Home Equity Conversion Mortgage (HECM) Program allows homeowners ages 62 and older who have paid off their mortgages or have only small mortgage balances remaining to borrow against the equity in their homes. Unlike ordinary home equity loans, a HUD reverse mortgage does not require repayment as long as the owner lives in the home. Loans are repaid, with interest, when the home is sold. This program gives senior citizens an option to keep their own homes as long as possible. In FY 2002, FHA insured a record 13,048 HECM loans, almost double the amount insured in the previous year.

Continued growth in this important source of equity financing for seniors is expected as lenders and homeowners become more familiar with this product.

**Helping Individuals Achieve Self-Sufficiency**

A compassionate nation must ensure that those Americans served by HUD—many of whom are struggling families, or individuals facing a trying time in their lives—live in a healthy and secure environment and have access to tools and opportunities that will help them move toward self-sufficiency. HUD’s basic programs contribute to this goal by providing individuals and families with the housing and services that allow them to focus on recovery, job-related skill development and obtaining work or increasing income.

Key initiatives for FY 2004 include:

- **Housing Assistance for Needy Families (HANF).** By overhauling the voucher program to allocate vouchers to the states rather than PHAs, HUD will provide a unique opportunity to improve the coordination of self-sufficiency efforts among the voucher program, the Temporary Assistance for Needy Families program and other state-run self-sufficiency initiatives. While coordinated efforts are encouraged under current law, the new proposal is expected to improve results. State control of both the housing and welfare programs, along with additional flexibility in the housing program to allow local needs to be addressed, should result in more effective self-sufficiency efforts.
- **Family Self-Sufficiency (FSS) Program.** In FY 2004, the Department will continue and expand the FSS program. The FSS program is designed to link families with local opportunities for education, job training and counseling while receiving housing assistance. Over a 5-year period, as the earnings of a participant grow, an amount equal to the increased rent attributable to the participant’s increased earnings is deposited into an escrow account to purchase a home, pay for higher education or even start a business. Currently, the FSS program serves more than 55,000 families in the tenant-based Section 8 and public housing programs.
- **Resident Opportunity and Supportive Services (ROSS) program.** The Department provides funds to support the ROSS program for residents of Public and Native American Housing. The main purpose of the funds is to provide a link between residents and services that can help them achieve self-sufficiency.

**Performance Measures**

The following tables summarize HUD’s performance indicators, including measures of outcomes and outputs that will be used to gauge performance for each strategic objective under this goal during FY 2004. A detailed discussion of each indicator is presented in Part II of this APP.

<b>FY 2004 Performance Goals</b>	
<b>Strategic Goal: Promote decent affordable housing.</b>	
<b>Strategic Objective A.1: Expand access to affordable rental housing.</b>	
A.1.1:	The number of households with worst case housing needs among families with children, the elderly, and person with disabilities.
A.1.2:	The number of households receiving housing assistance with CDBG, HOME, HOPWA, SHOP, IHBG and NHHBG.
A.1.3:	The number of HOME production units that are completed within the fiscal year will be maximized.

A.1.4:	The utilization of Housing Choice Voucher/Housing Assistance for Needy Families Vouchers increases by 1 percentage point from the FY 2003 level.
A.1.5:	The share of the Housing Choice Voucher/Housing Assistance for Needy Families program administered by housing agencies with substandard utilization rates decreases by 5 percent.
A.1.6:	FHA endorses at least 1,000 multifamily mortgages.
A.1.7:	Ginnie Mae securitizes at least 80 percent of eligible FHA multifamily mortgages.
A.1.8:	Ginnie Mae credit enhancements on multi-class securities increase to \$147 billion in FY 2004.
A.1.9:	Under the M2M program, HUD will reduce the rents on and preserve housing on 80 percent of the active pipeline at the beginning of the fiscal year, and where appropriate, complete a mortgage restructuring.
A.1.10:	Fannie Mae and Freddie Mac meet or surpass HUD-defined targets for special affordable multifamily mortgage purchases.
A.1.11:	The number of clients receiving rental counseling increases by 60,000.
A.1.12:	Fully implement actions included in the Departmental Energy Action Plan by FY 2005.

<b>Strategic Objective A.2: Improve the physical quality and management accountability of public and assisted housing.</b>	
A.2.1:	The average satisfaction of assisted renters and public housing tenants with their overall living conditions increases by 1 percentage point.
A.2.2:	The share of public housing units that meet HUD-established physical standards increases by 1.5 percentage points.
A.2.3:	The share of assisted and insured privately-owned multifamily properties that meet HUD established physical standards are maintained at no less than 94.7 percent.
A.2.4:	The unit-weighted average PHAS score increases by 5 percent.
A.2.5:	The household-weighted average SEMAP score increases by 1 percentage point.
A.2.6:	The average FASS score for all PHAs designated by FASS as "troubled" will increase by 3 percent.
A.2.7:	Among households living in assisted and insured privately-owned multifamily properties, the share that meets HUD's financial management compliance is maintained at no less than 95 percent.
A.2.8:	As part of the effort to eliminate 100,000 units of the worst public housing, demolish 10,000 units during FY 2004.
A.2.9:	The HOPE VI Revitalization Development program for public housing relocates 3,300 families, demolishes 4,000 units, completes 6,900 new and rehabilitated units, and occupies 6,200 units.
A.2.10:	The percent of units under management of troubled housing agencies at the beginning of FY 2004 decreases by 15 percent by the end of the fiscal year.
A.2.11:	The share of Housing Choice Voucher/Housing Assistance for Needy Families (HANF) voucher units managed by troubled housing agencies decreases by 5 percent.
A.2.12:	The share of public housing residents who feel that housing agency managers take action when residents in the development break rules increases by 5 percentage points.

<b>Strategic Objective A.3: Increase housing opportunities for the elderly and persons with disabilities.</b>	
A.3.1:	Increase the availability of affordable housing for the elderly and persons with disabilities by bringing 250 projects to initial closing under Sections 202 and 811.
A.3.2:	Section 202/811 tenants satisfaction shall be compared to similar survey data for the low-income elderly as reported in the American Housing Survey.
A.3.3:	The number of assisted-living units that HUD supports through Assisted Living Conversion program increases by completing conversion of 10 properties.
A.3.4:	The number of elderly households living in private assisted housing developments served by a service coordinator for the elderly increases by 10 percent.
A.3.5:	Service-enriched housing increases the satisfaction of elderly families and individuals with their units, developments and neighborhoods.

<b>Strategic Objective A.4: Help HUD-assisted renters make progress toward self-sufficiency.</b>	
A.4.1:	By FY 2008, increase the proportion of those entering HUD's housing assistance programs who "graduate" from assistance within five years (or receive continuing assistance as homeowners) because their income is sufficient to pay for adequate housing.
A.4.2:	Average earnings increase by 5 percent from year to year among non-elderly non-disabled households in the public housing, Housing Choice Voucher/Housing Assistance for Needy Families and project-based Section 8 programs.
A.4.3:	Among non-elderly, non-disabled public housing households with dependents, the share that derive more than 50 percent of their income from work increases by 1 percentage point.
A.4.4:	The number of public housing and Housing Choice Voucher/Housing Assistance for Needy Families Voucher households that have accumulated assets through the Family Self-Sufficiency program increases by 5 percent and the average escrow amount for FSS graduates increases.
A.4.5:	The share of housing agencies scoring at least 8 points under the SEMAP indicator for FSS increases by 5 percentage points.

### **Coordination with other Federal Agencies**

In addition to private partners and state and local government, HUD relies extensively on other federal agencies to help accomplish its goals. The interagency coordination associated with Strategic Goal A, "Promote decent affordable housing," is summarized below.

HUD will continue to work with the Department of the Treasury to ensure efficient use of the Low-Income Housing Tax Credit (LIHTC). HUD has done significant research on the tax credit program to inform LIHTC policy. HUD sets the maximum LIHTC rents by publishing estimates of 60 percent of area median income, and identifies Difficult Development Areas and Qualified Census Tracts—areas where tax credits can be taken on a higher percentage of a project's "qualified basis." HUD's Office of Housing continues to work with Treasury to make the LIHTC program work better with FHA insurance. HUD also works closely with Treasury on tax-exempt bond regulations and other tax policy rulings that affect the continued provision of quality multifamily housing with affordable rents.

HUD recently signed a Memorandum of Understanding (MOU) with the Rural Housing Service of the Department of Agriculture. The purpose of this MOU is to ensure an ongoing working relationship between HUD and the RHS in preserving affordable rental housing in rural America. The MOU will facilitate the processing of Multifamily Housing Assistance Payment contract renewals for RHS-financed projects.

HUD will work with the Environmental Protection Agency (EPA) and the Department of Energy in a partnership to promote energy-efficient affordable housing. The partnership supports the goals of the President's National Energy Policy by promoting more widespread use of EnergyStar products in HUD's inventory of public, assisted and insured housing.

HUD and the Federal Housing Finance Board signed a MOU in 1999 that sets forth the policy for approving the use of FHLB Affordable Housing Program (AHP) funds for subordinate financing of Section 202 and Section 811 projects. The need for a policy was prompted because sponsors of these properties were increasingly approaching FHLBs for AHP subordinate financing, for a variety of reasons. The MOU streamlined the approval process and decreased the time it takes for financing to become available for these projects, which house elderly and disabled persons.

HUD will continue to work closely with a number of federal agencies, including the Departments of Health and Human Services (HHS) and Labor, to ensure the successful implementation of welfare reform policies designed to help low-income families make progress toward self-sufficiency. HUD serves on the Interagency Committee on Supports for Low-Income Workers, promotes the HHS Assets for Independence competitive grant program through HUD's communications mechanisms and assists HHS in its technical assistance program for state welfare agencies, including through technical assistance conferences and broadcasts. HUD also encourages HUD-funded employment and training programs as well as subsidized housing providers to: (1) establish and maintain Neighborhood Networks centers for the implementation of such programs; and (2) coordinate and partner with the Department of Labor's national system of One-Stop Employment Centers.

HUD has worked with HHS to develop guidance and a model cooperative agreement for public housing agencies and local welfare agencies. PHAs are encouraged to enter into cooperative agreements with local welfare agencies to target services and assistance to welfare families who receive housing assistance and to reduce fraud and noncompliance with program requirements.

HUD and HHS work collaboratively to increase the availability of assisted living facilities for low-income seniors, especially through coordination with states that have Medicaid waivers and can spend Medicaid funds on assisted living services.

HUD signed a MOU with the Federal Deposit Insurance Corporation (FDIC) to establish a national partnership to promote financial education using Money Smart, FDIC's financial education curriculum. FDIC is sending an educational package to over 4,000 PHAs across the United States, as well as to HUD's Public and Indian Housing directors and coordinators. The curriculum may be used in HUD-sponsored programs such as Resident Opportunities and Supportive Services, Family Self-Sufficiency and Welfare to Work vouchers.

## **External Factors**

Many external factors affect the supply of affordable rental housing for low-income families and for the elderly and persons with disabilities. These include local rental markets, building codes and land use regulations, state and local program decisions and the actions of HUD's many other partners. The continued growth in the number of elderly persons, fueled in part by the baby-boom generation, will continue to challenge those working to ensure access to diverse housing opportunities for this population.

Finally, broad economic factors that affect opportunities for low-income workers will directly affect HUD's ability to assist HUD-assisted renters as they make progress toward self-sufficiency.

## **Strategic Goal: Strengthen Communities**

HUD is committed to preserving America's cities as vibrant hubs of commerce and making communities better places to live, work and raise a family. The FY 2004 budget provides states and localities with tools they can put to work improving economic health and promoting community development. Perhaps the greatest strength of HUD's community and economic development programs is the emphasis they place on helping communities address locally determined development priorities through decisions made locally.

Four strategic objectives support this goal:

### **Objective C1: Provide capital and resources to improve economic conditions in distressed communities.**

A key objective of HUD's community and economic development programs is to help improve economic conditions in distressed communities. Economic development is a key activity under the CDBG program. Funded activities include job creation and retention, as well as education, training and services that strengthen the workforce.

Section 3 of the Housing and Urban Development Act of 1968 requires that, to the greatest extent feasible, HUD will ensure that jobs, training and contracts are given to low- and very low-income persons residing in the economic distressed areas where federal financial assistance is provided to HUD's recipient agencies.

### **Objective C2: Help organizations access the resources they need to make their communities more livable.**

Helping communities become more "livable" means addressing quality-of-life issues as well as economic factors. Livability reflects the positive impacts of public services and improvements that result from funds spent to revitalize poor neighborhoods, along with intangible benefits such as community volunteerism.

Many communities use HUD resources for projects designed to improve livability. For example, CDBG funds are used for roads, sewers and other infrastructure investments, or for community centers, parks and other assets that help to strengthen and revitalize communities. HUD also funds housing development and rehabilitation through CDBG, HOME, Youthbuild and Lead Hazard Control grants.

### **Objective C3: End chronic homelessness and move homeless families and individuals to permanent housing.**

HUD is committed to ending chronic homelessness within 10 years—by 2011. HUD's working definition of a person experiencing chronic homelessness is an unaccompanied individual with a disabling condition who has been continuously homeless for a year or more or has had recurring episodes of homelessness. Even when housing is available, their disabilities sometimes make it difficult for them to remain in that housing for long periods unless they also have supportive services including case management and regular health care. Although there are no reliable counts, the Millennial Housing Commission Report "Meeting Our Nation's Housing Challenges" estimates the number of persons experiencing chronic homelessness to be between 150,000 and 200,000.

While those experiencing chronic homelessness are often the most visible of the homeless population, there is also a substantial problem of families and individuals who experience a more temporary crisis, such as loss of employment or eviction, and become homeless. HUD will forge a three-pronged attack that will focus on:

- The prevention of homelessness;

- The development of needed permanent and transitional housing for both those persons experiencing chronic homelessness and the growing numbers of homeless families;
- The coordination of housing and supporting services.

Given the variety of individual needs and locally available resources, each community can best design its own strategies to help each homeless person and family achieve permanent housing and self-sufficiency. HUD's homeless assistance programs will continue to foster local initiatives by providing flexibility while providing incentives to meet important national objectives including ending chronic homelessness.

**Objective C4: Mitigate housing conditions that threaten health.**

A safe housing stock is a critical precondition for safe, livable communities. Along with responsibility for HUD-assisted private housing and public housing, HUD addresses hazards in unassisted private housing. The Department is committed to eliminating the poisoning of children by lead-based paint in older homes. Along with the Environmental Protection Agency, HUD regulates the disclosure of lead paint in homes. HUD provides financial resources for communities to address their own lead paint hazards. HUD funds initiatives through its Healthy Homes program to prevent other housing-related childhood diseases and injuries, such as asthma and carbon monoxide poisoning. HUD's CDBG program provides resources to communities for a wide range of community development and housing activities, including for lead hazard control separately or as part of housing rehabilitation, counseling and health services. HUD also is proposing an innovative \$25 million lead hazard reduction program funded within the HOME appropriation.

Through innovative research, HUD is likewise advancing the safety of the nation's housing. In addition to the evaluation of lead hazard reduction programs, HUD supports research and development of housing construction that resists natural disasters such as hurricanes, floods, earthquakes, tornados and firestorms.

<b>Resources supporting Strategic Goal: Strengthen communities— Budget Authority and Staff Levels</b>									
<b>Program</b>	<b>Budget Authority (\$ in thousands)</b>			<b>Headquarters (HQ) and Field (F) Staff</b>					
	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2002</b>		<b>FY 2003</b>		<b>FY 2004</b>	
				<b>HQ</b>	<b>F</b>	<b>HQ</b>	<b>F</b>	<b>HQ</b>	<b>F</b>
<b>Office of Community Planning and Development</b>									
Community Development Block Grants Fund *	6,447,707	3,587,947	3,454,360	77	260	81	272	79	267
HOME	0	0	25,000	0	0	0	0	0	0
Homeless Assistance Grants	1,122,525	1,217,038	1,325,000	43	122	48	136	48	143
Housing Opportunities for Persons with AIDS	38,840	40,614	41,580	2	1	3	1	3	1
Brownfields Redevelopment Program	25,000	24,838	0	7	1	6	1	6	0

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Empowerment Zones/Enterprise Communities/Renewal Communities	37,350	29,805	0	9	1	10	1	10	1
Samaritan Housing	0	0	50,000	0	0	0	0	3	0
Emergency Food and Shelter	0	0	153,000	0	0	0	0	3	0
<b>Office of Public and Indian Housing</b>									
Public Housing Operating Fund	0	0	15,000	0	0	0	0	4	0
Public Housing Capital Fund	0	61,492	40,000	4	0	4	0	4	0
<b>Office of Housing</b>									
Housing for the Elderly (Section 202)	69,688	70,993	70,085	2	23	2	24	2	24
Housing for the Disabled (Section 811)	12,397	12,906	12,707	1	6	1	6	1	6
FHA-GI/SRI	48,503	44,814	44,189	9	136	14	136	14	137
FHA-MMI/CMHI	500	791	821	1	0	2	0	2	0
Project-Based Rental Assistance	360,072	336,046	368,697	3	41	3	42	3	43
Housing Counseling Assistance	0	[795]	900	0	3	0	3	0	3
<b>Healthy Homes and Lead Hazard Control</b>									
	109,758	174,856	136,000	28	0	54	0	54	0
<b>Policy Development and Research</b>									
	1,600	1,689	1,800	16	0	17	0	17	0
<b>Fair Housing and Equal Opportunity</b>									
Other FHEO Programs	0	0	0	11	0	13	0	13	0
<b>Total</b>	<b>8,273,940</b>	<b>5,603,829</b>	<b>5,739,139</b>	<b>213</b>	<b>594</b>	<b>258</b>	<b>622</b>	<b>266</b>	<b>625</b>

\* The amount of budget authority for Community Development Block Grants Fund is significantly higher in FY 2002 because it includes supplemental funding of \$2.783 billion in disaster assistance for New York.

## Means and Strategies

This Strategic Goal encompasses a wide array of objectives that impact families, individuals and neighborhoods.

HUD's CDBG and other grant programs support community and economic development in America's low and moderate income communities. Beyond that, HUD's strategies for success at the community level under this goal include supporting the improvement of community consolidated planning to better ensure that HUD funds are used effectively at the local level. HUD also works to promote partnerships with other federal agencies, industry groups and non-profits in designated Empowerment Zones and Renewal Communities.

Neighborhood health is also affected by both the physical stock of housing and the social service network for those in need. In its efforts to assist families and individuals experiencing chronic and temporary homelessness HUD has a two part strategy: first, to consolidate its homeless assistance grants and reduce the administrative burden on jurisdictions to administer multiple programs; and

second, to increase the focus of HUD's resources on housing while working with other agencies to ensure that the service needs of homeless people are met through other mainstream programs. In addition, HUD will assess how its own mainstream housing assistance programs can better serve the homeless population.

Finally, HUD has multifaceted programs to support abatement of lead based paint hazards, provide grants to test affordable new maintenance renovation and construction methods to prevent both emerging and well-recognized housing-related childhood diseases, and widespread educational efforts in both areas.

Specific programmatic activities in FY 2004 will include:

### **Community Development Block Grant (CDBG) Program**

The mainstay of HUD's community and economic development programs is the Community Development Block Grant (CDBG) program. Currently, 865 cities, 159 counties and 50 states plus Puerto Rico receive CDBG formula grant funds. An important goal is to help create or preserve 84,000 jobs. HUD is analyzing the impact of the 2000 Census on the distribution of CDBG funds to entitlement communities and states. Based on this review, revisions to the existing formula may be proposed. Any proposals will, of course, consider need and distress as well as other factors.

Beyond formula CDBG funding, special CDBG initiatives in FY 2004 include:

- **Colonias Gateway Initiative.** The FY 2004 budget again proposes \$16 million for the Colonias Gateway Initiative (CGI). The CGI is a regional initiative, focusing on border states where the Colonias are located. *Colonias* are small, generally unincorporated communities that are characterized by substandard housing, lack of basic infrastructure and public facilities, and weak capacity to implement economic development initiatives. The FY 2004 funds will provide start-up seed capital to develop baseline socio-economic information and a geographic information system; identify and structure new projects and training initiatives; fund training and business advice; and provide matching funds to develop sustainable housing and economic development projects that, once proven, could be taken over by the private sector.
- **National Community Development Initiative (NCDI).** HUD participates in the privately organized and initiated NCDI. In FY 2004, HUD will emphasize (a) the capacity building of community-based development organizations, including community development corporations, in the economic arena, and (b) related community revitalization activities through the work of intermediaries, including the Local Initiatives Support Corporation and the Enterprise Foundation.
- **University Partnership Grant Programs.** Through this program, HUD assists colleges and universities, including minority institutions, to engage in a wide range of community development activities. Funds are also provided to support graduate programs that attract minority and economically disadvantaged students to participate in housing and community development fields of study. Grant funds are awarded competitively to six programs: Historically Black Colleges and Universities; Hispanic-Serving Institutions; Alaskan Native/Native Hawaiian Institutions; Tribal Colleges and Universities; Community Outreach Partnership Centers; and Community Development Work Study. Funds are used for work study and other programs to assist institutions of higher learning in forming partnerships with the communities in which they are located and to undertake a wide range of academic activities that foster and achieve neighborhood revitalization.
- **Youthbuild.** This program is targeted to high school dropouts ages 16 to 24, and provides these disadvantaged young adults with education and employment skills through constructing and rehabilitating housing for low-income and homeless people. The program also provides

opportunities for placement in apprenticeship programs or in jobs. The FY 2004 request will serve more than 3,728 young adults.

### **Renewal Communities/Empowerment Zones**

The Community Renewal Tax Relief Act of 2000 authorized the designation of 40 Renewal Communities (RC) and nine Round III Empowerment Zones (EZ), and provided tax incentives that can be used to encourage community revitalization efforts. Private investors in both RC and EZ areas are eligible for tax benefits over the next ten years tied to the expansion of job opportunities in these locations. These programs allow communities to design and administer their own economic development strategies with a minimum of federal involvement.

### **Programs to Help the Homeless**

The Administration is deeply engaged in meeting the challenge of homelessness that confronts many American cities. HUD is leading an unprecedented, Administration-wide commitment to eliminating chronic homelessness within the next 10 years. The Administration is also fundamentally changing the way the nation manages the issue of homelessness by focusing more resources on providing permanent housing and supportive services for the homeless population, instead of simply providing more shelter beds.

As a first step, the Administration reactivated the U.S. Interagency Council on Homelessness to better coordinate the efforts of 18 Federal agencies that address the needs of homeless persons. HUD and its partners are focused on improving the delivery of homeless services, which includes working to cut government red tape and make the funding process simpler for those who provide homeless services.

The FY 2004 budget continues to provide strong support to homeless persons and families by funding the program at the record level of \$1.528 billion.

Several changes to the program are being proposed that will provide new direction and streamline the delivery of funds to the local and non-profit organizations that serve the homeless population. These include:

- **Samaritan Initiative.** The FY 2004 budget includes funding for a new program to address the President's goal of ending chronic homelessness in 10 years. The Samaritan Initiative will provide new housing options as well as aggressive outreach and services to homeless people living on the streets. Persons who experience chronic homelessness are a sub-population of approximately 150,000 who often have an addiction or suffer from a disabling physical or mental condition, and are homeless for extended periods of time or experience multiple episodes of homelessness. These individuals, for the most part, get help for a short time but soon fall back to the streets and shelters. Research indicates that although these individuals may make up less than 10 percent of the homeless population, they consume more than half of all homeless services because their needs are not comprehensively addressed.
- **Legislation to Consolidate Homeless Assistance Programs.** HUD will propose legislation to consolidate its current homeless assistance programs into a single program. The consolidated program will significantly streamline homeless assistance in this nation.
- **Interagency Council on Homelessness.** Reactivating the Council has provided better coordination of the various homeless assistance programs that are directly available to homeless individuals through HUD, HHS, VA, the Department of Labor and other agencies.
- **Emergency Food and Shelter Program.** The Administration is proposing legislation that would transfer intact the Emergency Food and Shelter Program (EFSP) that is currently administered by FEMA to HUD. The transfer of this program would allow for the consolidation of all emergency shelter assistance—EFSP and the Emergency Shelter Grant program—under one agency.

## Health and Safety Programs

- **The Lead-Based Paint Program** is the central element of the President's program to eradicate childhood lead-based paint poisoning in 10 years or less. In FY 2004, funding for the lead-based paint program will increase to \$136 million from \$126 million provided in the President's request for FY 2003. Grant funds are targeted to low-income, privately owned homes most likely to expose children to lead-based paint hazards. Included in the total funding is \$10 million in funds for Operation LEAP, which is targeted to organizations that demonstrate an exceptional ability to leverage private sector funds with Federal dollars, and funding for technical studies to reduce the cost of lead hazard control. The program also conducts public education and compliance assistance to prevent childhood lead poisoning. The President's budget also requests an additional \$25 million for a new, innovative lead hazard reduction demonstration program to eliminate lead-based paint hazards in homes of low-income children, funded under the HOME program. This new program will provide creative ways of identifying and eliminating lead-based paint hazards—methods that will serve as models for existing lead hazard control programs, such as replacing old windows contaminated with high levels of lead paint dust with new energy-efficient windows.
- **Healthy Homes Initiative.** Also included is \$10 million for the Healthy Homes Initiative, targeting funds to prevent other housing-related childhood diseases and injuries such as asthma and carbon monoxide poisoning. The President's Taskforce Report notes that asthma alone costs the nation over \$6 billion each year. Working with other agencies such as the CDC and the Environmental Protection Agency, HUD is bringing comprehensive expertise to the table in housing rehabilitation and construction, architecture, urban planning, public health, environmental science and engineering to address a variety of childhood problems that are associated with housing.
- **Manufactured Housing Standards Program.** HUD is requesting \$17 million in FY 2004 to meet the expanded costs of this program, as mandated in the American Homeownership Opportunity Act of 2000. These funds will meet the costs of hiring contractors to inspect manufacturing facilities, make payments to the states to investigate complaints by purchasers, begin procurement actions for the two new programs mandated by statute, installation inspection and dispute resolution, and cover administrative costs, including the Department's staff. Fees have been set by regulation to support the operation of this program.
- **FHA Specialized Mortgage Insurance.** FHA provides mortgage insurance for specialized programs such as nursing homes, assisted-living facilities and hospitals. This insurance allows the construction of these much-needed facilities in areas where there is limited credit available through the private sector because of perceived risk.

**Performance Measures**

The following tables summarize HUD’s performance indicators, including measures of outcomes and outputs that will be used to gauge performance for each strategic objective under this goal during FY 2004. A detailed discussion of each indicator is presented in Part II of this APP.

<p><b>FY 2004 Performance Goals</b></p> <p><b>Strategic Goal: Strengthen Communities</b></p> <p><b>Strategic Objective C.1: Provide capital and resources to improve economic conditions in distressed communities.</b></p>	
C.1.1:	A total of 84,000 jobs will be created or retained through CDBG.
C.1.2:	RC, EZ and EC areas achieve community renewal goals in four areas.
C.1.3:	A total of 3,728 at-risk youths are trained in construction trades through Youthbuild.

<p><b>Strategic Objective C.2: Help organizations access the resources they need to make their communities more livable.</b></p>	
C.2.1:	Streamline the Consolidated Plan.
C.2.2:	Evaluate results from the Consolidated Plan Improvement Initiative (CPII) to determine needed changes to grant management system requirements to support local setting and tracking of performance relative to national program goals by September 30, 2004.
C.2.3:	The share of CDBG entitlement funds for activities that principally benefit low-and moderate-income persons remains at or exceeds 92 percent.
C.2.4:	The share of State CDBG funds for activities that principally benefit low-and moderate-income persons remains at or exceeds 96 percent.
C.2.5:	Endorse FHA single-family mortgages in underserved communities.
C.2.6:	The number of multifamily properties in underserved areas insured by FHA is maintained at 25 percent of initial endorsements.
C.2.7:	Fannie Mae and Freddie Mac meet or surpass HUD-defined geographic targets for mortgage purchases in underserved areas.
C.2.8:	COPC grantees will receive an extra 20 percent in non-Federal funds above the match amount originally claimed in their application between the times they start and complete their projects.

**Strategic Objective C.3: End chronic homelessness and move families to permanent housing.**

- C.3.1: At least 360 functioning CoC Communities or 90 percent of our continuums will have a Homeless Management Information Systems
- C.3.2: The number of chronically homeless individuals declines by up to 50 percent by FY 2008.
- C.3.3: The Samaritan Housing Initiative will be fully implemented and the number of chronically homeless who are assisted will be maximized.
- C.3.4: HUD's homeless programs will help at least 80,000 homeless persons move into permanent housing.
- C.3.5: At least 180,000 homeless people become housed in HUD-funded transitional housing with supportive services.
- C.3.6: At least 45,000 homeless persons become employed while in HUD's homeless assistance projects.
- C.3.7: Housing Counseling provided to clients receiving homeless counseling increases by 7,000.
- C.3.8: Each ONAP Area Office will develop and implement an Action Plan to address overcrowding with all participating tribes during FY 2004.
- C.3.9: At least 110,000 households will receive emergency rental or mortgage payment assistance through the Emergency Food and Shelter program to prevent homelessness.

**Strategic Objective C.4: Mitigate housing conditions that threaten health.**

- C.4.1: The average number of Exigent Health and Safety or Fire Safety Deficiencies per privately owned multifamily properties decreases by 1 percent.
- C.4.2: The share of public housing properties observed with Exigent Health and Safety or Fire Safety Deficiencies decreases by 1.0 percentage point.
- C.4.3: The share of units that have functioning smoke detectors and are in buildings with functioning smoke detectors increases by 1.2 percentage points for public housing and by 0.7 percentage points for assisted multifamily housing.
- C.4.4: The number of children under the age of 6 who have elevated blood lead levels will be less than 260,000 by 2004, down from 890,000.
- C.4.5: As part of a ten-year effort to eradicate lead hazards, the Lead Hazard Control Grant program will make 8,390 units lead safe in FY 2004.
- C.4.6: \$25 million Innovative Lead Hazard Reduction Program.
- C.4.7: Seven new Healthy Homes Initiative grants will be executed in 2004.
- C.4.8: Through the Administering Organization, HUD will support the Manufactured Housing Consensus Committee in meeting the milestones provided in the Manufactured Housing Improvement Act of 2000.

## **Coordination with other Federal agencies**

In addition to private partners and state and local government, HUD relies extensively on other federal agencies to help accomplish its goals. The interagency coordination associated with Strategic Goal C, “Strengthen communities,” is summarized below.

- Through the White House Office of Faith-Based and Community Initiatives, an Administration-wide effort to better support the work of faith-based and community organizations, HUD and four other agencies are working to coordinate a national effort to strengthen the capacity of faith-based and other community organizations to better meet the social and economic needs in America’s communities.
- HUD is a member of the Interagency Council on the Homeless. The other federal Departments represented on the Council include the Departments of Agriculture, Commerce, Defense, Education, Energy, HHS, Justice, Labor, Interior, Transportation and VA, the Social Security Administration, the Federal Emergency Management Agency, the Government Services Administration, Office of Management and Budget, the National Corporation for National Community Services and the Postmaster General. The Council coordinates federal programs supporting homeless families and individuals to minimize duplication and improve overall results.
- HUD will continue to work with the Departments of HHS and VA to better integrate HUD housing for homeless persons with HHS and VA service resources. The three agencies will continue to sponsor policy academies with state agencies to bring senior state and local policymakers together to discuss how to improve access to mainstream federal service programs by persons who are homeless.
- HUD is a member of the Interdepartmental Task Force on HIV/AIDS and is collaborating with the White House Office of National AIDS Policy and other federal agencies in addressing the challenges from the HIV epidemic. These efforts will involve the coordination of training and technical assistance for providers of housing, health care and other social services for persons with HIV/AIDS. In addition, HUD is collaborating with the Centers for Disease Control and Prevention (CDC) on a study of the connections of homelessness or stable housing to HIV transmission and the progression of HIV disease, to assist CDC in gaining understanding and help prevent HIV transmission.
- HUD works with the Department of Justice and the EPA to enforce the Lead Disclosure Rule of the Residential Lead-Based Paint Hazard Reduction Act of 1992, which requires that landlords and sellers of housing constructed prior to 1978 provide each purchaser or tenant with information about lead hazards.
- HUD is working on the Healthy Homes Initiative with the CDC, the EPA, the National Institute for Occupational Safety and Health, the National Institute of Science and Technology and the National Institute of Environmental Health Sciences. Under the initiative, HUD awards grants to public and private organizations and makes agreements with other federal agencies for evaluation studies and demonstration projects to address housing conditions responsible for diseases and injuries.
- HUD is continuing joint research with the Federal Emergency Management Agency that will help reduce the risk and economic impacts of floods.

## **External Factors**

### **Community and economic development**

The success of distressed communities in improving their economic conditions depends heavily on broad macro-economic trends in their region and the nation. The economic slowdown has led to higher unemployment rates, reduced revenues and lower spending on public services by states

and localities. A rapidly changing global economy has made it challenging for Americans to compete when capital is highly mobile, markets for goods and services are widely dispersed and wages for low-skilled employment are much lower in many locations abroad. Local shortages of low-skilled jobs may result from mismatches between the locations of available jobs and the residences of the unemployed. Many older urban communities have adopted aggressive strategies to alleviate these mismatches and strengthen neighborhoods, but they face numerous barriers including tax rates, scarcity of land, scattered and/or absentee ownership of vacant properties, large concentrations of poor residents and schools with fewer resources. Rural communities often face additional challenges because of the changing structure of the farming industry, underinvestment, weak infrastructure, limited services and few community institutions. CDBG, HUD's primary source of community and economic development funding, helps ensure that greater resources continue to flow toward poorer, slow-growing, distressed areas. While HUD can encourage certain uses of funds, and while funds are targeted to low- and moderate-income residents as the primary beneficiaries, each jurisdiction makes its own decision about how to use CDBG funds.

### **Homelessness**

Success in helping the homeless achieve housing stability is affected by a variety of factors beyond HUD's control. The incidence of homelessness is driven by macroeconomic forces such as unemployment levels, the supply of low-skilled jobs and the availability of low-cost housing. Personal factors such as domestic violence, mental illness, substance abuse, disabilities, HIV/AIDS, other chronic health issues and the extent of a person's educational or job skills also contribute to homelessness. Discrimination against persons with disabilities can also lead to homelessness. The Department's success in achieving this objective also depends critically on the efforts of a wide variety of community partners.

## **Strategic Goal: Ensure Equal Opportunity in Housing**

HUD's core mission has always been to help families find affordable and decent housing. This mission will be fulfilled when all Americans are given an equal opportunity to buy or rent housing that matches their individual needs. Unfortunately, instances of discrimination against minorities and architectural barriers to persons with disabilities exclude some Americans from enjoying the freedom of housing choice.

HUD is committed to ending the practice of discrimination through enforcement of fair housing laws as well as through educating lenders, real estate professionals, housing providers and residents in complying with the laws. Working with state and local partners—as well as the private sector—the Department is involved in a cooperative effort to increase access to the nation's housing stock so that more Americans can afford to live where they want to live.

Many of HUD's programs also aim to increase housing options for persons with disabilities and the elderly. Through enforcement of Section 504 of the Rehabilitation Act of 1973, the Fair Housing Act of 1968 and the Americans with Disabilities Act, HUD seeks to ensure that persons with disabilities have the same opportunity to live and work that other Americans enjoy. Partnering with state and local governments, the Department also works with private builders to perform simple physical modifications for independent living for the elderly and persons with disabilities.

This goal encompasses the following three objectives.

### **Objective FH1: Resolve discrimination complaints on a timely basis.**

HUD is responsible for enforcement of the Fair Housing Act and for ensuring that HUD programs promote fair housing and comply with civil rights laws. The Fair Housing Act makes it unlawful to discriminate in housing against persons based on race, color, religion, sex, national origin, disability or familial status. Unfortunately, discrimination is still a reality for many Americans—including racial and ethnic minorities, families with children and persons with disabilities. The Department investigates all complaints filed by individuals who believe they have experienced discrimination in housing. Resolving these complaints on a timely basis reflects HUD's commitment to continuing and improving this important aspect of its work.

### **Objective FH2: Promote public awareness of fair housing laws.**

To raise public awareness of fair housing laws, HUD's Office of Fair Housing and Equal Opportunity (FHEO) works in a cooperative effort with builders, landlords, tenants and other stakeholders to ensure the right of equal housing opportunity and fair housing choice without discrimination based on race, color, religion, sex, national origin, disability or familial status. A recent HUD study suggests that prior efforts to boost awareness of fair housing laws may have been successful but that more work is needed to increase public awareness of these basic protections.

### **Objective FH3: Improve housing accessibility for persons with disabilities.**

The Department has a series of programs that help to improve the accessibility of housing to persons with disabilities, including rental housing programs and fair housing enforcement activities. As a result of HUD's enforcement efforts under Section 504 of the Rehabilitation Act of 1973, which prohibits discrimination in federally assisted programs or activities, HUD anticipates an increase in accessible housing. HUD also has a statutory responsibility to ensure that individuals are not subjected to discrimination on the basis of disability in any program or activity receiving HUD assistance. HUD engages in educational efforts to acquaint the public and building community with the rules regarding accessibility and enforces compliance with the Fair Housing Act, Section 504 of the Rehabilitation Act of 1973 and the Americans with Disabilities Act.

<b>Resources supporting Strategic Goal: Ensure equal opportunity in housing— Budget Authority and Staff Levels</b>									
<b>Program</b>	<b>Budget Authority (\$ in thousands)</b>			<b>Headquarters (HQ) and Field (F) Staff</b>					
	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2002</b>		<b>FY 2003</b>		<b>FY 2004</b>	
				<b>HQ</b>	<b>F</b>	<b>HQ</b>	<b>F</b>	<b>HQ</b>	<b>F</b>
<b>Office of Housing</b>									
Housing for the Elderly (Section 202)	22,300	21,844	21,565	2	6	2	6	2	6
Housing for the Disabled (Section 811)	5,313	5,531	5,446	1	2	1	2	1	2
FHA-GI/SRI	2,676	2,569	2,634	1	7	2	7	2	7
FHA-MMI/CMHI	2,532	2,373	2,462	5	0	6	0	6	0
Project-Based Rental Assistance	81,835	74,676	88,167	3	7	3	7	3	8
Housing Counseling Assistance	0	[1,192]	1,350	1	8	1	9	1	9
<b>Policy Development and Research</b>	500	596	600	2	0	2	0	2	0
<b>Fair Housing and Equal Opportunity</b>									
Fair Housing Initiatives Program	20,250	20,118	20,250	10	31	11	40	11	40
Fair Housing Assistance Program	25,649	25,482	29,750	4	16	11	20	11	20
Other FHEO Programs	0	0	0	98	368	102	438	102	438
<b>Total</b>	<b>161,055</b>	<b>153,189</b>	<b>172,224</b>	<b>127</b>	<b>445</b>	<b>141</b>	<b>529</b>	<b>141</b>	<b>530</b>

### Means and Strategies

HUD is committed to working cooperatively with all stakeholders in promoting the fair housing laws to help ensure that all households have equal access to rental housing and homeownership opportunities. HUD also is committed to a strategy of encouraging local creativity in promoting housing choice. The Department has two primary grant programs that support fair housing:

#### Fair Housing Assistance Program (FHAP)

FHAP funds provide funds to state and local jurisdictions that administer laws substantially equivalent to the Federal Fair Housing Act. FY 2004 funds will provide: (1) an education campaign to address persistently high rates of discrimination against Hispanic renters (as identified by the 2000 Housing Discrimination Study); (2) funding for a Fair Housing Training Academy to better train civil rights professionals and housing partners in conducting fair housing investigations; and (3) additional funding for expected increases in discrimination cases processed by state and local fair housing agencies as a result of increased education and outreach activities. The Department supports FHAP agencies by providing funds for capacity building, complaint processing, administration, special enforcement efforts, training and the enhancement of data and information systems.

### **Fair Housing Initiatives Program (FHIP)**

The FHIP program provides grant funds for non-profit FHIP agencies nationwide to directly target discrimination through education, outreach and enforcement. The FHIP program for FY 2004 is structured to respond to the finding of the 3-year National Discrimination Study and related studies, which reflect the need to expand education and outreach efforts nationally as a result of continuing high levels of discrimination. The requested funds will also continue to support five special initiatives.

- **Combating Predatory Lending.** Fighting predatory lending is an important activity for FHIP agencies, as reports continue to show that abusive lenders frequently target racial minorities, the elderly and women for mortgage loans that have exorbitant fees and onerous conditions.
- **Educational Outreach.** Educational outreach is a critical component of HUD's ongoing efforts to prevent or eliminate discriminatory housing practices. HUD will continue its work to make individuals more aware of their rights and responsibilities under the Fair Housing Act. A major study titled "How Much Do We Know" emphasized the continuing need for public education on fair housing laws; in FY 2004, FHIP organizations throughout the country will continue to fund a major education and public awareness campaign in support of study findings.
- **Fair Housing in the Colonias.** The *Colonias* have many barriers to fair and affordable housing in both rental and homeownership. Many of the residents are recent immigrants unaware of their rights under the Fair Housing Act. Funds will be targeted to FHIP agencies that provide education and enforcement efforts in those areas. FHIP-funded fair housing organizations with grants targeted to the *colonias* will provide residents with information on the Fair Housing Act and substantially equivalent laws and respond to allegations of discriminatory practices.
- **Faith-Based and Community Partnerships.** The FHIP program will continue to emphasize the participation of faith-based and community partners. Recognizing the tremendous impact that education has on the implementation of fair housing laws, virtually any entity (public, private, profit and non-profit) that actively works to prevent discrimination from occurring is eligible to apply for funds under this initiative.

Faith- and community-based partnerships in FHIP will empower citizens by: (1) encouraging networking of state and local fair housing enforcement agencies and organizations; (2) working in unison with faith-based organizations; and (3) promoting a fair housing presence in places where little or none exists today. HUD will emphasize partnerships with grassroots and faith-based organizations that have strong ties to those groups identified in the 2000 Housing Discrimination Study as being most vulnerable to housing discrimination, particularly the growing Hispanic population.

- **Accessibility for Persons with Disabilities.** Promoting the fair housing rights of persons with disabilities is a Departmental priority and will remain an important initiative within FHIP. Fair Housing Act accessibility design and construction training and technical guidance is being implemented through Project Fair Housing Accessibility First (formerly called the Project on Training and Technical Guidance). The project, which is now in its second year, will provide training at 48 separate venues to architects, builders and others on how to design and construct multifamily buildings in compliance with the accessibility requirements of the Fair Housing Act. During that same period, Project Fair Housing Accessibility First will maintain a hotline and a website to provide personal assistance to housing professionals on design and construction problems.

## Performance Measures

The following tables summarize HUD's performance indicators, including measures of outcomes and outputs that will be used to gauge performance for each strategic objective under this goal during FY 2004. A detailed discussion of each indicator is presented in Part II of this APP.

<b>FY 2004 Performance Goals</b>	
<b>Strategic Goal: Ensure equal opportunity in housing.</b>	
<b>Strategic Objective: Resolve discrimination complaints on a timely basis.</b>	
FH.1.1:	The percentage of fair housing complaints aged over 100 days will decrease by 2 percentage points from the FY 2003 level of the HUD inventory.
FH.1.2:	The percentage of fair housing complaints aged over 100 days will decrease by 2 percentage points from the FY 2003 level of the inventory of substantially equivalent agencies
FH.1.3:	FHAP grantees increase access to sale and rental housing by completing at least 2,150 Fair Housing conciliation/settlement agreements in FY 2004.
FH.1.4:	The number of enforcement agencies rated as substantially equivalent under the Fair Housing Act increases by one to total 99 agencies.
FH.1.5:	Provide protected classes under the Federal Fair Housing Act with increased access to sale and rental housing without discrimination by completing at least 1,200 fair housing conciliation/settlement agreements in FY 2004.

<b>Strategic Objective FH.2: Promote public awareness of Fair Housing Laws.</b>	
FH.2.1:	The share of the population with adequate awareness of fair housing law increases from the 2003 baseline by 2006.
FH.2.2:	At least two new fair housing groups are funded by FHIP through collaborative efforts between fair housing and community or faith-based organizations.
FH.2.3:	The number of fair housing complaints identified by FHIP partners in the Southwest border region increases by 5 percent.

<b>Strategic Objective FH.3: Improve housing accessibility for persons with disabilities.</b>	
FH.3.1:	HUD will conduct 100 Section 504 disability compliance reviews of HUD recipients.

## Coordination with other Federal agencies

In addition to private partners and state and local government, HUD relies extensively on other federal agencies to help accomplish its goals. The interagency coordination associated with Strategic Goal FH, "Ensure equal opportunity in housing," is summarized below.

- HUD chairs the President's Council on Fair Housing, which is an interagency group committed to promoting equal opportunity in mortgage lending, and serves on the Interagency Task Force on Fair Lending, which coordinates enforcement of fair lending laws across the federal government. Through the Interagency Task Force on Fair Lending, HUD

works with the Departments of Justice and the Treasury, the FDIC, Federal Housing Finance Board, Federal Reserve Board, Federal Trade Commission, National Credit Union Administration, Office of Federal Housing Enterprise Oversight, Office of the Comptroller of the Currency and Office of Thrift Supervision to provide guidance to lenders consistent with the Fair Housing Act and the Equal Credit Opportunity Act and their implementing regulations.

- The Interagency Working Group on Limited English Proficiency (LEP), chaired by the Office of the Assistant Attorney General Civil Rights Division of the Department of Justice, consists of representatives from all Federal Civil Rights offices. The group is working together to ensure effective and efficient implementation of Executive Order 13166 and Title VI of the Civil Rights Act of 1964 as it relates to LEP issues. The Group will ensure that persons with limited English proficiency will have meaningful access to funded and federally conducted programs and activities.
- HUD and the Department of Justice continue to coordinate their fair housing enforcement activities, especially with respect to responding quickly and effectively to Fair Housing Act complaints that involve criminal activity (e.g., hate crimes), a pattern and practice of housing discrimination, or the legality of state and local zoning or other land use laws or ordinances.
- HUD will continue to work with the Departments of Justice and the Treasury to ensure that LIHTC projects are in compliance with the Fair Housing Act. Under a MOU, the three agencies formalized a monitoring and compliance process to ensure that low-income housing tax credit properties meet the requirements of the Fair Housing Act.
- HUD is partnering with HHS to help states and communities comply with *Olmstead v. L.C.* by providing community living options for persons with disabilities. In the pilot initiative, HUD is supplying vouchers and technical assistance, while HHS, working through state Medicaid agencies, is providing Nursing Home Transition Grants, Medicaid funds and other resources to facilitate the transition to community living.
- As part of the Presidential Task Force on Employment of Adults with Disabilities, HUD proposed and designed a national pilot project implemented in 1999 to learn how federally supported service programs might better lead to employing adults with disabilities, especially adults who are members of racial, ethnic and language minority communities.

## **External Factors**

Social, cultural and economic conditions influence the acceptance of minorities, persons with disabilities and other protected classes. Local policies and practices impacting the development and construction of housing will continue to have some influence on the levels of discrimination, income isolation and disparate homeownership rates. The need for accessible housing and housing that provides access to supportive services in community settings will be greater than before. In 1999, the Supreme Court ruled that states must place persons with disabilities in community settings rather than institutions when treatment professionals determine that community placement is appropriate (*Olmstead v. L.C.*). As a result of this decision, more persons with disabilities will be moving into communities at a time when affordable housing is increasingly scarce.

## **Strategic Goal: Embrace High Standards of Ethics, Management and Accountability**

The Secretary is committed to improving performance and maintaining the highest standards of ethics, management, and accountability.

### **President's Management Agenda**

The President's Management Agenda is designed to improve the overall efficiency and effectiveness of the Federal government and to address significant management deficiencies at individual agencies. HUD fully embraces this sound management agenda and is on-target with the necessary plans and actions to meet the challenging goals set by the President. To sustain the focus needed to achieve these goals, they have been fully addressed by HUD's strategic and annual performance and operating plans.

The President's Management Agenda includes five government-wide and HUD-specific initiatives that are tracked and scored in terms of both baseline goal accomplishment and the adequacy of plans and progress towards achieving established goals. The five government-wide initiatives include human capital management, competitive sourcing, financial performance, electronic government, and budget and performance integration. The HUD-specific initiatives include improving the performance of housing intermediaries, reducing overpaid rent subsidies, improving FHA risk management, strengthening program controls, and reducing meaningless compliance burdens with focus on the Consolidated Plan.

This strategic goal encompasses the following five objectives.

### **Objective EM1: Rebuild HUD's human capital and further diversify its workforce.**

This strategic objective raises the visibility of human capital issues as a mission-critical management challenge at the Department. HUD's goal is to develop and maintain a workforce where its employees are renowned for their professional leadership, management and technical competency and have the opportunity to gain the widest possible range of skills and experiences.

The impending retirement of over half of HUD's workforce over the next several years poses a significant threat to the Department's operations. As GAO has recognized, this is a government-wide problem. HUD views it as an opportunity to attract and develop a new cadre of employees to take on the future challenges of housing and being able to make a difference in the lives of millions of Americans and American families. In the future, all employees of HUD will have the knowledge and skills to manage information effectively. An adequate diversity of skills and backgrounds in HUD's workforce will increase exponentially its ability to successfully respond to constituent needs. Critical to HUD's success in managing human capital will be an increased emphasis on internal communications.

### **Objective EM2: Improve HUD's management, internal controls and systems and resolve audit issues.**

HUD will remain focused on the continuous improvement of the organization and functions, and on responding as effectively to the needs of its partners as the benchmark customer-service practices of the private sector. As a large organization with multiple responsibilities, HUD must maintain strong internal controls in order to meet these responsibilities effectively, including the elimination of fraud, waste and abuse of federal resources.

As discussed in more detail below, HUD's most significant management challenges are to:

- Complete Department-wide organizational changes;
- Improve financial management systems;

- Ensure adequate and sufficiently trained HUD staff;
- Improve FHA single-family origination and real estate owned (REO) property oversight; and
- Improve the effectiveness and efficiency of public and assisted housing program administration.

**Objective EM3: Improve accountability, service delivery and customer service of HUD and its partners.**

HUD's extensive use of the partnership model is a fundamental aspect of the Department's operations. This objective highlights HUD's goal of improving the performance of its partners as well as the goal of the President's Management Agenda (PMA) to improve the performance of intermediaries (partners). HUD's intermediaries include state and local governments, nonprofit organizations, for-profit organizations and even other federal agencies. HUD has a legal and financial relationship with 4,500 PHAs and numerous private housing providers. Approximately 4,000 localities and service providers administer HUD's community development programs. Private partners also participate in housing finance programs that insure mortgages and guarantee mortgage-backed securities totaling over a half trillion dollars.

**Objective EM4: Ensure program compliance.**

The increased devolution of authority in many of HUD's programs has given housing agencies and local administrators the opportunity to adapt the programs to meet local conditions and priorities. At the same time, it has increased the challenges involved in HUD's monitoring efforts to ensure accountability.

To balance the competing objectives of devolution and accountability, HUD will continue to focus on improving enforcement and regulatory oversight throughout its programs. This will be accomplished by strengthening HUD's field offices so they have the staff and authority to properly monitor local use of HUD resources, continuing to strengthen HUD's remote monitoring capacity through information technology and other means, and targeting monitoring resources to areas most at risk of abuse. Giving HUD's partners a clear set of performance and accountability standards is the best way to ensure accountability.

**Objective EM5: Improve internal communications and employee involvement.**

HUD will take steps over the duration of this plan to improve internal communications and employee involvement. The outcome of these actions will be a more cohesive organization that exhibits greater comprehension of, commitment to and capacity for achieving Departmental goals. The need for increased use of two-way communication tools linking all organizational levels within the Department was identified through results of HUD's 2002 Organizational Assessment Survey (OAS). More than half of HUD employees responding indicated the need for an increase in communications between different organizational levels, and many said they are generally ill informed on organizational conditions and issues related to their job. New tools will ensure an active feedback loop capable of disseminating mission and policy information, while also encouraging employee input. The result will be a more cohesive organization with greater comprehension of Departmental goals and increased commitment and capacity for achieving them.

Resources supporting Strategic Goal: Embrace high standards of ethics, management, and accountability— Budget Authority and Staff Levels									
Program	Budget Authority (\$ in thousands)			Headquarters (HQ) and Field (F) Staff					
	FY 2002	FY 2003	FY 2004	FY 2002		FY 2003		FY 2004	
				HQ	F	HQ	F	HQ	F
<b>Office of Community Planning and Development</b>									
Community Development Block Grants Fund	0	0	0	9	29	9	30	9	30
HOME	0	0	0	5	6	6	8	6	8
Homeless Assistance Grants	0	0	0	5	14	6	16	6	16
Housing Opportunities for Persons with AIDS	0	0	0	1	1	1	1	1	1
<b>Office of Public and Indian Housing</b>									
Housing Certificate Fund	336,436	383,301	0	2	7	1	8	0	0
Public Housing Operating Fund	0	0	0	1	0	4	0	4	0
<b>Office of Housing</b>									
Housing for the Elderly (Section 202)	19,512	21,844	21,565	2	5	2	6	2	6
Housing for the Disabled (Section 811)	3,542	3,687	5,446	1	1	1	1	1	2
Interstate Land Sales	0	0	0	8	0	22	0	22	0
FHA-GI/SRI	33,116	34,536	35,117	80	19	83	38	82	38
FHA-MMI/CMHI	175,224	140,413	144,444	214	136	216	139	214	138
Manufactured Housing Standards Program	7,292	13,065	16,000	12	0	16	0	16	0
Project-Based Rental Assistance	299,822	495,775	606,048	7	28	19	47	14	55
<b>Policy Development and Research</b>	14,650	13,065	14,300	36	0	39	0	39	0
<b>Fair Housing and Equal Opportunity</b>	0	0	0	38	77	38	82	38	82
<b>Departmental Management</b>	0	0	0	181	0	205	0	205	0

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<b>Chief Financial Officer</b>	0	0	0	149	57	204	58	204	58
<b>Office of General Counsel</b>	0	0	0	317	240	319	237	319	237
Administration and Staff Services	0	0	0	415	285	420	287	420	287
Field Policy and Management	0	0	0	11	640	25	531	25	531
<b>Total</b>	<b>889,594</b>	<b>1,105,686</b>	<b>842,920</b>	<b>1,494</b>	<b>1,545</b>	<b>1,636</b>	<b>1,489</b>	<b>1,627</b>	<b>1,489</b>
<b>Working Capital Fund</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>247</b>	<b>107</b>	<b>273</b>	<b>107</b>	<b>273</b>	<b>107</b>

**Means and Strategies**

Continued attention to improving management and operations is crucial to the future of the agency. To help its employees and partners effectively deliver results to all of its customers, HUD will act to:

- Support accomplishment of HUD’s APP goals by helping all HUD managers shape annual management plans that achieve results for customers and local communities. The overall Management Plan used by the Department provides specific operational goals that dovetail with this Annual Performance Plan with emphasis and a high degree of specificity by individual field office. The Management Plan is a major undertaking by the Department involving all of our resources in both headquarters and the field. The Management Plan reflects the incorporation of performance measurement and goals throughout the entire HUD culture as well as the top-level hands-on involvement of the Secretary, Deputy Secretary, principal staff and top-level program managers of the Department.
- Increase citizen access to information on HUD’s programs and their local implementation, both through citizen participation and electronic government by such means as satellite broadcasts, webcasts, and HUD’s award-winning Internet site.
- Examine ways to increase the authority of field offices to provide quicker decisions for partners and customers.

The key to improving the performance of our partners is to develop a well-trained, strategically placed HUD staff that provides guidance and close collaboration with our partners’ operations. HUD’s principal management and senior managers will work closely with our partners to jointly improve management operation and controls and to effectively employ HUD’s technical assistance and expertise. HUD will continue to:

- Provide technical assistance to improve voucher utilization and distribute vouchers to high performers.
- Consult with community development partners to streamline the Consolidated Plan development process.
- Provide technical assistance to grantees

In FY 2004, HUD will focus on improvements in the following areas:

**HUD Management and Performance**

HUD is aggressively pursuing several major efforts to improve its management and performance by strengthening internal controls to eliminate material weaknesses and remove HUD programs from the GAO’s high risk list. These efforts are summarized below:

**Improve Performance of Housing Intermediaries.** HUD's considerable efforts to improve the physical conditions at HUD-supported public and assisted housing projects are meeting with success. HUD and its housing partners have already achieved the original housing quality improvement goals established for FY 2005 and are raising the bar with new goals.

**Income and Rent Determinations.** HUD overpays hundreds of millions of dollars in low-income rent subsidies due to the incomplete reporting of tenant income and the improper calculation of tenant rent contributions. Under the President's Management Agenda, HUD's goal is to reduce rental assistance program errors and resulting erroneous payments 50 percent by 2005. HUD has established aggressive interim goals for a 15 percent reduction in 2003 and a 30 percent reduction in 2004. Updated error measurement studies will be performed on program activity in 2003 through 2005 to assess the effectiveness of efforts to reduce program and payment errors.

**FHA Fraud Reduction and Improved Program Controls.** FHA will continue to vigorously attack predatory lending practices that encourage families to buy homes they cannot afford and cause homeowners to lose their homes by refinancing into loans with high interest rates. Elderly and minority homeowners are particularly vulnerable to predatory lending practices, which include loan "flipping" (schemes where unscrupulous lenders buy homes and quickly resell them at inflated prices to uninformed buyers), home improvement scams, unaffordable mortgage loans, repeated refinancings with no borrower benefit and through including ("packing") life insurance and other non-mortgage related costs into the loan.

In FY 2001 and FY 2002, FHA mounted a vigorous assault on predatory lending. FHA developed 16 rules to address deceptive or fraudulent practices. This includes the new Appraiser Watch program, improvements to the Credit Watch program that will identify problem loans and lenders earlier on, new standards for home inspectors, a proposed rule to prohibit property "flipping" in FHA programs and rules to prevent future swindles like the 203(k) scam that threatened the availability of affordable housing in New York City.

These reforms, and the greater transparency they ensure, will make it more difficult for unscrupulous lenders to abuse borrowers. The HUD budget ensures that consumer education and enhanced financial literacy remain potent weapons in combating predatory lending.

**Reduce Meaningless Compliance Burdens.** HUD is closely working with local program stakeholders to streamline the Consolidated Plan requirement to make it more results-oriented and useful to communities in assessing their own progress toward addressing the problems of low-income areas. A stakeholders group was convened to discuss alternatives for improving the process. Working groups were formed to work with HUD in the design of pilot projects to be tested and evaluated over the 2003–2004 period.

## **Human Capital**

After many years of downsizing, HUD faces a potential retirement wave and loss of experienced staff. HUD's staff, or "human capital," is its most important asset in the delivery and oversight of the Department's mission. Effective human capital management is the purview of all HUD managers and program areas, and improvements have been geared towards meeting HUD's primary human capital management challenges. HUD has taken significant steps to enhance and better utilize its existing staff capacity, and to obtain, develop and maintain the staff capacity necessary to adequately support HUD's future program delivery. Building upon a new staff resource estimation and allocation system implemented in 2002, HUD will complete a Comprehensive Workforce Analysis in 2004 to serve as the basis to fill mission critical skill gaps through succession planning, hiring and training initiatives in a Five-Year Human Capital Management Strategy.

### **Competitive Sourcing**

HUD is working to determine if competition of staff functions identified as commercial would result in better performance and value for the government. However, given HUD's significant downsizing and extensive outsourcing of administrative and program functions over the past decade, opportunities for further competitive sourcing are limited and need to be carefully considered in the context of program risk exposure. HUD's Competitive Sourcing Plan identifies some initial opportunities for consideration of possible outsourcing, in-sourcing or direct conversion studies to realize the President's goals for cost efficiency savings and improved service delivery. HUD will continue to assess its activities for other areas where competitive sourcing studies might benefit the Department.

### **Improved Financial Performance**

HUD has strived over the past two years to enhance and stabilize its existing financial management systems operating environment to better support the Department and produce auditable financial statements in a timely manner. In FY 2004, the Department will continue making progress to reduce the number of material weaknesses or reportable conditions in its financial systems. HUD is looking to the future as well, as it studies the feasibility, cost and risk of various options for the next generation core financial management system.

A continued area of high risk has been the financial management of the FHA insurance funds. The FHA Comptroller has developed a "Blueprint for Financial Management" that will implement an integrated Core Financial Management System to address financial management and system deficiencies documented by HUD's Inspector General, FHA and HUD financial statement auditors, OMB examiners and GAO auditors. The new Core Financial Management System will support the President's Management Agenda for HUD by strengthening program controls through improved information systems. Implementing this new system is one of the Secretary's strategic actions to address material weaknesses and reportable conditions identified in FHA's most recent audited financial statement, reported to Congress in "Building the Public Trust." In FY 2004, FHA will continue to address financial management and system deficiencies through the phased implementation of an integrated financial system to support FHA functions to be completed by December 2006.

### **Electronic Government/Information Technology**

HUD is not only pursuing increased electronic commerce and actively participating in the President's "E-Government" projects, but is also focused on more fundamental HUD-specific information technology management improvements. HUD's FY 2004 information technology portfolio will benefit from continuing efforts to improve the IT capital planning process, convert to performance-based IT service contracts, strengthen IT project management to better assure results, extend the data quality improvement program, and improve systems security on all platforms and applications.

### **Budget and Performance Integration**

HUD developed its FY 2004 budget with a focus on collecting and using quality performance information, utilizing full cost accounting principles, emphasizing program evaluations and research to inform decision makers and to develop better measures of performance for programs. Staffing and other resources are aligned with strategic goals, objectives and accomplishments. The Department will continue to work hard to improve and measure program performance.

### **Performance Measures**

The following tables summarize HUD's performance indicators, including measures of outcomes and outputs that will be used to gauge performance for each strategic objective under this goal during FY 2004. A detailed discussion of each indicator is presented in Part II of this APP.

**FY 2004 Performance Goals**

**Strategic Goal: Embrace high standards of ethics, management, and accountability.**

**Strategic Objective EM.1: Rebuild HUD's human capital and further diversify its workforce.**

- EM.1.1: The Resource Estimation and Allocation Process and Total Estimation and Allocation Mechanism will continue to be utilized for managing resource requirements and prioritizing staffing allocations by program and office.
- EM.1.2: HUD will complete a Comprehensive Workforce Analysis and produce a Departmental Workforce Plan.
- EM.1.3: HUD will implement training and development initiatives for mission-critical positions.
- EM.1.4: Monitor and report improvements in the representation of under represented groups in the Department.

**Strategic Objective EM.2: Improve HUD's management, internal controls, and systems and resolve audit issues.**

- EM.2.1: FHA will continue to address financial management and system deficiencies through the phased implementation of an integrated financial system to support FHA functions to be completed by December 2006.
- EM.2.2: HUD is proceeding with plans to reduce the number of non-compliant financial management systems.
- EM.2.3: HUD financial statements receive unqualified audit opinions, and the preparation and audit of HUD's financial statements is accelerated.
- EM.2.4: Ensure timely management decisions and final actions on audit recommendations by the HUD Office of Inspector General.
- EM.2.5: HUD will assess eight additional major systems for data quality.
- EM.2.6: HUD will achieve SA-CMM Level 2 for five additional mission critical systems.
- EM.2.7: HUD will achieve Information Technology Investment Management (ITIM) Maturity Stage 3.
- EM.2.8: HUD will complete its target enterprise architectures for eight core business functions.
- EM.2.9: Exceed the rate of net recovery received on the sale of property through the Accelerated Claim Program Demonstration (Section 601).
- EM.2.10: HUD will conduct training on and exercise the Continuity of Operations (COOP) Program.

<b>Strategic Objective EM.3: Improve accountability, service delivery, and customer service of HUD and its partners.</b>
EM.3.1: HUD partners become more satisfied with the Department's performance, operations, and programs.
EM.3.2: HUD will continue to implement procedures to hold single-family lenders accountable for the selection and performance of appraisers for FHA-insured mortgages.
EM.3.3: The percentage of existing eGovernment applications that achieve their performance goals increases by 5 percent from the FY 2003 baseline.
EM.3.4: Process 200,000 mortgage insurance applications through TOTAL Scorecard.
EM.3.5: Reduce the undisbursed balances in the IHBG program by 50 percent for Fiscal Years 1998, 1999, 2000 and 2001.
EM 3.6: HUD will increase total obligations for performance-based service contracts to \$112 million.
EM.3.7: HUD will implement the Contractor Performance System and training initiatives to strengthen acquisition management.
EM.3.8: At least 80 percent of key users (including researchers, State and local governments, and private industry) rate PD&R's work products as valuable.
EM.3.9: More than 2.5 million files related to housing and community development topics will be downloaded from PD&R's website.
EM 3.10: HUD will ensure that all individuals with access to HUD sensitive systems have background investigations.

<b>Strategic Objective EM.4: Ensure program compliance.</b>
EM.4.1: The high incidence of program errors and improper payments in HUD's rental housing assistance programs will be reduced.
EM.4.2: The national average PIH Information Center (PIC) on-time reporting rates for public housing and Housing Choice Voucher households will be 85 percent or better.
EM.4.3: The share of completed CDBG activities for which grantees satisfactorily report accomplishments increases to 90 percent.
EM.4.4: From FY 2003 baseline, HUD will monitor 5 percent more grantees onsite for compliance with statutory and regulatory requirements.
EM.4.5: The share of HOME-assisted rental units for which occupancy information is reported shall be maintained at a level of 90 percent.
EM.4.6: The Departmental Enforcement Center will complete three enforcement milestones to improve management practices of multifamily housing partners and reduce fraud, waste and abuse.
EM.4.7: Increase the number of Title VI and/or Section 109 compliance reviews conducted of HUD recipients by 5 percent.
EM.4.8: HUD will conduct monitoring and compliance reviews or provide technical assistance under Section 3 to 35 housing authorities.
EM.4.9: By the end of the fiscal year, no more than 25 percent of the Section 3 complaints will be aged.
EM.4.10: Ensure Program Compliance among FHIP and FHAP grantees.

**Strategic Objective EM.5: Improve internal communications and employee involvement.**

EM.5.1: HUD will implement the Organizational Assessment Survey (OAS) Action Team recommendations.

**Coordination with other Federal agencies**

In addition to private partners and state and local government, HUD relies extensively on other federal agencies to help accomplish its goals. The interagency coordination associated with Strategic Goal EM, “Embrace high standards of ethics, management and accountability,” is summarized below.

- HUD will continue to rely on the Department of Justice to accept civil referrals of multifamily development owners who have troubled management. Criminal referrals are sent to HUD’s Inspector General.
- HUD will continue to show leadership in housing and community development policy by supporting cooperative research efforts. These include the National Survey of Homeless Assistance Providers and Clients (involving HHS, along with a number of other agencies); an Interagency Agreement with the Department of Justice’s National Institute of Justice to evaluate drug elimination strategies; and coordination with the Department of State to enter into MOUs to facilitate information exchange with counterpart housing officials from other countries.
- HUD continues to participate in the interagency FedStats task force to facilitate electronic data dissemination. FedStats is intended to provide an interagency clearinghouse for statistical data that will transform existing information searches from a fragmented, agency-focused process to a more unified and customer-oriented one.

**External Factors**

The large number of HUD agents and grantees implementing HUD’s programs in the field greatly complicates monitoring and performance measurement. For instance, the assumption underlying the distribution of grants by formula is that local decision makers are best positioned to respond to local housing needs and market conditions, and those local choices of activities that should be funded produce the most effective results. The complexity is also due to the workload volume and HUD’s limited salary and expense resources. The workload often includes smaller and new program participants with less developed administrative capacity.

## **Strategic Goal: Promote the Participation of Faith-Based and Community Organizations**

HUD's Center for Faith-Based and Community Initiatives ("the Center") was established by Executive Order 13198 on January 29, 2001. Its purpose is to coordinate the Department's efforts to eliminate regulatory, contracting and other obstacles to the participation of faith-based and other community organizations in social service programs.

The Center will continue to play a key role in FY 2004 in facilitating intra-Departmental and interagency cooperation regarding the needs of faith-based and community organizations. It will focus on research; law and policy; and expanding outreach, training and coalition building. Additionally, the Center will participate in the furtherance of HUD's overall strategic goals and objectives—particularly as they relate to partnership with faith-based and community organizations.

On December 12, 2002, the President issued Executive Order 13279, "Equal Protection of the Laws for Faith-Based and Community Organizations." Its intent is to ensure that faith-based and community organizations are not unjustly discriminated against by regulations and bureaucratic practices and policies. The Order directs the Center to: (1) amend any policies that contradict the Order; (2) where appropriate, implement new policies that are necessary to further the fundamental principles and policymaking criteria set forth in the Order; (3) implement new policies to ensure collection of data regarding the participation of faith-based and community organizations in social service programs that receive federal financial assistance; and (4) report to the President the actions it proposes to undertake to implement the Order.

The following Strategic Objectives encompass the Department's work under this Goal.

### **Objective FC1: Reduce regulatory barriers to participation by faith-based and community organizations.**

HUD's activities under this objective will help to maximize full participation by faith-based and community-based organizations, by identifying regulatory barriers that inhibit participation and by assessing procurement and other internal policies and practices.

Although HUD enjoys a long history of partnering with faith-based and community groups, many have been at a disadvantage. Some HUD program regulations impose unwarranted barriers to the participation of faith-based groups. In some instances, other impediments have either prohibited or discouraged participation by faith-based and community organizations.

### **Objective FC2: Conduct outreach to inform potential partners of HUD opportunities.**

Faith- and community-based organizations, large and small, can play a significant role in helping HUD to achieve its core mission. Among other assets, many of these organizations have a detailed knowledge of the needs of low-income communities and the trust of low-income residents. Led by its Center for Faith-Based and Community Initiatives, HUD will reach out to groups—especially the smaller grassroots organizations that tend to be excluded—and help them with educational seminars, technical assistance and other services. By increasing the involvement of faith-based and community organizations in HUD's programs, HUD intends to provide higher quality services to the nation's communities.

### **Objective FC3: Expand technical assistance resources deployed to faith-based and community organizations.**

One of the constraints faced by faith-based and community nonprofit organizations is a lack of capacity to expand their operations to effectively implement new programs or absorb new increments of funding. Expanding technical assistance to these organizations will help increase their professionalism and efficiency as they benefit from the lessons learned by larger

organizations. Training will include topics of capacity building, resource development strategies, the importance of generating partnerships and strategic planning.

**Objective FC4: Encourage partnerships between faith-based/community organizations and HUD's traditional grantees.**

The goal of utilizing faith-based and community grassroots organizations to advance the mission of HUD ultimately hinges on the extent to which these organizations are able to access resources at the local level. HUD annually awards on the order of \$2 billion in competitive grants for which nonprofit organizations are eligible. By comparison, \$6 billion is potentially available through the CDBG and HOME programs—and more still through PHAs. These local government entities often have no experience in working with nonprofit, community-based service providers, and so the Center will play a leading role—initially in a few target cities—in bringing together local government and community organizations to discuss the unmet needs of the community and the capacity of faith communities to respond to those needs.

Additionally, the Center seeks to encourage access to local funds by creating a greater transparency of the grant making processes. To this end, HUD will publicize the local grant opportunities, the points of contact and examples of recent grants to faith-based and community grassroots organizations.

<b>Resources supporting Strategic Goal: Promote participation of faith-based and community organizations— Budget Authority and Staff Levels</b>									
<b>Program</b>	<b>Budget Authority (\$ in thousands)</b>			<b>Headquarters (HQ) and Field (F) Staff</b>					
	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2002</b>		<b>FY 2003</b>		<b>FY 2004</b>	
				<b>HQ</b>	<b>F</b>	<b>HQ</b>	<b>F</b>	<b>HQ</b>	<b>F</b>
<b>Office of Housing</b>									
Housing for the Elderly (Section 202)	119,862	120,143	118,606	4	39	5	39	5	39
Housing for the Disabled (Section 811)	23,024	22,123	21,784	1	12	1	11	1	11
FHA-GI/SRI	249	358	978	1	0	1	0	1	2
FHA-MMI/CMHI	0	0	2,462	0	0	0	0	0	6
<b>Fair Housing and Equal Opportunity</b>									
Fair Housing Initiatives Program	0	0	0	0	0	3	0	3	0
<b>Center for Faith-Based and Community Initiatives</b>									
	0	0	0	4	0	10	0	10	0
<b>Total</b>	<b>143,135</b>	<b>142,624</b>	<b>143,830</b>	<b>10</b>	<b>51</b>	<b>20</b>	<b>50</b>	<b>20</b>	<b>58</b>

## Means and Strategies

A number of specific strategies have potential to help match some of the vast resources of the federal government with the vision, commitment and expertise of community-based religious and voluntary organizations that are on the frontlines.

In compliance with Executive Orders 13198 and 13279, the Center will continue to participate in implementing HUD's strategic goals and objectives, as well as the following key responsibilities, in FY 2004:

- **Annual Department-Wide Inventory.** The Center is charged with conducting, in coordination with the White House Office of Faith-Based and Community Initiatives (WHOFBCI), an annual Department-wide inventory to identify barriers to participation of faith-based and community organizations in the delivery of social services. These barriers include barriers created by regulations, rules, orders, internal policies and practices, and outreach activities that either discriminate against or otherwise discourage the participation of faith-based and community organizations in HUD programs.
- **Remediation of Barriers.** The Center will continue to initiate and support efforts to remove barriers identified in the annual Department-wide inventory.
- **Expand Opportunities for Faith-Based and Other Community Organizations.** The Center coordinates comprehensive Departmental efforts to incorporate faith-based and community organizations in HUD programs and initiatives, in order to widen the pool of grant applicants to include historically excluded groups.
- **Outreach to Faith-Based and Community Groups.** The Center will continue to develop its databases of eligible faith- and community-based organizations that have little or no history of working with HUD. Outreach and technical assistance to such nontraditional grassroots organizations and networks will equip them with the skills needed to successfully pursue funding and partner opportunities. The Center will enhance its website to better serve those interested in HUD and the initiative. In conjunction with the Administration's other faith-based centers, the Center will work with the interagency resource center for individuals and organizations interested in the initiative. In conjunction with WHOFBCI and other agency centers, the Center will host interagency summits to share information concerning the initiatives, partnership opportunities with the Federal Government and strategies to develop local public/private partnerships.
- **Pilot Projects and Partnering with HUD Program Offices.** The Center will continue to partner with HUD program offices to establish mutual goals and identify opportunities to assist the offices in carrying out their strategic plans and objectives, with particular regard to strengthening and expanding their faith-based and community partnerships. The Center will continue to propose and develop innovative pilot and demonstration programs to increase the participation of faith-based and other community organizations in programming changes, contracting opportunities and other Departmental initiatives, including Internet resources.
- **Educating Government Personnel.** The Center will participate in HUD field conferences, training sessions and seminars to educate HUD personnel and state and local governments on the faith-based and community initiative.

## Performance Measures

The following tables summarize HUD's performance indicators, including measures of outcomes and outputs that will be used to gauge performance for each strategic objective under this goal during FY 2004. A detailed discussion of each indicator is presented in Part II of this APP.

<p><b>FY 2004 Performance Goals</b></p> <p><b>Strategic Goal FC: Promote participation of faith-based and community organizations</b></p> <p><b>Strategic Objective FC.1: Reduce regulatory barriers to participation by faith-based and community organizations.</b></p>
<p>FC.1.1: HUD will issue clear guidance that addresses regulatory and other barriers to participation by faith-based and community organizations in HUD's programs.</p>

<p><b>Strategic Objective FC.2: Conduct outreach to inform potential partners of HUD opportunities.</b></p>
<p>FC.2.1: The Center will conduct comprehensive outreach to inform potential partners of HUD opportunities.</p>

<p><b>Strategic Objective FC.3: Expand technical assistance resources deployed to faith-based and community organizations.</b></p>
<p>FC.3.1: CFBCI has a comprehensive technical assistance program that includes pilot projects, enhancing its web site, the wide dissemination of materials, research and assistance provided through its outreach activities.</p>

<p><b>Strategic Objective FC.4: Encourage partnerships between faith-based/community organizations and HUD's traditional grantees.</b></p>
<p>FC.4.1: Establish a baseline number of applications by faith- and community-based grantees and a target for increased participation by FY 2004 and create recording mechanisms for analyzing competitive grant applications by faith-based groups by FY 2004.</p>

## Coordination with other Federal agencies

In addition to private partners and state and local government, HUD relies extensively on other federal agencies to help accomplish its goals. The interagency coordination associated with Strategic Goal FC, "Promote participation of faith-based and community organizations," is summarized below.

- HUD's CFBCI will partner with the Centers for Faith-Based and Community Initiatives at the Departments of Education, HHS, Justice, Labor, and Agriculture and the U.S. Agency for International Development to plan and conduct interagency events and conferences. The conferences are designed to educate and train faith-based and community organizations on partnership opportunities, launch pilot and demonstration projects and build partnerships

between corporations, foundations and nonprofit organizations. The Corporation for National Community Service will also play a role, and the Department of Agriculture will also be invited to participate.

### **External Factors**

More than 85 percent of HUD funds are distributed to local governments and PHAs via block grants, contract renewals and vouchers. Faith-based and community organizations are typically eligible as sub-recipients for some of these HUD funds but must apply through their respective local governments. While HUD can encourage certain uses of funds, and while funds are targeted to low- and moderate-income residents as the primary beneficiaries, each jurisdiction makes its own decision about how to use block grant funds.

## **PART 2: PERFORMANCE INDICATORS**



## Goal H: Increase Homeownership Opportunities

### Strategic Objectives:

- H.1 Expand national homeownership opportunities.**
- H.2 Increase minority homeownership**
- H.3 Make the home-buying process less complicated and less expensive**
- H.4 Fight practices that permit predatory lending**
- H.5 Help HUD-assisted renters become homeowners**
- H.6 Keep existing homeowners from losing their homes**

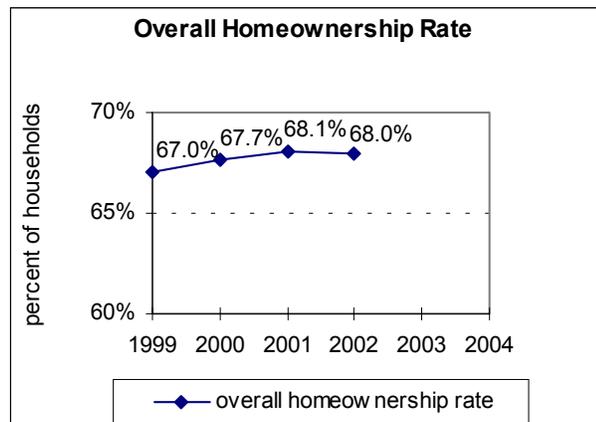
### Objective H.1: Expand national homeownership opportunities.

#### H.1.1: Improve National homeownership opportunities.

**Indicator background and context.** This is a tracking indicator. There is no numeric target because of the current dominant impact of the macroeconomy. The overall homeownership rate indicates the share of households that have achieved the “American dream” of homeownership. Homeownership is widely believed to encourage commitment to communities and good citizenship. The homeownership rate has reached record levels in recent years, but is resistant to increases above an undetermined level because homeownership is not practical or desirable for all households. HUD programs helped families take advantage of strong economic conditions to increase homeownership in recent years, contributing to a 68.0 percent homeownership rate in the third quarter of 2002. A review of the continued validity of the homeownership goal determined that continued growth of homeownership is desirable and achievable by increasing homeownership among subgroups with greater barriers to homeownership, including minority and low-income families, as well as families in central cities. A slackening in economic activity may limit the rate of progress in the near term.

**Data source.** Third-quarter calendar year estimates from the Current Population Survey (CPS), conducted monthly by the Bureau of Census. This corresponds to the final quarter of the fiscal year.

**Limitations/advantages of the data.** CPS data have the advantage of being nationally representative, reliable and widely recognized. Changes in estimated rates exceeding 0.47 percentage points are statistically significant with 90 percent confidence. This measure uses data without seasonal adjustment to provide consistency with measures for homeowners in central cities or with below-median incomes, subgroups for which seasonally-adjusted data are not available.



**Validation, verification, improvement of measure.**<sup>2</sup> The Bureau of Census has rigorous data quality standards, and it is not feasible for HUD to verify CPS data independently.

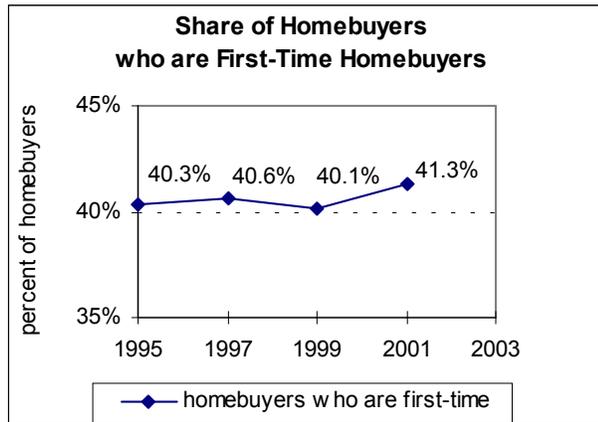
**H.1.2: The share of all homebuyers who are first-time homebuyers.**

**Indicator background and context.** This is a tracking indicator. There is no numeric target because of the current dominant impact of the macroeconomy. The goal of raising overall ownership rates to a new high is intended, in large part, to increase homeownership opportunities for low- and moderate-income households that have not previously owned a home. To monitor overall progress for this important group, HUD will track the share of homebuyers who are first-time homebuyers. Increasing the share of first-time homebuyers directly increases the homeownership rate. A number of economic factors not controlled by HUD affect this outcome, especially changes in mortgage interest rates.

**Data source.** The American Housing Survey (AHS), conducted for HUD by the Bureau of Census.

**Limitations/advantages of the data.** AHS data are available only biennially with a time lag. Calendar year 2003 data will become available during FY 2004.

**Validation, verification, improvement of measure.** Changes must exceed 2.26 percentage points before they are statistically significant with 90 percent confidence. The conversion to AHS data improved the validity for representing the homebuying population. The Bureau of Census has quality control procedures in place for the AHS, including reinterviews of small subsamples for quality assurance. HUD verifies AHS estimates by comparison with earlier surveys and by intermittent structured comparisons with the Survey of Income and Program Participation (SIPP), CPS, or Census data.



**H.1.3: The number of FHA single-family mortgage insurance endorsements nationwide.**

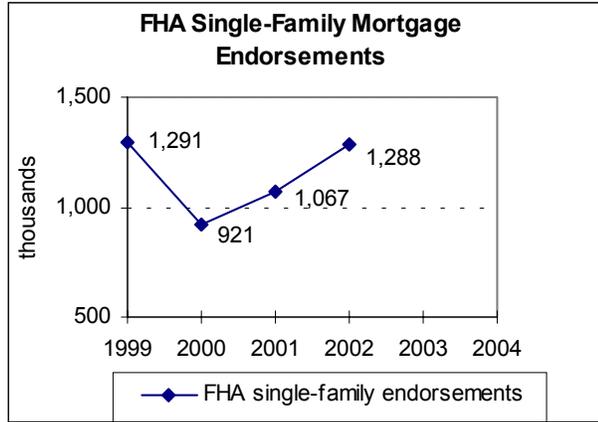
**Indicator background and context.** This is a tracking indicator. FHA insures mortgages issued by private lenders, increasing access to mortgage capital so homeownership opportunities increase. This indicator tracks FHA’s contribution to the homeownership rate through the annual volume of FHA-insured loans. While the number of FHA mortgage endorsements is a key measure of HUD’s contribution to homeownership, the actual rate achieved during FY 2004 will be dramatically affected by market forces outside of HUD’s control, especially interest rates. Balancing the importance of reporting this key measure of HUD activity with an appreciation of the huge effect the market plays in the final result, the Department has decided to track this measure, but not establish a numeric goal for FY 2004.

<sup>2</sup> The General Accounting Office states “Verification is the assessment of data completeness, accuracy, and consistency, timeliness, and related quality control practices. Validation is the assessment of whether the data are appropriate for the performance measure.” Another aspect of validity is the “appropriateness of ...performance measures in relation to...goals and objectives.” (“Performance Plans: Selected Approaches for Verification and Validation of Agency Performance Information,” page 12, GAO/GGD-99-139.)

**Data source.** FHA’s Consolidated Single-Family Statistical System (F42).

**Limitations/advantages of the data.** The data have no deficiencies affecting this measure.

**Validation, verification, improvement of measure.** FHA data are entered by direct-endorsement lenders with monitoring by FHA.



**H.1.4: First-time homebuyers will account for at least 80 percent of FHA-insured home-purchase mortgages.**

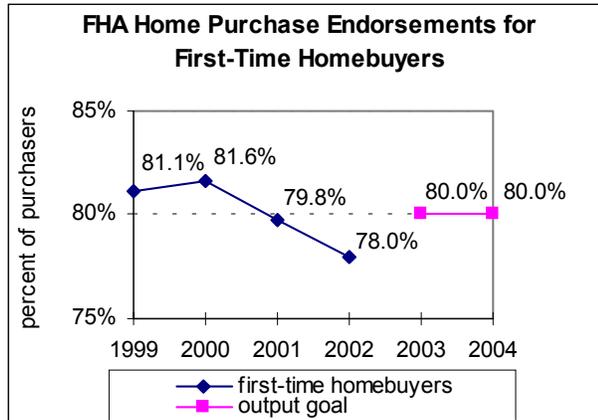
**Indicator background and context.** FHA is a major source of mortgage financing for first-time buyers as well as for minority and lower income buyers. HUD will help increase the overall homeownership rate, as well as reduce the homeownership gap between whites and minorities, by increasing FHA endorsements for first-time homebuyers.

This indicator tracks the share of first-time homebuyers among FHA endorsements for home purchases—thus excluding loans made for home improvements. The FY 2004 performance goal of 80 percent is intended to establish a new benchmark that reflects high performance achieved since FY 1998 as well as the vulnerability of this measure to variations in macroeconomic conditions.

**Data source.** FHA’s Single-Family Data Warehouse, based on the F42 data system.

**Limitations/advantages of the data.** FHA data on first-time buyers are more accurate than estimates of first-time buyers in the conventional market.

**Validation, verification, improvement of measure.** FHA data are entered by direct-endorsement lenders with monitoring by FHA.



**H.1.5: The homeownership Downpayment Assistance Initiative will be fully implemented and assist 10,000 new homebuyers.**

**Indicator background and context.** In FY 2004, the Downpayment Assistance Initiative will continue, through funding incremental to the regular HOME program, to provide downpayment assistance to new homebuyers. This activity supports other HUD objectives to raise the national homeownership rate and add 5.5 million new minority homeowners by 2010 since, historically, 56 percent of all new homeowner households assisted with HOME funds have been minority. The inability to afford a downpayment on a home is the biggest single obstacle to homeownership, especially during periods of low interest rates and for households who have only recently become financially self-sufficient. Recipients must have sufficient income to meet ongoing mortgage payments, taxes and home maintenance costs. At a \$5,000 average per assisted household, 10,000

households will be assisted during FY 2004 with funds from both FY 2003 and FY 2004, and 40,000 households will be assisted over time with the \$200 million FY 2004 appropriation.

**Data source.** CPD's Integrated Disbursement Information System (IDIS) will provide data about the number of homebuyers assisted.

**Limitations/advantages of the data.** Initial data will represent HOME commitments. Completion data will be submitted with a lag because time is needed for grantees to establish local programs and for recipients to close on new homes.

**Validation, verification, improvement of measure.** CPD field staff monitor grantees to verify reported results and program compliance.

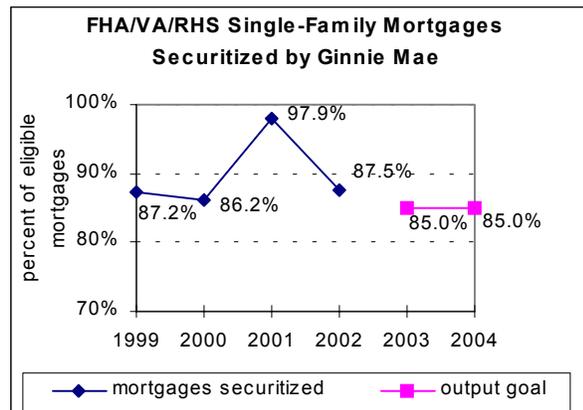
### H.1.6: Ginnie Mae securitizes at least 85 percent of single-family FHA, VA, and RHS loans.

**Indicator background and context.** Ginnie Mae creates a secondary market for residential mortgages. Securitizing a high share of Federal Housing Administration (FHA), Veteran's Affairs (VA), and Rural Housing Service (RHS) loans increases the liquidity of funds in the market for mortgage credit, and the presence of government-backed securities lowers market cost, creating homeownership incentives. This indicator tracks the ratio between the reported value of FHA single-family loan endorsements and VA guarantees and the total value of Ginnie Mae single-family program securities issued. Other players in the secondary market, including Fannie Mae, Freddie Mac and the Federal Home Loan Bank System, have increased the level of competition for FHA and VA loans in recent years.

**Data source.** Ginnie Mae database of monthly endorsements by FHA and VA, and accounting contractor database of monthly Ginnie Mae securitization.

**Limitations/advantages of the data.** No data limitations are known to affect this indicator.

**Validation, verification, improvement of measure.** Both Ginnie Mae and FHA numbers are subject to annual financial audits because they represent an obligation on the part of the United States. FHA data are entered by the loan servicers with monitoring by FHA.



### H.1.7: Housing Counseling is provided to 137,000 more homebuyers and homeowners in FY 2004.

**Indicator background and context.** The Department is placing more emphasis on housing counseling, and counseling is a requirement for several programs such as Section 8 Homeownership. Clients tracked through this indicator include those individuals preparing to purchase a home, purchasing a home or working to remain in their home. An increase in Housing Counseling funding in FY 2004 not only will increase the number of homebuyers and homeowners counseled, but will allow the Department to provide training and technical assistance to improve the capacity of its Housing Counseling agencies.

Due to the spend-out rate of new counseling funds, the increase in funding in FY 2003 will not become evident programmatically until FY 2004, with more substantial increases accruing in following years. Due to the timing of HUD's SuperNOFA, the proposed \$20 million increase in

FY 2003 Housing Counseling funding upon which this indicator is based will not become evident programmatically until FY 2004. While total funding for Housing Counseling is proposed to increase by 100 percent in FY 2003, the amount to be competed through the FY 2004 NOFA would increase by approximately 86 percent. The Office of Single Family Housing does not compete the entire Housing Counseling appropriation, but reserves some funding for training, monitoring, operating the housing counseling clearinghouse, etc. Single Family proposes competing \$35.25 million of the \$40 million.

It should also be pointed out that the indicator specifically addresses homebuyers and homeowners. Depending on the state of the economy and the housing market, the demand for the various types of counseling rises and falls. For example, in bad times, the demand for default counseling rises and the proportions receiving rental counseling and homeless counseling may also vary for reasons outside HUD's control. Because HUD cannot predict what the economy will be like in FY 2004 when the FY 2003-funded counseling will be provided, HUD cannot predict with any confidence what the specific demand will be for the various types of counseling.

**Data source.** FHA collects this data through Housing Counseling Agency Fiscal Year Activity Reports (form HUD-9902). The data include the total number of clients, the type of counseling they received and the results of the counseling.

**Limitations/advantages of the data.** Reporting rates are near 100 percent because the Department's Housing Counseling Agencies are required to submit these reports annually. A major limitation of the data collection instrument is that it does not differentiate the level of counseling given to each homebuyer. The quality and level of counseling can vary significantly.

**Validation, verification, improvement of measure.** While FHA does not verify the counseling counts, it does monitor agencies through site visits to assure quality counseling practices. To improve the quality of the counseling data and make it useful for this type of performance measure, FHA has significantly revised the form HUD-9902. The new form was implemented in October 2002, to coincide with the FY 2002 grant cycle. The first summary results utilizing the new form will be available in the spring of 2004.

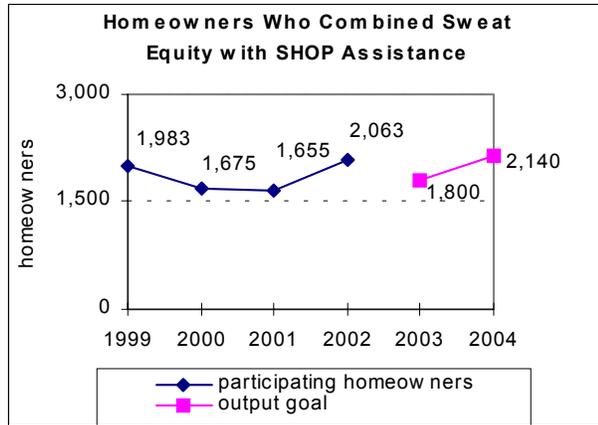
### **H.1.8: The number of homeowners who have been assisted with HOME is maximized.**

**Indicator background and context.** HOME Investment Partnership block grants give communities flexibility to meet their housing needs in a variety of ways. Many Participating Jurisdictions (PJs) choose to use HOME funds to rehabilitate owner-occupied units and to help renters become homeowners for the first time. This indicator tracks the number of homeowners assisted with HOME funds. The homeownership assistance figures represent projections based on past experience, recognizing that PJs have discretion as to what housing activities they choose to fund. The HOME homeownership data are presented with other affordable housing funded by grants under indicator A.1.2: "The number of households receiving housing assistance with CDBG, HOME, HOPWA, SHOP, IHBG and NHHBG."

### **H.1.9: The number of homeowners who have used sweat equity to earn assistance with SHOP funding is maximized.**

**Indicator background and context.** This indicator tracks the number of homeowners assisted with funding from the Self-Help Homeownership Opportunities Program (SHOP). Under SHOP, grant funds are combined with local funding and donated materials, and prospective homeowners perform construction-related work with volunteers, which vastly reduce labor costs. Grantee organizations such as Habitat for Humanity play a critical role in motivating volunteer resources, supporting affiliates, and ultimately achieving the results accomplished with SHOP.

In FY 2004, HUD has proposed significantly increased funding for SHOP, which would significantly increase performance beginning in FY 2005. Given the nature of the competitive process, FY 2004 funds will only be made available to successful SHOP applicants in the fourth quarter of FY 2004. In addition, existing SHOP grantees would still have FY 2002 and FY 2003 funds available at that time which must be used first, and these grantees would require additional time in any event to mobilize their affiliates to identify, negotiate and close on additional parcels of buildable land while at the same time identifying, qualifying and training prospective homebuyers who will contribute their sweat equity to the construction of the new homes. The construction itself faces the same lengthy development schedule that private construction requires. For these reasons, the full effect of the increase in FY 2004 SHOP funds will not be felt until FY 2005.



**Data source.** SHOP data are from progress reports submitted by grantees.

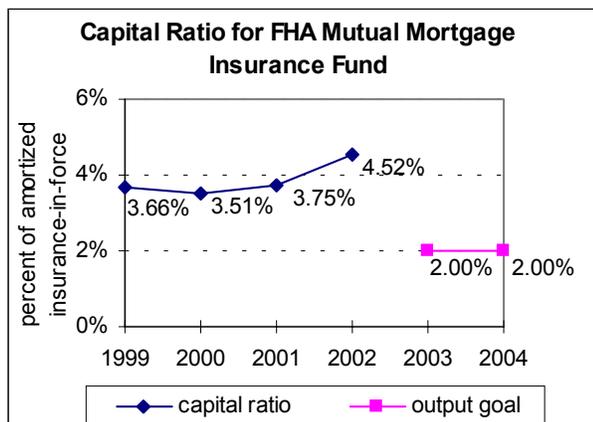
**Limitations/advantages of the data.** There are no known limitations to this data.

**Validation, verification, improvement of measure.** HUD headquarters staff monitor grantees to ensure that reported accomplishments are accurate.

### H.1.10: The FHA Mutual Mortgage Insurance Fund meets Congressionally mandated capital reserve targets.

**Indicator background and context.** FHA’s Mutual Mortgage Insurance Fund (MMIF) covers all expenses, including insurance claims, incurred under FHA’s basic single-family mortgage insurance program. The insurance program and fund are expected to be entirely self-financing from up-front and annual insurance premiums paid by borrowers obtaining FHA mortgage loans as well as from earnings on fund assets. Because the Department is expected to operate the program in an actuarially sound way, the fund is subject to an annual actuarial review that assesses the fund’s current economic value, its capital ratio, and its ability to provide homeownership opportunities while remaining self-sustaining based on current and expected future cash flows.

The capital ratio is an important indicator of the MMIF’s financial soundness and of its continuing ability to make homeownership affordable to more renters when economic downturns increase insurance claims. The capital ratio is defined as the sum of FHA’s capital resources plus the net present value of expected future cash flows (resulting from premium collections, asset earnings, and insurance claim losses) divided by the amortized insurance-in-force. The capital ratio has exceeded the congressionally mandated 2 percent threshold for solvency since 1995.



**Data source.** Annual independent actuarial review of the MMIF.

**Limitations/advantages of the data.** The data are generated and solvency is assessed independently. FHA data are entered by direct-endorsement lenders and loan servicers with monitoring by FHA.

**Validation, verification, improvement of measure.** The annual independent actuarial review of FHA’s MMIF includes an estimate of the current and projected capital ratio.

**H.1.11: The share of REO properties that are sold to owner-occupants will be maintained at 67.7 percent.**

**Indicator background and context.** This indicator tracks one measure of the Department’s success in reducing the risk of predatory lending linked to property flipping. HUD intends to increase sales of its real estate owned homes directly to families who will occupy them rather than to investors. In FY 2002, 62.2 percent of REO properties were sold to owner-occupants. The FY 2004 goal is to maintain the share of REO properties that are sold to owner-occupants at 67.7 percent.

**Data source.** FHA’s Single Family Acquired Asset Management System (SAMS).

**Limitations/advantages of the data.** The data have no limitations affecting the reliability of this measure. The data will be used as a part of the overall monitoring of FHA’s portfolio and as a component of the internal controls of FHA.

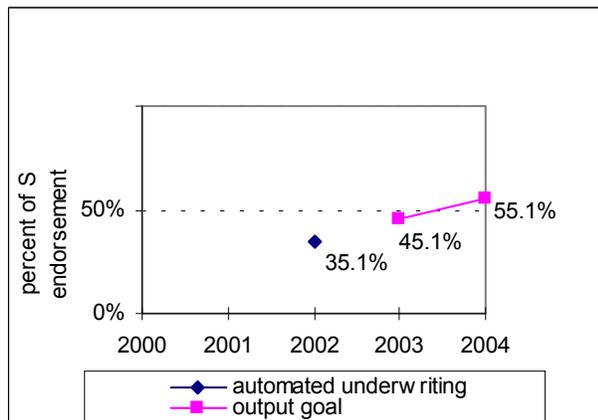
**Validation, verification, improvement of measure.** REO data are covered by the Inspector General’s audit.

**H.1.12: The share of FHA loan applications processed through Automated Underwriting Systems increases by 10 percentage points.**

**Indicator background and context.** HUD has developed a mortgage scorecard, FHA Technology Open To All Lenders “TOTAL” Scorecard, for use by the mortgage industry. The TOTAL Scorecard is not an automated underwriting system; rather, it is a mathematical equation intended to be used within an automated underwriting system. The scorecard assesses the credit worthiness of FHA borrowers objectively and consistently by evaluating certain mortgage application and borrower credit information that has been statistically proven to accurately predict the likelihood of borrower default. The scorecard was developed for a number of reasons, which include improving underwriting efficiencies by lenders, decreasing losses to FHA’s insurance fund, and integrating the use of automated underwriting systems into FHA’s existing processes and workflow including mortgage insurance endorsement processing.

Currently, HUD has approved three scorecards developed by third parties for use within the mortgage industry for FHA mortgages. These scorecards, developed by the industry partners for their automated underwriting systems, will be replaced with the TOTAL Scorecard and made available to all lenders. Among FHA’s mortgage endorsements, approximately 40 percent are underwritten using these third party scorecards. Unlike currently used scorecards, no borrower will be rejected based on the determination of the FHA TOTAL Scorecard. FHA requires the mortgagee to provide referred borrowers with borrower education information as a condition of using the FHA TOTAL Scorecard.

The FY 2004 goal is to increase the share of FHA loan applications that are



processed through automated underwriting systems by 10 percentage points from FY 2003 levels.

**Data source.** The progress and acceptance of the FHA TOTAL Scorecard will be reported to the DAS for Single Family Homes via monthly reports from the Computerized Homes Underwriting Management System and/or Office of the Comptroller.

**Limitations/advantages of the data.** The data have no limitations affecting reliability of this measure. The data will be used as a part of the overall monitoring of the FHA’s portfolio quality and as a component of the internal controls of FHA.

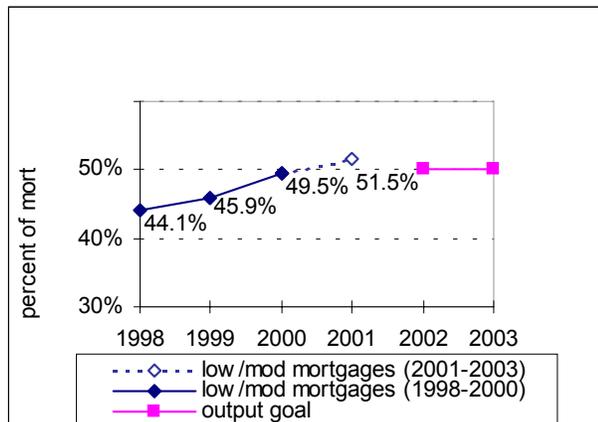
**Validation, verification, improvement of measure.** The goal will be validated through use and acceptance of the FHA TOTAL Scorecard by the mortgage industry. HUD will adjust its policy and procedures to ensure the program goal is achieved in a properly controlled environment. Also, the partner’s performance will be monitored and HUD will conduct program compliance reviews through the Quality Assurance Division.

**H.1.13: Fannie Mae and Freddie Mac meet or surpass HUD-defined targets for low- and moderate-income mortgage purchases.**

**Indicator background and context.** Fannie Mae and Freddie Mac, two housing Government-Sponsored Enterprises or GSEs, facilitate homeownership by providing a secondary market for home mortgages, thereby increasing available capital and reducing mortgage interest rates. In return for their quasi-governmental status, Fannie Mae and Freddie Mac are expected to achieve a number of public interest goals. HUD’s targets for low- and moderate-income mortgage purchases by the GSEs aid in expanding homeownership opportunities for these income groups (defined for the housing GSEs as households with incomes less than or equal to area median).

In October 2000, HUD published a new rule (the 2000 rule) that increased the affordable housing goals for the GSEs for the 2001–2003 period. Under the 2000 rule, the share of all eligible units that each enterprise finances that must be affordable to low- and moderate-income families increased from 42 percent to 50 percent.

In addition, the 2000 rule made several changes to the counting rules to encourage specific types of lending. For example, to encourage small project lending, the 2000 rule assigned double weight to multifamily units in properties with 5 to 50 units, as well as to certain owner-occupied 2 to 4 unit properties.<sup>3</sup> HUD is currently re-examining the current housing goal targets to determine appropriate performance levels and counting rules for the years 2004–2006.



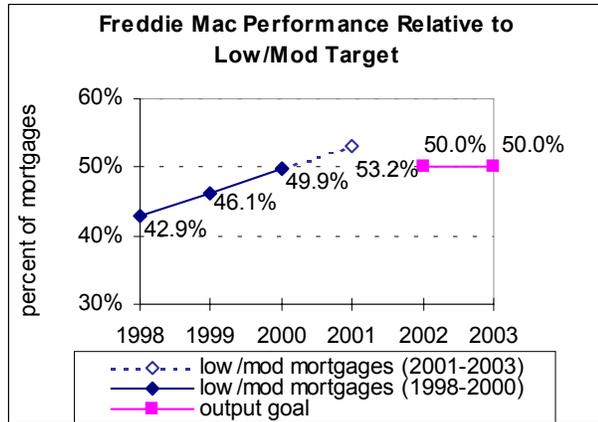
<sup>3</sup> In the accompanying graphs, the change from a solid line to a dotted line from 2000 to 2001, and the change in shapes from a solid diamond to a hollow diamond, reflect the changes in HUD’s scoring rules that became effective in 2000.

**Data source.** HUD’s GSE database.

**Limitations/advantages of the data.** The data are compiled directly from GSE records on single-family and multifamily loan purchases, and include mortgages for multifamily rental developments. The data are based on calendar year rather than fiscal year lending, and are presented for GPRA purposes on a one-year lagged basis.

**Validation, verification, improvement of measure.** GSEs apply quality control measures to data elements provided to HUD. The Department verifies the data

through comparison with independent data sources, replication of GSE goal performance reports, and independent reviews of GSE data quality procedures. GSE financial activities are verified by independent audits. Both GSEs have reported achieving their housing goal targets for calendar year 2002. The Department will publish its official 2002 performance figures once it has completed its internal verification process.



## Objective H.2: Increase minority homeownership

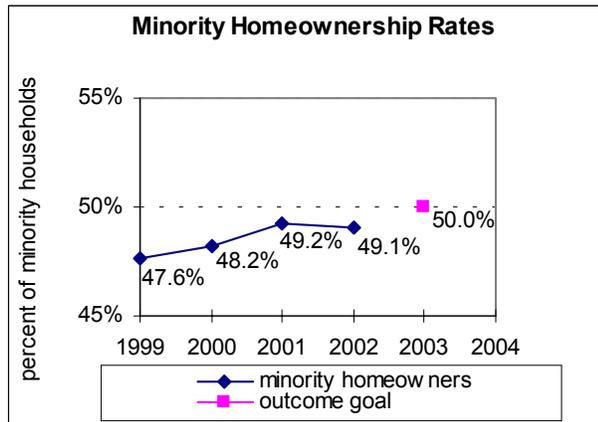
### H.2.1: The minority homeownership rate.

**Indicator background and context.** This is a tracking indicator. Many of HUD’s programs improve homeownership by targeting underserved populations including minorities. Strategies to increase minority homeownership include increased outreach and continued enforcement of equal opportunity in housing. The Department also is requesting increased funding for the Housing Counseling program. New counseling resources will help more members of minority and other underserved groups to build the knowledge to become homeowners and to sustain their new tenure by meeting the ongoing responsibilities of homeownership.

**Data source.** Third-quarter estimates from the Current Population Survey, conducted monthly by the Bureau of Census.

**Limitations/advantages of the data.** CPS data are free of serious problems, and the sample size is sufficient to report this measure with low variance. Changes in the estimated minority homeownership rate exceeding 0.93 percentage points are statistically significant with 90 percent confidence.

**Validation, verification, improvement of measure.** The data are verified by the Bureau of Census, so HUD will perform no further verification.

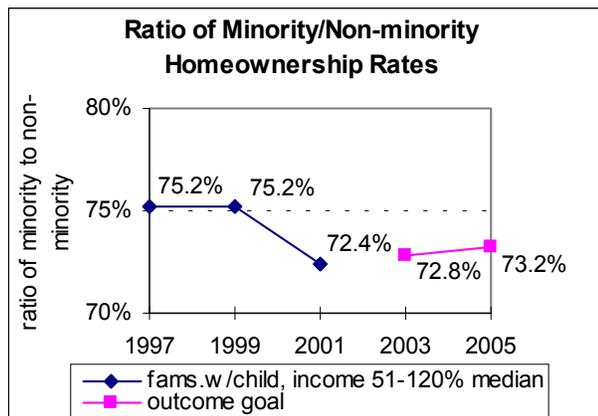


### H.2.2: The ratio of homeownership rates of minority and nonminority low and moderate-income families with children increases by 0.4 percentage points by 2005.

**Indicator background and context.** One of HUD’s central objectives is to remove homeownership barriers and increase homeownership among minorities. Homeownership rates are most susceptible to policy intervention among renters who are marginally creditworthy, discouraged by discrimination, or unaware of the economic benefits of homeownership. This indicator measures progress in reducing these barriers to homeownership among racial and ethnic minorities, as measured by the ratio of minority homeownership rates to homeownership of non-Hispanic whites. The effects of income and household type are controlled by comparing homeownership rates for low- and moderate-income families with children (those with incomes of 51 to 120 percent of area median income). The FY 2004 goal is to increase the ratio by 0.4 percentage points from calendar year 2003 levels by calendar year 2005, building on a similar goal for FY 2003.

**Data source.** American Housing Survey, conducted for HUD by the Bureau of Census.

**Limitations/advantages of the data.** AHS data are published only biennially with a time lag. AHS data for calendar year 2003 will become available during



FY 2004. Sample sizes do not support detailed income and ethnicity breaks for this measure.

**Validation, verification, improvement of measure.** The Bureau of Census has quality control procedures in place for the AHS, including reinterviews of small subsamples for quality assurance. HUD verifies AHS estimates by comparison with earlier surveys and by intermittent structured comparisons with SIPP, CPS, or Census data.

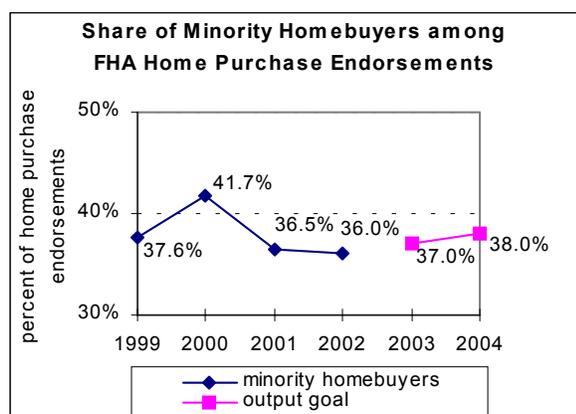
### H.2.3: The share of minority homebuyers among FHA home purchase-endorsements.

**Indicator background and context.** FHA is a major source of mortgage financing for minority as well as lower income buyers. Increasing the number of FHA endorsements for minority homebuyers will help reduce the homeownership gap between whites and minorities as well as increase the overall homeownership rate. This is a tracking indicator because FHA has limited control regarding the percentage of minority participation.

**Data source.** FHA’s Single-Family Data Warehouse, based on data submitted by direct-endorsement lenders to the F42 Consolidated Single-Family Statistical System.

**Limitations/advantages of the data.** The data are judged to be reliable for this measure. The share of borrowers with undetermined race or ethnicity may increase as more people claim multi-racial identity.

**Validation, verification, improvement of measure.** FHA data are entered by direct-endorsement lenders with monitoring by FHA.



### H.2.4: The share of minority endorsements processed by the FHA Technology Open To All Lenders (TOTAL) Scorecard increases by 1 percentage point.

**Indicator background and context.** HUD has developed a mortgage scorecard, FHA Technology Open To All Lenders “TOTAL” Scorecard, for use by the mortgage industry. The TOTAL Scorecard is not an automated underwriting system; rather, it is a mathematical equation intended to be used within an automated underwriting system. The FHA TOTAL Scorecard assesses the credit worthiness of FHA borrowers in an objective, consistent manner by evaluating certain mortgage application and borrower credit information that has been statistically proven to accurately predict the likelihood of borrower default. FHA believes the objectivity and the broad availability of the TOTAL Scorecard will increase homeownership opportunities for minorities. The scorecard was developed for a number of reasons, which include improving underwriting efficiencies by lenders, decreasing losses to FHA’s insurance fund, and integrating the use of automated underwriting systems into FHA’s existing processes and workflow including mortgage insurance endorsement processing.

Currently, three scorecards are approved for use within in the mortgage industry for FHA mortgages. These were developed by third parties, not by FHA. These scorecards, developed by the industry partners for their automated underwriting systems, will be replaced with the TOTAL Scorecard and made available to all lenders. Of FHA’s endorsements, approximately 40 percent are underwritten using these third party scorecards.

A major difference between the FHA TOTAL Scorecard and the conventional market is that no borrower is rejected on the determination of the automated scorecard and FHA requires the

mortgagee to provide referred borrowers with borrower education information as a condition of using the TOTAL Scorecard. Under the conditions of use for the TOTAL Scorecard, minority applicants receiving a refer decision must be manually underwritten by the lender and cannot be denied a loan solely on the basis of the TOTAL Scorecard decision. The FY 2004 performance goal is to increase minority endorsements processed by the TOTAL scorecard by 1 percentage point from the expected FY 2003 level of 37 percent.

**Data source.** FHA’s Computerized Homes Underwriting Management System.

**Limitations/advantages of the data.** There are no data limitations affecting this measure. The data will be used as a part of the overall monitoring of the FHA’s portfolio quality and as a component of the internal controls of FHA.

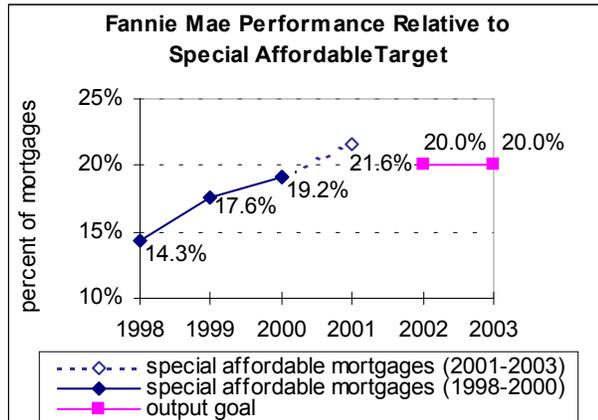
**Validation, verification, improvement of measure.** The goal will be validated through use and acceptance of the FHA TOTAL Scorecard by the mortgage industry. For minority homeownership, HUD anticipates a 1 point increase in the percentage of FHA loans underwritten using an automated underwriting system within the next fiscal year. HUD will adjust its policy and procedures to ensure the program goals are achieved in a properly controlled environment. Also, partner performance will be monitored and HUD will conduct program compliance reviews through the Quality Assurance Division.

**H.2.5: Fannie Mae and Freddie Mac meet or surpass HUD-defined targets for special affordable mortgage purchases.**

**Indicator background and context.** One of the three public purpose goals that HUD sets for the housing GSEs involves the number of loans in the “special affordable” mortgage category. Qualifying mortgages support homes for very-low-income households with incomes up to 60 percent of area median, or for low-income households earning up to 80 percent of area median located in low-income areas. Increasing homeownership in these groups will contribute to the outcome of increasing homeownership in central cities as well as among lower-income families.

For this indicator, low-income areas are defined as (1) metropolitan census tracts where the median income does not exceed 80 percent of area median income and (2) nonmetropolitan census tracts where median income does not exceed 80 percent of the county median income or the statewide metropolitan median income, whichever is greater.

In October 2000, HUD published a new rule (the 2000 rule) that increased the affordable housing goals for the GSEs for the 2001–2003 period. The special affordable goal was increased from 14 percent to 20 percent. As part of the 2000 rule, several changes were made to the counting rules to encourage specific types of lending. For example, to encourage more small project lending, the 2000 rule assigned double weight to multifamily units in properties with 5 to 50 units, as well as to certain owner-occupied 2 to 4 unit properties.<sup>4</sup> HUD is currently re-examining the current housing goals to determine appropriate performance levels and counting rules for the years 2004–2006.



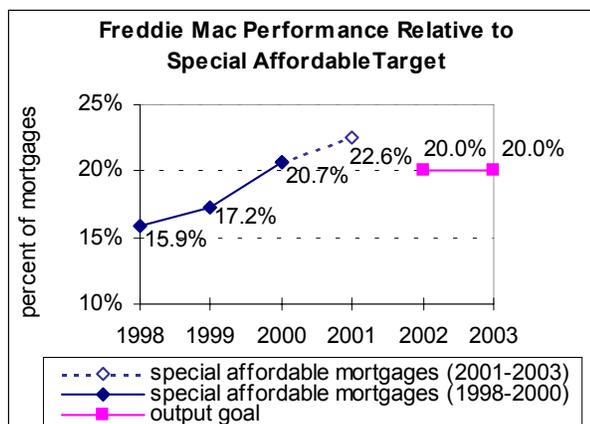
<sup>4</sup> In the accompanying graphs, the change from a solid line to a dotted line from 2000 to 2001, and the change in shapes from a solid diamond to a hollow diamond, reflect the changes in HUD’s scoring rules that became effective in 2000.

**Data source.** HUD’s GSE database.

**Limitations/advantages of the data.** The data are compiled directly from GSE records on single-family and multifamily loan purchases. The data are based on calendar year rather than fiscal year lending, and data are presented for GPRA purposes on a one-year lagged basis.

**Validation, verification, improvement of measure.** GSEs apply appropriate quality control measures to data elements provided to HUD. HUD verifies the data through comparison with independent data

sources, replication of GSE goal performance reports, and independent reviews of GSE data quality procedures. Both GSEs have reported achieving their housing goal targets for calendar year 2002. The Department will publish the official performance figures once it has completed its internal verification process.



### H.2.6: The share of Housing Counseling clients who are minorities will increase by 113,000 to support the Department’s goal of increasing the minority homeownership.

**Indicator background and context.** The Department is placing more emphasis on Housing Counseling and counseling is a requirement for several programs such as Section 8 homeownership. The Housing Counseling NOFA encourages counseling agencies to use their funding awards to increase minority homeownership; the NOFA scoring mechanism favors applicants that provide these services. Clients tracked through this indicator include those receiving various forms of housing counseling—from homebuyer education, pre-purchase, and loss mitigation/default counseling to rental, fair housing, and homeless counseling. The use of counseling funds to assist minorities seeking to become homeowners or retain homeownership should increase the minority homeownership rate. In FY 2000, the latest for which data are available, 58.0 percent of Housing Counseling clients were minorities. The FY 2004 performance goal is to increase the share of minority clients by 113,000 to support the Department’s goal of increasing the minority homeownership.

**Data source.** Housing Counseling Agency Fiscal Year Activity Reports (form HUD-9902).

**Limitations/advantages of the data.** Reporting rates are near 100 percent because the Department’s Housing Counseling Agencies are required to submit these reports annually. However, a major limitation of the aggregated data collection instrument is that it does not permit cross-analysis of the data fields, to allow HUD to determine how many minority clients received homeownership counseling as opposed to rental counseling. This type of cross-analysis cannot be performed without client-level data collection, which is costly, time-consuming, and burdensome for the Housing Counseling agencies.

**Validation, verification, improvement of measure.** While FHA does not verify the counseling counts, it does monitor agencies through site visits to assure quality counseling practices. The Department is exploring how to collect client-level data to track outcomes. Preliminary analysis of FHA data indicates a modest positive impact of Housing Counseling on FHA default rates for Black and Hispanic families.

**H.2.7: The number of minority households assisted in becoming homeowners through the HOME program increases.**

**Indicator background and context.** Since 1992, over 270,258 affordable homeownership opportunities (38 percent of all HOME Program commitments) have been provided through the HOME Program with over 50 percent of the new homeowners having incomes below 60 percent of area median income and over 55 percent being minorities—including approximately 26 percent African-American and 26 percent Hispanic. The FY 2004 performance goal is to provide HOME commitments to 19,068 new minority homeowners. This target is based on continued minority share of 56 percent and total homeowner commitments of 34,050 in FY 2004.

**Data source.** CPD’s Integrated Disbursement Information System (IDIS) will provide data about the number of homebuyers assisted.

**Limitations/advantages of the data.** Initial data will represent HOME commitments. Completion data will be submitted with a lag because time is needed for grantees to establish local programs and for recipients to close on new homes.

**Validation, verification, improvement of measure.** CPD field staff monitor grantees to verify reported results and program compliance.

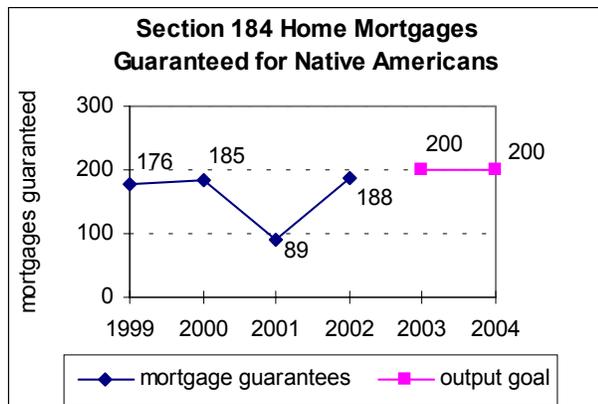
**H.2.8: Section 184 mortgage financing is guaranteed for 200 Native American homeowners during FY 2004.**

**Indicator background and context.** Homeownership rates on reservations are low and housing needs are great. The Native American Housing Loan Guarantee fund provides credit subsidies that support loan guarantees to meet this need. The guaranteed loans can be used to purchase, construct and/or rehabilitate single-family homes on Indian trust or restricted land and in designated Indian areas. Because of the unique legal status of these lands, lenders previously had been hesitant to assume the risk of providing mortgage financing where legal title to the property could not be used as collateral. Other important constraints that limit the ability of Tribes to take advantage of guaranteed loans include weak local economies, a lack of infrastructure, high building costs in rural areas, and a shortage of service providers such as appraisers and Realtors. This indicator tracks the annual number of homeownership loans for Native Americans guaranteed under Section 184. The FY 2004 goal is to offer at least 200 new loan guarantees.

**Data source.** PIH Office of Native American Programs administrative data.

**Limitations/advantages of the data.** The indicator uses a straight-forward and easily verifiable count of administrative records.

**Validation, verification, improvement of measure.** Program directors will review administrative records.



**H.2.9: The homeownership rate among households with incomes less than median family income.**

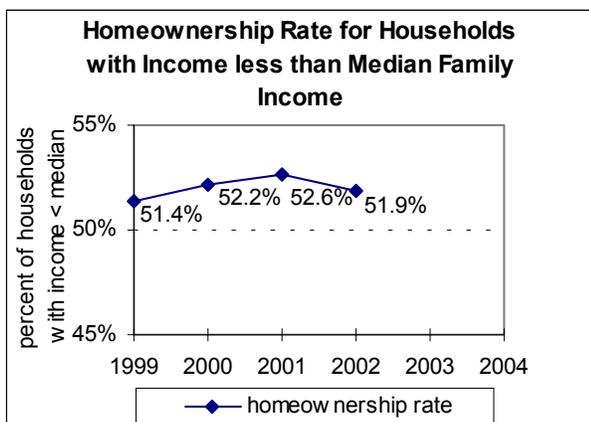
**Indicator background and context.** This tracking indicator has no numeric target because of the current dominant impact of the macroeconomy. Homeownership is advantageous because of its contributions to asset development, better neighborhoods and schools, stability of tenure, and wider choice of housing types. Holding other factors equal, homeownership improves outcomes

for children on a number of dimensions, including school achievement and dropout rates. HUD is supporting increased homeownership among households earning less than the national median family income through improved partnering, marketing and outreach, as well as through the higher loan limits recently approved for FHA.

**Data source.** Third-quarter estimates from the Current Population Survey, conducted by the Bureau of Census.

**Limitations/advantages of the data.** CPS data are free of serious problems and have the advantage of being widely recognized. Changes in estimated rates exceeding 0.71 percentage point are statistically significant with 90 percent confidence.

**Validation, verification, improvement of measure.** The Bureau of Census has rigorous data quality standards and verification procedures. It is not feasible for HUD to verify CPS data independently.

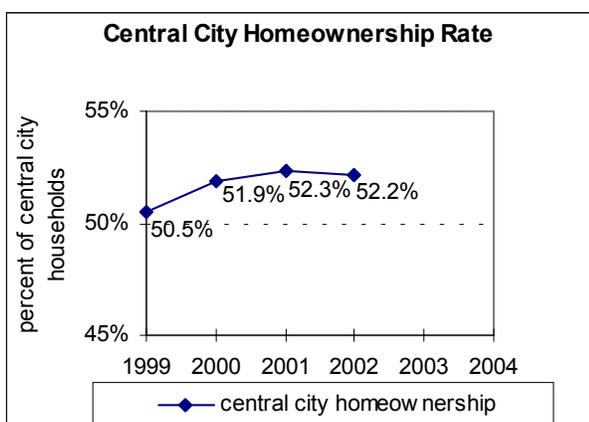


### H.2.10: The homeownership rate in central cities.

**Indicator background and context.** This tracking indicator has no numeric target because of the current dominant impact of the macro-economy. Central cities have below-average rates of homeownership—in part because of higher density development and multifamily housing—but also because of losses of middle-class families in past decades. Low homeownership can contribute to neighborhood decline because absentee landlords and their tenants put forth less maintenance effort than homeowners. In such cases, low homeownership often leads to a shrinking municipal tax base.

HUD is increasing marketing and outreach efforts to promote central city homeownership, including targeted sales of HUD-owned properties. The Department’s geographically-targeted goals for the housing GSEs include central city criteria to help ensure that mortgage capital is available. Cities also are making efforts to increase homeownership rates, as grantees increasingly use HOME funds to promote homeownership. This indicator tracks the progress in reestablishing central cities as desirable places for long-term individual investment.

**Data source.** Third-quarter estimates from the Current Population Survey, conducted monthly by the Bureau of Census.



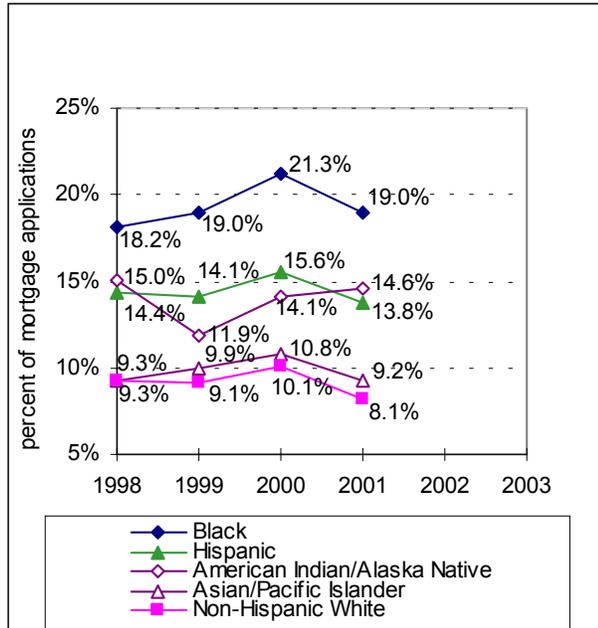
**Limitations/advantages of the data.** CPS data are free of serious problems, and the sample size is sufficient to report this measure with low variance.

**Validation, verification, improvement of measure.** The Bureau of Census has rigorous data quality standards and verification procedures. It is not feasible for HUD to verify CPS data independently.

**H.2.11: The mortgage disapproval rates of minority applicants.**

**Indicator background and context.** This is a tracking indicator for minority mortgage disapproval rates, an important early indicator of trends in minority homeownership. Equal access to home loans is critical for decreasing disparities in homeownership rates. However, lender decisions about which applications to accept or deny are primarily beyond HUD’s control.

In 2001, the average mortgage disapproval rate for minority applicants was 15.7 percent, nearly twice the 8.1 percent disapproval rate for non-minority white applicants. The primary cause of differences in mortgage disapprovals between ethnic groups is differences in average disposable income and creditworthiness. In some cases lenders have been shown to discriminate against minority applicants for mortgages by disapproving their mortgages while approving nonminorities who were less creditworthy or had less income. In such cases HUD can take fair housing enforcement actions. The goals that HUD has established for the two largest secondary mortgage market lenders, Fannie Mae and Freddie Mac, encourage increased lending to minorities. In addition, FHA can increase minority lending through targeted marketing and counseling to potential minority home purchasers.



**Data source.** Home Mortgage Disclosure Act (HMDA) database, consisting of calendar-year data submitted by lenders to the Federal Financial Institutions Examination Council (FFIEC) and HUD. The mortgage applications counted are conforming loans or loans insured by FHA, VA or the Rural Housing Service, and are limited to owner-occupied single-family home purchases from metropolitan areas. This measure excludes refinance mortgages, which have a higher proportion of subprime lenders, and manufactured home mortgages, because a recent increase of reporting by manufactured home lenders in HMDA causes difficulties in interpreting the overall data. The measure also excludes loans made by lenders specializing in manufactured home loans because the large number of mortgage denials from these lenders would skew the overall data.

**Limitations/advantages of the data.** HMDA data are available with a one-year lag. Although largely reliable, the data do not in themselves demonstrate discriminatory practices for several reasons. First, minority status is correlated with other characteristics of applicants that affect their creditworthiness. Second, lender outreach to minorities sometimes increases the denial rates even as it increases the number of minority homeowners. Further, there is no reliable way to identify loans from subprime lenders in HMDA data, and the effect of subprime loan applications on home purchase denial rates is unclear. Among the HMDA records for 2001, 13.6 percent of mortgage applications were missing race and ethnicity data.

**Validation, verification, improvement of measure.** This FY 2004 indicator is simpler and has less statistical variance and greater validity than the previously-used measure for assessing racial trends in mortgage denials. The FFIEC and HUD use automated data quality procedures to verify that data submissions are reasonable and accurate.

## **Objective H.3: Make the homebuying process less complicated and less expensive**

### **H.3.1: Receive 1,000 RESPA complaints per year.**

**Indicator background and context.** The Real Estate Settlement Procedures Act (RESPA) is a HUD consumer protection statute designed to help homebuyers be better shoppers in the home buying process by requiring that consumers receive disclosures at various times in the transaction and by outlawing practices, such as paying kickbacks, that increase the cost of settlement services. In addition, RESPA provides consumer protections relating to the servicing of their loans, including proper escrow account management. The Department currently receives RESPA questions and complaints from consumers, industry and other regulatory groups by mail, telephone and e-mail. In the future, the Department hopes to improve the complaint procedure by developing a system that would allow complaints to be received electronically.

**Data source.** RESPA complaint data compiled from the PO 30 Case Tracking System and Website e-mail box.

**Limitations/advantages of data.** The number of complaints received do not themselves support definitive conclusions about the compliance of industry with RESPA. The complaints received give the Department an indication of the number and type of violations occurring.

**Validation, verification, improvement of measure.** Management reviews system data on an intermittent basis. In addition, a full-time contractor monitors the system.

## **Objective H.4: Fight practices that permit predatory lending.**

### **H.4.1: By the end of FY 2003, FHA will prevent the issuance of FHA mortgage insurance on properties that have been transferred within 90 days.**

**Indicator background and context.** The Department will publish a final rule in FY 2003 that will address the predatory lending practice of property “flipping”—the practice, often abetted by collusion with the appraiser, whereby a recently acquired property is resold for a considerable profit at an artificially inflated value. Specifically, the rule will establish certain new requirements regarding the eligibility of properties for Federal Housing Administration mortgage insurance. The rule will require that any property sold within 90 days after acquisition, with some exceptions, is not eligible for FHA financing and that only those properties purchased from the owner of record are eligible for FHA mortgage insurance. In addition, for re-sales that occur between 91 and 180 days where the new sales price exceeds the previous sales price by 100 percent or more, FHA will require additional documentation validating the property’s value. The rule provides flexibility for FHA to examine and require additional evidence of appraised value when properties are re-sold within 12 months. These changes will protect FHA borrowers from becoming unwitting victims of property flipping.

FHA collects data on the mortgage transaction through the Computerized Homes Underwriting Management System (CHUMS), accessed through the FHA Connection. During FY 2003, FHA will modify CHUMS to perform an automated check to prevent FHA insurance for any property being sold within 90 days after acquisition.

**Data source.** Computerized Homes Underwriting Management System.

**Limitations/advantages of the data.** Reporting rates are 100 percent as the lender must enter data about the mortgage transaction into the CHUMS. The new field to be programmed into the CHUMS system will prevent FHA insurance on any property being sold within 90 days after acquisition. A limitation is lender data input errors and/or misrepresentation.

**Validation, verification, improvement of measure.** During the pre- and post- endorsement reviews and the monitoring reviews, HUD will assure that properties transferred within 90 days are not eligible for FHA insurance, unless one of the exceptions is met. Any failure of the automated tool to perform in the function intended will be noted and corrected.

## Objective H.5: Help HUD-assisted renters become homeowners.

### H.5.1: The number of households who have used Housing Choice Voucher/Housing Assistance for Needy Families Vouchers to become homeowners increases by 20 percent.

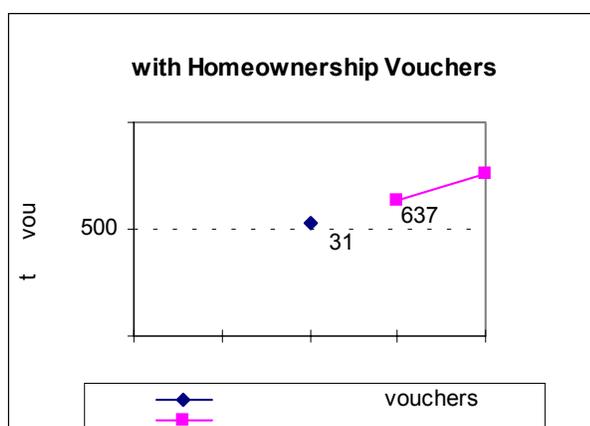
**Indicator background and context.** The Housing Choice/HANF voucher program gives PHAs the authority to use voucher assistance for monthly homeownership expenses for first time homebuyers. This indicator tracks the number of homeowners assisted with voucher funds. The actual increase achieved in FY 2004 will be affected by PHA capacity, availability of financing for first time low- and moderate-income homebuyers, market forces and interest rates. The FY 2004 goal is to increase the number of households who initially use vouchers for homeownership by 20 percent from the FY 2003 baseline.

**Data source.** Data reported by PHAs to the Public and Indian Housing Information Center (PIC) Form 50058 (Family Report).

**Limitations/advantages of the data.** The status of a household receiving homeownership vouchers is a relatively straightforward and easily verifiable statistic. Long-term success of households in remaining homeowners cannot be captured by this measure.

#### Validation, verification, improvement of measure.

PIC 50058 performs automated checks on data ranges and internal consistency to help ensure the accuracy of tenant data. The Department is developing a web-based Resident Characteristics Report that will make monthly PIC 50058 data and summary statistics available to housing agencies and field offices for verification, validation, data analysis and monitoring purposes. A program evaluation will provide detailed information on long-term success of homeownership vouchers.



### H.5.2: The number of households receiving housing counseling from HUD-approved housing counseling agencies to assist them in utilizing their housing vouchers to become homeowners increases by 900.

**Indicator background and context.** The Department is placing more emphasis on Housing Counseling, including counseling for homeless clients and families seeking affordable rental housing. This indicator will track the number of households receiving housing counseling from HUD-approved housing counseling agencies to assist them in utilizing their Housing Choice Homeownership Vouchers to become homeowners. Due to the spend-out rate of new counseling funds, the increase in funding for FY 2003 will not become evident programmatically until FY 2004, with more substantial increases accruing in following years. This indicator, therefore, will measure the increase in the number of households counseled between FY 2003 and FY 2004. The use of housing counseling is a requirement for participation in the Housing Choice Homeownership Voucher program, formerly known as Section 8.

**Data source.** FHA collects this data through reports made by agencies that make housing counseling grants. This data includes the total number of clients, the type of counseling they received and the results of the counseling.

**Limitations/advantages of the data.** Reporting rates are near 100 percent because the Department's Housing Counseling Agencies are required to submit these reports annually. A major limitation of the data collection instrument is that it does not differentiate the level of counseling given to each client. The quality and level of counseling can vary significantly. In addition, the current fiscal year (2003) is the first in which funding has been allocated for this program, thereby resulting in no baseline data. FHA is relying upon an estimate provided by the Office of Public and Indian Housing of 900 households as the anticipated number of families served under this program

**Validation, verification, improvement of measure.** To better assess outcomes resulting from Housing Counseling efforts, the Department is exploring the use of client-level data to track outcomes. While FHA does not verify the counseling counts, it does monitor agencies through site visits to assure quality counseling practices. Once another year's data become available and an actual baseline is established, FHA will be to improve the measurement and reliability of estimates for this indicator.

## Objective H.6: Keep existing homeowners from losing their homes.

### H.6.1: Loss mitigation claims are at least 40 percent of total claims on FHA-insured single-family mortgages.

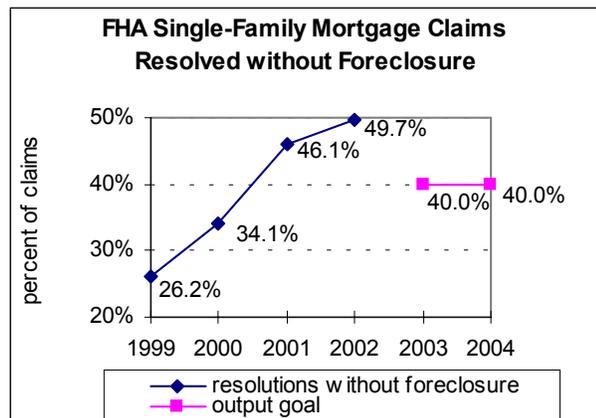
**Indicator background and context.** This indicator measures the success of FHA loan servicers in implementing statutorily required loss-mitigation techniques when borrowers default on their FHA mortgages. A borrower can resolve a default (90-day delinquency) in several ways short of foreclosure: for example, by paying down the delinquency (cure), by a preforeclosure sale with FHA perhaps paying an insurance claim in the amount of the shortfall, or by surrendering a deed in lieu of foreclosure. Better loss-mitigation efforts, such as enhanced borrower counseling, help borrowers keep their current homes or permit them to buy another home sooner. Avoidance of foreclosure also reduces FHA’s insurance losses, making FHA financially sounder and enabling it to help more borrowers. For both reasons, by achieving this goal HUD will help increase the overall homeownership rate.

The use of loss mitigation as a share of total claims increased from 46.1 percent in FY 2001 to 49.7 percent in FY 2002. The FY 2004 goal is to ensure that at least 40 percent of the total number of claims are resolved through loss mitigation.

Loss mitigation actions do not permanently stabilize many borrowers’ financial status. However, about 60 percent of borrowers who receive the benefits of loss mitigation remain current on their mortgage for at least a 12-month period. This reduction in foreclosure claim expenses is a key component of Departmental budget estimates for FY 2003. Our programmatic objective is to sustain the high level of participation in loss mitigation even as the Office of Housing tightens programmatic requirements designated to increase the ultimate success rate of loss mitigation in helping borrowers avoid foreclosure.

**Data source.** FHA’s Single-Family Data Warehouse, Loss Mitigation table. The resolutions that are counted as loss mitigation are: forbearance agreements, loan modifications, partial claims, pre-foreclosure sales, deeds-in-lieu of foreclosure. A small and decreasing number of “other” resolutions that were previously counted are now excluded. Total claims comprise loss mitigation claims plus conveyance claims.

**Limitations/advantages of the data.** No data limitations are known to affect this indicator.



**Validation, verification, improvement of measure.** FHA data are entered by the loan servicers with monitoring by FHA.

### H.6.2: At least 62 percent of total mortgagors receiving default counseling will successfully avoid foreclosure.

**Indicator background and context.** Clients tracked through this indicator include homeowners with mortgages who are at risk of default, or have already defaulted, and are seeking assistance in order to remain in their home and meet the responsibilities of homeownership. By limiting delinquency and foreclosure, default counseling is a cost-effective way to reduce the FHA’s

exposure to risk while contributing to the growth and stability of families and communities across the country. Moreover, default counseling is increasingly important during periods of economic downturn, when job losses and low wages make it more difficult for families to meet their financial obligations, and default rates rise. Analysis of the last five years suggests that approximately 38 percent of loans in default result in foreclosure.

**Data source.** FHA collects data on default outcomes through the Single Family Data Warehouse (SFDW), a system that compiles data on FHA-insured loans from various single family housing data sources. Possible outcomes that are captured by the data include 'Reinstated,' 'Paid-in-Full,' 'Foreclosed,' and 'Other Claim.' Housing counseling data are collected from grantees through the form HUD-9902.

**Limitations/advantages of the data.** The SFDW data have the advantage of providing a proxy baseline for default outcomes that can be used until the revised Housing Counseling data collection instrument is in place. One limitation of the data is that mortgagors can, and often do, go in and out of default. Consequently, a mortgagor whose outcome was recorded as a 'reinstated' in a given year could actually result in 'foreclosure' in another year. Another limitation is that the data do not single out mortgagors receiving default counseling (see below).

**Validation, verification, improvement of measure.** HUD collects Housing Counseling data through the form HUD-9902. The current form HUD-9902 has some major limitations that prevent the Office of Housing from establishing a baseline from this data source. For example, default counseling is not designated specifically as a separate counseling type. Instead, there is a broad group termed 'mortgagors' in which default counseling is a subset. Consequently, calculations regarding default counseling are imprecise. To improve the quality of the counseling data and make it useful for this type of performance measure, FHA has significantly revised the form HUD-9902 to facilitate the improved tracking of outcomes. The new form was implemented in October, 2002, to coincide with the FY 2002 grant cycle. The first summary results utilizing the new form will be available in the spring of 2004.

## Goal A: Promote Decent Affordable Housing

### Strategic Objectives:

- A.1 Expand access to affordable rental housing.
- A.2 Improve the physical quality and management accountability of public and assisted housing.
- A.3 Increase housing opportunities for the elderly and persons with disabilities.
- A.4 Help HUD-assisted renters make progress toward self-sufficiency.

### Objective A.1: Expand access to affordable rental housing

#### A.1.1: The number of households with worst case housing needs among families with children, the elderly, and person with disabilities.

**Indicator background and context.** Due to the strong effect of macroeconomic conditions on worst case housing needs, this is a tracking indicator. National and regional economic conditions affect worst case needs by changing the number of very-low-income households and the availability of affordable private-market rental units.

A substantial portion of HUD’s budget helps very-low-income renters afford housing through programs such as HANF Vouchers, project-based Section 8, public housing, HOME, CDBG, multifamily insurance, and Sections 202 and 811. These programs prevent millions of households from adding to the number of worst case housing needs. Households with “worst case needs” are defined as unassisted very-low-income renters who pay more than half of their income for housing or live in severely substandard housing.

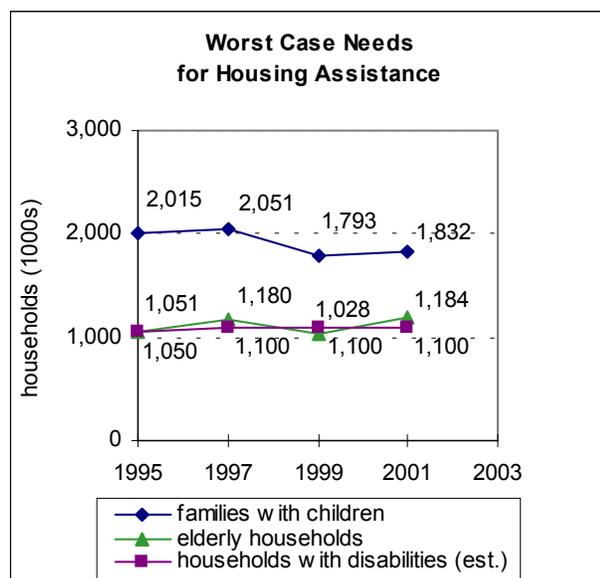
**Data source.** The American Housing Survey, conducted for HUD by the Bureau of Census.

**Limitations/advantages of the data.**

National AHS data are available biennially. Calendar year 2003 data will become available during FY 2004. The new questionnaire required in 1997, along with changes in the questions on receipt of housing assistance, means that earlier estimates of worst case needs differ.

Changes in estimated worst case needs are statistically significant (with 90 percent confidence) when the difference from year to year exceeds 160,000 households for families with children, or 120,000 households for elderly families.

AHS estimates of the number of disabled adults with worst case needs are based on non-elderly adults without children who report welfare or Social Security income. AHS estimates are adjusted on the basis of



comparison with Supplemental Security Income (SSI) data. SSI data imply that the unadjusted AHS estimates are low by a factor of 2 or more, and the SSI data themselves are likely to be low because SSI income ceilings fall well below HUD's very-low-income cutoffs. The estimates shown reflect adjustments for these factors.

**Validation, verification, improvement of measure.** The Bureau of Census has quality control procedures in place for the AHS, including reinterviews of small subsamples for quality assurance. HUD verifies AHS estimates by comparison with earlier surveys and by intermittent structured comparisons with SIPP, CPS, or Census data.

**A.1.2: The number of households receiving housing assistance with CDBG, HOME, HOPWA, SHOP, IHBG and NHHBG.**

**Indicator background and context.** This indicator tracks both homeownership assistance and rental assistance provided through a number of formula block grant and other programs. Because of widespread shortages of affordable housing and the need to maintain existing housing units, it is desirable to increase the number of households aided with housing assistance, including rental housing production. The level of these housing outputs is subject to appropriations as well as economic conditions and local discretion.

Grantees use their discretion to decide what types of housing assistance to provide with HOME, Indian Housing Block Grants (IHBG) and Native Hawaiian Housing Block Grant (NHHBG) funds. An analysis of HOME funds shows an increase in the share used for homebuyer assistance. In the case of CDBG and HOPWA funds, housing assistance is one of several eligible activities among which grantees may choose. Analysis has shown a decline in the share of CDBG funds used for housing. SHOP funds can be used for land acquisition and infrastructure, but not for direct construction costs.

<b>Households Assisted</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003 goal</b>	<b>2004 goal</b>
CDBG households	158,300	182,700	172,445	187,380	180,260	178,852
HOME tenant-based assistance <sup>a</sup>	8,246	6,899	11,756	10,239	9,932	10,504
HOME rental units committed <sup>a</sup>	25,114	33,487	27,456	27,243	29,784	27,875
HOME new homebuyers committed <sup>a</sup>	30,695	30,748	29,690	32,490	34,746	34,050
HOME existing homeowners committed <sup>a</sup>	13,952	14,731	12,566	14,082	13,140	13,598
HOME total households	78,006	85,865	81,468	84,054	87,602	86,027
HOPWA households <sup>b</sup>	41,670	43,902	72,117	89,073	72,525	74,250
Indian Housing Block Grant units constructed or rehabilitated			N/A	52,000	52,000	52,000
Title VI Federal Guarantees program (number of loans)			N/A	N/A	15	20
Native Hawaiians assisted with NHHBG			N/A	N/A	tbd	tbd
Self-Help Homeownership Opportunities Program (SHOP)	1,983	1,675	1,655	2,063	1,800	2,140

<sup>a</sup> Trend analysis was used to estimate the number of units produced by HOME in FY 1999 during the conversion to the new data system (IDIS).

<sup>b</sup> Beginning in 2001, HOPWA data reflect more accurate IDIS reporting and clean-up efforts.

**Data source.** CDBG values in this table are based on historical accomplishments reported by grantees in the Integrated Disbursement Information System and through annual performance reports on the basis of budget outlays.

HOME units produced in FY 2000 and 2001 reflect data reported in IDIS. A major IDIS data clean-up effort to remove duplicative and inaccurate data was undertaken in FY 2001. This effort largely accounts for the apparent reduction in units produced in FY 2001. The *share* of homebuyer units increased to thirty-seven percent in FY 2001, reflecting the Department’s priority to increase affordable homeownership for underserved groups. The total HOME goals are based on a trend analysis of actual fiscal year accomplishments. They are not the same as estimates in the budget that project production over the life of the requested appropriation. Subgoals for specific activities are provided for information only, as grantees have discretion about which housing activities to fund.

HOPWA data are based on HOPWA Annual Progress Reports or on IDIS. All HOPWA formula grantees were using IDIS by FY 2001. Indian Housing Block Grant data are from Annual Performance Reports, and totals include carry-over activities funded through the 1937 Housing Act.

**Limitations/advantages of the data.** CDBG, HOME and HOPWA data come from grantees through IDIS. Because grantees are not required to identify whether CDBG housing assistance or production is for homeownership or rental housing, this detail is lacking. Annual Progress Reviews are being integrated with IDIS, and over the next several years will capture these CDBG accomplishments.

**Validation, verification, improvement of measure.** Field staff from the Office of Community Planning and Development and the Office of Native American Programs verify program data when monitoring grantees.

**A.1.3: The number of HOME production units that are completed within the fiscal year will be maximized.**

**Indicator background and context.** Historically the HOME program has reported on “committed units,” units for which HOME Participating Jurisdictions (PJs) had contractual obligations committing HOME funds. This indicator tracks the number of “units completed,” or HOME-assisted units that have been put into service. The FY 2004 goal shows a decrease from the FY 2003 level due to the factoring in of the effects of inflation on housing production for the first time and because grantees are now performing at capacity given that the level of annual HOME funding was constant in recent years.

**Data source.** Grants Management System (GMS)/IDIS, containing completion reports submitted by PJs.

**Limitations/advantages of the data.** HUD relies on PJs to enter data into IDIS. Historically there has been a time lag between the time when project construction is complete and the submission of a completion report.

Completed	Total through FY 1999	FY 2000	FY 2001	FY 2002	FY 2003 goal	FY 2004 goal
HOME rental units produced	91,275	29,309	20,453	19,076	*	*
HOME new homebuyers	102,371	34,126	24,757	23,241	*	*
HOME existing homeowners	72,307	13,174	9,938	10,027	*	*
HOME total households assisted	265,953	76,609	55,148	52,344	62,019	60,778

\* As grantees have discretion about which housing activities to fund, HUD has established an overall goal for completions rather than subgoals for specific activities.

**Validation, verification, improvement of measure.** CPD field staff verify program data when monitoring grantees, and grantee reports are subject to independent audits. In FY 2001, a major HOME IDIS data clean-up effort was undertaken to remove duplicative and erroneous data. This largely accounts for the apparent reduction in the number of units completed in FY 2001.

**A.1.4: The utilization of Housing Choice Voucher/Housing Assistance for Needy Families Vouchers increases by 1 percentage point from the FY 2003 level.**

**Indicator background and context.** The Housing Choice Voucher/HANF program is one of HUD’s best tools for providing affordable housing to renters with very low or extremely low incomes, including those with worst case housing needs. While most vouchers are currently being used to assist low-income families, some PHAs are not fully utilizing all allocated funds. Increasing PHAs’ utilization of voucher funds remains a key HUD priority for FY 2004.

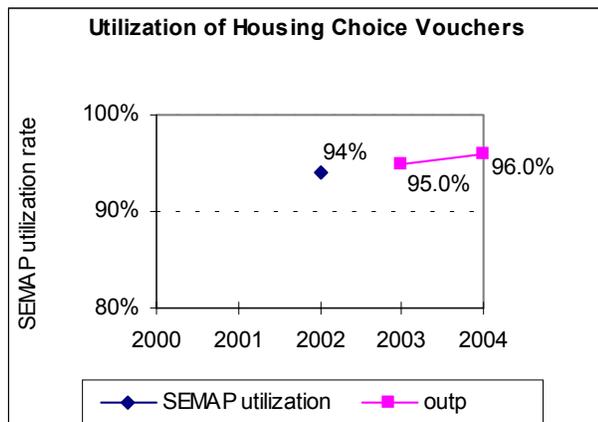
In the past several years, the Department and Congress have taken a number of steps to improve Section 8 utilization rates. These include: merger of the certificate and voucher programs, reforms to make the voucher program more attractive to landlords, expanded flexibility for PHAs to raise voucher payment standards to respond to changes and variations in local market conditions, a requirement that recipients of new incremental vouchers have utilization rates of 97 percent or more, a new Fair Market Rent policy that allows housing agencies experiencing low voucher success rates to obtain payment standards based on the 50<sup>th</sup> rather than the 40<sup>th</sup> percentile of rents, and authorization to allow housing vouchers to be used for homeownership. As agreed in a negotiated rulemaking with relevant stakeholders, HUD instituted a process that will provide for the reallocation of unused vouchers from PHAs that fail to achieve an adequate utilization rate. HUD also encourages PHAs that do not anticipate using all their vouchers to voluntarily reduce their program size. In addition, the Department has implemented SEMAP, which scores PHAs on their performance in managing Section 8 programs and strongly emphasizes voucher utilization rates. Finally, HUD plans to adopt a new system for tracking up-to-date utilization rates to allow for early intervention and conduct in-depth research into the causes and potential solutions for underutilization.

This measure tracks the extent to which voucher units and funding are being utilized by agencies. HUD’s SEMAP definition of a PHA’s utilization rate is the higher of the share of budget authority spent or the share of units utilized during the PHA’s fiscal year, excluding units under Annual Contributions Contracts (ACC) for less than one year or reserved for litigation. The FY 2004 goal is to improve the SEMAP utilization rate by 1 percentage point from the FY 2003 baseline.

**Data source.** HUD Central Accounting Processing System (HUDCAPS). FY 2003 results will be based on the year-end statements that have been received from PHAs as of November 30, 2003. Only units that are under contract for 12 months or more at the housing agency’s year-end are counted.

**Limitations/advantages of the data.**

Because of the timing of the APP and the fact that PHAs have four separate fiscal years, this measure will not capture current fiscal year-end data for every PHA. In addition, late submission of year-end statements by housing agencies may cause variation in the universe of housing agencies from year to year.



**Validation, verification, improvement of measure.** During FY 2001, critical data elements in HUDCAPS were assessed, verified and cleaned under the Data Quality Improvement Program. Agencies are excluded from the HUDCAPS data if they no longer operate voucher programs or do not yet have fully functioning voucher programs. Some missing or out-of-range values are corrected manually.

**A.1.5: The share of the Housing Choice Voucher/HANF program administered by housing agencies with substandard utilization rates decreases by 5 percent.**

**Indicator background and context.** Background on the important issue of Section 8 utilization is presented under indicator A.1.4. That indicator measures the overall proportion of vouchers that are being used by PHAs to assist families. This indicator, by contrast, tracks the number of PHAs that have substandard utilization rates and the share of the program that they administer. The standard for substandard utilization rates is based on the Section 8 Management Assessment Program (SEMAP) leasing indicator.

In accordance with the standards in SEMAP, “substandard utilization” by a housing agency is identified with a two-pronged test: both the “unit utilization rate” and “budget authority utilization rate” are below 94.5 percent. Under an improved SEMAP definition that took effect in FY 2001, the utilization rate is defined as the higher of the share of budget authority spent or the share of units utilized during the PHA’s fiscal years, excluding units under ACC for less than one year or reserved for litigation.

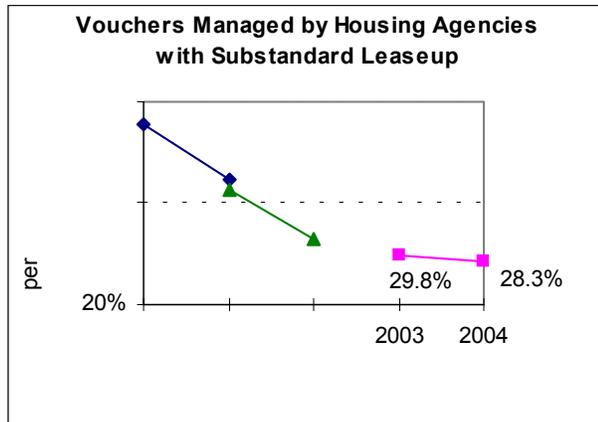
The share of units administered by PHAs that did not meet the 94.5 percent SEMAP utilization rate was 639,380 units, or 33 percent, as of FY 2002.

**Data source.** HUD Central Accounting Processing System (HUDCAPS). Lease-up is determined from HUD-approved year-end statements submitted by PHAs.

**Limitations/advantages of the data.**

Reports from PHAs with fiscal years ending June 30 are used to allow timely reporting.

**Validation, verification, improvement of measure.** A review of the definition of lease-up by PIH led HUD to develop a new interim rule for SEMAP in early FY 2001. The resulting conversion from budgeted units to reserved units in the denominator increased the measure’s validity, as the measure is no longer dependent on PHAs’ accuracy in budgeting.



**A.1.6: FHA endorses at least 1,000 multifamily mortgages.**

**Indicator background and context.** FHA multifamily mortgage insurance plays an important role in the mortgage market, especially for a number of higher risk segments in the housing industry. These include small builders, buyers or owners of aging inner-city properties, and nonprofit sponsors. FHA’s unique and valuable products include insurance that covers both the construction financing and long-term permanent financing of modest-cost rental housing, insurance for assisted living facilities, and a vehicle whereby lenders (including many with public purpose missions such as housing finance agencies) can gain access to the AAA rating of Ginnie Mae securities.

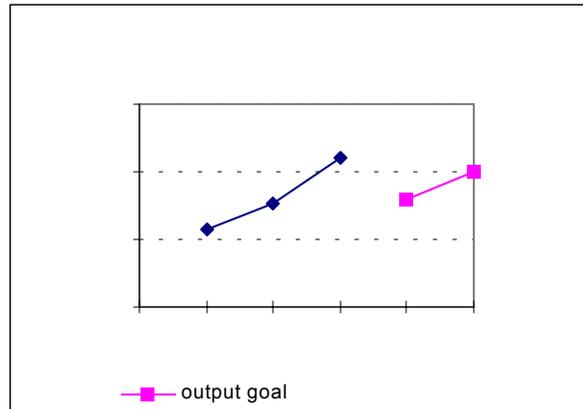
FHA brings stability to the market; many conventional multifamily loans that otherwise would have gone into default as they reached maturity during the credit crunch of the early 1990s were successfully refinanced with FHA. FHA also retains a leadership position in the market for high loan-to-value and long-term fully-amortizing multifamily loans, which can help in the provision of affordable rental housing. Maintaining FHA multifamily volume will help make more decent rental housing available to consumers at modest cost. This indicator tracks FHA's annual output of initial multifamily endorsements. FHA's FY 2001 performance on this indicator was stalled by a lack of credit subsidy. The Department attributes the 46 percent increase in performance in FY 2002 to pent-up demand from the prior year's lack of credit subsidy and the favorable interest rates encouraging owners to refinance. Refinancing increased by 255 percent, from 144 initial endorsements in FY 2001 to 512 in FY 2002. Of the 512, OMHAR contributed 223 refinancings under their Mark-to-Market program. In addition, 57 initial endorsements were under the Department's risk sharing program with its State Agency partners. The net endorsements after removing these and the OMHAR properties was 824 initial endorsements, very close to the goal of 800 for the year. The FY 2003 goal of 800 endorsements is premised on a flattening of the refinancing demand and somewhat softer markets due to the current financial climate.

However, the Department is increasing its goal for FY 2004 to 1,000 initial endorsements and the increased use of FHA's Multifamily Accelerated Processing program by lenders gaining knowledge and capacity in the program and of the Development Applications Processing system for automated underwriting of multifamily mortgages. Nonetheless, since FHA responds to local markets and the National economic conditions, it remains conservative in estimating this goal in the interest of assuring sound underwriting.

**Data source.** FHA's Real Estate Management System (REMS), based on lender-submitted data from the F47 system.

**Limitations/advantages of the data.** The data, which are based on a straight-forward and easily verifiable count of endorsements completed, are judged to be reliable for this measure.

**Validation, verification, improvement of measure.** FHA monitors the quality of data submitted by lenders. An independent assessment in 1999 showed that REMS data passed automated tests for validity, completeness and consistency. A data quality assessment completed for REMS in FY 2001 identified no problems that compromise this measure.



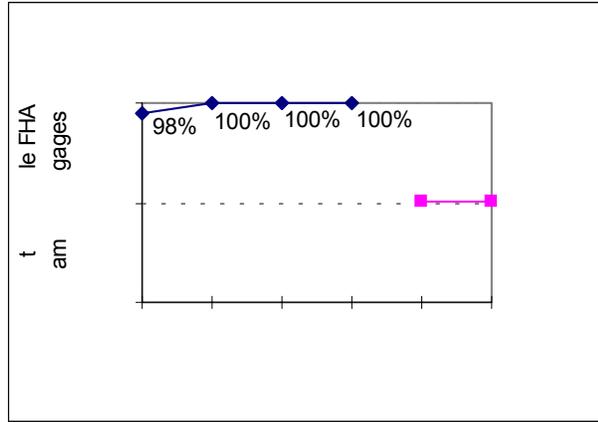
**A.1.7: Ginnie Mae securitizes at least 80 percent of eligible FHA multifamily mortgages.**

**Indicator background and context.** Ginnie Mae enhances the liquidity of the multifamily mortgage market by helping lenders package FHA-insured loans into securities for investors to purchase on the secondary market. Ginnie Mae-guaranteed securities increase the availability of capital for multifamily mortgages, thereby making loans less costly and easier to obtain. Some types of FHA multifamily loans (risk sharing and hospitals) are not eligible for securitization by Ginnie Mae. Ginnie Mae volume is constrained by the fact that some larger FHA multifamily mortgages are sold directly to investors who do not need the Ginnie Mae guaranty (for example, pension funds often do not require the Ginnie Mae guaranty to purchase an FHA-insured multifamily mortgage).

**Data source.** Ginnie Mae database of multifamily loan securities, compared with FHA multifamily database adjusted to remove ineligible projects.

**Limitations/advantages of the data.** Both Ginnie Mae and FHA data are tabulations of activity that the organizations track continually.

**Validation, verification, improvement of measure.** Both Ginnie Mae and FHA data are subject to annual financial audits because they represent an obligation on the part of the United States.



**A.1.8: Ginnie Mae credit enhancements on multi-class securities increase to \$147 billion in FY 2004.**

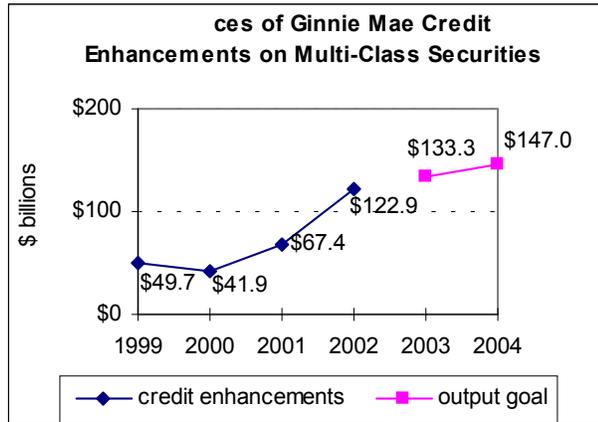
**Indicator background and context.** Ginnie Mae’s multi-class products include Real Estate Mortgage Investment Conduits (REMIC) and Ginnie Mae Platinum securities. REMIC securities pool mortgages or mortgage-backed securities for sale as multiple-class securities. By spreading investor risk among the various security classes (tranches), REMICs increase the secondary mortgage market’s liquidity, which can reduce the cost of capital for borrowers. The Platinum product provides customers the ability to trade a group of small pools for one large pool.

This indicator tracks the extent of Ginnie Mae’s contribution toward increasing the availability and decreasing the cost of multifamily mortgages through REMIC securities.

**Data source.** Ginnie Mae database of REMIC issuances.

**Limitations/advantages of the data.** The data reflect actual securities issued.

**Validation, verification, improvement of measure.** Ginnie Mae data are subject to annual financial audits because they represent an obligation on the part of the United States.



**A.1.9: Under the M2M program, HUD will reduce the rents on and preserve housing on 80 percent of the active pipeline at the beginning of the fiscal year, and where appropriate, complete a mortgage restructuring.**

**Indicator background and context.** Under the Mark-to-Market program (M2M), the Office of Multifamily Housing Assistance Restructuring (OMHAR) analyzes FHA-insured multifamily properties for which Section 8 rents exceed comparable market rents, and reduces Section 8 rents to bring them in line with comparable market rents or levels that preserve financial viability. Properties also are eligible for debt restructuring that involves a write-down of the existing mortgage in conjunction with the reduced rent levels. Rent adjustments and mortgage restructuring reduce the average cost of providing housing assistance and help maintain the supply of good quality, affordable housing units. OMHAR administers M2M by contracting with

Participating Administrative Entities (PAEs), including a number of state housing finance agencies, to conduct the mortgage restructuring.

The FY 2004 goal is based on an OMHAR projection of anticipated workload, which is, in part, based on an estimate of market rents for contracts expiring in the future. These projections may be affected by owner decisions, real estate market trends, accuracy of the REMS database, and future legislative changes relative to M2M eligible properties. In FY 2002, OMHAR completed a total of 510 project actions which is 66 percent of the pipeline on 10/01/2001; in FY 2001, OMHAR completed a total of 630 project actions which is 76 percent of the pipeline on 10/01/2000; and in FY 2000, OMHAR completed a total of 519 project actions which is 66 percent of the pipeline on 10/01/1999. For FY 2003, as of March 31, OMHAR has completed 212 project actions, which is 45 percent of the APP goal of 470 project actions. OMHAR's goal of 80 percent was based on the above completion rates and pipeline projections.

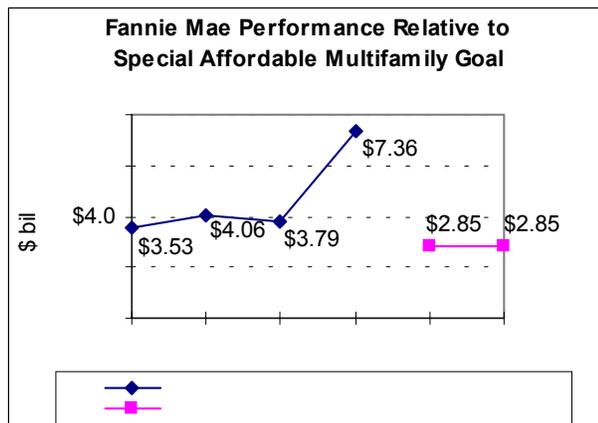
**Limitations/advantages of the data.** The M2M system tracks the milestones completed and final rent determinations for each M2M property, enabling OMHAR to measure performance, estimate savings and provide budget projections.

**Validation, verification, improvement of measure.** PAE files are subject to independent audits. OMHAR has developed PAE oversight and audit procedures that are used by OMHAR and/or contract staff in conducting periodic reviews of each PAE. M2M data that are used by OMHAR to determine progress and status of properties and PAEs are validated and verified by OMHAR data integrity team members. The data integrity team members meet bi-weekly to review the data integrity exception reports generated by the data system.

**A.1.10: Fannie Mae and Freddie Mac meet or surpass HUD-defined targets for special affordable multifamily mortgage purchases.**

**Indicator background and context.** Fannie Mae and Freddie Mac are two housing Government-Sponsored Enterprises or GSEs that were established by Congress for the public purpose of creating a secondary market for residential mortgages. Because the multifamily mortgage market has traditionally been less well served by the secondary market, HUD established a special affordable multifamily subgoal. This indicator tracks the performance of the GSEs in providing capital, measured in billions of dollars, for affordable multifamily housing. In 2000, HUD established higher goals for the 2001–2003 period: \$2.85 billion for Fannie Mae and \$2.11 billion for Freddie Mac. HUD is currently re-examining the current goals to determine appropriate performance levels for years 2004–2006.

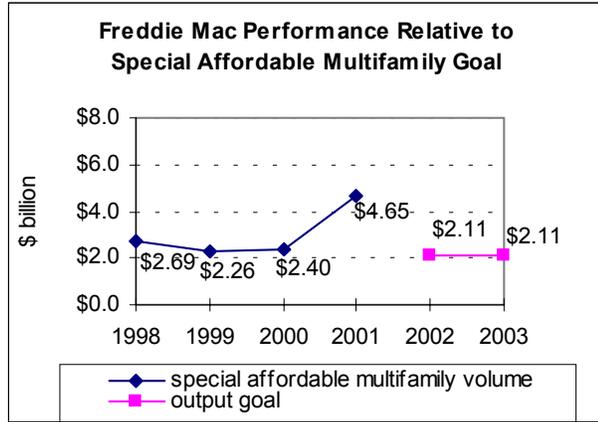
Qualifying multifamily mortgages provide five or more units that are affordable at incomes less than or equal to 60 percent of area median, or less than or equal to 80 percent of area median located in low-income areas. Low-income areas are defined as (1) metropolitan census tracts where the median income does not exceed 80 percent of area median income and (2) nonmetropolitan census tracts where median income does not exceed 80 percent of the county median income or the statewide metropolitan median income, whichever is greater.



**Data source.** HUD’s GSE database.

**Limitations/advantages of the data.** The data are compiled directly from GSE records on multifamily loan purchases. The data are based on calendar year rather than fiscal year lending, and are presented for GPRA purposes on a one-year lagged basis.

**Validation, verification, improvement of measure.** GSEs apply quality control measures to data elements provided to HUD. HUD verifies the data through comparison with independent data sources, replication of GSE goal



performance reports, and reviews of GSE data quality procedures. Both GSEs have reported achieving the multifamily subgoal for calendar year 2002. The Department will publish the official performance figures once it has completed its internal verification process.

**A.1.11: The number of clients receiving rental counseling increases by 60,000.**

**Indicator background and context.** The Department is placing more emphasis on Housing Counseling, including counseling for homeless clients and families seeking affordable rental housing. This indicator will track the number of clients receiving rental counseling. Due to the spend-out rate of new counseling funds for FY 2003, the increase in funding will not become evident programmatically until FY 2004, with more substantial increases accruing in following years. This indicator, therefore, will measure the increase in the number of clients receiving rental counseling between FY 2003 and FY 2004.

**Data Source.** FHA collects this data through Housing Counseling Agency Fiscal Year Activity Reports (form HUD-9902). This data includes the total number of clients, the type of counseling they received and the results of the counseling.

**Limitations/advantages of the data.** Reporting rates are near 100 percent because the Department’s Housing Counseling Agencies are required to submit these reports annually. A major limitation of the data collection instrument is that it does not differentiate the level of counseling given to each client. The quality and level of counseling can vary significantly. To improve the quality of the counseling data and make it useful for this type of performance measure, FHA has significantly revised the form HUD-9902. The new form was implemented in October 2002, to coincide with the FY 2002 grant cycle. The first summary results utilizing the new form will be available in the spring of 2004.

**Validation/verification improvement of measure.** While FHA does not verify the counseling counts, it does monitor agencies through site visits to assure quality counseling practices.

**A.1.12: Fully implement actions included in the Departmental Energy Action Plan by FY 2005.**

**Indicator background and context.** In FY 2002, HUD adopted a 21-point, Department-wide Energy Action Plan in support of the President’s National Energy Policy. The policy states that “the Federal government can promote energy efficiency and conservation by including the dissemination of timely and accurate information regarding the energy use of consumer purchases, setting standards for more energy efficient products, and encouraging industry to

develop more efficient products. The Federal Government can also promote energy efficiency and conservation through programs like the Energy Star program, and search for more innovative technologies that improve efficiency and conservation through research and development.”<sup>5</sup>

In July 2001, Deputy Secretary Jackson established a department-wide Task Force to identify measures that the HUD could take to support these goals. In addition, Secretary Martinez signed a Memorandum of Understanding with EPA and DOE to promote the use of Energy Star products and appliances through HUD programs. The Department spends some \$4 billion each year on energy—more than 10 percent of its budget—primarily through utility allowances to renters, housing assistance payments to private building owners, and operating grants to public housing authorities. Energy efficiency could yield significant cost savings to the Federal government, to property owners, and to building residents. Reducing HUD’s energy bills by just five percent could yield a savings of \$2 billion over the next ten years.

Co-chaired by the Office of Policy Development and Research (PD&R) and the Office of Community Planning and Development (CPD), the Task Force included every program area with a current or potential role in supporting energy efficiency: in addition to CPD and PD&R, the Task Force included FHA single-family and multifamily housing programs, Public and Indian Housing, the Office of Healthy Homes and Lead Hazard Control and representatives from several Field Offices. The Task Force also worked closely with the DOE and EPA in developing the Action Plan, and will continue to work with these agencies in implementing key items.

The strategy for supporting the President’s National Energy Policy through the Energy Action Plan is primarily be *operational*, aimed at upgrading the energy efficiency of existing housing using an established inventory of proven energy-efficient products and appliances that can be put to work immediately through existing programs. This will be accomplished through consumer education and outreach, interagency cooperation, market-based incentives, and public-private partnerships. Some research in and development of new or emerging energy-efficient technologies may also be needed, especially in HUD-financed new construction projects.

The Action Plan is intended to be fully implemented over a two year period. At least fifty percent of the actions will be fully implemented in FY 2004.

**Data Source.** Program offices will record actions and accomplishments adopted in the Management Plan in the HUD Integrated Performance Reporting System. The Office of Departmental Operations and Coordination (ODOC), working with PD&R and CPD, will assess and report on accomplishments.

**Limitations/advantages of the data.** Determining whether an Action Item is fully implemented will require some assessment on the part of program offices.

**Validation, verification, improvement of measure.** ODOC, working with PD&R and CPD, will verify and report whether actions are fully implemented.

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<sup>5</sup> National Energy Policy Development Group, *National Energy Policy*, May 2000.

## Objective A.2: Improve the physical quality and management accountability of public and assisted housing.

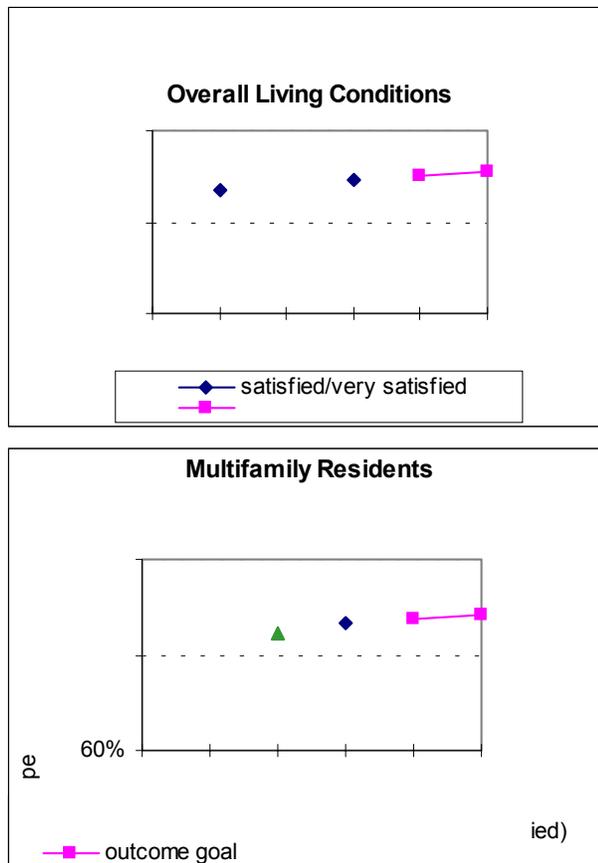
### A.2.1: The average satisfaction of assisted renters and public housing tenants with their overall living conditions increases by 1 percentage point.

**Indicator background and context.** The recipients of HUD housing assistance form one of the largest groups of direct customers of HUD. The Department influences resident satisfaction by demanding quality management from housing agencies and private multifamily developments. HUD surveys residents to determine whether they are satisfied with the outcomes. During FY 2002, 89 percent of public housing residents and 87 percent of a stratified sample of multifamily residents reported that they were satisfied or very satisfied with their “development/building.” The FY 2004 goal is to increase the percentage of households who express satisfaction by 1 percentage point from FY 2003 levels.

**Data source.** Data regarding resident satisfaction come from the REAC Resident Satisfaction Assessment Subsystem (RASS), based on surveys of residents of public housing and assisted multifamily housing.

**Limitations/advantages of the data.** The RASS survey is based on statistically representative samples of public housing households and on project-level averages of stratified samples of multifamily developments. The FY 2001 multifamily sample was stratified on the basis of project scores for physical condition and financial management. The FY 2002 multifamily sample was stratified to represent the portfolio of Section 202/811 developments, older assisted developments and newer assisted developments. Year-to-year changes in multifamily results should be considered with caution.

**Validation, verification, improvement of measure.** Analysis of results of a pilot survey showed good correlation between resident satisfaction scores and physical condition scores. Annual survey samples will verify estimates and increase confidence in their statistical reliability. Results also are validated by comparison with data from REAC’s other assessment systems.



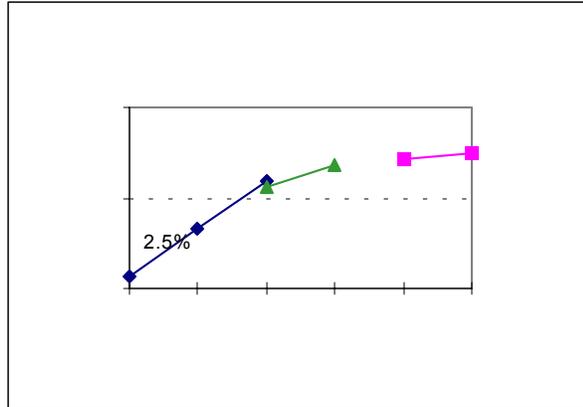
### A.2.2: The share of public housing units that meet HUD-established physical standards increases by 1.5 percentage points.

**Indicator background and context.** The President’s Management Agenda commits to improving the physical quality of public housing such that, by 2005, 91.6 percent of public housing will meet HUD’s physical standards. The FY 2002 results shown in the chart represent PHAs with fiscal years ending through March 2002.

**Data source.** REAC Physical Assessment Subsystem (PASS), consisting of electronically coded and transmitted results of independent physical inspections of units, common areas and facilities. PASS is a component of the overall Public Housing Assessment System and is used separately from PHAS for private multifamily housing.

**Limitations/advantages of the data.**

Inspections are conducted independently and are statistically representative of public housing. Because of the necessity of evaluating common areas, the number of passing units is determined by multiplying passing projects by the number of units they contain. Improvements to PASS may alter slightly the selection and weighting of individual inspection items from year to year. There were some changes to the baseline physical condition standards used in 1999 that would account for modest project score increases of a few points in the FY 2001 results, but most of the increases in scores are attributed to actual improvements to project physical conditions. PASS scoring for public housing was revised in FY 2001 to reflect negotiations with public housing agencies. As a result, public housing and private multifamily scores are not comparable.



**Validation, verification, improvement of measure.** As reported to Congress in the March 1, 2001 Conferee Report titled *PHAS-Physical Inspection System*, the REAC’s physical assessment program ensures the proper application and interpretation of the inspection protocol and the accuracy of inspection scores, thereby enabling effective and successful implementation of the public housing system. The above results were validated by an independent engineering firm as reflected in the subject report.

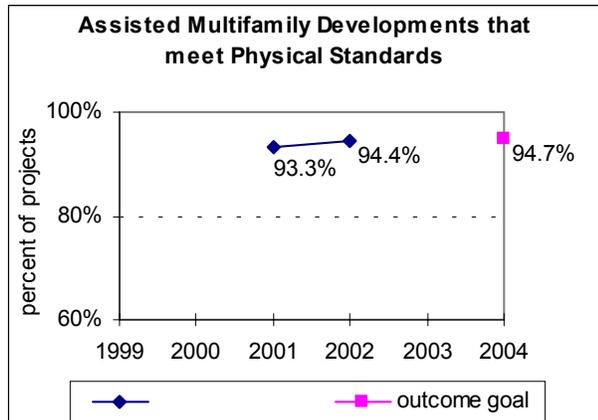
**A.2.3: The share of assisted and insured privately-owned multifamily properties that meet HUD established physical standards are maintained at no less than 94.7 percent.**

**Indicator background and context.** This performance goal builds on recent successes and exceeds the benchmark established in the President’s Management Agenda, setting a goal that 94.7 percent of assisted multifamily developments will meet HUD’s standards for physical condition in FY 2004.

**Data source.** REAC Physical Assessment Subsystem (PASS), consisting of electronically coded and transmitted results of independent physical inspections of units, common areas and facilities. PASS is a component of the overall PHAS and is used separately from PHAS for private multifamily housing.

**Limitations/advantages of the data.**

Inspections are conducted independently and are statistically representative of public housing and private multifamily assisted housing. Because of the necessity of evaluating common areas, the number of passing units is determined by



multiplying passing projects by the number of units they contain. Improvements to PASS may alter slightly the selection and weighting of individual inspection items from year to year. There were some changes to the baseline physical condition standards used in 1999 that would account for modest project score increases of a few points in the FY 2001 results, but most of the increases in scores are attributed to actual improvements to project physical conditions. PASS scoring for public housing was revised in FY 2001 to reflect negotiations with public housing agencies. As a result, public housing and private multifamily scores are not comparable.

Under the “3-2-1 Rule” that took effect in August 2000, inspections of multifamily developments occur at longer intervals of two or three years if their scores are high enough in the first year. Because some multifamily scores accordingly carry over from previous years, the average score will change about 40 percent less than it would if the measure were limited to projects that were present in both samples.

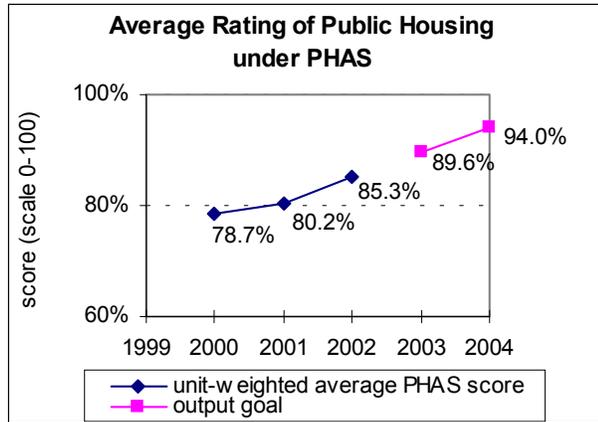
**Validation, verification, improvement of measure.** As reported to Congress in the March 1, 2001 Conferee Report titled *PHAS-Physical Inspection System*, the REAC’s physical assessment program ensures the proper application and interpretation of the inspection protocol and the accuracy of inspection scores, thereby enabling effective and successful implementation of the public housing system. The above results were validated by an independent engineering firm as reflected in the subject report.

**A.2.4: The unit-weighted average PHAS score increases by 5 percent.**

**Indicator background and context.** This indicator tracks HUD’s progress toward increasing the capability and accountability of public housing agency partners and increasing the satisfaction of residents. The Public Housing Assessment System (PHAS) provides an indication of the quality of the housing stock and the management conditions with which each public housing resident lives.

**Data source.** REAC’s PHAS, which comprises scores determined by the Physical, Management, Financial, and Resident satisfaction Assessment Subsystems (PASS, MASS, FASS, and RASS).

**Limitations/advantages of the data.** PASS and RASS are statistically representative of public housing projects and households respectively. The PHAS scoring indicators were modified during FY 2000, and the system is currently undergoing further review. PHAS scores in FY 2001 and beyond may not be entirely comparable with the FY 2000 baseline.



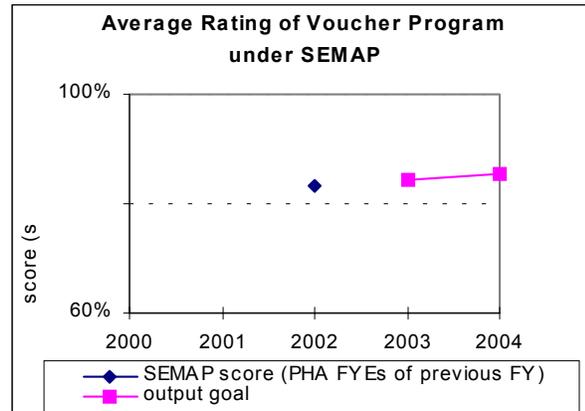
**Validation, verification, improvement of measure.** MASS and FASS submissions are subject to verification by independent audit, and the financial assessment is a process validated by the American Institute of Certified Public Accountants. PASS scores are based on independent inspections of the PHAs’ properties by HUD, and are verified through HUD’s Quality Assurance Program. The PHAS weighting system will be validated through consultation with public housing stakeholders, which includes industry groups, residents of public housing, advocacy groups, and other interested parties. The validation process also consists of analysis of relevant data collected.

**A.2.5: The household-weighted average SEMAP score increases by 1 percentage point.**

**Indicator background and context.** The Section 8 Management Assessment Program (SEMAP) provides HUD with an essential tool for measuring the quality of housing agency administration of the Housing Choice Voucher program. SEMAP tracks housing agency performance on a broad range of indicators of program administration, including voucher utilization, compliance with housing quality standards, and correct calculation of rental subsidy. This indicator uses SEMAP scores to track HUD progress toward increasing the capability and accountability of housing agency partners and increasing the satisfaction of voucher recipients. Under this indicator, SEMAP scores are multiplied by the number of households in the housing agency and then averaged across all households. The first PHAs required to report SEMAP scores were those with fiscal year ends of September 2000. The FY 2004 goal is to increase the household-weighted SEMAP score by 1 percentage point.

**Data source.** Public and Indian Housing Information Center Section Eight Management Assessment Program (PIC SEMAP), based on data reported by PHAs to MTCS. The baseline will be determined in FY 2003 from SEMAP ratings.

**Limitations/advantages of the data.** SEMAP does not capture some important indicators of good management, such as timeliness of payments to landlords and timeliness of inspections. However, performance on such unmeasured dimensions is expected to be correlated with SEMAP scores.



**Validation, verification, improvement of measure.** SEMAP data are reviewed by independent auditors.

**A.2.6: The average FASS score for all PHAs designated by FASS as “troubled” will increase by 3 percent.**

**Indicator background and context.** REAC is evaluating the financial management of public housing agencies based on generally accepted accounting principles. REAC plans a similar assessment of tribal properties. The REAC Financial Assessment Subsystem (FASS) involves Internet-based submission of audited financial information in a standardized format. Data are validated, reviewed, and scored, resulting in standard and substandard designations. In FY 2002, 4.0 percent of public housing households lived in housing managed by PHAs with substandard financial management under FASS. This was an improvement from 6.3 percent of households in FY 2001. The FY 2004 goal is to improve the average FASS score by 3 percent from FY 2003 levels among PHAs designated as troubled by FASS in FY 2003.

**Data source.** REAC Financial Assessment Subsystem.

**Limitations/advantages of the data.** The financial assessment is a process validated by the American Institute of Certified Public Accountants. Further refinements may be necessary as the assessment process matures. A few very large PHAs may generate substantial movement in this measure.

**Validation, verification, improvement of measure.** REAC performs Quality Assurance Reviews of the audited financial statements submitted by Independent Public Accountants of PHAs. The QAR provides assurance that the audited statements are accurate and reliable and that

audits are conducted in accordance with government and professional standards. FASS incorporates extensive data checks and both targeted and random review by independent auditors.

**A.2.7: Among households living in assisted and insured privately-owned multifamily properties, the share that meets HUD’s financial management compliance is maintained at no less than 95 percent.**

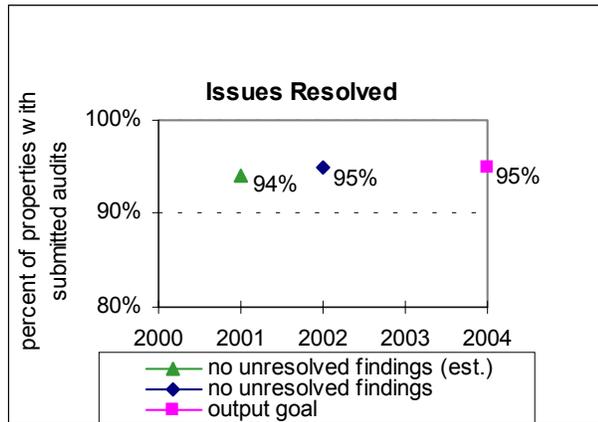
**Indicator background and context.** REAC is evaluating the financial management of both public housing agencies and privately owned multifamily properties based on generally accepted accounting principles. The REAC Financial Assessment Subsystem (FASS) involves Internet-based submission of audited financial information in a standardized format. Data are validated, reviewed, and scored, resulting in standard and substandard designations. While PHA scores represent an aggregate of all properties owned or controlled by the agency, multifamily financial scores are determined at the project level for every multifamily development.

Multifamily project managers in the field offices are responsible for resolving all compliance issues or findings identified by REAC. In addition, owners not submitting their audited financial statements in a timely manner are referred to the Departmental Enforcement Center. In FY 2001, an estimated 94 percent of the properties reviewed ended the year free of unresolved compliance issues. The proportion increased to 95 percent of properties at the end of FY 2002. The FY 2004 goal is to maintain high compliance and successful resolutions so that at least 95 percent of the properties submitting audited financial statement either have no compliance issues or audit findings or have such issues or findings closed (resolved) by September 30, 2004.

**Data source.** REAC Financial Assessment Subsystem. Real Estate Management System (REMS) for tracking Multifamily’s corrective actions.

**Limitations/advantages of the data.** The financial assessment is a process validated by the American Institute of Certified Public Accountants. Further refinements may be necessary as the assessment process matures.

**Validation, verification, improvement of measure.** REAC performs Quality Assurance Reviews of the audited financial statements of multifamily



property owners submitted by Independent Public Accountants. The QAR provides assurance that the audited statements are accurate and reliable and that audits are conducted in accordance with government and professional standards. FASS incorporates extensive data checks and both targeted and random review by independent auditors.

**A.2.8: As part of the effort to eliminate 100,000 units of the worst public housing, demolish 10,000 units during FY 2004.**

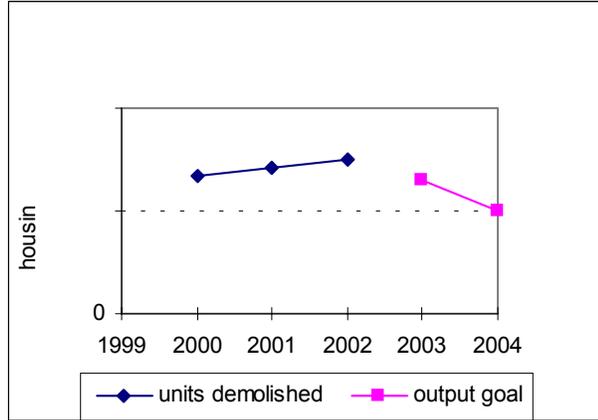
**Indicator background and context.** Many units of distressed high-rise public housing for families with children already have been demolished. These developments, ill-designed for family occupancy, experienced crime and social breakdown that contributed to severe maintenance problems and excessive vacancies. The troubled stock in some cases is physically uninhabitable and in other cases drains housing agency resources because it is too costly to operate. Demolishing distressed stock is often a prerequisite for reconstruction and relocating families in safer and more humane environments.

As of the end of FY 2002, PHAs had actually demolished approximately 88,922 units. Over 55,000 of the completed demolitions were carried out in connection with HOPE VI revitalization grants. HUD intends to demolish 100,000 units of severely distressed public housing by the end of FY 2003. As reflected by indicator A.2.9, HOPE VI projects will account for a sizable fraction of total demolitions.

**Data source.** PIH Integrated Business System (IBS), Demolition/Disposition Module.

**Limitations/advantages of the data.** IBS is the basic resource for information on the public housing stock. No data problems are known to affect this indicator. Data are entered by HUD field office staff.

**Validation, verification, improvement of measure.** Field staff verify that units were demolished. In FY 2001, HUD sent letters to housing agencies to ensure that information in IBS is current.



**A.2.9: The HOPE VI Revitalization Development program for public housing relocates 3,300 families, demolishes 4,000 units, completes 6,900 new and rehabilitated units, and occupies 6,200 units.**

**Indicator background and context.** HOPE VI is HUD’s primary program for eliminating distressed public housing by demolishing unsustainable developments and rebuilding in accordance with community-sensitive principles. Housing agencies have been slower in implementing HOPE VI redevelopment plans than was anticipated because of the extensive planning and partnering involved. This indicator tracks the share of HOPE VI redevelopment plans that are being implemented on schedule in terms of four key outputs: tenants relocated to permit redevelopment, units demolished, new and rehabilitated units completed, and units occupied. The table presents cumulative achievements through FY 2002 and the additional achievement targets for FY 2003 and FY 2004. Goals reflect planned achievements based on HOPE VI plans submitted by PHAs.

**Data source.** PIH’s HOPE VI Progress Reporting System, consisting of quarterly progress reports submitted by grantees.

**Limitations/advantages of the data.** Data are judged to be reliable for this measure. Usefulness and completeness of the data are improving following a difficult transition to reporting on the basis of construction and financing phase.

Achievements	FY 2000 cum.	FY 2001	FY 2002	FY 2003 goal	FY 2004 goal
Households relocated	33,153	6,923	4,668	3,160	3,300
Units demolished	34,893	12,375	8,346	3,905	4,000
Units constructed or rehabilitated	10,510	4,044	6,468	6,821	6,900
Units occupied	9,958	3,579	6,205	6,201	6,200

**Validation, verification, improvement of measure.** Submitted data are reviewed by HUD field staff and verified through site visits. HUD Headquarters staff review the reports each quarter and compare progress to stated goals and the results of on-site visits by the Army Corps of Engineers

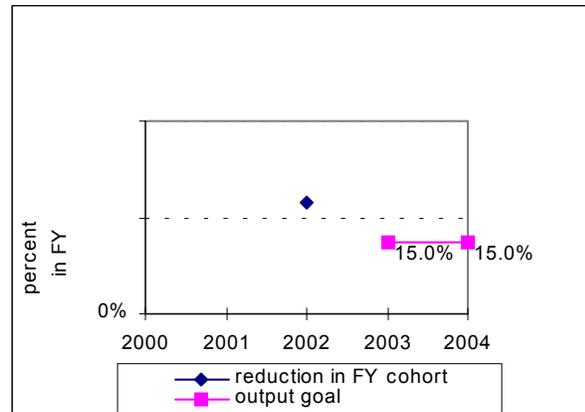
and HUD field office staff. The collection of progress data by construction and financing phase has supported improvements in the validity of performance targets.

**A.2.10: The percent of units under management of troubled housing agencies at the beginning of FY 2004 decreases by 15 percent by the end of the fiscal year.**

**Indicator background and context.** PIH and REAC use the Public Housing Assessment System (PHAS) to evaluate the performance of public housing agencies based on four categories: physical condition, management operations, financial condition, and resident satisfaction. Housing agencies with composite scores below 60 percent are classified as “troubled” under the PHAS rating system. Under PHAS, a low score for physical condition, management operations, or financial condition alone also triggers a “troubled/substandard” designation. This indicator tracks the share of units managed by “troubled” agencies at the beginning of the fiscal year that successfully return to “standard” status by the end of the fiscal year due to intervention by the Department. Further refinements may be necessary as the assessment process matures.

**Data source.** TA portfolio system, which captures the date a PHA is designated troubled based on REAC PHAS scores. PHAS comprises scores determined by the Physical, Management, Financial, and Resident satisfaction Assessment Subsystems (PASS, MASS, FASS, and RASS).

**Limitations/advantages of the data.** PASS and RASS are statistically representative of public housing projects and households respectively.



**Validation, verification, improvement of measure.**

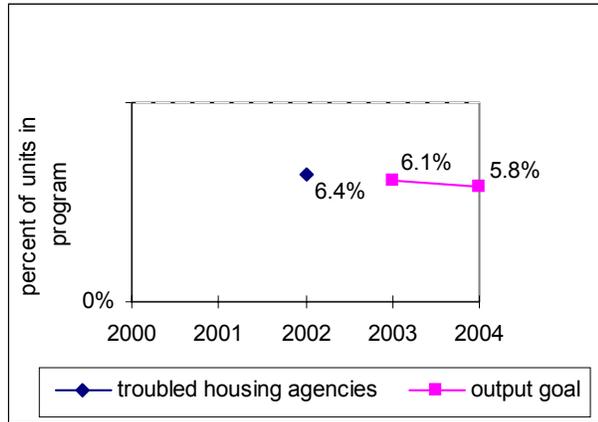
MASS and FASS submissions are subject to verification by independent audit. PASS scores are based on independent inspections of the PHAs’ properties by HUD, and are verified through HUD’s Quality Assurance Program.

**A.2.11: The share of Housing Choice Voucher/Housing Assistance for Needy Families (HANF) voucher units managed by troubled housing agencies decreases by 5 percent.**

**Indicator background and context.** This is an important indicator that tracks the share of Housing Choice/HANF voucher assistance that is vulnerable to poor management. The Section Eight Management Assessment Program designates a housing agency as troubled if its composite SEMAP score is below 60 percent or an independent auditor is unable to provide a clear opinion of conformance with generally accepted accounting principles. SEMAP rates housing agencies based on compliance with requirements for tenant selection, rent reasonableness, income determination, housing quality inspections and enforcement, expanding housing opportunities and deconcentration, lease-up rates, FSS participation, reporting household data, and correct rent calculations. The FY 2004 goal is to reduce the proportion of vouchers managed by troubled agencies by 5 percent from the FY 2003 baseline.

**Data source.** Public and Indian Housing Information Center Section Eight Management Assessment Program (PIC SEMAP). The baseline will be determined in FY 2003 using FY 2002 SEMAP ratings.

**Limitations/advantages of the data.** SEMAP does not capture some important indicators of good management, such as timeliness of payments to landlords and timeliness of inspections. However, performance on such unmeasured dimensions is expected to be correlated with SEMAP scores.



**Validation, verification, improvement of measure.** The performance goal may need recalibration when complete SEMAP data are available.

**A.2.12: The share of public housing residents who feel that housing agency managers take action when residents in the development break rules increases by 5 percentage points.**

**Indicator background and context.** Public housing agencies provide residents with protective, maintenance and tenant services to enhance the quality of life and improve awareness of security and safety policy and issues. To maximize tenant security, it is essential that public housing managers act promptly to respond to any program violations by tenants. Management responsiveness also affects the physical condition of public areas in housing developments. This indicator uses resident survey data to track management responsiveness to program violations, measuring an element of public housing security that is fully within the control of public housing managers. During FY 2001, 71 percent of the surveyed public housing residents reported that PHA managers take action when residents break the rules. The FY 2004 goal is to improve the percentage of residents who recognize responsiveness among housing agency management by 5 percentage points from the FY 2003 baseline.

**Data source.** REAC’s Resident Satisfaction Assessment Subsystem (RASS).

**Limitations/advantages of the data.** RASS is based on a nationally-representative random sample of public housing households and serves as a reliable data source for this measure. Sample sizes are sufficient to produce statistically valid estimates at the level of housing developments.

**Validation, verification, improvement of measure.** Results are compared across annual survey samples to verify the reliability of the data.

## Objective A.3: Increase housing opportunities for the elderly and persons with disabilities.

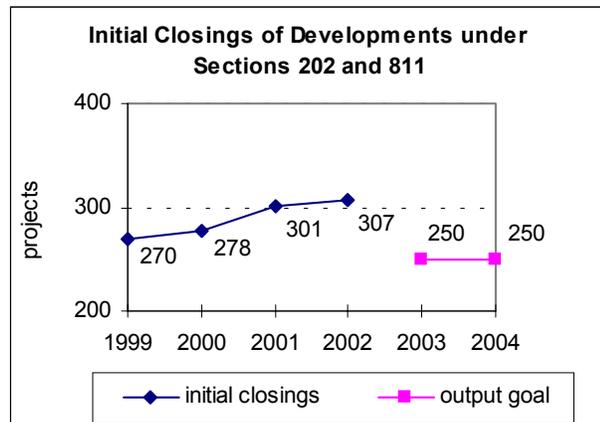
### A.3.1: Increase the availability of affordable housing for the elderly and persons with disabilities by bringing 250 projects to initial closing under Sections 202 and 811.

**Indicator Background and Context.** The Section 202 program and Section 811 program provide capital advances for multifamily housing for elderly and disabled households, respectively. Section 202 and 811 projects can be difficult to bring to closing. Sponsors usually must find other sources of funding for project features not fundable by the program, and neighborhoods sometimes oppose the developments. This indicator tracks the number of projects each year that reach the initial closing stage (when the project design has been approved and all of the local community requirements have been met).

**Data source.** Office of Housing’s Development Application Processing (DAP) system.

**Limitations/advantages of the data.** The DAP system became operational in FY 2000. The data consist of straightforward and easily verifiable counts of initial closings.

**Validation, verification, improvement of measure.** The Office of Housing receives copies of the closing document that will be used to verify data system entries.



### A.3.2: Section 202/811 tenants’ satisfaction shall be compared to similar survey data for the low-income elderly as reported in the American Housing Survey.

**Indicator background and context.** This indicator was developed to expand understanding of the quality of life that elderly households and persons with disabilities experience when they live in supportive housing funded by Section 202/811 direct loans. Tenant satisfaction levels reported in HUD surveys will serve as a proxy for quality of life. These results will be compared with survey results for comparable low-income households among the general population. For FY 2004, the baseline analysis will be completed.

**Data source.** Survey results for Section 202/811 residents will come from the REAC’s Resident Satisfaction Assessment Subsystem (RASS). The American Housing Survey will provide comparison data for low-income elderly households among the general population.

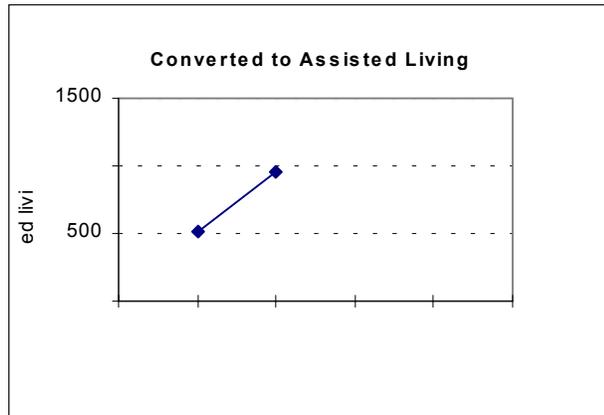
**Limitations/advantages of the data.** AHS data are available biennially with a lag of one year. The RASS and AHS survey instruments differ substantially so results must be interpreted with caution. The AHS is unsuited for providing comparative results regarding the supportive services provided in 202/811 housing because AHS questions about tenant satisfaction focus on the housing unit and neighborhood.

**Validation, verification, improvement of measure.** Both RASS and AHS instruments have proven reliable in repeated applications.

**A.3.3: The number of assisted-living units that HUD supports through Assisted Living Conversion program increases by completing conversion of 10 properties.**

**Indicator background and context.** HUD has several programs that increase the availability of housing that includes assistance for health needs or daily living for frail or disabled persons. FHA’s mortgage insurance under Section 232 ensures that capital funding is available for assisted-living developments. FHA also insures units for frail elderly through its Board and Care program. The Office of Housing also funds the conversion of units in Section 202 properties (multifamily housing for the elderly) to assisted living units, which include basic medical care. HUD’s Office of Public and Indian Housing is beginning to support assisted living through the provision of Section 8 rental assistance vouchers that can be used to pay for the housing component of assisted living, and that can be linked with Medicaid funding for health services to create a completely affordable assisted living package, and through partial conversions of some public housing developments. However, the PIH units are not currently included in this indicator.

During FY 2001, grants were approved to fund assisted living conversions for 444 units. Under Section 232, a total of 6,395 units were insured, including 56 assisted-living projects comprising 5,707 units and 8 projects with 688 Board and Care units. The FY 2003 goal was to increase the aggregate number of assisted living units above the number available during FY 2002. The department will continue to increase the aggregate number of assisted living units in FY 2004 principally through the conversion program. The 232 program will remain in use, but the Department is concerned about the continuing availability of adequate Medicaid funding and the number of existing properties in financial distress. The Department is removing this insurance program from this goal temporarily.



**Data source.** FHA’s DAP system identifies HUD-insured assisted living properties. Data about 202 conversions are available from the Office of Housing’s Section 202 conversion grant database, consisting of annual progress reports submitted by grantees.

**Limitations/advantages of the data.** The counts are straightforward and easily verifiable.

**Validation, verification, improvement of measure.** Grantee reports will be verified by monitoring.

**A.3.4: The number of elderly households living in private assisted housing developments served by a service coordinator for the elderly increases by 10 percent.**

**Indicator background and context.** HUD evaluations of the Congregate Housing Service Program, HOPE for Elderly Independence, and the Service Coordinator Program all verified that service coordinators improve the quality of life of elders by helping them to remain as active and independent as their health permits. Service coordinators for public housing and assisted housing projects are funded in a number of ways: through grants made by the Office of Housing, from grants made as part of the Resident Opportunity and Supportive Services (ROSS) and predecessor programs, from assisted housing project budgets and reserves, from public housing Operating and Capital Funds, and from other resources raised in the community. ROSS grants for service coordinators currently are limited to renewals of expired elderly coordinator grants, so public

housing has no programs intended to increase the number of service-enhanced elderly developments.

In 2000 HUD received a significant increase in funding for service coordinators in multifamily assisted housing, from \$13 million in FY 1999 to \$50 million in FY 2000 through 2002. The FY 2002 funds provided coordinators for over 25,000 housing units, helping close the gap between the number of developments with service coordinators and those that need them for a population that is aging in place. HUD received \$53 million in FY 2003 and is requesting the same amount in FY 2004. The FY 2004 goal is to increase elderly households served by 10 percent from FY 2003 levels. Elderly households are defined as families or individuals with a head or spouse aged 62 or older.

**Data source.** Private multifamily projects with service coordinators will be identified by linking the Office of Housing service coordinator grants database to applications data. A baseline number of elderly households in each of these projects will then be determined from TRACS, which contains tenant records submitted by project owners and managers. The Office of Housing receives standardized voluntary reports from project managers that could be tabulated to provide more detailed information about the Service Coordinator program.

**Limitations/advantages of the data.** Administrative data capture only projects with service enhancements funded under the Service Coordinator program. The number of public housing developments with service coordinators has not been aggregated at the project level, but this is not a significant limitation for this indicator because funding limited to renewals makes the number stable.

**Validation, verification, improvement of measure.** Tabulations will be reviewed and any problems or discrepancies will be reported.

### **A.3.5: Service-enriched housing increases the satisfaction of elderly families and individuals with their units, developments and neighborhoods.**

**Indicator background and context.** Frail elderly residents report higher quality of life and increased independence in developments that have service coordinators on staff, as shown by two demonstration programs, the HOPE for Elderly Independence Demonstration and the Congregate Housing Services Program, and an evaluation of the Service Coordinator program. Even elderly persons who are not “frail”—defined as needing help with three activities of daily living—will have greater ability to age in place when service coordinators provide appropriate support for independent living.

This indicator measures the satisfaction of elderly residents (62 and older) in privately-owned assisted housing, comparing the satisfaction of elderly households in developments with and without service coordinators. The FY 2004 performance goal will be determined following analysis of baseline data.

**Data source.** Data regarding reported satisfaction of elderly residents comes from the REAC Resident Assessment Subsystem (RASS), based on surveys of residents of public housing and private assisted housing. Assisted multifamily developments with service coordinators are identified from the Service Coordinator program administrative database, as discussed for indicator A.3.4.

**Limitations/advantages of the data.** The data are statistically representative of the population. Sample sizes of the elderly subpopulation in developments with service coordinators may not support precise estimates in a single year, but precision will increase with annual replications of the survey. Public housing developments with service coordinators cannot be identified from national data bases.

**Validation, verification, improvement of measure.** Pretests of resident survey instruments have established the validity of resident satisfaction surveys by demonstrating a high correlation

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between responses and objectively verifiable conditions in the development. Annual replications of the survey will verify results by drawing different samples.

## **Objective A.4: Help HUD-assisted renters make progress toward self-sufficiency.**

**A.4.1: By FY 2008, increase the proportion of those entering HUD’s housing assistance programs who “graduate” from assistance within five years (or receive continuing assistance as homeowners) because their income is sufficient to pay for adequate housing.**

**Indicator background and context.** A key role of HUD’s public and assisted housing programs is to provide low-income families with housing stability that can help them make progress to self-sufficiency. This long-term indicator, adopted in HUD’s FY 2003–2008 Strategic Plan, measures the proportion of those families who have been assisted for fewer than five years that are leaving federally assisted housing because they can afford adequate housing on their own. This will include determining the duration of tenancy and changes in their employment and homeownership status since they first received housing assistance.

This performance goal applies to the public housing, voucher and Section 8 project-based housing programs. HUD is procuring research to develop a baseline for this measure. In FY 2008, HUD will determine whether a later sample of entrants into housing assistance fared better with regard to achieving self-sufficiency than the initial group. Success in this measure will also allow HUD to serve more people with housing assistance needs. This measure excludes the elderly persons HUD serves but includes disabled persons who can work.

This APP includes other goals that serve as interim measures of self-sufficiency outcomes, including growth in earnings of assisted households and movement from welfare to work.

**Data source.** The baseline data will come from a HUD-sponsored program evaluation of outcomes in FY 2004.

**Limitations/advantages of the data.** The data are expected to be statistically representative of the housing programs. However, the cost and effort involved in the study are prohibitive for annual replication and will create a lag in the reporting of outcomes. The study will not be able to control for the independent effect of economic conditions upon graduation rates.

**Validation, verification, improvement of measure.** This graduation rate measure builds on the foundation of self-sufficiency measures that HUD has developed for assisted households. It improves upon such measures because it is a more valid measure of long-term outcomes. The proposed self-sufficiency concepts used to develop the baseline may be revised as justified by research results. The methodology and data used will be verifiable and available in a research report. Comparison with PIC and TRACS program data also will help verify that observed results are real.

**A.4.2: Average earnings increase by 5 percent from year to year among non-elderly non-disabled households in the public housing, Housing Choice Voucher/Housing Assistance for Needy Families and project-based Section 8 programs.**

**Indicator background and context.** Housing agencies help voucher recipients and public housing residents make progress towards self-sufficiency by providing welfare to work services, work incentives and Family Self-Sufficiency programs. Under the Quality Housing and Work Responsibility Act of 1998, housing agencies are required to use their best efforts to enter into cooperative agreements with local welfare agencies to advance self-sufficiency objectives. Evidence is increasing that the housing stability provided by public and assisted housing supports transitions from welfare to work, contributing to greater success in the job market among assisted

households than among those that are forced to cope with extreme rent burdens and unstable housing situations.

This indicator tracks how earnings change among assisted households from year to year. Elderly and disabled households are excluded, as are those who enter the programs during the fiscal year. The FY 2004 goal is to achieve increases in earnings of 5 percent above the FY 2003 baseline for public housing and voucher programs collectively. For Section 8 project-based housing, this will be a tracking indicator, rather than a performance goal, as private owners of multifamily projects have few tools to increase their tenants' earning capacity.

**Data source.** Earned income data for public housing and voucher programs come from PIC household reports (Form 50058). Private multifamily data come from TRACS household reports.

**Limitations/advantages of the data.** The data are judged to be reliable for this measure. Although PIC 50058 experienced a delay in full reporting during FY 2002, the data generally should be free of sampling error because they represent a near-census of assisted households, and high reporting rates limit non-response error. Estimates of earned income are expected to be biased downward by measurement error associated with inadequate interviews governing sources of income, failure of housing providers to use verified income amounts, and failure of tenants to report all sources of earned income. On the other hand, improvements in the accuracy of income determinations may lead to apparent growth in tenants' earnings that reflects the share of actual earnings ascertained by housing providers, rather than any real earnings growth.

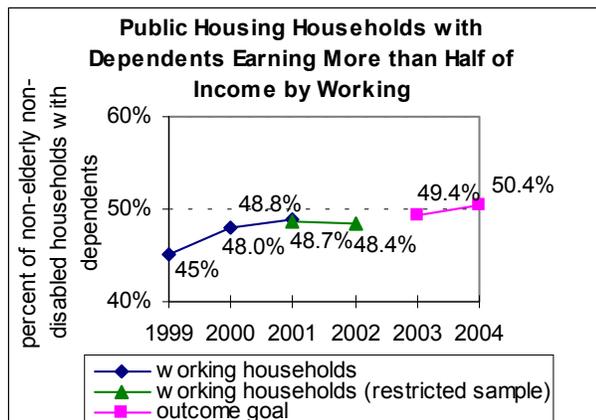
**Validation, verification, improvement of measure.** PIC 50058 has automated edits to prevent input errors, and HUD performs quality control studies to verify the accuracy of tenant income data. HUD is working to substantially reduce unreported income and other sources of measurement error.

**A.4.3: Among non-elderly, non-disabled public housing households with dependents, the share that derive more than 50 percent of their income from work increases by 1 percentage point.**

**Indicator background and context.** This indicator focuses on public housing and reflects changes in income composition resulting from public admissions policies, as well as self-sufficiency policies. To promote a greater mix of incomes in public housing, the Quality Housing and Work Responsibility Act of 1998 (QHWRA) authorized public housing agencies to adopt admissions policies that provide up to 60 percent of newly available public housing units to families with incomes as high as 80 percent of the area median. The Act also gave public housing tenants the option of paying flat rents that do not increase as income increases, which allows families to work without the penalty of increased rents.

QHWRA also required HUD to develop a new Operating Formula to allocate operating subsidy to PHAs. The new formula creates an incentive for housing agencies to facilitate increases in earned income among family households. Housing agencies that successfully increase dwelling rental income are allowed to retain 50 percent of the increased revenue to fund specified activities. The FSS and ROSS programs likewise help agencies promote and support work among public housing families.

This indicator tracks the success of housing agencies in attracting working families and in promoting work participation among existing residents.



The FY 2004 performance goal is to increase the percentage of working families in public housing by 1 percentage point above FY 2003 levels.

**Data source.** PIH Information Center (PIC) 50058 report module, consisting of household data submitted electronically by housing agencies.

**Limitations/advantages of the data.** PIC 50058 data are judged to be reliable for this measure. The number of working households is expected to be biased downward by measurement error associated with inadequate PHA interviews governing sources of income, failure of PHAs to use verified income amounts, and failure of tenants to report all sources of earned income.

**Validation, verification, improvement of measure.** PIC 50058 performs automated checks on data ranges and internal consistency to help ensure the accuracy of tenant data. HUD performs quality control studies to verify the accuracy of tenant income data. HUD is working to substantially reduce unreported income and other sources of measurement error.

**A.4.4: The number of public housing and Housing Choice Voucher/Housing Assistance for Needy Families Voucher households that have accumulated assets through the Family Self-Sufficiency program increases by 5 percent and the average escrow amount for FSS graduates increases.**

**Indicator background and context.** HUD is committed to increasing the number of programs and enrollments in the Family Self-Sufficiency Program, its principal asset building tool. FSS promotes the development of local strategies for helping families obtain employment that will enable them to build assets and achieve economic independence and self-sufficiency. FSS provides participating families with opportunities for education, job training, counseling, and other services while they are receiving housing assistance. Both voucher program participants and public housing residents are eligible to participate in FSS programs.

The essential elements of the FSS program include (1) voluntary participation of families through a five-year self-sufficiency contract; (2) case management and service coordination; (3) a Program Coordinating Committee made up of representatives of the housing agency, local government and service providers; and (4) escrow savings accounts, a significant asset-building tool. As participants' earnings increase, a portion of their increased rental payments is deposited into an interest-bearing escrow account. They receive these funds upon successful fulfillment of their self-sufficiency contract if no family member is receiving welfare assistance. The public housing Operating Fund supports the FSS program by covering the PHA share of the reasonable cost of salary and fringe benefits for a FSS program coordinator and related supportive services for FSS programs in public housing and voucher programs.

This indicator tracks the number of public housing and voucher-assisted households who participate in FSS and have positive escrow balances, and the average escrow amount for graduates during the fiscal year. The FY 2004 goal is to increase the number of households with positive escrow balances by 5 percent in both the public housing and voucher programs.

**Data source.** PIH Information Center (PIC) form HUD-50058 report module, consisting of household data submitted electronically by housing agencies.

**Limitations/advantages of the data.**

Many PHAs have reported difficulty getting their FSS data into PIC 50058, with the result that PIC 50058 does not always accurately reflect FSS program enrollment and escrow activities. Reporting accuracy and completeness is expected to improve with the new HUD-50058 FSS addendum that was implemented in September 2001. A full year of reporting on the new form will be necessary to assure the PIC 50058 data for the FSS program is more accurate.

**Validation, verification,**

**improvement of measure.** PIC 50058 performs automated checks on data ranges and internal consistency to help ensure the accuracy of tenant data. An improved HUD-50058 FSS addendum has been implemented and additional data verification will be conducted following full implementation.

	Feb.	FY 2001	FY 2002	FY 2003	FY 2004
<b>Public Housing households</b>					
FSS Participants	7,092	tbd	-	-	-
Number with Escrow Assets	2,735	tbd	tbd +5%	tbd +10%	tbd +10%
Avg. Escrow Amount for Graduates	Not avail.	tbd	tbd +5%	tbd +10%	tbd +10%
<b>Voucher households</b>					
FSS Participants	47,755	tbd	-	-	-
Number with Escrow Assets	15,603	tbd	tbd +5%	tbd +10%	tbd +10%
Avg. Escrow Amount for Graduates	Not avail.	tbd	tbd +5%	tbd +10%	tbd +10%

**A.4.5: The share of housing agencies scoring at least 8 points under the SEMAP indicator for FSS increases by 5 percentage points.**

**Indicator background and context.** PHAs that received additional Section 8 rental certificates or housing choice voucher funding from FY 1993 through October 1998 are required to implement FSS programs, under which participating tenants sign self-sufficiency progress contracts. The number of mandatory FSS slots was determined by the amount of new funding received by the PHA. FSS helps participating families build assets by funding escrow accounts based on increased rental payments resulting from increased earnings. This indicator, which applies only to mandatory FSS programs, uses one component of the SEMAP system to track PHA compliance with FSS obligations for the housing choice voucher program. To score eight points out of a possible 10, at least 60 percent of mandatory housing choice voucher FSS slots must be filled and at least 30 percent of housing choice voucher FSS families must have escrow account balances. The baseline for this goal was established for the SEMAP reporting period for the four quarters from December 31, 2000 through September 30, 2001. Of the 2,332 PHAs rated in SEMAP during that period, the FSS indicator applied to only the 1,080 PHAs with mandatory FSS programs. Of those PHAs with mandatory FSS programs, 480, or 44 percent, achieved a score of 8 points or higher.

**Data source.** PIH Information Center Section Eight Management Assessment Program (PIC SEMAP), based on data reported by PHAs to PIC 50058.

**Limitations/advantages of the data.** Many PHAs have reported difficulty submitting their FSS data into PIC 50058, with the result that PIC 50058 does not always accurately reflect their FSS program enrollment and escrow activities. Reporting accuracy and completeness should improve as a result of the Department’s work in FY 2002 to identify sources of reporting problems and correct them. The baseline that was established with FY 2001 data may understate the number of successful FSS programs because of problems with the HUD PIC 50058 system at that time.

When evaluating the percentage of mandatory housing choice voucher FSS slots, SEMAP scores have to be adjusted manually to correct for reduction of the mandatory program size due to graduations from FSS after October 1998.

**Validation, verification, improvement of measure.** PIC 50058 performs automated checks on data ranges and internal consistency to help ensure the accuracy of tenant data. An improved HUD-50058 FSS addendum has been implemented, and additional data verification will be conducted following full implementation.



## Goal C: Strengthen Communities

### Strategic Objectives:

- C.1 Provide capital and resources to improve economic conditions in distressed communities.**
- C.2 Help organizations access the resources they need to make their communities more livable.**
- C.3 End chronic homelessness and move homeless families and individuals to permanent housing.**
- C.4 Mitigate housing conditions that threaten health.**

### Objective C.1: Provide capital and resources to improve economic conditions in distressed communities.

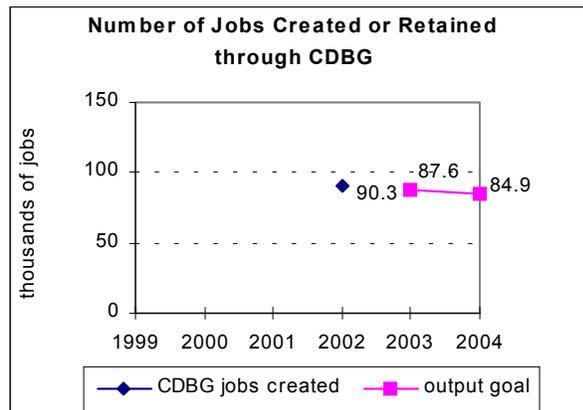
#### C.1.1: A total of 84,000 jobs will be created or retained through CDBG.

**Indicator background and context.** Many communities choose to use a significant portion of their CDBG grants to improve the local economy and help their citizens find productive work. In FY 2001, entitlement communities used \$283 million—8.3 percent of their funds—for economic development, and States used \$206 million or 18.9 percent. The FY 2002 actual performance was 90,263 jobs created or retained. The goal for FY 2004 is to create or retain 84,928 jobs.

**Data source.** Estimates for CDBG are based on the Integrated Disbursement Information System and represent full-time-equivalent jobs created or retained with cumulative outlays.

**Limitations/advantages of the data.** The data are judged to be reliable for this measure.

**Validation, verification, improvement of measure.** HUD is currently working to increase the accuracy and completeness of IDIS data. Field staff review grantee reports to assess accuracy and monitor to ensure that reported jobs are directly related to expenditure and that low- and moderate-income persons receive the required share of positions.



#### C.1.2: RC, EZ and EC areas achieve community renewal goals in four areas.

**Indicator background and context.** The Office of Community Renewal (OCR) designates distressed communities to receive important tools for economic and community development. HUD designated 89 Empowerment Zones (EZ) or Enterprise Communities (EC) on the basis of the quality of their locally developed strategic plans and awarded flexible grants to 15 urban Round II EZs. On December 31, 2001, the Secretary designated eight Round III EZs and 40

Renewal Communities (RC) as authorized by the Community Renewal Tax Relief Act of 2000 (CRTR Act). By law, 16 urban ECs and the Atlanta EZ, known as conversion sites, lost their original designations when they became RCs. The CRTR Act authorized increased tax incentives and an extended deadline of Dec. 31, 2009 to all EZs, including the new Round III EZs. RCs also receive tax incentives, but HUD selected them competitively on criteria including poverty, unemployment, household income and low crime.

Four indicators will be carried over from the previous APP that reflect HUD's commitment to empowerment with accountability for its partners. Using these indicators, which are self reported in the Performance Measurement System (PERMS), enables HUD to assess the designated EZs and ECs in terms of the performance relative to the projected outputs in their plans. This measure is based on Implementation Plans completed during the performance year. The data represent the actual number of reported cumulative accomplishments. This is a simpler way to look at the data from previous APP reporting years, which looked at the percentage of EZ/ECs that achieved goals in completed plans. The categories are:

1. New or rehabilitated affordable housing units completed;
2. People served under homeless assistance programs;
3. Residents that find gainful employment;
4. Residents served by public safety and crime prevention.

New and rehabilitated affordable housing units have been combined for simplicity. EZ/ECs have done similarly well on those two. Residents served by homeownership programs and social services have been discontinued.

In regards to developing new outcome measures, the Office of Community Renewal looked for readily available data sets that have indicators that may correlate with impact of being designated an RC or EZ. According to a recent HUD report, "The Impact of CDBG Spending on Urban Neighborhoods" (October 2002, 105 p.), the median home loan amount tracked by the Home Mortgage Disclosure Act and number of businesses tracked by Dun and Bradstreet show some correlation to CDBG funding. Our proposed logic model suggests that Federal tax incentives to businesses in conjunction with local revitalization efforts make the RC or EZ a more attractive place to do business and live. These changes should be visible in the housing market and business activity.

According to HUD’s Interim Impact Assessment of EZ/ECs (2001), employment and business growth, as measured by changes in Dun and Bradstreet data, increased about 3 percent per year on average. The office hopes this trend continues. In regards to housing data, Engberg and Greenbaum show that state enterprise zones have a positive impact in tight housing markets.<sup>6</sup> A review of the median home loan amount in

Goals Identified in Implementation Plans	RC, EZ and EC areas achieve Community Renewal goals in four areas				
	2000 (Actual)	2001 (Actual)	2002 (Actual)	2003 (Goal)	2004 (Goal)
New or rehabilitated affordable housing units completed	26,046	*25,721	32,351	33,500	35,500
People served under homeless assistance programs	41,259	44,358	50,487	51,000	53,000
Residents that find gainful employment	126,137	154,517	270,709	285,000	340,000
Residents served by public safety and crime prevention	1,736,901	1,743,411	1,746,849	1,749,000	1,750,000

\* Reflects correction of over-reporting from 2000.

EZ/ECs from 1998 to 2001 shows an increase of an average of 8.5 percent per year. In contrast, the national median home loan amount increased an average of 6 percent per year during the same time frame. Although a correlation has not been tested at this point, the office hopes to see a positive slope of at least 6 percent per year. In regards to the number of loans, this increased an average of 6 percent per year in the EZ/ECs and only 3 percent per year nationally. Although a correlation has not been tested at this point, the office hopes to see a positive slope of at least 3 percent per year. Because Renewal Communities are more distressed than EZ/ECs, and both Engberg and Greenbaum (1999) and the October 2002 CDBG study detect diminishing returns in extremely distressed areas, the Office of Community Renewal has no way of knowing a priori if a correlation between RC tracts and changes in these data sets will be found. Accordingly, OCR has been unable to commit to APP indicators based on external data sets at this time.

**Data sources.** CPD’s PERMS data for EZs and ECs are based on annual progress reports submitted by the designees following the June 30 program year end. In regards to other related data sources, the Home Mortgage Disclosure Act Data is collected annually by law by the Federal Financial Institutions Examination Council. The Internal Revenue Service, one of our interagency partners, can run an aggregate national report on use of the form 8844 to take the RC/EZ employment credits. Dun and Bradstreet sell proprietary data on business activity.

**Limitations/advantages of the data.** Grantees report cumulative achievements to PERMS only once a year, so measuring incremental progress requires additional analysis. HMDA data does not adequately capture activity in rural areas like HUD’s 12 rural Renewal Communities. No correlation has yet been measured, so tracking the changes in loan activity and amount would be experimental.

IRS data is coded by taxpayer zip code, not by census tract or location of business. A statistical sample of returns is used to calculate a nationwide value of the credit. It is useful for a nationwide measure, but problematic to make comparisons between designees. The IRS has not yet released the data.

Dun and Bradstreet data is timely, but expensive. Staff analysis is required to sort by census tract. The program office has purchased FY 2002 data by designee but cannot predict future budget shortfalls. Furthermore, the research community is skeptical of the validity of Dun and Bradstreet

<sup>6</sup> Engberg, John, and Robert Greenbaum. 1999. “State Enterprise Zones and Local Housing Markets.” *Journal of Housing Research*. 10, 2: 163-187.

data because it is prone to duplication and inaccurately reported information. Abt Associates used careful analysis of the Dun and Bradstreet data to correct employment data through comparison with telephone directories and county business patterns data to correct multiple or missing records and geocoding errors.

The reporting burden placed on RCs and Round III EZs must recognize the fact that they receive only tax incentives. All of the designated RCs and EZs understand the need to provide additional data on utilization and outcomes from the tax incentives. HUD understands the need to comply with all applicable requirements regarding data collection from citizens. Nonetheless, when HUD finalizes the exact nature of the updated PERMS reporting requirements, some modification to APP indicators may be considered based on the designees' responses.

**Validation, verification, improvement of measure.** HUD establishes criteria for valid Implementation Plans in PERMS. Field staff verify a sample of implementation plans that utilize the most program dollars for each EZ or EC. Corrections to some over reporting took place in the following annual report, which is why housing outputs appear to decrease in 2001. An evaluation of the EZ or EC program was completed during FY 2001 to provide a more detailed assessment of program results.

**C.1.3: A total of 3,728 at-risk youths are trained in construction trades through Youthbuild.**

**Indicator background and context.** Youthbuild offers 16- to 24-year-old high school dropouts general academic and skills training, as well as apprenticeships in housing construction and rehabilitation. Most Youthbuild trainees enter the program without a GED or high school diploma, but obtain one as part of their training. The \$65 million budget for FY 2004 is expected to train 3,728 youth as well as create habitable housing units and increased literacy and numeracy skills. In addition to an overall goal for the number of youths trained, HUD has goals for the number of new units constructed and rehabilitated because of the importance of these units—which are affordable to low- and very low-income households—to their communities.

**Data source.** CPD's Office of Rural Housing and Economic Development tabulates information from grantee applications.

**Limitations/advantages of the data.** Data are based on grantee projections and do not represent actual

	FY 2000 actual	FY 2001 actual	FY 2002 actual	FY 2003 goal	FY 2004 goal
persons trained/GED	2,897	3,762	3,729	3,774	3,728
housing units constructed					460
housing units rehabilitated					746
literacy & numeracy goals					587

accomplishments. The type and duration of training varies between projects.

**Validation, verification, improvement of measure.** CPD Field staff monitor grantees to ensure that they are meeting the objectives identified in their applications.

## **Objective C.2: Help organizations access the resources they need to make their communities more livable.**

### **C.2.1: Streamline the Consolidated Plan.**

**Indicator background and context.** The President’s Management Agenda reflects that by 2003, HUD will work with local stakeholders to streamline the Consolidated Plan, making it more results-oriented and useful to communities in assessing their own progress toward addressing the problems of low-income areas.

During FY 2003, the Office of Community Planning and Development will be working with approximately 25 communities to complete and evaluate pilots of ideas proposed by stakeholder working groups. These pilots involve streamlining the plan, making the plan more results-oriented or more outcome-based, making the plan more useful in assessing progress toward addressing problems of low-income areas, and improving performance measurement and reporting. Based on pilot evaluations, by July 2004, HUD will propose the necessary administrative, regulatory and statutory reforms to implement a reformed, results-oriented planning and reporting processes and systems nationally. CPD also would define grants management system requirements to support local setting and tracking of performance relative to national program goals, integrating IDIS and the Consolidated Plan.

**Data source.** CPD will evaluate data obtained from the pilots carried out by approximately 25 communities.

**Limitations/advantages of the data.** The success of the pilots will be based on criteria for success each pilot community has identified in making the plan more streamlined, more results-oriented or more outcome-based, more useful in assessing progress toward addressing problems of low-income areas, and improving performance measurement and reporting.

**Validation, verification, improvement of measure.** Stakeholders have been involved in Consolidated Plan Improvement Initiative process and are the source of many of the changes/improvements being evaluated.

### **C.2.2: Evaluate results from the Consolidated Plan Improvement Initiative (CPII) to determine needed changes to grant management system requirements to support local setting and tracking of performance relative to national program goals by September 30, 2004.**

**Indicator background and context.** The President’s Management Agenda directed HUD to work with local stakeholders to streamline the Consolidated Plan, making it more results-oriented and useful to communities in assessing their own progress toward addressing the problems of low-income areas.

**Data source.** The Consolidated Plan Improvement Initiative, and in particular the results of the pilot projects discussed in indicator C.2.1.

**Limitations/advantages of the data.** Only a small sample of grantees are performing pilots.

**Validation, verification, improvement of measure.** Stakeholders have been involved in Consolidated Plan Improvement Initiative process and are the source of many of the changes/improvements being evaluated.

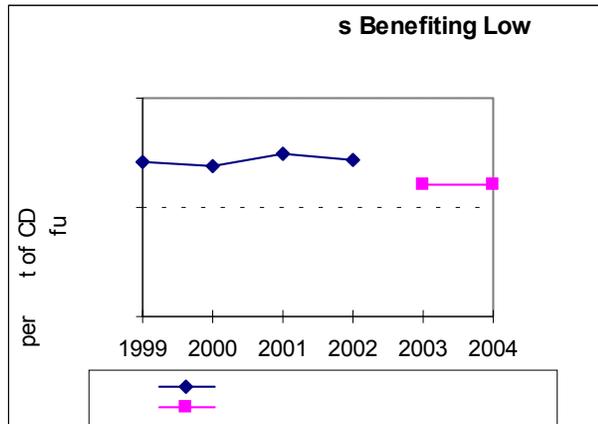
**C.2.3: The share of CDBG entitlement funds for activities that principally benefit low- and moderate-income persons remains at or exceeds 92 percent.**

**Indicator background and context.** Entitlement communities are required to use at least 70 percent of their Community Development Block Grant funds for activities that benefit low- and moderate-income residents. CDBG grantees historically have exceeded this requirement, and HUD has an interest in encouraging continuing strong performance in this area so the greatest local needs are met. Of the roughly \$3.5 billion in CDBG entitlement funds spent during FY 2002, 94 percent were used to benefit low- and moderate-income households, essentially unchanged from 94 percent in FY 2001.

**Data source.** CPD program data compiled from Annual Performance Reports submitted by grantees.

**Limitations/advantages of the data.** When funds are used to serve a neighborhood, they are presumed to serve low- and moderate-income residents if more than 50 percent of the residents have low or moderate incomes.

**Validation, verification, improvement of measure.** CPD field staff verify program data when monitoring grantees.



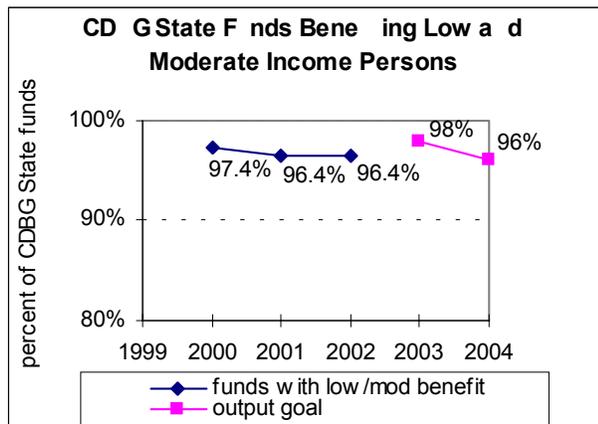
**C.2.4: The share of State CDBG funds for activities that principally benefit low-and moderate-income persons remains at or exceeds 96 percent.**

**Indicator background and context.** Whereas the prior indicator measures the targeting of CDBG grants by entitlement communities, this indicator measures the targeting of CDBG funds by States. Like entitlement communities, States are required to use at least 70 percent of their Community Development Block Grant funds for activities that benefit low- and moderate-income residents. CDBG grantees historically have exceeded this requirement, and HUD has an interest in encouraging continuing strong performance in this area so the greatest local needs are met. States used 96.4 percent of the roughly \$1.5 billion of CDBG funds they spent in FY 2002 to benefit low- and moderate-income persons, the same as in FY 2001.

**Data source.** CPD program data compiled from Annual Performance Reports submitted by grantees.

**Limitations/advantages of the data.** When funds are used to serve a neighborhood, they are presumed to serve low- and moderate-income residents if more than 50 percent of the residents have low or moderate incomes.

**Validation, verification, improvement of measure.** CPD field staff verify program data when monitoring grantees.



**C.2.5: Endorse FHA single-family mortgages in underserved communities.**

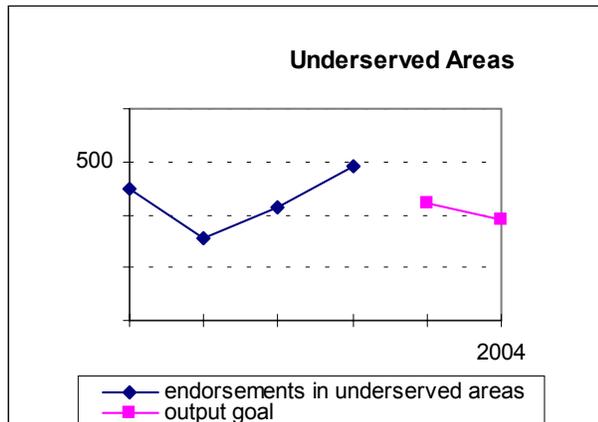
**Indicator background and context.** FHA’s role in the mortgage market is to extend homeownership to families that otherwise might not achieve homeownership. There is substantial evidence that lower income and minority neighborhoods are less well served by the conventional mortgage market than are more affluent and nonminority neighborhoods. FHA lending in disadvantaged neighborhoods increases the homeownership rate.

While it is extremely important that FHA loans be available in underserved communities for those who otherwise might not become homeowners, it is also important that FHA be a complement to, and not a substitute for, conventional lending. A healthy housing market requires the availability of conventional mortgages as well. A goal for increasing FHA lending in such neighborhoods should not involve an increased FHA share of the total mortgage market in these communities, but should be accompanied by increased conventional lending as well. The FY 2002 goal was to increase the tally by 5 percent, or to approximately 433,000, and 492,000 was achieved. Given economic uncertainties, the FY 2004 goal is to insure 390,000 mortgages in underserved areas. The achievement of this goal is strongly influenced by National economic conditions.

**Data source.** FHA’s Consolidated Single-Family Statistical System (CSFSS, F42).

**Limitations/advantages of the data.** This measure may fluctuate when the census tracts constituting underserved areas are redefined using the latest Census data. The fluctuations are not expected to substantially reduce the reliability of this national summary measure.

**Validation, verification, improvement of measure.** HUD verifies FHA data for underserved communities by comparison with Home Mortgage Disclosure Act data.



**C.2.6: The number of multifamily properties in underserved areas insured by FHA is maintained at 25 percent of initial endorsements.**

**Indicator background and context.** FHA insures loans for new construction and substantial rehabilitation of multifamily rental units under Sections 221(d)(3), 221(d)(4), and 220, and risk-sharing under 542(b) and (c). Section 223(f) insures mortgages for existing multifamily properties, either to refinance an existing mortgage or to facilitate the purchase of a property. A moderate amount of rehabilitation cost may be included in the mortgage. These programs improve the quality and affordability of rental housing, and increasing their availability in underserved neighborhoods will promote revitalization of those neighborhoods.

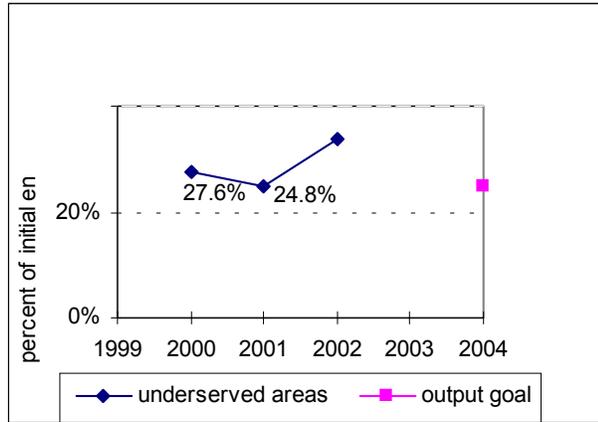
This indicator tracks the number of units in multifamily properties within “underserved” neighborhoods that receive mortgage endorsements by FHA. Beginning in FY 2003, refinanced mortgages are included. Section 202 and Section 811 properties are excluded. Underserved neighborhoods are defined in metropolitan areas as census tracts either with a minority population of 30 percent and median family income below 120 percent of the metropolitan area median, or with median family income at or below 90 percent of area median (irrespective of minority population percentage). A similar definition of underserved applies to nonmetropolitan areas, using counties rather than tracts.

The FY 2003 goal is to increase the number of units by 5 percent, building on an equivalent FY 2002 goal. However, the FY 2004 goal is broader in scope and is focused on assuring a

continuing commitment to underserved areas. The achievement of this goal in FY 2004 is influenced by National economic conditions.

**Data source.** For project locations and unit counts, FHA’s DAP system. For tract poverty rates and minority share, the decennial Census of Population, updated with the American Community Survey. PD&R determines which census tracts meet the definition of “underserved” for HUD’s role in oversight of Freddie Mac and Fannie Mae.

**Limitations/advantages of the data.** The program data are subject to variance caused by fluctuating market conditions. The Census data used to define underserved areas are the best available.

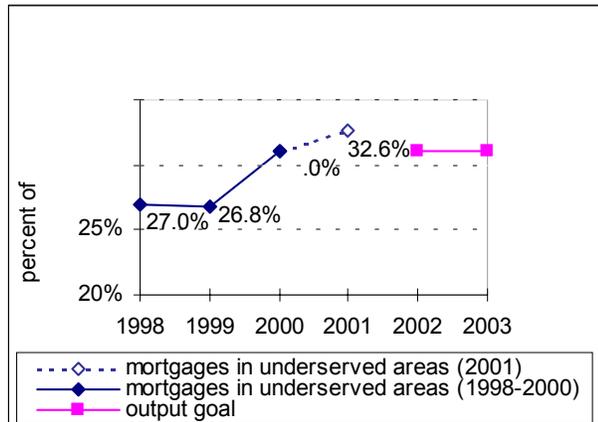


**Validation, verification, improvement of measure.** FHA performs computerized checks of data quality, and FHA staff verify multifamily mortgage transactions. The Bureau of Census has rigorous data quality standards, and it is not feasible for HUD to verify Census or ACS data independently.

**C.2.7: Fannie Mae and Freddie Mac meet or surpass HUD-defined geographic targets for mortgage purchases in underserved areas.**

**Indicator background and context.** One of the three public purpose goals that HUD sets for the housing GSEs involves increasing the share of mortgages purchased from “central cities, rural areas and other underserved” areas. HUD’s definition of such areas is based on census tracts with below-average income and/or above-average shares of minority households. These neighborhoods historically have been underserved by the mortgage market, as shown by high mortgage denial rates and low mortgage origination rates.

Thus, success of the GSEs in meeting HUD-defined targets is central to meeting the outcome goal of stabilizing homeownership in underserved neighborhoods. The current goal is 31 percent for the years 2001–2003.<sup>7</sup> HUD is currently re-examining the current goal to determine the appropriate performance level for years 2004–2006.



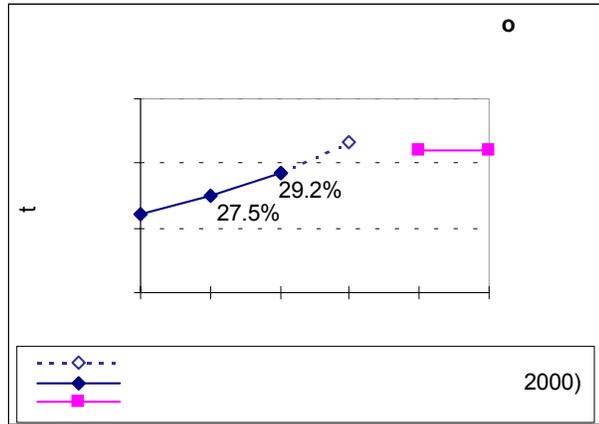
<sup>7</sup> In the accompanying graphs, the change from a solid line to a dotted line from 2000 to 2001, and the change in shapes from a solid diamond to a hollow diamond, reflect the changes in HUD’s scoring rules that became effective in 2000.

**Data source.** HUD’s GSE database.

**Limitations/advantages of the data.** The data are compiled directly from GSE records on single-family and multifamily loan purchases. The data are based on calendar year rather than fiscal year lending, and are presented for GPRA purposes on a one-year lagged basis.

**Validation, verification, improvement of measure.** GSEs apply quality control measures to data elements provided to HUD. HUD verifies the data through comparison with independent data

sources, replication of GSE goal performance reports, and reviews of GSE data quality procedures. GSE financial activities are verified by independent audits. Both GSEs have reported achieving their housing goal targets for calendar year 2002. The Department will publish the official performance figures once it has completed its internal verification process.



**C.2.8: COPC grantees will receive an extra 20 percent in non-Federal funds above the match amount originally claimed in their application between the times they start and complete their projects.**

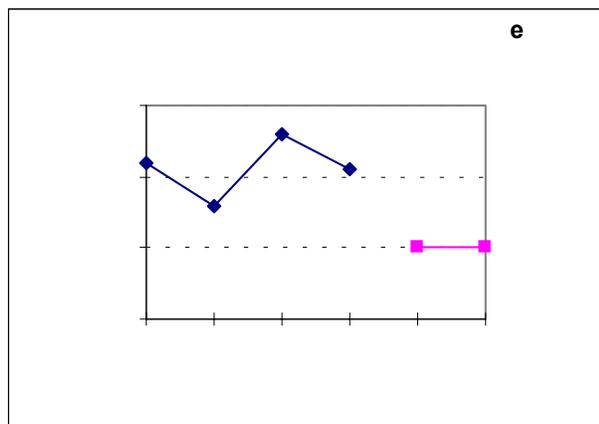
**Indicator background and context.** The Community Outreach Partnership Centers (COPC) program provides funds to colleges and universities for a wide variety of technical assistance and applied research activities. The underlying purpose of these activities is to strengthen the commitment of colleges and universities to their communities and local organizations within those communities, build the capacity of community-based organizations and highlight role models for other partnerships between universities and community-based organizations.

This indicator demonstrates the satisfaction that community-based organizations, local governments, foundations, private businesses, and the schools themselves have with COPC-funded activities by measuring new financial commitments to continue, expand and in some cases institutionalize the work. The measure is the percentage increase in matching funds above match commitments, as measured for COPC grantees whose grants closed each calendar year. The goal is maintained at 20 percent for FY 2004, reflecting the recent emphasis on new and often smaller grantees having fewer fund-raising resources and less experience with the program.

**Data source.** COPC administrative data, consisting of semiannual and final progress reports submitted by grantees. Grants closing by December 31 were reported for 1999–2001, and grants closing by September 30 are being reported for 2002 and future years.

**Limitations/advantages of the data.** Estimates reflect COPC grants that have closed since the last performance reporting period.

**Validation, verification, improvement of measure.** Financial statements of grantees are subject to independent audits. PD&R staff monitor grantee activities on the basis of progress reports. During FY 2002, the interim report format was improved to improve retrieval and accuracy of cumulative totals of nonfederal funds raised by grantees.



**Related program evaluations.** In addition to a COPC evaluation report completed during FY 2002, three additional case studies are being completed during FY 2003. Several grantees also are evaluating their own outreach programs.

## Objective C.3: End chronic homelessness and move homeless families and individuals to permanent housing.

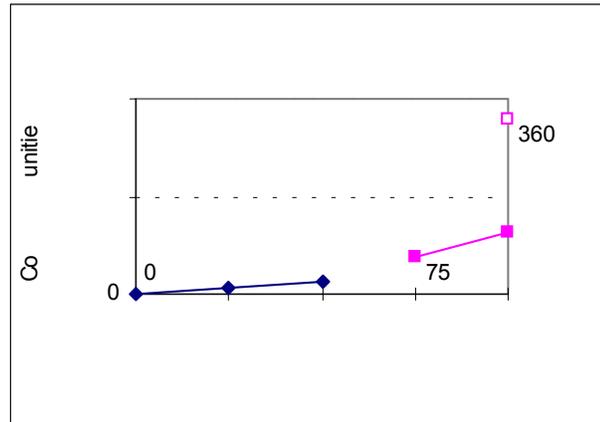
### C.3.1: At least 360 functioning CoC Communities or 90 percent of our continuums will have a Homeless Management Information System.

**Indicator background and context.** This indicator measures the number of CoC communities that have implemented a Homeless Management Information System (HMIS). Congress directed HUD to work with local jurisdictions to collect an array of data on homelessness, including unduplicated counts, the use of services, and the effectiveness of the local homeless assistance systems. HMIS data will help to more accurately determine the size, characteristics and needs of the community's homeless population. HUD has set a goal of October 2004 for the CoC jurisdictions to have an operating HMIS.

**Data source.** FY 2004 CoC application data will be used for this measure.

**Limitations/advantages of the data.** HMIS data will be obtained by a community's self-reporting via their CoC application. HMIS data will be required in the application. Self-reporting by grantees is not known to compromise reliability of this measure.

**Validation, verification, improvement of measure.** CPD field staff verify the quality of data in CoC homeless plans. As HMIS systems develop, local communities will gain a better understanding of how best to track their progress in HMIS implementation. HUD will work to clarify the NOFA questions and terms regarding HMIS so communities are clear on exactly what data HUD is requesting.



### C.3.2: The number of chronically homeless individuals declines by up to 50 percent by FY 2008.

**Indicator background and context.** While there is currently no way to directly measure the number of chronically homeless individuals, HUD is working with other Federal agencies and communities to develop definitions and methods for measuring the extent of chronic homelessness. The chronically homeless are single adults who have severe disabilities and have been continually homeless for one year or more, or have reoccurring episodes of homelessness. Even when housing is available, their disabilities sometimes make it difficult for them to remain in housing for long periods unless they also have supportive services such as case management and health care. Once HUD estimates the number of chronically homeless individuals by using Homeless Management Information Systems data, effective actions can be taken to measure the anticipated ongoing decrease in the number of chronically homeless individuals.

**Data source.** HUD is working with communities to develop Homeless Management Information Systems. Once a critical number of HMISs become fully operational, probably in 2005 at the earliest, HUD will collect data from these systems to track this indicator. Until HMIS becomes operational, this indicator will be measured using Continuum of Care (CoC) application data submitted by grantees. FY 2003 CoC applications will be used to collect baseline data for this measure. The FY 2003 baseline will then be used to measure decreases in chronically homeless individuals from FY 2004 CoC application data.

**Limitations/advantages of the data.** The capacity to measure this indicator will have to be developed over the next several years. For FY 2003, many communities may be challenged to accurately estimate the number of chronically homeless individuals, given the short period between when the Continuum NOFA is issued and the CoC application is due. For FY 2004 and beyond, communities will increasingly rely on HMIS to generate the number of chronically homeless persons, which should result in better measurement. Notwithstanding HMIS, data limitations will still exist beyond 2003 given that many chronically homeless persons live outside (e.g., on the streets, in parks, in abandoned cars) and are not readily enumerated.

**Validation, verification, improvement of measure.** HUD in conjunction with HHS and VA has recently finalized a definition of chronic homelessness. HUD has adopted this definition and will use it to guide communities in the 2003 Continuum competition so national data on chronic homelessness can begin to be gathered using a single definition.

### **C.3.3: The Samaritan Housing Initiative will be fully implemented and the number of chronically homeless who are assisted will be maximized.**

**Indicator background and context.** In FY 2004, the Samaritan Housing Initiative will provide funds for permanent housing for the chronically homeless. This Initiative seeks to create a collaborative and comprehensive approach to addressing the problems of homelessness for our most vulnerable citizens. This collaboration between HUD and other agencies (including Health and Human Services and Veterans Affairs) offers funding through a consolidated application. The goal of these funds will be to move the chronically homeless from the street and emergency shelter into stable permanent housing with the supportive services needed to maintain self-sufficiency. In FY 2003, a similar \$35 million initiative known as the Collaborative Initiative to Help End Chronic Homelessness will test this interagency collaboration addressing persons who are chronically homeless. During FY 2004, \$50 million will be available to HUD for the Samaritan Housing Initiative (assuming that required legislation is passed by June 30, 2003).

**Data source.** The source of data for this Initiative is currently undetermined.

**Limitations/advantages of the data.** Since the Initiative will not be implemented until FY 2004, a reasonable sample of data reflecting one year of operation will not be available until 2005.

**Validation, verification, improvement of measure.** When a method of data collection is identified, HUD will ensure data will allow for the accurate measure of the Initiative's performance goals.

### **C.3.4: HUD's homeless programs will help at least 80,000 homeless persons move into permanent housing.**

**Indicator background and context.** This measure tracks the number of homeless persons who move from HUD-funded transitional housing projects into permanent housing and homeless persons who move into permanent housing projects funded through HUD McKinney-Vento programs. When reporting this indicator, HUD will also report on what happens to people who leave McKinney-Vento funded permanent housing to help ensure that people are not cycling through permanent housing and then back into homelessness.

The ultimate objective of homeless assistance is to help homeless families and individuals achieve permanent housing and self-sufficiency. The needs of the homeless subpopulations within a particular community are varied. Some need extensive supportive services while in permanent housing to maintain self-sufficiency. For others, market-rate housing with minimal services is adequate.

The residents of HUD's McKinney-Vento funded permanent housing are often chronically homeless individuals. One of the largest of these programs, Shelter Plus Care, uses HUD funding to support housing related expenses. Communities secure an equal level of funding for a variety

of supportive services. This combination helps ensure that residents receive the housing and services they need to maintain stable permanent housing and make progress towards self-sufficiency. Other HUD programs that provide permanent housing, including the Supportive Housing Program and the Section 8 Moderate Rehabilitation/Single Room Occupancy (SRO) program, help meet other needs related to homelessness, including the development or rehabilitation of permanent housing and the preservation of SROs, which have traditionally served as the housing of last resort for homeless individuals. HUD also funds Support Services Only (SSO) projects that provide needed supportive services, from case management to transportation, to homeless persons.

**Data source.** CPD administrative database, consisting of accomplishments data submitted in Annual Progress Reports (APRs) by recipients of Homeless Assistance Grants.

**Limitations/advantages of the data.** While the measure tracks the number of persons who move into permanent housing over the course of a year, the housing units they move into may be funded with appropriations from several prior years. To avoid a one-year data lag, data from 2004 will be used. Efforts to increase completeness of compiled APR data are expected to reduce non-reporting and selection bias to negligible levels. Self-reporting by grantees is not known to compromise reliability of this measure.

**Validation, verification, improvement of measure.** Adoption of the new APR instrument during FY 2000 improved validity by allowing children to be excluded from the measure. Field staff will monitor grantees on a sample basis to assess quality of data in grantee reports. HUD intends to improve reliability of this measure by developing an electronic APR that will eliminate transmission lags of the paper-based reporting system and increase response rates.

### **C.3.5: At least 180,000 homeless people become housed in HUD-funded transitional housing with supportive services.**

**Indicator background and context.** An important stepping-stone toward permanent housing for many homeless persons is the availability of transitional housing with supportive services to stabilize their lives. Beginning in 2002, this indicator tracked the number of persons who move into transitional housing funded through HUD's Homeless Assistance Grants. The measure includes persons who move into HUD McKinney-Vento funded transitional housing during 2004.

**Data source.** CPD administrative database, consisting of accomplishments data submitted in Annual Performance Reports (APRs) by recipients of Homeless Assistance Grants.

**Limitations/advantages of the data.** While the measure tracks the number of persons who move into transitional housing over the course of a year, the transitional housing units they move into may be funded with appropriations from several prior years. To avoid a one-year data lag, data from 2004 will be used. Efforts to increase completeness of compiled APR data are expected to reduce non-reporting and selection bias to negligible levels. Self-reporting by grantees is not known to compromise reliability of this measure.

**Validation, verification, improvement of measure.** Field staff will monitor grantees on a sample basis to assess quality of data in grantee reports. HUD intends to improve reliability of this measure by developing an electronic APR that will eliminate transmission lags of the paper-based reporting system and increase response rates.

### **C.3.6: At least 45,000 homeless persons become employed while in HUD's homeless assistance projects.**

**Indicator background and context.** This indicator tracks the number of adult clients who become employed while in HUD-funded homeless-assistance projects. The measure is defined as the difference between the number of those adults who were employed when they entered the

project and the number of employed adults who left a HUD-assisted project during a program year.

Stable employment is a critical step for homeless persons to achieve greater self-sufficiency. HUD encourages communities to provide comprehensive housing and services to homeless individuals and families. Clients receiving HUD's McKinney assistance receive support, which can include employment training and job search, to help them achieve greater self-sufficiency.

**Data source.** CPD administrative database, consisting of accomplishments data submitted in Annual Performance Reports (APRs) by recipients of Homeless Assistance Grants.

**Limitations/advantages of the data.** The data shows only the employment status of homeless persons as they leave the HUD-assisted project, and do not capture the quality and long-term stability of employment. This aggregate measure is a reasonably good proxy for a more complex measure based on changes in employment status of specific individuals, who would have various entry times and lengths of stay.

**Validation, verification, improvement of measure.** Field staff will monitor grantees on a sample basis to assess quality of data in grantee reports. HUD intends to improve reliability of this measure by developing an electronic APR that will eliminate transmission lags of the paper-based reporting system and increase response rates.

### **C.3.7: Housing Counseling provided to clients receiving homeless counseling increases by 7,000.**

**Indicator background and context.** The Department is placing more emphasis on Housing Counseling, including counseling for homeless clients and families seeking affordable rental housing. This indicator will track the number of clients counseled to receive secure decent, safe and sanitary rental housing or temporary shelter. During FY 2002, housing counseling was provided to 8,479 clients receiving homeless counseling. An increase in Housing Counseling funding in FY 2003 will not only increase the number of renters and homeless clients counseled, but also allow the Department to provide technical assistance to improve the capacity of its Housing Counseling agencies. Due to the spend-out rate of new counseling funds, the increase in funding will not become evident programmatically until FY 2004, with more substantial increases accruing in following years. This indicator, therefore, will measure the increase in the number of clients receiving homeless counseling between FY 2003 and FY 2004.

**Data source.** FHA collects this data through Housing Counseling Agency Fiscal Year Activity Reports (form HUD-9902). This data includes the total number of clients, the type of counseling they received and the results of the counseling.

**Limitations/advantages of the data.** Reporting rates are near 100 percent because the Department's Housing Counseling Agencies are required to submit these reports annually. A major limitation of the data collection instrument is that it does not differentiate the level of counseling given to each client. The quality and level of counseling can vary significantly. To better assess outcomes resulting from Housing Counseling efforts, the Department is exploring the use of client-level data to track outcomes.

**Validation, verification, improvement of measure.** While FHA does not verify the counseling counts, it does monitor agencies through site visits to assure quality counseling practices.

### **C.3.8: Each ONAP Area Office will develop and implement an Action Plan to address overcrowding with all participating tribes during FY 2004.**

**Indicator background and context.** During FY 2003, the Office of Native American Programs and several participating tribes developed baseline estimates of the extent of overcrowding in Indian Country. The goal for FY 2004 is that each ONAP Area Office will expand the

development of Action Plans for new participating tribes. This will include the preparation of baseline estimates of overcrowding.

**Data Source.** Bureau of Census tribal data and PIH Office of Native American Programs administrative data.

**Limitations/advantages of the data.** The existence of action plans will be documented and easily verifiable. The quality of completed plans is subject to judgment.

**Validation, verification, improvement of measure.** Headquarters staff will review plans to ensure that they are sufficiently comprehensive and employ sound strategies.

**C.3.9: At least 110,000 households will receive emergency rental or mortgage payment assistance through the Emergency Food and Shelter program to prevent homelessness.**

**Indicator background and context.** In FY 2004, HUD is proposing to take over operation of the Emergency Food and Shelter Program previously run by the Federal Emergency Management Agency (FEMA). This program provides emergency assistance that helps prevent people from becoming homeless, by helping them meet their rent or mortgage payments while their income is disrupted. This indicator tracks the number of households benefiting from the emergency rental assistance and mortgage payment program components. The program also assists people who have already become homeless, by providing funding for emergency food and shelter to a variety of providers across the nation.

**Data source.** Data will come from the National Review Board, the organization responsible for distributing program funds to local review boards.

**Limitations/advantages of the data.** Other types of assistance provided by the Emergency Food and Shelter Program are not included in this indicator because the substantial overlap of program activities with respect to the people served would create the risk of double-counting.

**Validation, verification, improvement of measure.** Data are verified by National Review Board Staff.

## Objective C.4: Mitigate housing conditions that threaten health.

### C.4.1: The average number of Exigent Health and Safety or Fire Safety Deficiencies per privately owned multifamily property decreases by 1 percent.

**Indicator background and context.** REAC conducts physical inspections that identify Exigent Health and Safety or Fire Safety Deficiencies (EHS/FS). Exigent health and safety hazards include but are not limited to 1) air quality, gas leaks; 2) electrical hazards, exposed wires/open panels; 3) water leaks on or near electrical equipment; 4) emergency/fire exits/blocked/unusable fire escapes; 5) blocked egress/ladders; and 6) carbon monoxide hazards. Fire safety hazards include 1) window security bars preventing egress; and 2) fire extinguishers expired. (Smoke detectors are excluded from EHS/FS for this measure because they are covered in Indicator C.4.3.)

This indicator measures the reductions in EHS/FS nationwide as HUD applies its physical inspection protocol, Uniform Property Condition Standards (UPCS), to properties inspected. The use of physical inspections by REAC has effected a reduction in exigent health and safety hazards. This trend is likely to continue. However, this indicator is based on identification of such conditions when inspected. The Office of Multifamily Housing’s project managers in the field require owners to certify the correction of such deficiencies within 72 hours. With an aging portfolio and high occupancy rates, such conditions are likely to continue to be observed. A Multifamily Housing management plan goal is to have at least 95 percent of such conditions corrected and owners certifying to such corrections in a timely manner. In 2001, among the assisted multifamily properties, the average number of EHS/FS defects per property, across all size classes, was 1.19; in 2002, this number dropped to 1.00 EHS/FS defects per property.

**Data source.** REAC’s Physical Assessment Subsystem (PASS), consisting of electronically coded and transmitted results of independent physical inspections of units, buildings, and sites. Unit-level data is estimated on the basis of project-level sample observations, extrapolated to the universe of all units.

	Observed per Multifamily Property			
	2001	2002	2003	2004 goal
1-19 units	0.33	0.29	tbd	tbd-1%
20-49	0.76	0.69	tbd	tbd-1%
50-99	1.27	1.02	tbd	tbd-1%
100+	2.06	1.72	tbd	tbd-1%
All sizes	1.19	1.00	-	

**Limitations/advantages of the data.**

Under the “3-2-1 Rule” that took effect in August 2000, inspections of multifamily developments occur at longer intervals of two or three years if their scores are high enough in the first year. Accordingly, since some multifamily scores carry over from previous years, the average score will change about 40 percent less than it would if all properties were reinspected every year.

**Validation, verification, improvement of measure.** Owners and managers validate Exigent Health and Safety Report contents by acknowledging receipt at the time of inspection and reporting corrective actions. In addition, REAC re-inspects units and properties on a sample basis for quality assurance.

### C.4.2: The share of public housing properties observed with Exigent Health and Safety or Fire Safety Deficiencies decreases by 1.0 percentage point.

**Indicator background and context.** REAC conducts physical inspections that identify Exigent Health and Safety or Fire Safety Deficiencies (EHS/FS). Exigent health and safety hazards

include but are not limited to 1) air quality, gas leaks; 2) electrical hazards, exposed wires/open panels; 3) water leaks on or near electrical equipment; 4) emergency/fire exits/blocked/unusable fire escapes; 5) blocked egress/ladders; and 6) carbon monoxide hazards. Fire safety hazards include 1) window security bars preventing egress; and 2) fire extinguishers expired. (Smoke detectors are excluded from EHS/FS for this measure because they are covered in indicator C.4.3.)

This indicator assesses reductions in EHS/FS nationwide as HUD implements its physical inspection protocol, Uniform Property Condition Standards (UPCS). The implementation of physical inspections by REAC has promoted a reduction in exigent health and safety hazards. This trend is likely to continue.

Measures used for this indicator include the percentage of properties where EHS/FS deficiencies are observed, and the percentage of units estimated to have EHS/FS, to be in buildings with EHS/FS, or to be on a site with EHS/FS. In FY 2002, 45.5 percent of inspected public housing properties had at least one EHS/FS.

	Observed in Public Housing				
	2000	2001	2002	2003 Goal	2004 Goal
Percentage of properties with EHS/FS (observed)		48.1%	45.5%	44.5%	43.5%
Percentage of units with, in building with, or on site with EHS/FS (estimated)	22.2%	19.3%	16.0%	15.0%	14.0%

**Data source.** REAC’s Physical Assessment Subsystem (PASS), consisting of electronically coded and transmitted results of independent physical inspections of units, common areas and facilities. Unit-level data is estimated on the basis of project-level sample observations, extrapolated to the universe of all units.

**Validation, verification, improvement of measure.** Managers validate Exigent Health and Safety Report contents by acknowledging receipt at the time of inspection and reporting corrective actions. In addition, REAC reinspects units and properties on a sample basis for quality assurance.

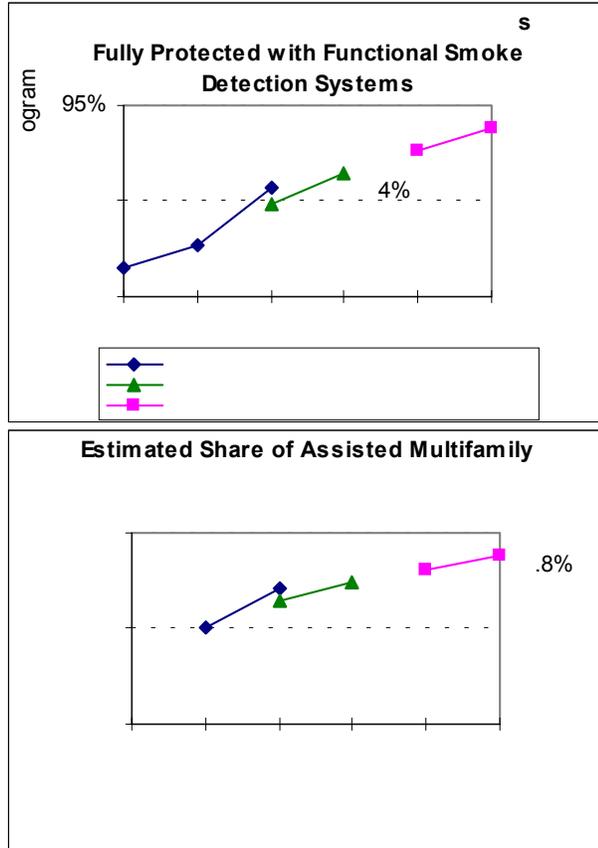
**C.4.3: The share of units that have functioning smoke detectors and are in buildings with functioning smoke detectors increases by 1.2 percentage points for public housing and by 0.7 percentage points for assisted multifamily housing.**

**Indicator background and context.** The National Fire Protection Association reports that although smoke alarms cut the chances of dying in a house fire by 40-50 percent, about one-quarter of U.S. households lack working smoke alarms. REAC’s physical inspections of public and assisted housing include checks of fire safety features including the presence of operational smoke detectors in housing units, common areas and utility areas of buildings. This indicator measures the estimated share of units that are protected by a fully functional smoke detection system, defined as smoke detectors that are observed to be both present and operative in the unit as well as the building in which the unit is located. The FY 2004 goal is to continue to improve from FY 2003 levels.

**Data source.** REAC Physical Assessment Subsystem (PASS), consisting of electronically coded and transmitted results of independent physical inspections of units, common areas and facilities.

**Limitations/advantages of the data.** Inspections are conducted independently and are representative of the entire HUD stock. The share of units with functional smoke detectors in each building is estimated on the basis of a randomly-selected sample. The functionality of smoke detectors is an aspect of inspections with negligible vulnerability to subjective judgment.

**Validation, verification, improvement of measure.** REAC reinspects units and properties on a sample basis for quality assurance. The inspection protocol is subject to modification to improve the validity. Beginning with FY 2002 the measure was revised to balance the need to use appropriate sample-based estimates of unit compliance with the need to reflect facility compliance. However, smoke detectors that are battery-operated are particularly prone to be non-functioning.



**C.4.4: The number of children under the age of 6 who have elevated blood lead levels will be less than 260,000 by 2004, down from 890,000.**

**Indicator background and context.** Approximately 434,000 children under the age of six were estimated by the Centers for Disease Control and Prevention (CDC) to have elevated blood lead levels (EBL) in 1999–2000, down from 890,000 in 1991–1994.<sup>8</sup> For this indicator, EBL is defined as blood lead levels exceeding 10 micrograms per deciliter (µg/dL). These children, especially those less than three years old, are vulnerable to permanent developmental problems because of the well-understood effect of lead on developing nervous systems. Other local data collected by CDC from 19 states showed that the proportion of children under the age of six who tested with EBL decreased from 10.5 percent in 1996 to 7.6 percent in 1998.<sup>9</sup> By 1999, preliminary results indicated that the mean blood lead level had declined 26 percent from the 1991–1994 period. EBL is more common among low-income children living in older housing. These reductions are all indications that HUD’s program is effective. In addition to HUD’s lead-based paint abatement grant program and regulations concerning Federal housing, other factors causing the decrease in the number of children with EBL are demolition, substantial rehabilitation, hazard control financing by the private sector and local and state government, and ongoing public education.

<sup>8</sup> Reported on CDC’s web site at [www.cdc.gov/nceh/lead/research/kidsBLL.htm](http://www.cdc.gov/nceh/lead/research/kidsBLL.htm).

<sup>9</sup> State data from the Childhood Blood Lead Surveillance program, reported by the CDC in “Blood Lead Levels in Young Children—United States and Selected States, 1996–1999,” available at <http://www.cdc.gov/mmwr/preview/mmwrhtml/mm4950a3.htm>

**Data source.** National Health and Nutrition Examination Survey (NHANES). The Centers for Disease Control and Prevention are implementing the next NHANES, with full results projected to be available in 2004.

**Limitations/advantages of the data.** The NHANES is costly because it uses actual physical examinations of a nationally-representative sample of children to determine blood-lead levels, among other things. NHANES can not identify the source of EBL.

**Validation, verification, improvement of measure.** NHANES is regarded as providing the best national estimate of a number of health outcomes, and incorporates a variety of quality control and verification procedures. Strict quality control measures are followed during collection and analysis of blood samples. The CDC’s long-term quality control data for blood lead tests show that NHANES results are validated by results from the Childhood Blood Lead Surveillance program, which supports state blood lead surveillance efforts.

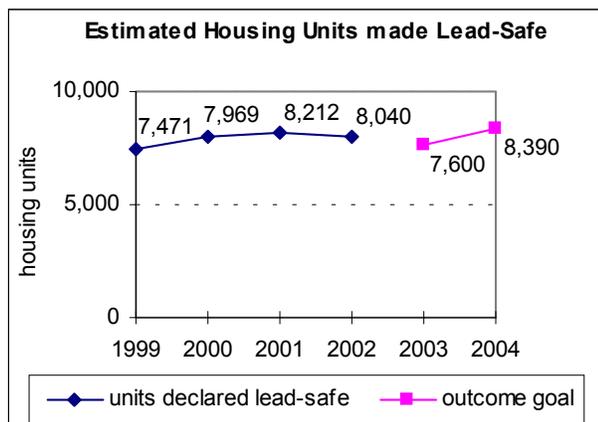
**C.4.5: As part of a ten-year effort to eradicate lead hazards, the Lead Hazard Control Grant program will make 8,390 units lead safe in FY 2004.**

**Indicator background and context.** HUD is playing a central role in the interagency initiative to eliminate lead poisoning of the Nation’s children by 2010. HUD intends to eliminate lead hazards in housing by expanding the Lead Hazard Control Program and leveraging private sector resources. When Congress passed the 1992 Residential Lead Hazard Reduction Act, as many as 64 million homes contained lead paint. Today, 38 million homes have lead paint. The Centers for Disease Control and Prevention report that nearly 434,000 children ages 1 to 5 have elevated blood lead levels—amounting to about 5 percent of all children in that age group. The majority of cases involve low-income children living in older housing. Exposure to lead can cause permanent damage to the nervous system and a variety of health problems, including reduced intelligence and attention span, hearing loss, stunted growth, reading and learning problems, and behavior difficulties.

HUD’s Office of Healthy Homes and Lead Hazard Control (OHHLHC) provides grants to state and local government agencies to control lead hazards in privately-owned assisted and unassisted housing. The program requires grantees to use certified personnel to collect clearance (quality control) lead-dust samples in housing to confirm that it has been made lead safe, because lead dust is the major pathway by which children are exposed to lead-based paint.

Homes treated under the grant program have a relatively high average number of children of less than 6 years of age living in each treated unit. With new births and turnover of occupancy, additional children are protected. Lead mitigation programs also create potentially large, but unquantifiable, benefits through lead hazard education and outreach activities, as well as through programs that train workers and create jobs in the lead reduction industry.

As of September 30, 2002, 44,244 housing units have been made lead safe with Lead Hazard Control grants. The annual goals for this indicator have been increasing. In the short term, because of HUD’s emphasis on integrating lead hazard control into existing housing finance, maintenance and rehab programs, the production levels may vary from the previous year because of the need to coordinate with other housing activities and because the schedules for these activities are also influenced by external factors. The number of abated units is



projected to increase in the future based on the requested increased funding under the Department's ten-year effort to eradicate lead hazards in housing.

**Data source.** OHHLHC administrative data.

**Limitations/advantages of the data.** The data represent actual accomplishments as reported by grantees. The data do not include housing units made lead safe through other funding sources.

**Validation, verification, improvement of measure.** A rigorous scientific evaluation of the program conducted between 1994–2000 clearly indicates that the program is effective in achieving its goals. The study, conducted by the National Center for Lead Safe Housing in conjunction with the University of Cincinnati, found that the grant program hazard control methods reduce the blood lead levels of children occupying treated units and also significantly reduce lead dust levels in the treated homes.<sup>10</sup>

#### **C.4.6: \$25 million Innovative Lead Hazard Reduction Program.**

**Indicator background and context.** HUD will award 5–10 grants to local governments or non-profit organizations that can demonstrate innovative local approaches to addressing lead-based paint hazards in housing units that either currently are or could be occupied by families with young children under 3 years of age, including housing units into which children are born. Grantees will have discretion to develop and implement such approaches. All grantees will be required to include a strong evaluation component to the program. Performance measures for this program will be developed based upon the innovative approaches proposed by grantees. For example, one performance measure may include the number of replacements of windows or other building components that have lead-based paint hazards.

#### **C.4.7: Seven new Healthy Homes Initiative grants will be executed in 2004.**

**Indicator background and context.** The Healthy Homes program contributes to the achievement of HUD's strategic goals by reducing multiple housing-related hazards that result in preventable childhood illnesses and injuries, such as lead poisoning and asthma. This program gives particular emphasis to the mitigation of asthma triggers, such as mold and allergens (from exposure to debris from dust mites, cockroaches and rodents). Grantees provide physical and educational interventions to participants enrolled in their projects. Project activities include inspecting residences and providing physical interventions such as smoke/carbon monoxide detectors, pillow and mattress covers, vector control (through integrated pest management with roach traps and gels), repairs to correct plumbing leaks, moisture incursion through building envelopes, lead hazards, proper ventilation of appliances such as stoves and furnaces, and dust control (through high efficiency filters and vacuums).

To accomplish these tasks, Healthy Homes grantees train and hire low-income community members to perform assessments, interventions and outreach on an ongoing basis. Grantees are effective in reaching a greater audience through community-based educational efforts (health fairs, landlord training, etc.) and print or electronic media (brochures, fact sheets, web sites). The combination of older housing units, low income levels and the large number of children living in poor housing, many of whom are medically underserved, makes it important that Healthy Homes funding help communities with substandard housing stock improve housing to protect children's health. Preliminary findings show that the combination of physical and educational interventions result in significant reduction (as much as 50 percent) in emergency room visits and school absenteeism.

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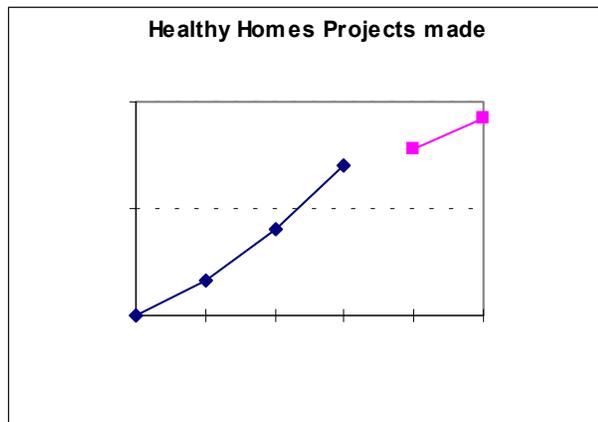
<sup>10</sup> Galke et al. 2001. "Evaluation of the HUD Lead Hazard Control Grant Program." *Environmental Research* 86 (149-156).

HUD is working closely with the Centers for Disease Control and Prevention, EPA, the National Institute for Occupational Safety and Health, the National Institute of Science and Technology, and the National Institute of Environmental Health Sciences to plan and develop the Healthy Homes Initiative. Under the initiative, the Office of Healthy Homes and Lead Hazard Control is awarding grants to public and private organizations and making agreements with other Federal agencies for evaluation studies and demonstration projects to address housing conditions responsible for childhood diseases and injuries. The purpose is to learn how best to prevent diseases related to toxic agents in housing and how to control the residential environment to prevent childhood health problems, such as asthma, mold-included illness unintentional injuries, and developmental problems. In FY 2004, the target is to award seven new Healthy Homes grants. These grants are awarded competitively through application in response to a Notice of Funding Availability. Principal outcomes of the projects undertaken in FY 2003 are public education, and demonstration of new technologies and protocols for improving housing that poses a threat to children's health.

**Data source.** OHHLHC Healthy Homes administrative data, based on funds reservations forms, cooperative agreement award forms and interagency agreement award forms.

**Limitations/advantages of the data.** The data reflect only how many projects have been awarded. Because most of the agreements are for three years, data on the results of these projects and the impact of the Healthy Homes Initiative will not be available for a year or more.

**Validation, verification, improvement of measure.** The OHHLHC produced the data from funds reservations forms, cooperative agreement award forms and interagency agreement award forms. The Grants Management Officer validates and verifies these forms, and conducts internal audits. In the future, HUD will seek to develop performance indicators that address the performance under these agreements with regard to the Healthy Homes Initiative goals and objectives stated in the NOFA.



#### **C.4.8: Through the Administering Organization, HUD will support the Manufactured Housing Consensus Committee in meeting the milestones provided in the Manufactured Housing Improvement Act of 2000.**

**Indicator background and context.** The Manufactured Housing Improvement Act of 2000 (the Act) establishes new responsibilities and procedures for the Department with respect to its role in regulating Manufactured Housing. As mandated by the statute, HUD procured the services of an Administering Organization (AO). The Department monitors the performance of this organization in supporting the Manufactured Housing Consensus Committee, also established by statute.

At least once in each 2-year period, the Consensus Committee must consider revisions to the Federal Manufactured Housing Construction and Safety Standards. The Department, through the AO, will assist in this process as necessary. The Act requires the Department to publish standards and regulations for the installation of manufactured homes, and regulations for dispute resolution, within five years of date of the Act, following receipt of proposals by the Consensus Committee. In FY 2004 the Department will prepare and process for Federal Register publication installation standards proposed by the Consensus Committee, and other proposed new standards or regulations, or changes to the program's standards and regulations approved by Consensus Committee vote. HUD's FY 2004 performance goal is to ensure that the milestones outlined in

the statute are achieved. While the Department will work closely with the AO and the Consensus Committee to monitor their progress, these partner organizations operate largely outside HUD's control.

**Data Source.** Accomplishments will be assessed and documented by HUD's Office of Manufactured Housing and Construction Standards.

**Limitations/advantages of the data.** The qualitative milestones used for this indicator do not require numerical databases. Assessing performance of such measures may be necessarily limited by subjective judgments.

**Verification/validation of measure.** HUD monitors the AO and the AO administers the Consensus committee by a contractual agreement. The Consensus committee will include a non-voting HUD representative who will report to the Department on a continual basis.

## Goal FH: Ensure Equal Opportunity In Housing

### Strategic Objectives:

- FH.1 Resolve discrimination complaints on a timely basis.**
- FH.2 Promote public awareness of fair housing laws.**
- FH.3 Improve housing accessibility for persons with disabilities.**

### Objective FH.1: Resolve discrimination complaints on a timely basis.

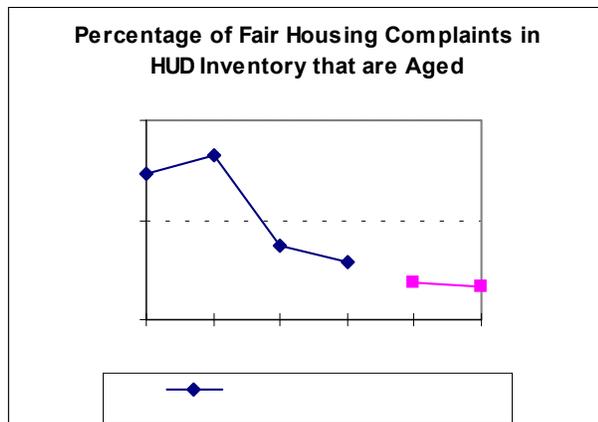
**FH.1.1: The percentage of fair housing complaints aged over 100 days will decrease by 2 percentage points from the FY 2003 level of the HUD inventory.**

**Indicator background and context.** The efficiency of enforcement processing is an important dimension of the fair housing performance of HUD and of substantially equivalent agencies. Speedy processing encourages victims of discrimination to file complaints and increases the likelihood that violations will be punished. This indicator tracks processing time for fair housing complaints handled by HUD, including time for determination of jurisdiction and for conducting investigations and conciliation.

At the end of FY 2002, 29 percent of fair housing complaints in the HUD inventory were aged over 100 days. The FY 2004 goal is to reduce the share of complaints that are aged by 2 percentage points from FY 2003 levels. The following indicator establishes a parallel goal for FHAP agencies.

**Data source.** FHEO’s Title VIII Automated Paperless Office and Tracking System (TEAPOTS). This measure excludes pattern and practice cases and systematic cases.

**Limitations/advantages of the data.** The data represent a “snapshot” of the fair housing case inventory carried by HUD as of the last date of each fiscal year, and thus do not necessarily reflect typical case processing times throughout the year. The year-end snapshot measures overall efficiency in handling complaints, without being unduly affected by a few complex or far-reaching cases requiring investigative periods extending far beyond 100 days.



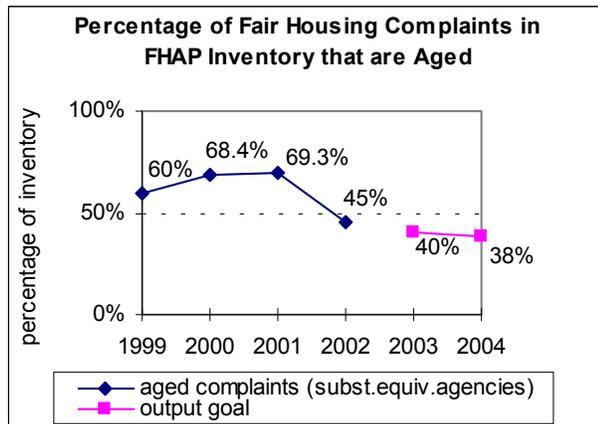
**Validation, verification, improvement of measure.** TEAPOTS incorporates controls to ensure data quality.

**FH.1.2: The percentage of fair housing complaints aged over 100 days will decrease by 2 percentage points from the FY 2003 level of the inventory of substantially equivalent agencies.**

**Indicator background and context.** As in the above indicator, efficient enforcement processing by FHAP grantees is an important dimension of fair housing enforcement. This indicator tracks processing time for fair housing complaints, including time for determination of jurisdiction and for conducting investigations and conciliation. At the end of FY 2002, 45 percent of fair housing complaints in the inventory of substantially equivalent agencies were aged over 100 days. The FY 2004 goal is to reduce the share of complaints that are aged by 2 percentage points from FY 2003 levels.

**Data source.** FHEO’s TEAPOTS. This measure excludes pattern and practice cases, systematic cases and cases awaiting civil proceedings.

**Limitations/advantages of the data.** The data represent a “snapshot” of the fair housing case inventory carried by substantially equivalent agencies as of the last date of each fiscal year, and thus do not necessarily reflect typical case processing times throughout the year. The year-end snapshot measures overall efficiency in handling complaints without being unduly affected by a few complex or far-reaching cases requiring investigative periods extending far beyond 100 days.



**Validation, verification, improvement of measure.** TEAPOTS incorporates controls to ensure data quality.

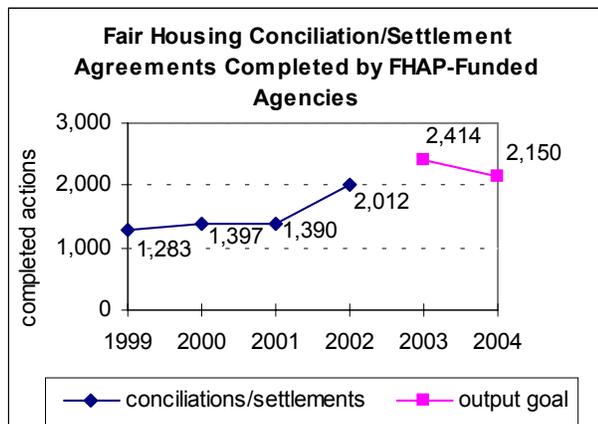
**FH.1.3: FHAP grantees increase access to sale and rental housing by completing at least 2,150 Fair Housing conciliation/settlement agreements in FY 2004.**

**Indicator background and context.** Increasing the number of conciliation/settlement agreements processed by fair housing agencies boosts the visibility of fair housing laws, forces potential violators to stop discriminating, and reduces HUD’s enforcement workload. This indicator tracks the number of substantially equivalent FHAP grantees that post significant increases in enforcement activity. The FY 2004 goal is to increase the aggregate number of complaints that FHAP grantees investigate and close during FY 2004.

**Data source.** FHEO’s TEAPOTS.

**Limitations/advantages of the data.** Although the data are self-reported by FHAP agencies, TEAPOTS controls quality by tracking the progress of cases from receipt through closure.

**Validation, verification, improvement of measure.** FHEO will review the investigation reports of the agencies for comprehensiveness and completeness.



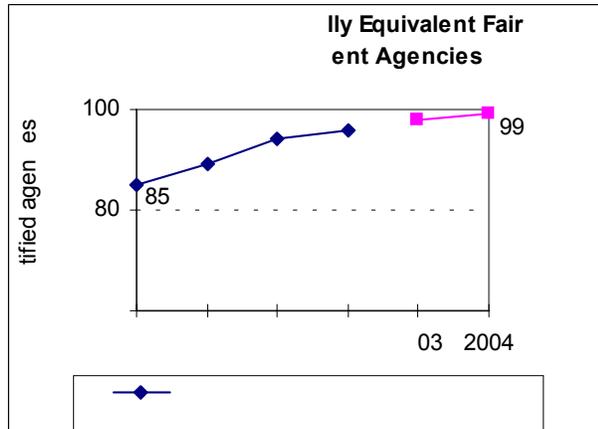
**FH.1.4: The number of enforcement agencies rated as substantially equivalent under the Fair Housing Act increases by one to total 99 agencies.**

**Indicator background and context.** HUD provides FHAP grants to “substantially equivalent” fair housing agencies to support fair housing enforcement. Substantially equivalent agencies are those that enforce State fair housing laws or local ordinances that are substantially equivalent to the Fair Housing Act. This indicator tracks the number of enforcement agencies that have been certified as substantially equivalent. The FY 2004 goal is to increase the number of agencies by one from the FY 2003 level, which is anticipated to reach 98 agencies.

**Data source.** FHAP administrative data contained in FHEO’s Title VIII Automated Paperless Office Tracking System (TEAPOTS).

**Limitations/advantages of the data.** This indicator uses a straight-forward and easily verifiable count of FHAP records.

**Validation, verification, improvement of measure.** Determinations of substantial equivalency are made by the Assistant Secretary for Fair Housing and Equal Opportunity in accordance with the regulations at 24 CFR Part 115.

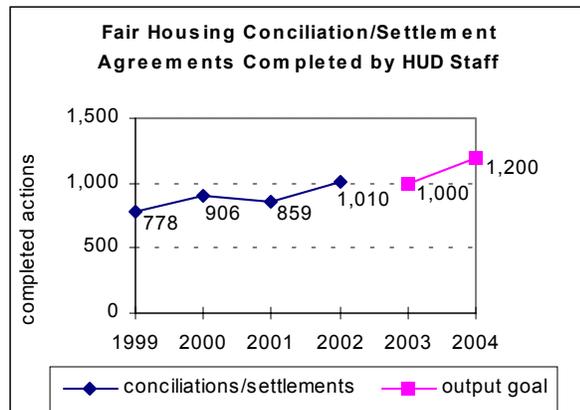


**FH.1.5: Provide protected classes under the Federal Fair Housing Act with increased access to sale and rental housing without discrimination by completing at least 1,200 fair housing conciliation/settlement agreements in FY 2004.**

**Indicator background and context.** HUD investigates and resolves complaints of alleged housing discrimination from private citizens and interest groups throughout the nation. HUD has worked diligently to increase public awareness of laws prohibiting discrimination in order to ensure that persons victimized by discrimination know how and where to file fair housing complaints. It is the Department’s goal to motivate citizens who experience this kind of harm to act in order that discrimination can be identified and eliminated. In addition, HUD and its partners have worked to increase capacity to effectively investigate a wide variety of civil rights complaints and to enforce the Federal Fair Housing Act and equivalent laws. The goal established by this indicator is to complete 1,200 conciliation/settlement agreements during FY 2004.

**Data source.** Resolutions of each complaint are recorded in FHEO’s Title VIII Automated Paperless Office and Tracking System (TEAPOTS).

**Limitations/advantages of the data.** The number of conciliation/settlement agreements completed by the Department is a valid measure of FHEO’s success in reaching members of the public who have experienced discrimination and effectively processing their cases. However, this measure does not reflect work done by FHEO in accepting, investigating and bringing to appropriate close those complaints that do not merit enforcement activity.



**Validation, verification, improvement of measure.** Documents verifying that a particular outcome is properly considered a conciliation/settlement agreement are submitted to Headquarters for review and verification. The validity of the measure has been improved by counting cases actually closed through conciliation or settlement agreements rather than individual enforcement actions within each case.

## **Objective FH.2: Promote public awareness of fair housing laws.**

### **FH.2.1: The share of the population with adequate awareness of fair housing law increases from the 2003 baseline by 2006.**

**Indicator background and context.** Public awareness of the law concerning fair housing reduces discriminatory actions. HUD recently completed an effort to gauge public awareness of fair housing law, and to develop a baseline for this indicator. Prior to this study, no nationally available data existed to estimate the extent of awareness. The findings of the study support the conclusion that there is relatively widespread, if not universal, knowledge of some core fair housing protections and prohibitions, yet the public understands some areas of the law less well than others.

The survey was designed to represent all adults in the nation. The survey’s questionnaire includes ten brief scenarios describing decisions or actions taken by landlords, home sellers, real estate agents, or mortgage lenders—eight of which involve conduct that, as stipulated in the scenarios, is illegal under federal fair housing law. One-half (51 percent) of the general public can correctly identify as unlawful six or more of the eight scenarios describing illegal conduct. Conversely, less than one-fourth (23 percent) knows the law in only two or fewer of the eight cases. The average person can correctly identify five instances of unlawful conduct. Looked at on a scenario-by-scenario basis, a majority of the public can accurately identify illegal conduct in seven of the eight scenarios.

The FY 2003 baseline was established by a study issued in the first quarter of FY 2003. Whether public awareness increases in FY 2006 will be through a similar study that will begin in FY 2004 and be issued in FY 2006. This indicator tracks the effect of fair housing enforcement activities and of public information campaigns funded by FHIP Education and Outreach grants on public understanding of their rights and responsibilities under the law.

**Data source.** PD&R survey, “How Much Do We Know? Public Awareness of the Nation’s Fair Housing Laws,” completed Fall 2001. Data from this survey constitute a baseline for a follow-up survey during 2004.

**Limitations/advantages of the data.** Survey respondents could be confused by local fair housing ordinances that differ from national law, and this confusion could lead to misleading survey results. Opinions about fair housing issues also would be influenced by recent news events, which would tend to increase the statistical variance of public understanding.

**Validation, verification, improvement of measure.** The research was designed to produce statistically valid and reproducible estimates.

### **FH.2.2: At least two new fair housing groups are funded by FHIP through collaborative efforts between fair housing and community or faith-based organizations.**

**Indicator background and context.** Many communities do not have strong State or local legal protections from housing discrimination. HUD’s Fair Housing Initiatives Program (FHIP) addresses this shortfall by helping independent fair housing groups to educate, to reach out, and to ensure compliance with the Fair Housing Act and the Americans with Disabilities Act. HUD intends to build fair housing linkages to communities by promoting partnerships between existing FHIP-funded fair housing organizations and community organizations and faith-based organizations that result in the establishment of new fair housing organizations in needed areas. This strategy supports the Administration’s faith-based outreach as well as HUD’s fair housing

mission. The FY 2003 goal is to identify and fund at least two new grantees that have built these linkages to communities.

**Data source.** FHEO administrative data from the Grants Evaluation Management System (GEMS, E20).

**Limitations/advantages of the data.** The classification of applicants or their partner groups as community-based and faith-based organizations is somewhat subject to judgment based on the documentation in grant applications.

**Validation, verification, improvement of measure.** FHEO staff independently verify that new agencies serve previously unserved or underserved areas.

**FH.2.3: The number of fair housing complaints identified by FHIP partners in the Southwest border region increases by 5 percent.**

**Indicator background and context.** The poorly developed towns known as “colonias” along the Nation’s border with Mexico are vulnerable to both common and unique forms of housing discrimination. Local organizations that receive FHIP grants investigate and build enforceable fair housing cases and submit the claims to HUD for investigation.

This developmental indicator is included as one indication of the Department’s direction and strategies developed through the efforts of an internal Southwest border region task force. For purposes of this measure, the Southwest border region is defined as those counties bordering Mexico. The FY 2004 goal is to increase the number of fair housing complaints by 5 percent above the FY 2003 baseline level.

**Data source.** FHIP grantee enforcement logs.

**Limitations/advantages of the data.** Border counties may not include all underserved areas commonly considered colonias. HUD has not yet verified the reliability of data from FHIP enforcement logs.

**Validation, verification, improvement of measure.** During FY 2003, the available data, along with the discrimination patterns they reveal, are being assessed to verify their reliability and validate their suitability for this measure.

## Objective FH.3: Improve housing accessibility for persons with disabilities.

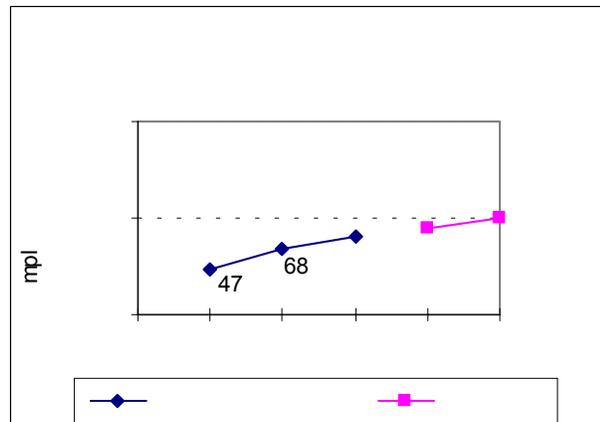
### FH.3.1: HUD will conduct 100 Section 504 disability compliance reviews of HUD recipients.

**Indicator background and context.** FHEO reviews public housing agencies and private providers of HUD-assisted housing to ensure that their developments comply with accessibility standards under Section 504 of the Rehabilitation Act of 1973. This law prohibits discrimination based on disability in federally assisted programs and activities. Section 504 requires that programs and activities be accessible to persons with disabilities. Thus the reviews will examine whether the developments comply with Section 504 and the uniform Federal Accessibility standards. The FY 2004 goal is to complete at least 100 reviews of PHAs and private housing providers, and the FY 2003 goal has been increased to 90 reviews.

**Data source.** FHEO TEAPOTS.

**Limitations/advantages of the data.** The database counts the various compliance reviews conducted, but does not track the various stages or provide qualitative information about results of the reviews.

**Validation, verification, improvement of measure.** Managers provide quality assurance by reviewing the results on an intermittent basis.





## **Goal EM: Embrace High Standards of Ethics, Management, and Accountability**

### **Strategic Objectives:**

- EM.1 Rebuild HUD's human capital and further diversify its workforce.**
- EM.2 Improve HUD's management, internal controls and systems and resolve audit issues.**
- EM.3 Improve accountability, service delivery, and customer service of HUD and its partners.**
- EM.4 Ensure program compliance.**
- EM.5 Improve internal communications and employee involvement**

### **Objective EM.1: Rebuild HUD's human capital and further diversify its workforce.**

**EM.1.1: The Resource Estimation and Allocation Process and Total Estimation and Allocation Mechanism will continue to be utilized for managing resource requirements and prioritizing staffing allocations by program and office.**

**Indicator background and context.** The Resource Estimation and Allocation Process/Total Estimation and Allocation Mechanism (REAP/TEAM) supports the Department's effort to estimate, allocate and validate resources for effective and efficient program administration and management. It is a key tool for managing staff resources and workload, and provides a foundation for HUD's long-term human capital strategies, including succession planning. REAP/TEAM assists the Department in developing a strategic human capital planning approach and at the same time supports performance budgeting in terms of planning, utilization and funding of human capital resources. Specifically, REAP/TEAM data will be reflected in the development of the FY 2005 Budget request as was done for the FY 2004 request. REAP/TEAM is a key tool in meeting the human capital strategic elements identified by the General Accounting Office across the Federal establishment.

The National Academy of Public Administration helped develop the process. NAPA recommended that it include the three components of resource estimation, resource allocation, and resource validation. Resource estimation studies were begun in FY 2000 to provide baseline data and standards for estimating the amount of time and resources required to perform the Department's work. The studies covering the entire Department were completed on schedule during the first quarter of FY 2002. NAPA also recommended the baseline data be re-evaluated on a regular basis. Accordingly, the REAP studies will be revisited during FYs 2003 and 2004.

Concurrently with REAP, the development of TEAM was begun. TEAM is an intranet application that enables ongoing resource allocation and validation. TEAM collects actual workload accomplishments and employee time usage on a sampling basis. Employees in Headquarters and the Field record how much time they spend working on the different activities and processes of their jobs during a randomly selected two-week period every quarter. Time and workload reporting enables the validation of the REAP standards or requires their re-evaluation. The Allocation Module of TEAM is scheduled to be implemented in FY 2003.

**Data source.** REAP/TEAM data is maintained by CFO's Office of Budget. Data are maintained by fiscal year.

**Limitations/advantages of the data.** The TEAM system provides a comprehensive database for estimating and allocating staff resources. Random sampling of work activities ensures that the data are representative of overall workload. The reporting process for employee time usage introduces unavoidable measurement error that is anticipated to be within acceptable levels of confidence and precision. TEAM is not designed to assess the quality of work products. This will be accomplished through independent quality management reviews.

**Validation, verification, improvement of measure.** TEAM data helps validate REAP estimates. Annual replication of TEAM sampling will serve as a means of verification and may identify the need for additional resource estimation studies. Resource estimation studies will also be repeated on a regular basis.

### **EM.1.2: HUD will complete a Comprehensive Workforce Analysis and produce a Departmental Workforce Plan.**

**Indicator background and context.** In FY 2003, HUD issued and began implementing its Strategic Human Capital Management Plan. A critical companion effort is completing a comprehensive workforce analysis and institutionalizing a workforce planning process. In July 2002, the General Accounting Office issued a report that cited the need for HUD to engage in comprehensive workforce planning. Strategic human capital management is also identified as a critical Government-wide weakness by OMB. In FY 2004, HUD will complete a comprehensive workforce analysis that includes:

- HUD's core business program offices, identifying mission-critical positions and assessing current and future workload and processes;
- Confirming existing staff skills and determining future staffing requirements;
- Identifying knowledge and skills gaps and imbalances;
- Suggesting organization changes and improving and enhancing strategic alignment;
- Suggesting proposals improving staff training and development;
- Specific recruitment strategies addressing individual program needs.

The comprehensive workforce analysis will result in individual workforce plans for each of HUD's core business program offices: Housing, Public and Indian Housing, Fair Housing and Equal Opportunity, and Community Planning and Development. The individual program office workforce plans will consider organization management issues, employee development, knowledge transfer, and targeted recruitment strategies, and will be the basis for a comprehensive five-year Departmental Workforce Plan.

**Data source.** Data will be gathered from the National Finance Center payroll/personnel system, Workforce Analysis, REAP/TEAM, HUD E-Government Strategic Plan, and HUD Strategic Plan.

**Limitations/advantages of the data.** Most critical data will not be available until the workforce analysis is substantially complete.

**Validation, verification, improvement of measure.** Human Resource managers will confer with program officials to validate the findings of the workforce analysis, verify that program office workforce plans contain the required information, and that these plans address the principal future human capital concerns of the program areas.

**EM.1.3: HUD will implement training and development initiatives for mission-critical positions.**

**Indicator background and context.** GAO evaluators have identified succession planning as a Government-wide high-risk area. The impending retirement of over half of HUD’s workforce over the next three to five years poses a significant threat to HUD’s operations. If not addressed, this will result in the Department’s loss of institutional program knowledge. Nineteen mission-critical occupational series are projected to be significantly impacted by retirements of 30–50 percent, or approximately 2,500 employees. In the prior year HUD identified the core competencies and training curriculum for its mission-critical occupations.

The Department will implement training and development strategies to meet the needs of HUD’s core business functions, and develop talented leadership from within the organization. In FY 2004, HUD will provide training based on the core business competencies to employees where skill gaps have been identified. As of March 15, 2003, there were approximately 1,250 managers and supervisors, of which 203 were trained on core leadership competencies. In FY 2003, HUD trained 200 managers and supervisors. In FY 2004, HUD plans to train an additional 300 managers and supervisors.

Operation BrainTrust is HUD’s knowledge transfer program designed to capture the knowledge and experience of HUD professionals and leaders to other HUD employees. As of March 2003, HUD has trained 30 subject matter experts (“professors”) on course design, development and delivery. Plans are to train another 30 professors by the end of FY 2003. To date the trained faculty have designed 25 program technical course proposals. The first training session was designed and developed in distance learning format and was delivered on April 3, 2003. Plans are to train at least 200 HUD employees in the program-specific mission-critical positions by the end of FY 2004.

**Data source.** Data generated from the President’s Management Agenda: Strategic Management of Human Capital, and the Departmental Strategic Human Capital Plan, Comprehensive Workforce Analysis Results.

**Limitations/advantages of the data.** In many cases detailed data will not be available until the workforce analysis is complete.

**Validation, verification, improvement of measure.** The comprehensive workforce analysis will validate HUD critical skills and the skill gap analysis. The Department will develop performance measures to assess the success of the training and development programs.

**EM.1.4: Monitor and report improvements in the representation of under represented groups in the Department.**

**Indicator background and context.** This is a tracking indicator. It is the policy of HUD to prohibit discrimination in employment because of race, color, religion, sex, national origin, age, and disability, and to promote the full realization of equal employment opportunity through a continuing Affirmative Employment Program. This program involves increasing the diversity of the applicant pool for job openings. When an opening is posted, the Department also sends notices to organizations that represent women and minorities and educational institutions with a high rate of women and minority enrollment. HUD’s affirmative employment efforts do not include any hiring preference based on race or gender. HUD’s Hispanic representation of 7.1 percent has consistently remained below the Hispanic Civilian Labor Force (CLF) representation of 8.1 percent for the past several years. HUD has a FY 2003 goal to increase the representation of Hispanics from 7.1 percent to 7.3 percent of employees. Similarly, HUD hopes to increase the representation of White females from 26.0 percent to 26.9 percent in FY 2003 to close the gap between their CLF representation of 35.5 percent.

FY 2004 Annual Performance Plan

**Data source.** HUD employment data tabulated in the Department's Equal Employment Opportunity Management Analysis System (EEOMAS).

**Limitations/advantages of the data.** EEOMAS data are believed to be accurate and reliable.

	FY 1998	1999	2000	2001	2002	2003
Hispanic representation	6.6%	6.8%	7.0%	7.0%	7.1%	7.3%
White female representation	28.0%	27.7%	27.0%	26.6%	26.0%	26.9%

**Validation, verification, improvement of measure.** EEOMAS data are reviewed by the U.S. Equal Employment Opportunity Commission.

## **Objective EM.2: Improve HUD’s management, internal controls, and systems and resolve audit issues.**

### **EM.2.1: FHA will continue to address financial management and system deficiencies through the phased implementation of an integrated financial system to support FHA functions to be completed by December 2006.**

**Indicator background and context.** The FHA Comptroller has developed a Blueprint for Financial Management that will implement an integrated Core Financial Management System to address financial management and system deficiencies documented by HUD’s Inspector General, FHA and HUD financial statement auditors, OMB examiners and GAO auditors.

The new Core Financial Management System will support the President’s Management Agenda for HUD in strengthening program controls through improved information systems. Implementing this new system is one of the Secretary’s strategic actions to address material weaknesses and reportable conditions identified in FHA’s most recent audited financial statement, reported to Congress in “Building the Public Trust.” The Blueprint for Financial Management also provides corrective action for 14 different FHA systems that are currently non-compliant with the requirements of OMB Circular A-127.

The plan for the development of an integrated Financial Management System that will address financial management and system deficiencies has the following key objectives:

- Implement U.S. Standard General Ledger and credit reform accounts in the FHA general ledger;
- Implement automated funds control processes using the FHA general ledger;
- Automate FHA’s interface with HUD’s departmental general ledger;
- Produce FHA financial statements and regulatory reports directly from the FHA general ledger;
- Enhance FHA cash accounting and Treasury reconciliation with automated support from the integrated financial management system;
- Enhance FHA contract accounting with automated support from the integrated financial management system; and
- Eliminate manual accounting processes and improve integration of FHA financial and program systems.

This systems project has a phased implementation. In Phase I, FHA identified the sources of accounting information within approximately 20 insurance systems; defined pro-forma accounting transactions to support Federal Generally Accepted Accounting Principles; and acquired a commercial-off-the-shelf product that is compliant with the Joint Financial Management Improvement Program (JFMIP) to serve as the new core financial system.

In Phase II, FHA implemented the new JFMIP-compliant core financial software, beginning with the general ledger in October 2002. FHA will implement additional JFMIP-compliant modules of the core financial software to complete support for accounting operations by December 2004. During this same period, FHA will also upgrade the software for Web operation to improve critical accounting processes such as funds control.

In Phase III, FHA will complete the integration of its insurance systems with the new core financial system. Phase III of the project is expected to be completed by December, 2006.

**Data source.** Successful performance will be measured by HUD’s Inspector General and reported in the annual audit of FHA’s financial statements.

**Limitations/advantages of the data.** The various phases of implementing this long-term project do not lend themselves to identifying discrete milestones for annual reporting on a fiscal year basis.

**Validation, verification, improvement of measure.** Annual milestone goals may be identified as supported by timing of project activities.

**EM.2.2: HUD is proceeding with plans to reduce the number of non-compliant financial management systems.**

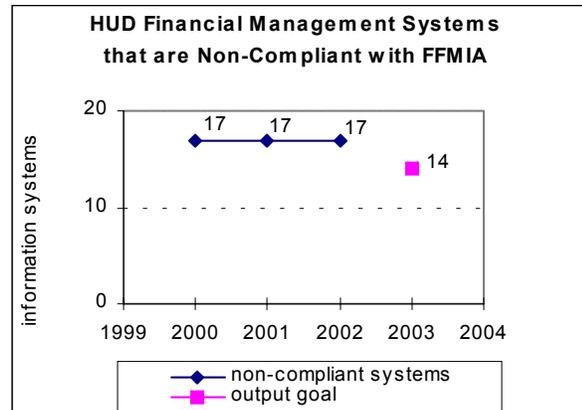
**Indicator background and context.** The Federal Financial Management Improvement Act of 1996 (FFMIA) requires Federal agencies to implement and maintain financial management systems that comply with federal accounting standards and support the U.S. Government Standard General Ledger at the transaction level. Although HUD earned a clean audit opinion for FY 2000–2002, the General Accounting Office has recommended that the Department establish clearer goals for improving the data systems that ensure financial accountability.

At the end of FY 2000, HUD had 67 financial management systems, of which 17 failed criteria for compliance with Federal standards. By the end of FY 2002, the total number of financial systems dropped to 50 due to systems consolidations, terminations and reclassifications, but the number of noncompliant systems remained at 17.<sup>11</sup> Fourteen of the 17 non-compliant systems were in the Federal Housing Administration, where there is a need to replace FHA’s commercial accounting system with a system that is fully compliant with the federal basis of budgeting and accounting. These 14 systems’ deficiencies are being addressed by the FHA Subsidiary Ledger Project, which is a phased development effort running through 2006. HUD’s FY 2003 goal was to reduce the number of non-compliant systems by 3 to 14.<sup>12</sup> No further systems remediation efforts are planned for completion in FY 2004, pending further development of the FHA Subsidiary Project.

**Data source.** The Office of the CFO maintains the financial management systems inventory, with input from systems sponsors and cyclical compliance reviews.

**Limitations/advantages of the data.** The data are reliable for this measure.

**Validation, verification, improvement of measure.** HUD contracts for financial management systems compliance reviews on a three-year cycle, and the Inspector General verifies compliance of HUD financial system through audits.



<sup>11</sup> The 17 noncompliant systems at the end of FY 2002 were as follows:

*Office of the Chief Financial Officer*—Loan Accounting System.

*Office of Public and Indian Housing*—Regional Operating Budget and Obligation Tracking.

*Office of Housing/Federal Housing Administration*—Single Family Insurance Claims Subsystem; Mortgage Insurance General Accounting; Distributive Shares and Refund Subsystem; Single Family Premium Collections Subsystem—Upfront; Single Family Acquired Asset Management; Home Equity Conversion Mortgages; Cash, Control, Accounting Reporting System; Multifamily Insurance; Title I Notes Servicing; Title I Insurance and Claims; Multifamily Insurance and Claims System.

*other Office of Housing*—Tenant Rental Assistance Certification System.

<sup>12</sup> The three systems planned for remediation in FY 2003 are: Mortgage Insurance General Accounting; Loan Accounting System; Regional Operating Budget and Obligation Tracking.

### **EM.2.3: HUD financial statements receive unqualified audit opinions, and the preparation and audit of HUD’s financial statements is accelerated.**

**Indicator background and context.** The Department introduced this indicator into its APP goal structure to maintain a focus on improving and enhancing HUD’s financial stewardship. During FY 2003, the Inspector General issued an unqualified audit opinion on HUD’s FY 2002 financial statements. The Department has received an unqualified audit opinion for three consecutive years—an indicator of financial management discipline and stability. The issuance of HUD’s audited financial statements was accelerated by one month for FY 2002, to four months after the end of the fiscal year. HUD plans to further accelerate the issuance of its FY 2003 audited financial statements to 80 days after the end of the fiscal year. OMB has mandated that all agencies issue their audited financial statements within 45 days of the end of the fiscal year, on or about November 15, for FY 2004 and thereafter. To provide more timely financial management information and support for the accelerated audit process, HUD prepared mid-year financial statements for FY 2002, has begun preparing quarterly financial statements for FY 2003. Quarterly statements are currently being issued 45 days after the end of the quarter and will be accelerated to 21 days after the end of the quarter beginning in FY 2004.

HUD’s progress is a result of actions to complete the timely reconciliation of the funds balance with Treasury accounts; enhance the conversion of transactions to HUD’s new standard general ledger system (HUDCAPS), including substantially improving the acceptance of transactions and the performance of account reconciliation efforts; improve the year-end closing process to assure that all adjustments are made through the general ledger, with adequate supporting documentation; and continue corrective actions on previously identified material weaknesses and reportable conditions.

The receipt of an unqualified audit opinion for HUD’s consolidated financial statements is important in restoring confidence in the Department’s financial statements for OMB, Congressional and public users. However, HUD is very mindful of the financial management discipline and vigilance required to maintain that confidence, and of the need for continued progress in resolving remaining material management control weaknesses and reportable conditions still associated with HUD’s underlying financial management systems and operations.

**Data source.** HUD financial statement audits are performed by the Office of Inspector General and contracted resources directed by the OIG.

**Limitations/advantages of the data.** Financial statement audits review the adequacy of data systems and internal controls, as well as compliance with laws and regulations, and identify weaknesses that are material to the presentation of HUD’s financial statements. An unqualified audit opinion does not mean that the audit has identified no material weaknesses.

**Validation, verification, improvement of measure.** OIG audits are independent of HUD management, are performed in accordance with GAO auditing standards, and adhere to OMB and other guidelines and standards governing the preparation and audit of agency financial statements.

### **EM.2.4: Ensure timely management decisions and final actions on audit recommendations by the HUD Office of Inspector General.**

**Indicator background and context.** The large body of internal and external audit work conducted by the HUD Office of Inspector General results in a significant volume of recommendations involving recovery of disallowed and questioned costs, opportunities to put funds to better use, and improvements to management controls to reduce the risk of fraud, waste and abuse, and improve program performance. The Inspector General Act of 1978, as amended, establishes requirements for the timely resolution and reporting on OIG audit recommendations

by agency managers. By statute, agency managers have six months from the date of issuance of an audit report to reach acceptable management decisions on OIG audit recommendations.

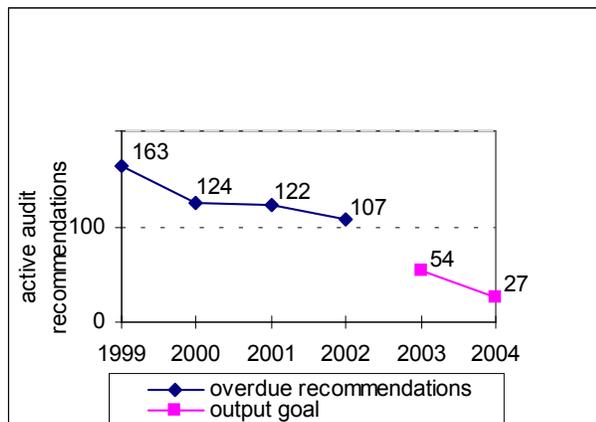
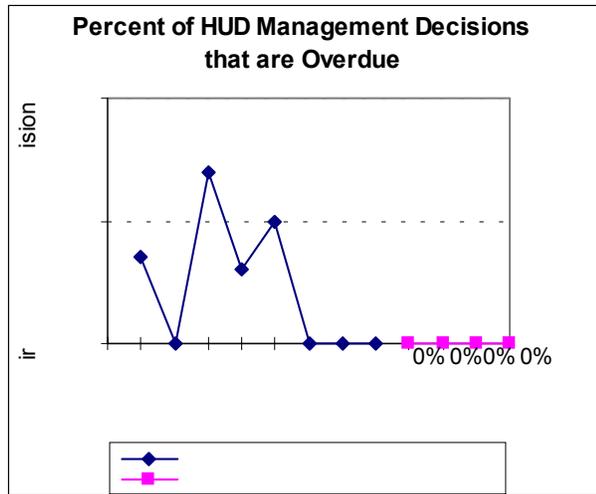
For the semiannual reporting period ending September 30, 2002, HUD made timely management decisions on 301 OIG audit recommendations and—for only the fourth time since the passage of the Inspector General Act in 1978—had “no” overdue management decisions to report. HUD’s goal is to have “no” overdue management decisions every six-month reporting period, and has met this goal for the last 3 consecutive periods.

Furthermore, HUD ended the September 30, 2002 reporting period with 107 recommendations that were more than 12 months overdue, which is the third straight fiscal year that this number has declined. HUD’s goal is to reduce the number of recommendations more than 12 months overdue by 50 percent by the end of FY 2004, building on a similar goal for FY 2003.

**Data source.** Audit Resolution and Corrective Action Tracking System (ARCATS).

**Limitations/advantages of the data.** The data are reliable for this measure.

**Validation, verification, improvement of measure.** The HUD Inspector General and the Departmental Audit Liaison in the Office of the Chief Financial Officer reconcile and confirm the accuracy of the data.



**EM.2.5: HUD will assess eight additional major systems for data quality.**

**Indicator background and context.** Over the years, HUD’s program offices have developed a large number of data systems for a variety of business purposes such as controlling financial resources, tracking administrative procedures and recording program impacts. Program offices ultimately are responsible for the quality of their data, including data provided by business partners. The Office of the Chief Information Officer (OCIO) oversees information technology investments and ensures that information systems support core business processes and achieve mission-critical goals.

The CIO partnered with the CFO and the program offices in 2000 to launch the Data Quality Improvement Program (DQIP), an enterprise-wide initiative that will help ensure accurate, complete, consistent, timely and valid data across HUD. By the end of FY 2003, HUD will have assessed 15 mission critical systems under the DQIP.

In FY 2004, HUD will assess the quality of 8 additional mission-critical information systems, bringing the total of systems assessed to 23. The time lag between original assessment of an information system and certification that the quality of the information in the system meets

HUD's standards will vary depending on the level of corrections required and other external business factors. HUD program areas not only will engage in a data cleanup activity before data quality is certified, but also will implement the business and systems process improvements required to ensure sustained quality improvement.

**Data source.** HUD employs a three-step process to ensure the quality of APP performance indicator data in its IT systems: independent assessment, data quality cleanup (scrap and rework) or data quality improvement (defect prevention), and certification. All HUD systems used to support APP reporting are included in the independent assessment process performed by the OCIO. Clean up recommendations are made to program and support area systems owners who are accountable for data quality cleanup and improvement efforts required to correct identified deficiencies and ensure ongoing data quality. As soon as identified data quality corrections and improvements are in place, the system becomes eligible for independent certification by the OCIO. The certification process repeats the analyses employed in the assessment to verify that intended improvements have been made and are working as expected.

**Limitations/advantages of the data.** System certification is based on verified conformance of critical data elements with applicable business rules for each program.

**Validation, verification, improvement of measure.** The OCIO database identifies the objective criteria for evaluating data quality and the results of the assessment. Some data systems are independently validated by GAO and OIG audits.

#### **EM.2.6: HUD will achieve SA-CMM Level 2 for five additional mission critical systems.**

**Indicator background and context.** Applying criteria in the Software Acquisition (SA) Capability Maturity Model (CMM) will help HUD move its software acquisition from ad hoc, chaotic processes to mature, disciplined processes. The SA-CMM focuses on identifying key process areas and the exemplary practices found in a disciplined software and systems acquisition process. Being at Level 2 of SA-CMM includes the following characteristics:

- Practices can be repeated. Established policies, procedures, and practices commit the Department to implementing and performing consistently.
- Best practices are defined so they can transfer across Program Areas. Practices are defined to transfer across project boundaries, and provide some standardization.
- Variations in performing best practices are reduced. Quantitative objectives are established for tasks; measures are established, taken, and maintained to form a baseline so an assessment is possible.
- Practices are continuously improved to enhance capability.

HUD plans that five systems will get an SA-CMM Level 2 designation in FY 2003. During FY 2004, HUD will achieve an SA-CMM Level 2 designation for an additional five mission critical application systems. In addition, HUD will work with the projects currently undergoing SA-CMM Level 2 implementation to achieve Level 3 maturity (standard, consistent processes).

**Data source.** CIO administrative database, consisting of system performance metadata reported by program owners of data systems.

**Limitations/advantages of the data.** None identified at this time.

**Validation, verification, improvement of measure.** Implementation will be verified by independent audit by third party and/or the OIG.

### **EM.2.7: HUD will achieve Information Technology Investment Management (ITIM) Maturity Stage 3.**

**Indicator background and context.** HUD's workload has increased about 30 percent while its workforce has shrunk from 14,000 to 10,500, a decrease of 25 percent over 10 years. HUD would not be able to perform its mission at current staffing levels without automated data systems. In FY 2002, HUD spent approximately \$380 million on an information technology (IT) portfolio of about 220 projects. These projects primarily involve maintaining legacy systems and small to major modifications. These systems are designed, developed, and managed to ensure that the Department is able to address changing business needs, emerging departmental requirements (legislation, regulations, guidance, court orders) and project performance considerations timely.

HUD's Capital Planning and Investment Control (CPIC) process lays the foundation upon which a mature approach to Information Technology Investment Management is being built. In 1999, HUD began implementing GAO's ITIM Maturity Framework as a part of its CPIC process. The Maturity Framework helps improve the selection and management of HUD's IT portfolio so that it adequately addresses business strategies and workforce needs. HUD also established controls over investments to minimize the likelihood of project failure or excessive cost and schedule overruns.

There are five levels of maturity to the GAO ITIM framework:

- Stage 1—Creating investment awareness;
- Stage 2—Building an investment foundation;
- Stage 3—Developing a complete investment portfolio;
- Stage 4—Improving the investment process;
- Stage 5—Leveraging IT for strategic outcomes.

In 2002, HUD achieved Stage 2. HUD implemented an investment review board to select and manage IT projects, and a process that verifies business needs and tracks and oversees projects and systems. HUD will improve its IT management practices by achieving Stage 3 during FY 2004. Achieving Stage 3 will require HUD staff to: (1) improve the alignment of the authority of HUD investment boards; (2) define selection criteria for the portfolio; (3) improve investment analyses; (4) develop a portfolio; and (5) provide oversight of the portfolio to improve the selection and management of IT assets.

**Data source.** CIO Administrative Data Base.

**Limitations/advantages of the data.** Based on verification, critical elements are included to comply with program business rules.

**Validation, verification, improvement of measure.** An assessment will be performed by an organization certified in the GAO methodology.

### **EM.2.8: HUD will complete its target enterprise architectures for eight core business functions.**

**Indicator background and context.** In 2000, HUD established an enterprise architecture (EA) program to promote sound business and IT decisions through comprehensive understanding of HUD's complex computing environment. The primary purpose of the HUD EA is to inform, guide, and govern the decisions for the enterprise, especially those related to IT investments. The EA describes the current and planned design of the Department's business, information and technology. With EA, HUD can identify its needs and define the technology to support those requirements. Across the Department, EA helps to:

- Illustrate the implications of business and IT decisions;

- Ensure the acquisition of technologies to adequately support business and information needs;
- Facilitate information sharing among the program offices;
- Promote reduction in redundant system functionality;
- Highlight opportunities for building greater flexibility into applications.

Before a new application is developed, the Enterprise Architecture practice helps determine if a similar application already exists which may meet some or all of the identified business needs. Consistently involving EA methodology to help select and control our IT portfolio demonstrates GAO maturity level four operations.

In FY 2004, HUD will complete its target enterprise architectures with integrated segment architectures for the following eight core business functions: (1) Single Family Housing; (2) Financial Resource Management; (3) PIH Rental Assistance; (4) Grants Management; (5) Human Resources Management; (6) Facilities Management; (7) Information Management; and (8) Acquisition Management.

**Data source.** CIO administrative database, consisting of system performance metadata reported by program owners of data systems.

**Limitations/advantages of the data.** The performance management and reporting methodology for data systems remains at a developmental stage.

**Validation, verification, improvement of measure.** The CIO is an independent reviewer of system performance reported by program offices. CIO and Program Areas have oversight in the development of system performance goals.

### **EM.2.9: Exceed the rate of net recovery received on the sale of property through the Accelerated Claim Program Demonstration (Section 601).**

**Indicator background and context.** Under authority from Section 601 of the National Housing Act in 1999, HUD is implementing a demonstration program to reform the single family claims and property disposition process and maximize recoveries on claims paid. Under the demonstration, FHA will take assignment of notes and transfer them to private parties for servicing, foreclosure avoidance, property management and asset disposition. FHA will utilize structured financing and retain an equity interest in the limited liability company formed to acquire, service and dispose of portfolios of single-family notes. The overall goal of the Accelerated Claims Disposition (ACD) program is to ensure that FHA's public policy issues are addressed while expediting the disposition of defaulted FHA single-family assets and maximizing the return to the FHA Insurance Funds. The first demonstration initiative was a sealed bid auction held in October 2002. Claims were paid beginning October 31, 2002. This indicator tracks the rate of recovery on FHA claims between FY 2003 and FY 2004.

**Data source.** The progress of the ACD program will be monitored through the Single Family Insurance System – Claims Subsystem, which provides on-line update and inquiry capability to Single Family Insurance and Claims databases and to cumulative history files.

**Limitations/advantages of the data.** The data have no limitations affecting the reliability of this measure. The data will be used as a part of the overall monitoring of the FHA's portfolio and as a component of the internal controls of FHA.

**Validation, verification, improvement of measure.** Data for FHA claims and recovery are audited by the Inspector General.

**EM.2.10: HUD will conduct training on and exercise the Continuity of Operations (COOP) Program.**

**Indicator background and context.** It is the U.S. Government's policy to have in place a comprehensive, effective program to ensure continuity of federal functions under all hazards.<sup>13</sup> As a baseline for preparedness for the full range of potential emergencies, all federal agencies are required to have a viable Continuity of Operations capability that ensures that essential functions can be performed during any emergency or situation that might disrupt normal operations.

In FY 2004, HUD will:

- Perform quarterly notification testing of all office COOP notification procedures, and achieve a 95 percent quarterly testing rate for all HUD offices (307 tests out of a possible 324);
- Conduct annual training of the Headquarters COOP Emergency Relocation Group members, and achieve an 80 percent level of participation (96 out of an estimated 120 Headquarters COOP Emergency Group members); and
- Exercise the activation of emergency relocation sites and deployment of the COOP Emergency Relocation Group for 10 percent of HUD's offices (9 out of 81 offices).

**Data source.** The Office of Security and Emergency Planning (OSEP) reporting requirements, in accordance with the HUD COOP Test, Training and Exercise (TT&E) Plan.

**Limitations/advantages of the data.** FY 2003 is the first year that this data will be reported. In FY 2003, HUD will establish its baseline and data reporting mechanism.

**Validation, verification, improvement of measure.** OSEP will perform initial evaluation of data quality. GAO and/or OIG will perform independent assessments and validation.

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<sup>13</sup> The authority for the COOP program is Presidential Decision Directive (PDD) 67, dated October 21, 1998, and Federal Preparedness Circulars 65 and 66.

## **Objective EM.3: Improve accountability, service delivery, and customer service of HUD and its partners.**

### **EM.3.1: HUD partners become more satisfied with the Department’s performance, operations, and programs.**

**Indicator background and context.** HUD partners are critical to the Department’s overall performance. These partners, which include government, non-profit and for-profit entities, provide service delivery for a majority of HUD programs. Increasing their satisfaction with HUD makes them more willing to support HUD and achieve common objectives. During FY 2001 eight partner groups were surveyed to assess both partner satisfaction with the Department generally and perceptions of the recent management changes at HUD. The partner groups included: community development directors, public housing agency directors, Fair Housing Assistance Program directors, mayors, multifamily owners, and non-profit providers. Overall satisfaction by partners varied greatly, with FHAP directors and mayors highly satisfied and public housing agency directors and multifamily owners less satisfied. Similarly, partner assessments of the HUD 2020 management changes were mixed. The Department’s goal is to see an increase in partner satisfaction by partner groups when the study is replicated in 2003.

**Data source.** HUD will undertake a similar stakeholder survey during FY 2003, with the data expected to become available in FY 2004.

**Limitations/advantages of the data.** Sources of satisfaction or dissatisfaction may be difficult to identify, and a single policy or event may satisfy some partners and dissatisfy others. As part of its plan for the FY 2003 study, the Department will target particular stakeholders and particular issues. Therefore the new study will not be a precise replication of the FY 2001 study.

**Validation, verification, improvement of measure.** The survey instrument was pretested to determine appropriate validation and verification procedures. Focus groups were conducted in 2000 to assess partner needs and opinions as they relate to reporting program results. The baseline report, “How’s HUD Doing? Agency Performance as Judged by Its Partners,” is available at [www.huduser.org](http://www.huduser.org).

### **EM.3.2: HUD will continue to implement procedures to hold single-family lenders accountable for the selection and performance of appraisers for FHA-insured mortgages.**

**Indicator background and context.** Single-family homes that are being financed with FHA-insured loans need accurate appraisals of property to prevent undue risk to the FHA fund. HUD’s monitoring and oversight of these appraisals have been considered a material weakness of the Department. As part of FHA’s single-family appraisal reform efforts, FHA’s Office of Single Family Housing will create new protocols for the monitoring of lenders’ appraisers. These new protocols will be fully implemented in FY 2003. Closer monitoring of lenders by HUD will support improved performance of appraisers. Recently, the Department significantly increased the requirements for appraisers to disclose readily observable defects in the home to the buyer. HUD created new disclosure forms to provide better information to consumers prior to the purchase. With these requirements came the need to increase training for all FHA roster appraisers. Therefore, a new appraisal handbook was developed and an exam was written to test appraiser knowledge of the new requirements.

This indicator tracks the accomplishment of implementing these important procedures. In future years, the Department will determine how best to assess the accuracy of FHA appraisals on an ongoing basis. This performance goal corresponds with the FY 2002 President’s Management

Agenda, which established the goal of eliminating most, if not all, falsely inflated appraisals by 2004.

**Data source.** The results of the appraisal sanctions are maintained in the Computerized Homes Underwriting Management System (CHUMS) Appraisal Sanctioning Screen.

**Limitations/advantages of the data.** Data from CHUMS are believed to be accurate and reliable for this measure.

**Validation, verification, improvement of measure.** CHUMS is regularly audited by Housing.

**EM.3.3: The percentage of existing eGovernment applications that achieve their performance goals increases by 5 percent from the FY 2003 baseline.**

**Indicator background and context.** The full integration of the capabilities of information technology into the business of the Federal government is a central objective of the Administration. The Federal government can secure greater services at lower cost through Electronic Government (eGovernment), and can meet high public demand for eGovernment services. The Administration expects citizen-centered electronic government to result in a major improvement in the Federal government's value to the citizen.

HUD's commitment and vision to transform the way we do business using eGovernment technology is demonstrated through the linkage of HUD's eGovernment Program and the IT budget process. All eGovernment applications must have sound performance measures to receive funding. Performance measures for eGovernment applications are linked to the business area programs, which they support. As mandated by the Clinger-Cohen Act, all IT investments are selected, controlled and monitored to ensure they meet the Department's mission, goals and objectives.

**Data source.** The data originate in program office reporting on their eGovernment progress through the IT Budget Process, updates to HUD's eGovernment Strategic Plan, and the Executive Branch Management Scorecard.

**Limitations/advantages of the data.** All information technology system investments are selected, controlled and evaluated through HUD's IT Budget Process. This includes tracking and monitoring performance on eGovernment applications that support HUD programs and services.

**Validation, verification, improvement of measure.** Validations will primarily occur through the IT Capital Planning Control reviews and the Executive Branch Management Scorecard on eGovernment. eGovernment applications that do not meet the performance measures established for the program will receive corrective action plans and will be re-evaluated on a quarterly basis. HUD's vision and plans to implement eGovernment services will be revisited annually to ensure alignment with the Department's overall Strategic Plan and the President's Performance and Management Agenda for eGovernment.

**EM.3.4: Process 200,000 mortgage insurance applications through TOTAL Scorecard.**

**Indicator background and context.** HUD has developed a mortgage scorecard, FHA Technology Open To All Lenders "TOTAL" Scorecard, for use by the mortgage industry. The TOTAL Scorecard is not an automated underwriting system; rather, it is a mathematical equation intended to be used within an automated underwriting system. The FHA TOTAL Scorecard assesses the credit worthiness of FHA borrowers in an objective, consistent manner by evaluating certain mortgage application and borrower credit information that has been statistically proven to accurately predict the likelihood of borrower default. FHA believes the objectivity and the broad availability of the TOTAL Scorecard will increase homeownership opportunities for minorities. The scorecard was developed for a number of reasons, which include improving underwriting

efficiencies by lenders, decreasing losses to FHA's insurance fund, and integrating the use of automated underwriting systems into FHA's existing processes and workflow including mortgage insurance endorsement processing.

Currently, three scorecards are approved for use within in the mortgage industry for FHA mortgages. These were developed by third parties, not by FHA. These scorecards, developed by the industry partners for their automated underwriting systems, will be replaced with the TOTAL Scorecard and made available to all lenders. Of FHA's endorsements, approximately 40 percent are underwritten using these third party scorecards.

A major difference between the FHA TOTAL Scorecard and the conventional market is that no borrower is rejected on the determination of the automated scorecard and FHA requires the mortgagee to provide referred borrowers with borrower education information as a condition of using the TOTAL Scorecard. The FY 2004 performance goal is to process 200,000 mortgage insurance applications through TOTAL Scorecard.

**Data source.** FHA's Computerized Homes Underwriting Management System.

**Limitations/advantages of the data.** There are no data limitations affecting this measure. The data will be used as a part of the overall monitoring of the FHA's portfolio quality and as a component of the internal controls of FHA.

**Validation, verification, improvement of measure.** The goal will be validated through use and acceptance of the FHA TOTAL Scorecard by the mortgage industry. For minority homeownership, HUD anticipates a 1 point increase in the percentage of FHA loans underwritten using an automated underwriting system within the next fiscal year. HUD will adjust its policy and procedures to ensure the program goals are achieved in a properly controlled environment. Also, partner performance will be monitored and HUD will conduct program compliance reviews through the Quality Assurance Division.

### **EM.3.5: Reduce the undisbursed balances in the IHBG program by 50 percent for Fiscal Years 1998, 1999, 2000 and 2001.**

**Indicator background and context.** This goal is established to address a concern that IHBG grant funds are not being disbursed in a timely manner.

**Data Source.** Line of Credit Control System (LOCCS).

**Limitations/advantages of the data.** Data from the LOCCS system is available on a daily basis and this will facilitate the timely tracking of undisbursed funds.

**Validation, verification, improvement of measure.** Requests for disbursements above 10 percent of the total grant amount are reviewed prior to approval for drawn-down of funds. The reviews take place in ONAP Area Offices based on documentation submitted by grant recipients.

### **EM.3.6: HUD will increase total obligations for performance-based service contracts to \$112 million.**

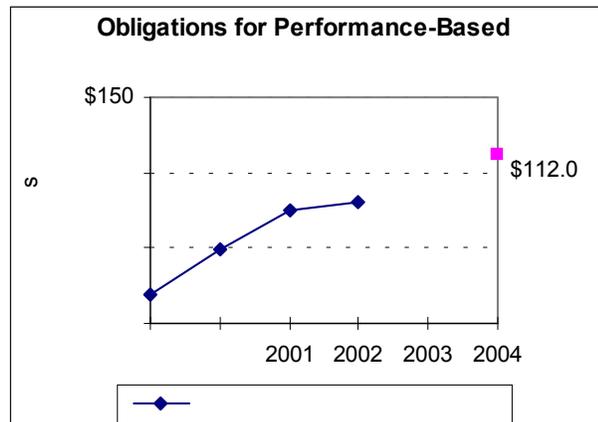
**Indicator background and context.** The procurement of contract services is essential to the accomplishment of HUD's mission. As recommended by the Inspector General and the General Accounting Office, HUD made improvements to its contracting procedures to ensure that contracts for services are timely, cost-effective and produce specified results and that they place a financial incentive on achieving desired outcomes. These objectives incorporate performance-based contracting (PBC), an initiative sponsored by OMB's Office of Federal Procurement Policy and applied throughout the Executive branch. PBC is designed to ensure that contractors are free to determine how to meet the Government's performance objectives so appropriate levels of quality are achieved, and payment is made only for services that meet these levels.

During FY 2001, HUD obligated \$75.3 million for performance-based service contracts. In FY 2002, total obligations for performance-based service contracts increased to \$80.4 million. For FY 2004, the goal is to increase total obligations for performance-based service contracts to \$112 million (a 39.3 percent increase from FY 2002). This measure excludes simplified acquisition obligations (FAR Part 13).

**Data source.** The HUD Procurement System (HPS), an automated database containing information about all procurement contracts awarded by the Department.

**Limitations/advantages of the data.** Contracting staff enter data into HPS as they complete each contract action. The system has a data field to identify whether a contract has performance-based features.

**Validation, verification, improvement of measure.** Analysts will verify that contracts identified as performance-based in HPS contain required features and are accurately recorded.



**EM.3.7: HUD will implement the Contractor Performance System and training initiatives to strengthen acquisition management.**

**Indicator background and context.** In the 1990s, HUD dramatically downsized its staff while programmatic responsibilities increased significantly. To perform our mission-critical work, the Department has to rely on contractors and needs to hold its contractors accountable for results. To better address the need to hold contractors accountable for results, HUD established a Project Management Task Force (PMTF) co-chaired by the Chief Procurement Officer (CPO) and the Chief Technology Officer that will complete an implementation plan in FY 2003 requiring specific improvements to occur over the next two years. The PMTF will develop a comprehensive training plan in FY 2003 including specific curricula and a schedule for acquisition management courses for HUD staff assigned to contract planning, award, oversight and administration. The following planned actions for FY 2004 will enable HUD staff to more effectively manage and monitor contractor performance:

- Complete implementation of the Contractor Performance System (CPS). In FY 2004, HUD will finish implementing CPS to streamline the collection of contractor performance data and use that data in the source selection process. The CPS system will provide an effective tool for acquisition management staff to monitor and evaluate contractor performance. CPS is a web-based system created and maintained by the National Institutes of Health (NIH) to collect, store, and disseminate contractor performance information as required by Federal Acquisition Regulation, Subpart 42.15. This system supports the Administration’s E-Government initiative to eliminate data collection redundancies. OMB has endorsed CPS for use by federal civilian agencies as their gateway into the Past Performance Information Retrieval System, a component of the OMB-directed Integrated Acquisition Environment.

Initial implementation of CPS takes place in April 2003. As of March 2003, training was provided to 44 procurement personnel in Headquarters and the field, and is scheduled for 200 technical and program staff in April 2003. Approximately 3,200 HUD contractors will be notified in April 2003 that they need to register in CPS. HUD’s goals for FY 2004 are to fully implement CPS for contracts over \$100,000 and ensure that all system users are trained.

- Implement PMTF recommendations to improve contract management.
- Provide acquisition management training to 100 percent of HUD’s contract management staff.

**Data source.** CPS is a web-based system created and maintained by the National Institutes of Health (NIH).

**Limitations/advantages of the data.** Data are entered into the web-based system by HUD acquisition management staff (procurement, technical and program personnel) and contractors.

**Validation, verification, improvement of measure.** Analysts will verify that contract performance information is accurately recorded. Independent auditors may perform data validation.

**EM.3.8: At least 80 percent of key users (including researchers, State and local governments, and private industry) rate PD&R’s work products as valuable.**

**Indicator background and context.** The Office of Policy Development and Research (PD&R) helps improve HUD’s accountability, service delivery and customer service in numerous and often intangible ways. One way to assess this contribution is to survey key stakeholders to determine whether they view PD&R’s work products to be valuable and to obtain feedback on how they can be improved.

In FY 2001, PD&R surveyed stakeholders and research users to determine whether they found PD&R research products relevant, useful, and well-prepared. The stakeholders and users interviewed included academics, nonprofit researchers, building professionals, trade and manufacturing associations, financial institutions, and housing advocacy groups. Although PD&R also has important stakeholders within HUD and Congress, they were not included within the scope of this initial survey.

Initial findings indicate that HUD research was rated highly and cited frequently in the academic literature, with 81 percent of respondents rating the products as “valuable.” PD&R will conduct a similar survey and citation review every three years, with the next survey in FY 2004. In intervening years PD&R will continue to monitor user opinions through mail surveys and Web comments on its research. For the purposes of this survey, PD&R’s “products” are defined as research publications, data files, and internal work products in support of program disciplines. HUD’s goal for the next survey is to maintain at least 80 percent of responses indicating that the products are valuable.

**Data source.** Records of requests of reports and of reports downloaded from PD&R’s Web site, along with informal discussions with stakeholders and users, were used in conducting the survey. A survey of Congressional and other Federal users and stakeholders will be included at a later date.

**Limitations/advantages of the data.** The research was based on a purposive sample of the most intensive users. Therefore results may not be representative of all users, especially of infrequent users. Respondent opinions about the influence of PD&R products are subjective.

**Validation, verification, improvement of measure.** No validation is planned for this indicator.

**EM.3.9: More than 2.5 million files related to housing and community development topics will be downloaded from PD&R’s website.**

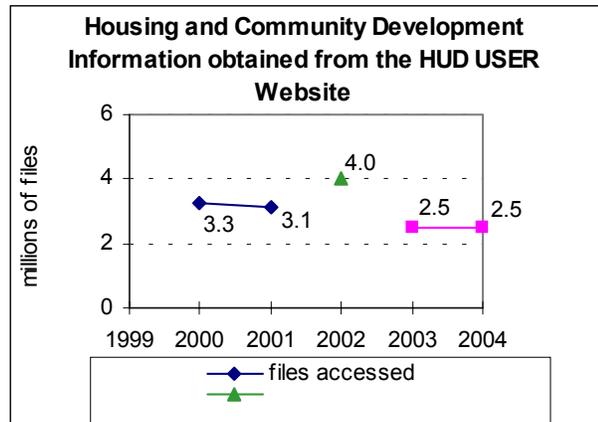
**Indicator background and context.** In 1978, PD&R established HUD USER, an information source for housing and community development researchers and policymakers. HUD USER is one of the principal sources for Federal Government reports and information on housing policy and programs, building technology, economic development, urban planning and other housing-

related topics. HUD USER also creates and distributes a wide variety of useful information products and services. Substantial HUD USER activity is an indication of the value of PD&R's work, and of HUD USER's coordination function on behalf of HUD's customers. During FY 2002, users downloaded over 4.0 million files from the HUD USER research clearinghouse: www.huduser.org. This performance was an improvement from the previous performance for FY 2001 under a less rigorous measure. FY 2002 performance was supported by the August 2002 launch of a Regulatory Barriers Clearinghouse that HUD developed at the request of Congress. This clearinghouse, www.regbarriers.org, helps stakeholders share information about ways to remove regulatory barriers to affordable housing.

The FY 2004 goal is to achieve 2.5 million downloads, the same as the revised FY 2003 goal shown. The FY 2004 performance goal may be revised on the basis of a PD&R reassessment of marketing efforts that is underway in FY 2003.

**Data source.** Usage data are provided by the website contractor.

**Limitations/advantages of the data.** No counting errors are expected. The data are reported for the calendar year, not the fiscal year.



**Validation, verification, improvement of measure.** The revised measure used beginning in FY 2002 has greater validity for tracking website use.

**EM.3.10: HUD will ensure that all individuals with access to HUD sensitive systems have background investigations.**

**Indicator background and context.** Owners of information systems determine the access level of staff positions. Determining the access level of a position is the first step toward proper screening of personnel. Position sensitivity considers duties, responsibilities, and access to sensitive data and relates these areas to the risk and magnitude of potential harm. System owners and immediate supervisors determine the sensitivity level for HUD employees. Government Technical Representatives and system owners determine the sensitivity level of contractor staff. The sensitivity level is initially determined when the position is created. The type of investigation required depends on the sensitivity rating assigned to the duties of the position. Sensitivity levels of public trust positions range from level 1, the least sensitive rating, to level 6, the most sensitive rating.

Background investigations for HUD's federal employees and contractors are conducted by the Office of Personnel Management. In accordance with 5 CFR Title 5, Code of Federal Regulations, background investigations are not undertaken unless a formal request is forwarded to HUD's Office of Security and Emergency Planning (OSEP), which then forwards the request to OPM.

During FY 2004, HUD will conduct four 100-percent reconciliations of employees and contractors with access to sensitive information, and achieve a 100 percent level of compliance in the Security Control and Tracking System (SCATS) database for having received background investigations. Access will be immediately terminated for individuals identified with discrepancies until background investigation action is completed.

**Data source.** The Office of the Chief Information Officer (OCIO) provides quarterly listings to HUD employees and contractors with greater than read-only access to sensitive systems, reconciled against SCATS.

**Limitations/advantages of the data.** OCIO maintains a system (HOURS), as the source for employees and contractors with greater than read-only access to sensitive systems. OSEP maintains SCATS, the source that records those employees with background investigations. By performing reconciliation between HOURS and SCATS, any employees or contractors with access and without a background investigation will be identified and an investigation initiated. By performing quarterly reviews, accurate information will be available.

**Validation, verification, improvement of measure.** OCIO and OSEP are separately responsible for the accuracy of their respective data systems. OSEP and/or OIG will periodically audit the reconciliation process.

## **Objective EM.4: Ensure program compliance.**

### **EM.4.1: The high incidence of program errors and improper payments in HUD's rental housing assistance programs will be reduced.**

**Indicator background and context.** The rental housing assistance programs (public housing, Housing Choice/HANF Vouchers and project-based assistance programs) constitute HUD's largest appropriated activity, with over \$21 billion in annual expenditures. HUD estimates that 60 percent of all subsidized rent calculations are done in error, and that there are approximately \$2 billion in net annual subsidy overpayments attributed to the combination of these program administration errors and tenant underreporting of income upon which the subsidy is based.

In conjunction with OMB, HUD has established a goal for a 50 percent reduction in both the frequency of subsidy component and processing errors, and the corresponding portion of the \$2 billion in estimated net annual subsidy overpayments, by 2005. HUD has set interim error reduction goals of 15 percent for FY 2003 and 30 percent for FY 2004. Responsibility for and achievement of these goals will vary by program. However, the reduction of errors and improper payments is not expected to have a significant impact on budget outlays, as HUD's experience has been that its efforts will cause many higher income tenants and tenants who have been underreporting their incomes to leave subsidized housing and be replaced with lower income tenants requiring increased rent subsidies. To the extent there are any significant outlay savings resulting from HUD's program integrity improvement efforts, HUD plans to work with OMB and the Congress to explore mechanisms for recapture and use of the funds to assist additional households in need.

Prior to 2001, HUD's corrective action focus was limited to developing and implementing an after-the-fact use of a large-scale computer matching program with federal tax data bases to address the unreported tenant income issue. This process proved to be ineffective. In 2001, a multi-organizational HUD Working Group developed a more comprehensive corrective action plan that provides for:

- Statutory and regulatory simplification of the program;
- Structured forms, training, and automated tools needed to determine rents and subsidies correctly;
- Education on program processes and benefits;
- Increased use of automated sources of income data during rent and subsidy determinations;
- Increased monitoring of program processing by HUD's intermediaries, using risk-based targeting indicators;
- Automated billing verifications;
- Stronger performance incentives and sanctions for HUD's intermediaries and tenants;
- An on-going quality control program.

**Data source.** Periodic error measurement studies by the Office of Policy Development and Research (PD&R). PD&R has planned a measurement study of FY 2003 program activity to assess progress against the interim 15 percent error reduction goal for FY 2003.

**Limitations/advantages of the data.** The data are reliable for this measure, assuming availability of funding to cover the cost of the study.

**Validation, verification, improvement of measure.** The independent HUD Office of Inspector General reviews the error measurement methodology and support, as well as management

controls over the related program activity, as part of its audit of HUD’s annual financial statements.

**EM.4.2: The national average PIH Information Center (PIC) on-time reporting rates for public housing and Housing Choice Voucher households will be 85 percent or better.**

**Indicator background and context.** Accurate and timely information about the households participating in HUD housing programs is necessary to allow HUD to monitor the effectiveness of the programs, assess agency compliance with regulations, and analyze the impacts of proposed program changes. Several outcome indicators in this APP use data about public housing or voucher households that housing agencies submit to the PIC system through electronic Form-50058 submissions. PIC provides the primary source of data on participation in these programs, and field staff use the data to monitor housing agencies. The level of Form-50058 reporting is a criterion in both PHAS and the SEMAP assessment systems for housing agencies.

PIH will carefully track this measure and will achieve a 85 percent on-time reporting rate or better in 2004.

**Data source.** Late reporting is identified by automated PIC 50058 module reports that specify late recertifications for each housing agency and flag poor reporters.

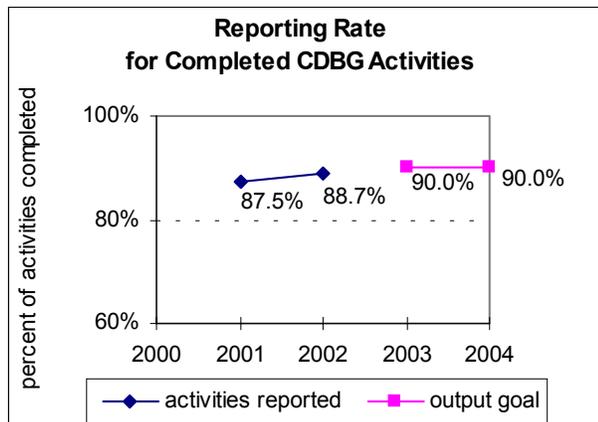
**Limitations/advantages of the data.** The identification of poor reporters is straightforward and easily verifiable.

**Validation, verification, improvement of measure.** The PIC 50058 module verifies the quality of tenant data by performing checks on data ranges and internal consistency. The tenant data and summary statistics are electronically available to housing agencies and field offices for verification, validation, analysis and monitoring purposes. HUD will review options for dealing with missing end-of-participation records to improve the validity of the measure.

**EM.4.3: The share of completed CDBG activities for which grantees satisfactorily report accomplishments increases to 90 percent.**

**Indicator background and context.** This indicator tracks the level of reporting of CDBG grant activities into the IDIS system, which collects data for HUD’s block grant and formula grant programs that serve local jurisdictions—CDBG, HOME, ESG and HOPWA.

Reporting for CDBG is measured by the proportion of completed activities for which grantees have reported accomplishments data, based on activities justified under three national objectives that serve residents with low and moderate incomes: low/mod jobs (LMJ), low/mod housing (LMH) and low/mod limited clientele (LMC). To meet the threshold for satisfactory reporting, grantees must report accomplishments for at least 90 percent of activities funded under these objectives within three months after project completion. Typical accomplishments reported for the three objectives are numbers of jobs created, units constructed, and minority persons served. The remaining national objectives, low/mod area benefit and slums/blight, are not included in this indicator. Recent reporting rates for accomplishments data were approximately 50 percent of activities under the three national objectives.



**Data source.** Integrated Disbursement Information System.

**Limitations/advantages of the data.** HUD relies on grantees to enter data into IDIS. Completeness of reporting is only one criterion of data quality.

**Validation, verification, improvement of measure.** CPD field staff will monitor grantees on a random-sample basis.

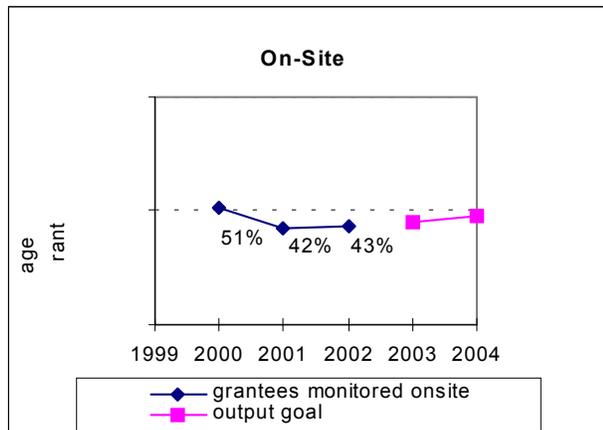
**EM.4.4: From FY 2003 baseline, HUD will monitor 5 percent more grantees onsite for compliance with statutory and regulatory requirements.**

**Indicator background and context.** Communities develop 5-year Consolidated Plans to guide their use of CDBG, HOME, Homeless Assistance Grants, and HOPWA formula grants, following a process that includes and documents citizen participation. Consolidated Plans must include action plans that set forth specific goals for meeting community needs. This indicator tracks the extent of monitoring activity by HUD field staff to ensure that grantees implement their plans to help low-income families and redevelop distressed neighborhoods. HUD regularly reviews all Consolidated Plans grantees remotely. This indicator tracks the share of grantees that are reviewed onsite.

Field offices set individual numerical goals for three types of grantee reviews: active competitive homeless Continuum of Care grantees; non-homeless grantees; and formula grantees. Discrete goals will be established and monitored for each category.

**Data source.** CPD Field Offices report how many grantees were reviewed in the Department's internal tracking system, the HUD Integrated Performance Reporting System (HIPRS).

**Limitations/advantages of the data.** Administrative data do not support assessments of the quality of review. Field staff will continue to monitor all consolidated plans off site. However, the ability to conduct the planned number of reviews is dependant on adequate travel funds being made available.

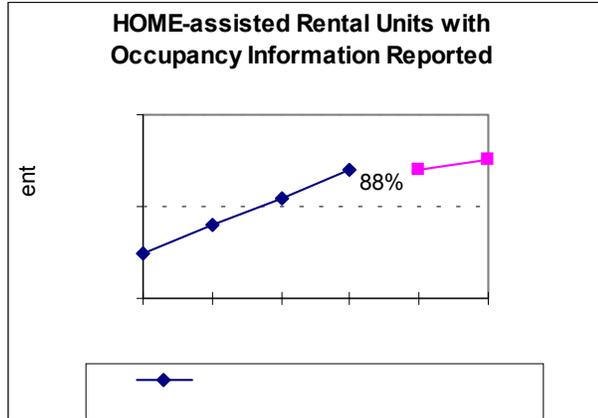


**Validation, verification, improvement of measure.** Field supervisors review monitoring activity and reporting by field staff. Monitoring conforms to both sound quality assurance practices and risk-based principles that focus on weak performers.

**EM.4.5: The share of HOME-assisted rental units for which occupancy information is reported shall be maintained at a level of 90 percent.**

**Indicator background and context.** This indicator tracks the level of reporting by Participating Jurisdictions (PJs) of household occupancy data for HOME rental units into the IDIS, which collects data for HUD's block grant and formula grant programs that serve local jurisdictions—CDBG, HOME, ESG and HOPWA. Reporting rates for HOME are based on reporting of HOME rental household data at project completion for those households moving into completed HOME rental developments.

For FY 2002, the share of HOME-assisted rental units for which occupancy information was reported increased to 88 percent. HUD intends to achieve full reporting over time, allowing for normal vacancies and initial rent-up. The FY 2004 goal is to achieve a reporting rate of at least 90 percent.



**Data source.** Integrated Disbursement Information System.

**Limitations/advantages of the data.** HUD relies on grantees to enter data into IDIS. Completeness of reporting is only one criterion of data quality.

**Validation, verification, improvement of measure.** CPD field staff will monitor grantees on a random-sample basis.

**EM.4.6: The Departmental Enforcement Center will complete three enforcement milestones to improve management practices of multifamily housing partners and reduce fraud, waste and abuse.**

**Indicator background and context.** The Departmental Enforcement Center (DEC or EC) has central responsibility for ensuring that troubled multifamily properties return to sound operation. Troubled properties are referred to DEC by both the Office of Multifamily Housing and the Real Estate Assessment Center. REAC assesses the management risk of multifamily projects based on physical and financial factors. Physical trouble typically consists of high capital needs backlogs and deferred and inadequate maintenance. Financial trouble can involve mortgage defaults, high vacancy rates, inadequate rent roll, or fraud in the form of equity skimming. REAC refers properties scored as “high risk” directly to DEC.

The DEC works closely with the Office of Housing to determine appropriate remedies for referrals. For fact-based cases, remedies can include recommendations (sanction notices) for debarment, suspension, or Limited Denials of Participation. Fact-based cases include cases triggered by audits, the single-family monitoring review program and investigative reports. The DEC also refers some cases to the Department of Justice and Office of the Inspector General for criminal and civil proceedings.

For FY 2004, HUD is establishing three complementary performance measures and goals to cover the processing of cases by the DEC.

- Reduce the number of physical multifamily cases in the DEC as of September 30, 2003, by 80 percent.
- Issue sanction notices for suspension and/or proposed debarment for 75 percent of cases referred for indictment, civil judgment or conviction and for fact-based cases.
- Close 75 percent of all Mortgagee Review Board cases that have reached the “dispatch of 30-day letter” stage that are pending in DEC on October 1, 2003.

**Data source.** REMS, Departmental Tracking System and DEC’s Management System (DECMS).

**Limitations/advantages of the data.** No data problems affect the reliability of this indicator.

**Validation, verification, improvement of measure.** A second year of data collection will permit DEC to validate the measures and goals under varying business conditions. DEC satellite offices will verify data and ensure that documentation is adequate before entering data into REMS. DEC

conducts regular quality management reviews of each satellite office that include reviewing files and documentation supporting data submissions. Analysis of DECMS data uncovers unusual data occurrences for Enforcement and Financial Analysts to clarify and/or correct.

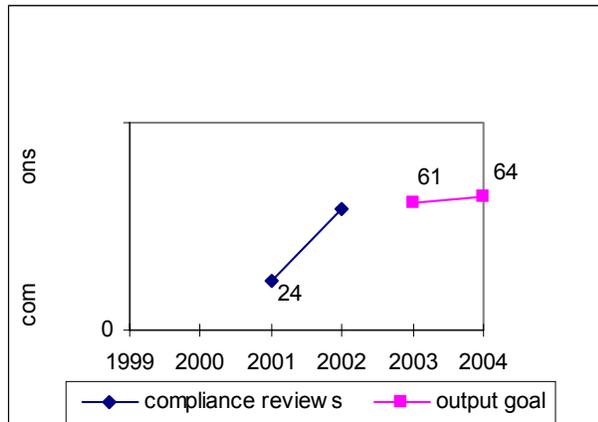
**EM.4.7: Increase the number of Title VI and/or Section 109 compliance reviews conducted of HUD recipients by 5 percent.**

**Indicator background and context.** FHEO reviews public housing agencies and private providers of HUD-assisted housing to ensure that their developments comply with the non-discrimination provisions of Title VI of the Civil Rights Act of 1964 and Section 109 of Title I of the Housing and Community Development Act of 1974. This law prohibits discrimination based on race, color, sex, religion, or national origin in federally assisted programs and activities. The reviews examine whether the developments comply with the non-discrimination provisions of these Acts. The FY 2004 goal is to increase the number of completed reviews by 5 percent from the number conducted in FY 2003.

**Data source.** FHEO TEAPOTS.

**Limitations/advantages of the data.** The database counts the various compliance reviews conducted, but does not track the various stages. It provides qualitative information about results of the reviews as well as quantitative data.

**Validation, verification, improvement of measure.** Managers provide quality assurance by reviewing the results on an intermittent basis.



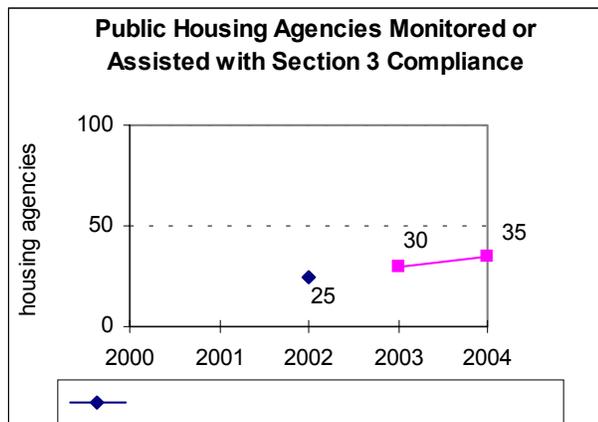
**EM.4.8: HUD will conduct monitoring and compliance reviews or provide technical assistance under Section 3 to 35 housing authorities.**

**Indicator background and context.** Under Section 3 of the Housing and Urban Development Act of 1968, HUD requires public housing agencies and their contractors to use their best efforts to provide training and employment opportunities to low- and very-low-income persons. The PHAs must report the number of Section 3 residents receiving employment, training and contract opportunities each year. Analyses of the reports submitted for 25 HOPE VI projects indicated that these housing authorities may not be in compliance with the requirements of Section 3.

Consequently, HUD initiated monitoring or compliance reviews for those 25 agencies. The goal for FY 2003 is to identify 30 agencies. The goal for FY 2004 is to identify 35 additional agencies for monitoring or compliance reviews and technical assistance.

**Data source.** The primary source of data will be a manual count of the number of housing agencies monitored, based on documentation.

**Limitation/advantages of the data.** Monitoring and technical assistance will ensure better services to customers and clients.



**Validation, verification, improvement of measure.** Program directors in the field and headquarters will conduct performance monitoring and provide technical assistance and review all reports for completeness and accuracy.

**EM.4.9: By the end of the fiscal year, no more than 25 percent of the Section 3 complaints will be aged.**

**Indicator background and context.** The Office of Economic Development, Monitoring and Compliance had a total of twenty-five complaints within its inventory in FY 2001. Twelve of these cases (48 percent) exceed the 120-day time limit that is allowed for the Final Investigative Report to be submitted to headquarters. Headquarters has 30 days after submission to make a final determination and notify both the complainant and the recipient. The FY 2004 goal is to have no more than 25 percent of the Section 3 complaints aged.

**Data source.** The total number of complaints and aged complaints will be hand tabulated by FHEO staff.

**Limitation/advantages of the data.** Excluding cases where the Respondent has requested and was granted an extension by the Assistant Secretary in accordance with 24 CFR Part 135.76(e)(4). Monitoring and technical assistance will ensure better services to clients.

**Validation, verification, improvement of measure.** Verification will be made by headquarters staff.



**EM.4.10: Ensure program compliance among FHIP and FHAP grantees.**

**Indicator background and context.** The Fair Housing Initiative Program and the Fair Housing Assistance Program provide services to all segments of society, with the underlying purpose of ensuring equal opportunity in housing. FHIP and FHAP constitute FHEO’s only grant programs.. These programs will be assigned approximately \$50 million dollars and as such must be appropriately monitored. The Office of Fair Housing and Equal Opportunity will monitor program compliance for all grantees and conduct in-depth agency-specific monitoring for high-risk grantees. To the extent there are significant issues, concerns, or findings identified during monitoring and technical assistance, corrective action(s) for the grantee(s) will be developed and the grantee’s participation will be required.

**Data Source.** FHEO Field Offices.

**Limitations/advantages of the data.** Monitoring and technical assistance will ensure better services to clients.

**Validation, verification, improvement of measure.** Program directors in the field and headquarters will conduct performance monitoring, provide technical assistance and review all reports for completeness and accuracy.

## **Objective EM.5: Improve internal communications and employee involvement.**

### **EM.5.1: HUD will implement the Organizational Assessment Survey (OAS) Action Team recommendations.**

**Indicator background and context.** HUD is moving from a focus on process to customer-driven results. Research shows a strong correlation between employee satisfaction and customer satisfaction. HUD uses periodic employee surveys to ensure staff are satisfied with their work environment, the training and support they receive and HUD's performance orientation measured along several dimensions. An Employee Survey was conducted in FY 2002, which provided detailed results for 17 dimensions of organizational analysis.

Four areas were chosen as first priority focus areas by the Human Capital Steering Committee: (1) communication; (2) rewards and recognition; (3) training and development; and (4) use of resources. During FY 2003, four action teams (three Regional and one Headquarters) will recommend improvements in these four areas. Success will be measured by implementing recommendations and making appropriate policy changes. The recommendations will be implemented in FY 2004, and employees surveyed again in FY 2005. Implementation of the recommended actions should result in increased employee satisfaction overall, as well as in the four areas identified.

**Data source.** The Organizational Assessment Survey (OAS) is administered by the Personnel Resources and Development Center of the Office of Personnel Management. The Department will conduct another OAS in FY 2005.

**Limitations/advantages of the data.** The OAS data are free of sampling error because all employees are surveyed, and response rates are expected to be high. The instrument demonstrated its reliability and established performance benchmarks in the public and private sectors.

**Validation, verification, improvement of measure.** The OAS was tested by OPM, with additional pre-testing for HUD. A Human Capital Steering Committee guided development of the sampling framework and survey design to ensure valid and useful results. Focus groups will be used to validate and explore the findings of the survey. Baseline results will be used to identify methodological or performance issues that require revision of the survey instrument, potentially including more specific questions.

## **Goal FC: Promote participation of faith-based and community organizations**

### **Objective FC.1: Reduce regulatory barriers to participation by faith-based and community organizations.**

**FC.1.1: HUD will issue clear guidance that addresses regulatory and other barriers to participation by faith-based and community organizations in HUD's programs.**

**Indicator background and context.** During FY 2003, HUD's Center for Faith-Based and Community Initiatives (CFBCI) is assessing barriers to program participation by faith-based and community organizations. These barriers consist in two basic forms:

- **Regulatory:** CFBCI is working with HUD's Office of General Counsel (OGC) to eliminate or modify the language in HUD's regulations that places faith-based organizations at a disadvantage when making application to or participating in HUD's programs. CFBCI and OGC are proposing new regulatory language that focuses on the consistent regulation of activities rather than organizational type and the capability to deliver a specified service rather than religious affiliation.
- **Policy and practice:** Often, barriers to faith-based and community organizations are contained in handbooks, added to the Notice of Funding Availability (NOFA), extracted from OGC's legal memoranda and opinions, or are left to the discretion of program offices that have long been informally advised to place additional requirements especially on faith-based organizations.

CFBCI also is identifying and eliminating bureaucratic barriers that prohibit or discourage participation by faith-based and religious organizations. These efforts will be substantially complete by the end of FY 2004.

**Data source.** Accomplishments will be assessed and documented by HUD's Center for Faith-Based and Community Initiatives. This process will consist of CFBCI cataloging each alteration that is executed and finalized in official documentation (such as a final regulatory rule, modified guidance books, etc.).

**Limitations/advantages of the data.** The qualitative milestones used for this indicator do not require numerical databases. Furthermore, in the case of new initiatives such as this one, qualitative standards for success may be subject to change as experience grows.

**Validation, verification, improvement of measure.** Milestone performance indicators will be supplemented or replaced by quantitative measures as initiatives are implemented and evaluated and data capabilities are enhanced.

## **Objective FC.2: Conduct outreach to inform potential partners of HUD opportunities.**

### **FC.2.1: The Center will conduct comprehensive outreach to inform potential partners of HUD opportunities.**

**Indicator background and context.** The Center for Faith-Based and Community Initiatives is executing a comprehensive outreach plan that utilizes the HUD regional and field offices, targeted media, and presentations at national and regional conferences.

- HUD regional and field offices: CFBCI has appointed and trained faith-based and community liaisons in each of HUD's ten regional and eighty-one field offices. The Center has tasked the liaisons with educating FBOs and CBOs on the Initiative and on HUD opportunities.
- Targeted media: CFBCI uses mass mailings, blast faxes and emails and webcasts to inform FBOs and CBOs about the Initiative and HUD programs. It is also building a comprehensive database of more than 5,000 FBOs and CBOs.
- Conferences: CFBCI staff and the FBCI Liaisons give presentations on the Initiative and HUD programs at major national, regional and state conferences across the country, resulting in outreach to many of the nation's largest and most effective social service providers.

**Data source.** Accomplishments will be assessed and documented by HUD's Center for Faith-Based and Community Initiatives.

**Limitations/advantages of the data.** The qualitative milestones used for elements of this indicator do not require numerical databases. The regularity of mailings, the number of entries into the database, and the numbers of conferences all vary according to Center priorities and needs. Assessing performance of such measures may be necessarily limited by subjective judgments.

**Validation, verification, improvement of measure.** Milestone performance indicators will be supplemented or replaced by quantitative measures as initiatives are implemented and evaluated and data capabilities are enhanced.

## **Objective FC.3: Expand technical assistance resources deployed to faith-based and community organizations.**

**FC.3.1: CFBCI has a comprehensive technical assistance program that includes pilot projects, enhancing its web site, the wide dissemination of materials, research and assistance provided through its outreach activities.**

**Indicator background and context.** CFBCI is implementing a number of efforts to publicize HUD programs and to encourage faith-based organizations (FBOs) and community-based organizations (CBOs) to access them. A number of these efforts will be substantially complete by the end of FY 2004.

- Pilot Projects: CFBCI has two pilot projects demonstrating the efficacy of FBOs and CBOs in assisting residents of public housing attain self-sufficiency and in encouraging and facilitating homeownership.
- Research: CFBCI, in conjunction with PD&R, is conducting a conference to study ways of strengthening community development organizations.
- FBCI liaisons: Faith-Based and Community Initiative liaisons provide limited technical assistance through grant-writing workshops and through presentations on HUD programs.
- Web site: CFBCI will enhance its website with useful information for FBOs and CBOs that are interested in participating in HUD programs.

**Data source.** Accomplishments will be assessed and documented by HUD's Center for Faith-Based and Community Initiatives.

**Limitations/advantages of the data.** The qualitative milestones used for this indicator do not require numerical databases. Assessing performance of such measures may be necessarily limited by subjective judgments. Furthermore, in the case of new initiatives such as this one, qualitative standards for success may be subject to change as experience grows.

**Validation, verification, improvement of measure.** Milestone performance indicators will be supplemented or replaced by quantitative measures as initiatives are implemented and evaluated and data capabilities are enhanced.

**Objective FC.4: Encourage partnerships between faith-based/community organizations and HUD's traditional grantees.**

**FC.4.1: Establish a baseline number of applications by faith- and community-based grantees and a target for increased participation by FY 2004 and create recording mechanisms for analyzing competitive grant applications by faith-based groups by FY 2004.**

**Indicator background and context.** HUD's Center for Faith-Based and Community Initiatives has implemented a program to meet these goals. Working with the White House Office of Faith-based and Community Initiatives, the Office of General Counsel and the Office of Departmental Grants Management and Oversight (ODGMO), the Center has obtained OMB approval for a "Survey on Ensuring Equal Opportunity for Applicants" to be included in the General Section of the FY 2003 SuperNOFA. The survey allows grant applicants to self-identify themselves as a "faith-based/religious organization" and requests other information on the nature, size and budget of the organization. In addition, the survey inquires whether the organization is a prior recipient of a government grant or contract. In conjunction with ODGMO, the Center will use the survey to analyze the 2003 SuperNOFA applications. The survey results will enable the Center to establish the baseline and a target for increased participation.

**Data source.** The data are from the survey OMB 1890-0014 / HUD 23004.

**Limitations/advantages of the data.** Status as a faith-based/religious organization reflects self-identification.

**Validation, verification, improvement of measure.** Further validation is yet to be determined.

## **APPENDIX A: REVISIONS TO FY 2003 ANNUAL PERFORMANCE PLAN**

**Strategic Goal 1: Make the homebuying process less complicated, the paperwork less demanding, and the mortgage process less expensive.**

**Strategic Objective 1.2: Eliminate practices that permit predatory lending.**

**1.2.1: By the end of FY 2003, FHA will prevent the issuance of FHA mortgage insurance on properties that have been transferred within 90 days.**

The indicator is revised to reflect the policy decision to restrict property resale within a 90 day window rather than a six-month window.

**Strategic Goal 2: Help families move from rental housing to homeownership**

**Strategic Objective 2.2: Expand homeownership opportunities for minorities and persons with disabilities.**

**2.2.3: The ratio of homeownership rates of persons with disabilities and other households increases by 0.2 percentage points.**

This indicator is deleted. HUD has determined, upon consultation with Bureau of Census staff, that the intended data source (Current Population Survey) does not have enough specificity to report with validity.

**Strategic Goal 3: Improve the quality of public and assisted housing and provide more choices for its residents**

**Strategic Objective 3.2: Improve the management accountability for public and assisted housing.**

**3.2.6: The average FASS score for all PHAs designated by FASS as “troubled” will increase by 5 percent.**

The indicator is revised to better reflect ongoing management progress, as the low FY 2002 baseline—4.0 percent of units managed by PHAs with troubled financial management—made achievement of the previously determined goal infeasible.

**3.2.9: Among public housing units managed by troubled housing agencies at the beginning of FY 2003, the number will decrease by 15 percent by the end of the fiscal year.**

The measure is revised reflecting reorganization and discontinuation of the Troubled Agency Recovery Centers (TARC).

**3.2.11: The share of Housing Choice Voucher units managed by troubled housing agencies decreases by 5 percent.**

The indicator is revised to reflect a more accurate calibration of current conditions.

**Strategic Objective 3.3: Improve physical and related conditions in public and assisted housing.**

**3.3.2b: Conduct a study of the extent of mold and mildew in Native American housing in the U.S. by the fourth quarter of FY 2003.**

The goal is added because of concerns over an increased volume of reported incidents of mold and mildew infestation in homes located in several Native American communities all across the U.S.

**Strategic Goal 5: Effectively address the challenge of homelessness**

**Strategic Objective 5.2: Help homeless individuals and families move to permanent housing.**

**5.2.7: Each ONAP Area Office, and each participating tribe, will jointly develop a baseline estimate of the number of tribal member households that are overcrowded by May 30, 2003.**

The goal is added to determine the extent of a reported increase of instances where Native American families are housing two and three families in a home built to accommodate only one, due to the extent of homelessness in Indian Country.

**Strategic Goal 6: Embrace high standards of ethics, management and accountability.**

**Strategic Objective 6.1: Improve HUD's management and internal controls, including FHA's financial management, and resolve audit issues.**

**6.1.7: Monitor and report improvements in the representation of under-represented groups in the Department.**

The goal is revised to reflect that the Department's ability to control and meet specific diversity goals has substantial limitations. HUD will continue to pursue increased diversity and will track results.

**6.1.12: HUD will assess 8 mission critical systems for data quality, monitor the data quality improvement schedules for assessed systems that have identified data quality deficiencies, and certify the data quality of all assessed systems no later than 3 months after the systems become eligible for certification.**

The goal is revised to reflect all of the steps and a more accurate timing sequence as necessary to certify data systems, explained as follows. HUD's 3-step process ensures the quality of APP performance indicator data in its IT systems: 1) independent assessment, 2) data quality cleanup and improvement, and 3) certification. All HUD systems used for APP reporting have the first step. Based on the results of the independent assessment done by the OCIO, recommendations are made to the system owners who are accountable for step 2—data quality cleanup and improvement. Step 2 efforts are required to correct deficiencies and ensure data quality. When data quality is corrected and improvements are completed, the system becomes eligible for an OCIO independent certification. Step 3, certification, repeats Step 1 to verify intended improvements were made and are working.

**6.1.15: The national average PIH Information Center (PIC) on-time reporting rates for public housing and Housing Choice Voucher households will be 85 percent or better.**

The goal is revised from 90 percent to 85 percent to be consistent with the programmatic requirements as outlined in Notice PIH-2000-13, issued April 7, 2000. Based on that Notice, PHAs are to maintain a reporting rate of at least 85 percent.

**6.1.16: The Department Enforcement Center will complete three enforcement milestones to improve management practices of multifamily housing partners and reduce fraud, waste and abuse.**

One of the three sub-measures in this goal is revised as follows: Reduce the number of *physical* multifamily cases in the DEC as of September 30, 2002 by 80 percent. This change reflects the DEC's commitment to the Office of Multifamily Housing to prioritize the processing of properties referred because of physical condition. This commitment is in line with the Office of Multifamily Housing's own priorities and goals on properties with physical deficiencies.

**Strategic Objective 6.2: Improve accountability, service delivery and customer service of HUD and our partners.**

**6.2.7: More than 2.5 million files related to housing and community development topics will be downloaded from PD&R's website.**

The revision reflects a more accurate measure of actual use of PD&R products. The new measure reflects files actually downloaded by users rather than files merely accessed. The reduction in the target level under the new measure also reflects a PD&R reassessment of marketing efforts and resources that is underway during FY 2003. This reengineering of PD&R marketing efforts may have the effect of reducing casual interest in PD&R products in the near term.

**6.2.8: Support timely expenditure of Federal resources by allocating 100 percent of incremental Housing Choice voucher funds within four months of appropriation.**

Deleted because funds were not appropriated.

**6.2.9: Under the M2M program, HUD will reduce rents on and preserve housing on 470 eligible properties with above-market rents.**

OMHAR's FY 2003 Annual Performance Plan was established based on expected referrals into the Mark-to-Market program. OMHAR has modified its original FY 2003 APP from 500 to 470 properties based on our analysis of actual Mark-to-Market (M2M) pipeline and performance data received since the original estimate was made in March 2002. The volume of properties received during FY 2002 was less than expected and, a significantly greater portion of the pipeline has been for full debt restructurings rather than rent restructurings. Even though OMHAR's current production rate of completing/closing 80 percent of the active pipeline at the beginning of a fiscal year is still accurate, the active pipeline at the beginning of FY 2003 will not support completing/closing 500 deals by the end of the fiscal year.

**6.2.14b: Reduce the undisbursed balances of grants in the IHBG program by 20 percent for Fiscal Years 1998–2001.**

The goal is added to address a growing concern that funds for low income housing for Native Americans is not being used to timely maximize the benefit to those in need.

## **Strategic Goal 7: Ensure equal opportunity and access to housing**

### **Strategic Objective 7.1: Reduce housing discrimination.**

#### **7.1.3: Provide protected classes under the Federal Fair Housing Act with increased access to sale and rental housing without discrimination by completing at least 1,000 fair housing conciliation/settlement agreements in FY 2003.**

The goal is revised because the actual number of fair housing conciliation/settlement agreements for FY 2002 was 1,010, four hundred more than the amount designated for FY 2003 (600). Additionally, FHEO is counting withdrawals with resolution as agreements for FY 2003 and therefore expects the count to be much larger.

#### **7.1.7: FHAP grantees increase the number of fair housing conciliation/settlement agreements processed by 25 percent.**

This goal is revised from 20 to 25 percent because FHEO is providing incentives for FHAPs to increase the number of fair housing conciliation/settlement agreements processed. There will be additional funds available to FHAPs that complete complex cases in an expeditious manner. FHEO expects that these additional funds will give FHAPs the means to investigate complex cases by allowing them to hire additional staff or to purchase updated computers. There also will be an increase in the amount a FHAP receives for processing complaints from receipt through the administrative and/or civil proceedings. The amount received by a FHAP will depend upon the quality, timeliness, complexity, and enforcement activities that take place regarding the case. HUD will develop management performance measures to assess case processing within each FHAP agency.

#### **7.1.8: The percentage of fair housing complaints aged over 100 days will decrease by 4 percentage points from the FY 2002 level of the HUD inventory.**

The goal is revised from 10 percent to 4 percent and reflects the long-term strategic plan goal that by the end of FY 2008, no more than 20 percent of the open fair housing complaints will be aged over 100 days.

#### **7.1.9: The percentage of fair housing complaints aged over 100 days will decrease by 10 percentage points for the FY 2002 level of the inventory of substantially equivalent agencies.**

This goal is revised from 5 to 10 percent for the same reason as stated in indicator 7.1.7. Furthermore, additional funding has been set aside by Congress in the HUD appropriation specifically to decrease the age case backlog. HUD will develop performance measures to assess case processing within each FHAP agency.

#### **7.1.10: The baseline number of fair housing complaints identified by FHIP partners in the Southwest border region is established.**

The goal is revised to reflect that baseline data will first be available in FY 2003 instead of FY 2002.

#### **7.1.11: Increase the number of Title VI/Section 109 compliance reviews conducted of HUD recipients by 5 percent.**

The goal is revised because additional staff have been assigned to perform the compliance reviews. The Title VI and Section 109 reviews will be accomplished at the same time and therefore the Department will be able to accomplish more compliance reviews.

**Strategic Objective 7.2: Improve the accessibility of housing to persons with disabilities.**

**7.2.2: HUD will conduct 90 Section 504 disability compliance reviews of HUD recipients.**

The goal was increased to reflect the increased level of activity projected for 2003.

**Strategic Goal 8: Support community and economic development efforts**

**Strategic Objective 8.1: Provide capital to create and retain jobs and improve economic conditions in distressed communities.**

**8.1.3: By the end of the fiscal year, no more than 25 percent of the Section 3 complaints will be aged.**

The goal is revised from a 25 percentage point reduction to a standard of no more than 25 percent to reflect the variation in number of cases from year to year.

**8.1.4: The number of individuals using Native eDGE to obtain employment, entrepreneurial and educational assistance shall increase by 20 percent over FY 2002 levels.**

Deleted because the Initiative is being discontinued during the fiscal year.

**Strategic Objective 8.2: Help communities more readily access revitalization resources to become more livable.**

**8.2.1: A total of 87,555 jobs will be created or retained through CDBG and 15,000 through Section 108.**

The goal is for CDBG jobs is reduced from 122,897 to 87,555 to reflect ongoing data clean-up efforts resulting in more accurate reporting of actual jobs retained or created. The FY 2003 goal of 122,897 jobs to be created or retained through CDBG was based on the FY 2002 projection of 124,900 jobs. Analysis of reported FY 2002 data for this indicator revealed a number of grantees included both actual and planned jobs, thereby, creating the appearance of 115,189 jobs created rather than the 90,263 jobs actually created.



## APPENDIX B: SUMMARY OF GOALS, OBJECTIVES AND PERFORMANCE INDICATORS

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## **APPENDIX C: BRIEF DESCRIPTION OF HUD PROGRAMS**

### **Capacity Building for Community Development and Affordable Housing**

This program supports the National Community Development Initiative (NCDI), a public/private partnership that helps build the capacity of community-based development organizations. The current phase of the program will expand the efforts of Community Development Corporations into investments in economic development, workforce development, childcare and community safety.

### **Community Development Block Grant Program**

Community Development Block Grant (CDBG) is a formula program that allocates 70 percent of grants to units of general local government (entitlement communities) and 30 percent to States for the funding of local community development programs.

The primary objective of the program is to develop viable urban communities by providing decent housing and a suitable living environment and by expanding economic opportunities. Activities undertaken with the grants must meet one of the three broad national objectives: 1) benefit low- and moderate-income persons; 2) aid in the prevention or elimination of slums and blight; or 3) meet other particularly urgent community development needs. In addition, at least 70 percent of all CDBG funds received by a grantee must be used for activities that benefit persons of low and moderate income (those with incomes below 80 percent of area median family income). Through the Consolidated Plan process, recipients select eligible activities that are appropriate to their needs and that reflect local priorities, and they determine how their performance will be measured.

### **Community Outreach Partnership Centers**

The main purpose of the Community Outreach Partnership Center (COPC) program is to provide funds to community colleges, four-year colleges, and universities to establish and operate outreach centers to address the problems of urban and rural areas. Through their COPC centers, these educational institutions must address at least three problems in their communities, such as affordable housing, fair housing, economic development, neighborhood revitalization, planning, health care, education, job training, and crime prevention.

### **Down Payment Assistance Initiative**

This initiative is part of a Presidential initiative that will increase and accelerate first-time home ownership by low-income families. Funds will be provided on a formula basis and will be administered by HOME participating jurisdictions.

### **Empowerment Zones/Enterprise Communities (EZ/EC)**

The goal of the EZ/EC initiative is to create self-sustaining, long-term economic development in distressed communities through the use of innovative and comprehensive strategic plans developed and implemented by partnerships among private, public and non-profit entities in each community. In Empowerment Zones, communities receive HUD grant funds which are combined with wage tax credits and other incentives. Enterprise Communities receive smaller levels of grant funds from HUD. The EZ/EC framework is embodied in four key principles: strategic vision for change; economic opportunity; sustainable community development; and community-based partnerships.

### **Fair Housing Assistance Program (FHAP)**

The FHAP provides assistance to State and local agencies that administer fair housing laws certified by the Department as substantially equivalent to Title VIII of the Civil Rights Act of 1968, as amended by the Fair Housing Amendments Act of 1988. The assistance includes support for enforcement activities including complaint processing, training, technical assistance, data and information systems, and joint activities to increase fair housing enforcement. The program is designed to build coordinated intergovernmental enforcement of fair housing laws and provide incentives for States and localities to assume greater responsibility for administering fair housing laws.

### **Fair Housing Initiatives Program (FHIP)**

The FHIP was established by the Housing and Community Development Act of 1987 for the purpose of eliminating and preventing housing discrimination. This program provides a coordinated approach to: (1) further the purposes of the Fair Housing Act; (2) guarantee the rights of all people to seek housing in an open market free of discrimination; and (3) inform the public and the housing industry of its rights and obligations under the Fair Housing Act. FHIP provides funding to help private, nonprofit fair housing organizations and public entities that are formulating or carrying out programs to prevent or eliminate discriminatory housing practices. The Department provides funding under three distinct categories of FHIP: the Private Enforcement Initiative, the Education and Outreach Initiative, and the Fair Housing Organizations Initiative.

### **Federal Housing Administration**

The Federal Housing Administration provides mortgage insurance to support increased homeownership and affordable rental opportunities across the nation.

Through its single-family programs, FHA helps low and moderate income families including first-time homebuyers, minorities, and central-city residents. By insuring mortgages, FHA makes it much easier for homeowners to borrow the funds they need. Lenders are more willing to provide loans because they know that, in the case of a borrower default, the Federal Government will protect them from losses. Most FHA loans for homeownership are insured through the Mutual Mortgage Insurance Fund. Other loans for purchasing homes, such as manufactured housing, home equity conversion mortgages for seniors, rehabilitation and acquisition mortgages, and condominiums, are insured through the General Insurance/Special Risk Insurance (GI/SRI) Fund.

FHA, through its GI/SRI fund, also insures loans for the development, rehabilitation, and refinance of multifamily rental housing, including rental housing in underserved areas. Through its multifamily programs, FHA also insures assisted living facilities, nursing homes, and hospitals. FHA manages a multifamily affordable housing portfolio and works in conjunction with the Housing Certificate Fund (see below) to provide project-based Section 8 rental assistance for families in many FHA-insured multifamily properties.

### **Ginnie Mae Mortgage-Backed Securities Program**

Ginnie Mae, the Government National Mortgage Association, was created in 1968 through amendment of Title III of the National Housing Act. Ginnie Mae, a wholly-owned government corporation within HUD, was established to support Federal housing initiatives by providing market liquidity for federally insured mortgages through the secondary mortgage market. This liquidity increases the flow of funds from the Nation's capital markets into the residential mortgage markets.

Through its Mortgage-Backed Securities Program (MBS), Ginnie Mae guarantees the timely payment of principal and interest on securities issued by private institutions and backed by pools

of federally insured or guaranteed mortgage loans. Ginnie Mae's guaranty is backed by the full faith and credit of the United States. The securitization of Federal Housing Administration, Rural Housing Service, and Veterans Affairs mortgages increases the liquidity of funds available to lenders making these loans and thereby decreases the costs associated with making and servicing loans. This decrease in costs helps lower mortgage interest rates for homebuyers using Federal Government housing credit.

Ginnie Mae's multiclass securities program guarantees Real Estate Mortgage Investment Conduits (REMICs) and Platinum securities. REMICs are multiple-class securities with different maturities, typically between two and 20 years, or with payments based on fractions of the MBS income stream. The Platinum security consolidates Ginnie Mae MBS pools with the same interest rate into larger pools, which are then sold to investors.

Ginnie Mae's targeted lending initiative reduces the fees charged to lenders by up to 50 percent for making mortgage loans in any of the Nation's 89 Empowerment Zones or Enterprise Communities and adjacent eligible central city areas. This initiative increases the liquidity of mortgage investments leading to an increase in mortgage lending in these areas.

### **Healthy Homes Initiative**

Under the Healthy Homes initiative, HUD is implementing a multifaceted program to provide grants to organizations to demonstrate and pilot test affordable new maintenance, renovation, and construction methods; implement a new public education campaign to prevent both emerging and well-recognized housing-related childhood diseases and injuries; conduct research; and assemble an interagency task force. In implementing the initiative, HUD is working closely with its Federal partners, as well as with State and local governments and private-sector organizations.

### **Historically Black Colleges and Universities**

Through the Historically Black Colleges and Universities (HBCU) program, HUD assists HBCUs expand their role and effectiveness in addressing community development needs in their localities, including neighborhood revitalization, housing, and economic development. HBCU grants are funded through CDBG, and as required by the CDBG legislation, activities carried out with HBCU grants by these colleges and universities must either benefit low- or moderate-income persons, aid in the prevention of slums and blighted conditions, or meet other community development needs having a particular urgency.

### **HOME Investment Partnerships Program**

The main purpose of the HOME program is to increase the supply and affordability of housing, with primary attention to rental housing, for low-income families.

States and localities have the flexibility to use HOME funds for a wide range of affordable housing activities for low- and very-low-income families. The jurisdictions outline how they will use the grants in their Consolidated Plan submissions. Eligible activities are rehabilitation, new construction, acquisition, and tenant-based rental assistance. The funds are allocated by formula: 60 percent to local governments and consortia and 40 percent to States.

### **Homeless Assistance Grants**

The purpose of this program is to break the cycle of homelessness and to move homeless persons and families to permanent housing. This is done by providing rental assistance, emergency shelter, transitional and permanent housing, and supportive services to homeless persons and families.

Homeless assistance grants provide Federal support to one of the Nation's most vulnerable populations. These grants assist localities in establishing systems that can address the housing and service needs of different homeless populations while providing a coordinated system that

ensures the support necessary to help those who are homeless attain housing and move toward self-sufficiency.

## **HOPE VI**

The HOPE VI program assists public housing agencies to improve the living environment for public housing residents in severely distressed PHA properties through the demolition, rehabilitation, reconfiguration, or replacement of obsolete public housing projects. Through these efforts, the program is also intended to revitalize neighborhoods where the housing is located and to decrease the concentration of very low-income families. HUD is evaluating the HOPE VI program and will submit authorizing language during the coming year to extend and amend the program to target funds to the highest priority needs.

## **Housing Certificate Fund**

Through its Section 8 program, HUD provides rental assistance to both tenant-based and project-based programs to expand affordable housing opportunities for very low-, low-, and moderate-income families:

**Housing Choice Vouchers.** The tenant-based component of the Section 8 program is the Housing Choice Voucher program. Housing Choice Vouchers are administered through public housing agencies and other State and local designated entities. The voucher program is based on the tenant paying 30 percent of their adjusted income for rental purposes with the voucher subsidizing the remaining adjusted costs. With a voucher, a low-income family can seek housing in the private housing market in a neighborhood that it desires.

**Project-Based Section 8.** Through its project-based Section 8 program, HUD provides rental assistance to families in assisted FHA-insured properties to ensure that these properties remain affordable to low-income families.

**Section 8 Contract Renewals/Amendments.** Contract renewals provide funding to renew expiring Section 8 rental assistance contracts covering certificates, vouchers, moderate rehabilitation, loan management, new construction/substantial rehabilitation, property disposition, and preservation. This funding is required to maintain the current inventory of assisted rental housing.

## **Housing Counseling Assistance**

The Housing Counseling program provides a broad range of counseling services to tenants, prospective homeowners, and homeowners to improve housing opportunities with an emphasis on obtaining and maintaining homeownership.

The Department certifies and/or recertifies public and private nonprofit agencies that provide HUD-approved counseling assistance. Counseling can cover property maintenance, financial management, and other matters to assist tenants and homeowners in improving their housing conditions and meeting their homeownership responsibilities.

## **Housing for the Elderly or Disabled Program**

**202/811 Grants.** Sections 202 of the Housing Act of 1959 and 811 of the National Affordable Housing Act (NAHA) of 1990 authorized the use of capital grants and rental assistance to eligible private nonprofit organizations to construct, rehabilitate, or purchase housing for very-low-income elderly or disabled individuals. In addition, Section 8 tenant-based assistance is provided for supportive housing for disabled renters to allow them to search for and rent a standard unit in the private market.

**Service Coordinators.** Section 808 of NAHA authorized the use of service coordinators within existing projects for the elderly or frail elderly to enable residents who are elderly, especially

those who are frail or handicapped, to live independently. Services provided include meal services, housekeeping and chore assistance, personal care, laundry assistance, transportation services, and health-related services.

**Conversion to Assisted Living.** These funds will be available as competitive grants to existing HUD elderly subsidized (Section 202) projects that convert some or all units to assisted living.

### **Housing Assistance for Needy Families (HANF)**

Housing Assistance for Needy Families (HANF) is a new Block program that will replace the current tenant-based Housing Choice Voucher program and will streamline funding, administrative and reporting processes. States will be responsible for administering the program directly or contracting with local housing authorities or other public, non-profit or private entities to administer assistance at the local level.

### **Housing Opportunities for Persons with AIDS**

HOPWA provides States and localities with resources and incentives to devise long-term, comprehensive strategies for meeting the housing needs of persons with HIV/AIDS and their families. Statutorily, 90 percent of appropriated funds are distributed by formula to qualifying States and metropolitan areas on the basis of the number and incidence of AIDS cases reported to the Centers for Disease Control and Prevention by March 31 of the year preceding the appropriation year. The remaining 10 percent of funds are distributed through a national competition.

Competitive grants (10 percent of the appropriation) are available to States and local governments and private, nonprofit entities for projects of national significance. They are also available to States and local governments for projects in areas that do not qualify for a formula allocation. Recipients of either formula or competitive grants must use HOPWA assistance consistent with a HUD-approved Consolidated Plan, except for activities undertaken on a nationwide basis. Eligible activities include: housing information and coordination services; short-term supported housing and services; rental assistance; single-room occupancy dwellings; community residences and services; program development; and administrative costs.

### **Indian Housing Loan Guarantee Fund**

This program provide loan guarantees for Native American families and Tribally Designated Housing Entities (TDHEs, formerly Indian Housing Authorities) to purchase, construct, and/or rehabilitate single-family homes on restricted land and in designated Indian areas.

### **Lead-Based Paint Hazard Reduction Program**

The Lead Hazard Control Grants are made competitively to States and local governments with an approved Consolidated Plan and to Native American Tribes to empower them to perform lead-hazard reduction activities in private low-income dwellings. These grants stimulate the development of a national lead abatement/hazard control infrastructure by promoting State legislative action to establish lead-based paint contractor certification programs, stimulating State and local efforts at hazard reduction, and creating demand for such credentials by private contractors.

The technical studies component of the program contains five types of activities: (1) technical assistance for State and local agencies, private property owners, HUD programs and Field Offices, and professional organizations; (2) quality control to ensure that the evaluation and control of lead-based paint hazards are done properly in HUD-associated housing; (3) the development of standards, technical guidance materials, and regulations to provide for sensible, cost-effective hazard evaluation and control procedures, and technical information that encourages fair and professional competition for such work; (4) technical studies and evaluation

to develop streamlined methods of testing, hazard control, cleanup, clearance, and public education; and (5) support for right-to-know activities.

Also included is a new innovative lead hazard reduction program to award grants to local government or non profit organizations that can demonstrate innovative local approaches to addressing lead-based paint hazards in housing units that either currently are or could be occupied by families with young children under 3 years of age, including housing units into which children are born.

### **Manufactured Home Inspection and Monitoring Program**

This program establishes standards and safety requirements for all manufactured homes that are produced. Under the Act, the Secretary working with the Consensus Committee establishes appropriate Federal manufactured home standards that meet the needs of the public, including quality, durability, and safety for the construction, design, and performance of manufactured homes.

Every company that builds manufactured homes must provide HUD with the plans for each model produced. The manufacturer must issue a certification that each section built meets Federal standards. If the Department determines that any manufactured home does not comply with standards or contains a defect constituting a significant safety hazard, it may require the producer to notify the purchaser of the defect. In certain cases, HUD may require repair or replacement of the defective section(s), or a refund.

Enforcement of the standards is accomplished mainly by third-party primary inspection agencies. These agencies can be private or State agencies and are approved and monitored by HUD.

### **Native American Community Development Block Grants**

This program, funded with in the Community Development Block Grants Fund, targets aid to Native American communities to generate commercial activity, housing, and job opportunities. It will also support the development of a new Native American Economic Development Access Center that will provide information and technical assistance concerning economic development assistance.

### **Indian Housing Block Grants**

This program provides grants to Indian tribes and Tribally Designated Housing Entities (TDHEs) to provide and maintain housing for low-income Native Americans. IHBG provides housing services through six eligible activities and provides training and technical assistance:

- Development: acquisition, new construction, reconstruction, and moderate or substantial rehabilitation of affordable housing;
- Indian Housing Assistance: modernization and operating assistance for housing previously developed or operated under a contract between HUD and a TDHE;
- Housing Services: housing counseling for rental or homeownership assistance, establishment and support of resident management organizations;
- Housing Management Services: management services that may include preparation of work specifications, loan processing, inspections, tenant selection;
- Crime Prevention and Safety Activities: safety, security, and law enforcement measures and activities;
- Model Activities: approval of housing activities under model programs that are designed to develop and support affordable housing using a variety of creative approaches (e.g., leveraging public and private funds);

- Law Enforcement: housing for law enforcement officers on Indian reservations or other Indian areas.

### **Native Hawaiian Housing Block Grant**

This program provides block grant funding to the Department of Hawaiian Home Lands (DHHL) to carry out affordable housing activities for Native Hawaiian families who are eligible to reside on the Hawaiian Home Lands. NHHBG provides housing services through five eligible activities and provides training and technical assistance:

- Development: acquisition, new construction, reconstruction, and moderate or substantial rehabilitation of affordable housing;
- Housing Services: housing counseling for rental or homeownership assistance, establishment and support of resident management corporations;
- Housing Management Services: management services that may include preparation of work specifications, loan processing, inspections, tenant selection;
- Crime Prevention and Safety Activities: safety, security, and law enforcement measures and activities;
- Model Activities: approval of housing activities under model programs that are designed to develop and support affordable housing.

### **Public Housing Capital Fund**

This program provides funds to Public Housing Agencies for capital improvements (e.g., developing, rehabilitating, and demolishing units) and for management improvements (e.g., management and community services, supportive services, resident activities, and economic development) at public housing developments for low-income families.

The allocated funds may be used for redesign, reconstruction, rehabilitation, renovation, non-routine maintenance, lead-based paint testing and abatement, accessibility improvements for the disabled, and alterations to increase marketability by adding amenities. Demolition or disposition are authorized for buildings or entire developments that are not viable. Funds also may be used for replacement housing.

### **Public Housing Operating Fund**

This program provides subsidies to assist Public Housing Agencies in funding the operation and maintenance of their properties for low-income families. The Performance Funding System formula determines the level of funding necessary to enable PHAs to provide a reasonable level of services, including maintenance, utilities, and protective services, to residents of public housing.

### **Renewal Communities**

The Community Renewal Tax Relief Act, incorporated by reference in the Consolidated Appropriations Act 2001 (P.L. 106-554), authorized the designation of up to 40 areas of pervasive poverty, unemployment, and general distress as Renewal Communities (RCs). Businesses in Renewal Communities will be eligible for various federal tax incentives, including:

- zero percent capital gains from sale of qualified assets;
- a 15 percent wage credit for qualified workers;
- a tax deduction for qualified commercial construction and revitalization expenses;
- work opportunity tax credits for hiring qualified youth.

They will also benefit from tax relief and regulatory streamlining provided by the State and local government in which the RC is located.

### **Research and Technology (R&T)**

PD&R funds are used for research, program evaluation and policy analysis. There are seven categories of activities undertaken with R&T funds. The largest is housing market surveys. These housing and financial market data are essential for the formulation of HUD's housing and community development policies. The next largest category is program evaluation and monitoring. These activities help old and new programs operate more effectively by providing independent information about program implementation and impacts.

### **Resident Opportunity and Supportive Services**

Resident Opportunity and Supportive Services (ROSS) program provides residents of public housing with services that are necessary to improve their quality of life, including academic skills training, health care, micro-enterprise and small business development, and social services.

### **Revitalization of Severely Distressed Public Housing**

See "HOPE VI."

### **Samaritan Housing Program**

The Samaritan Housing program is a new program effort not requested in previous years. HUD's Samaritan program will be used in conjunction with other Federal resources, particularly those from HHS and VA, aimed at ending chronic homelessness. Existing resources are spread among many Departments and agencies that in general assist homeless people, including those who experience chronic homelessness. However, the Samaritan Housing program will provide targeted resources to assist this visible population of homeless people. These resources will be focused strategically to secure the desired performance outcomes.

### **Section 108 Loan Guarantees**

The Section 108 loan guarantee program provides communities with a means of leveraging their CDBG grants to obtain financing for large community revitalization projects. Section 108 of the Housing and Community Development Act of 1974, as amended, authorizes the Secretary to issue Federal loan guarantees of private-market loans used by entitlement and nonentitlement communities to cover the costs of acquiring real property, rehabilitating publicly owned real property, housing rehabilitation, and certain economic development activities. In addition, guaranteed loan funds have been used to finance construction of housing by nonprofit organizations when undertaken as part of a project that is also financed under the Rental Housing Development Grants or Nehemiah Housing Opportunity Grants programs.

### **Section 184**

Section 184 provides mortgage financing provides guaranteed loans can be used to purchase, construct and /or rehabilitate single-family homes on Indian trust or restricted land and in designated Indian areas.

### **Self-Help Homeownership Opportunity Program**

The Self-Help Homeownership Opportunity Program (SHOP) provides competitive grants to nonprofit housing organizations that use significant amounts of "sweat equity" to produce affordable single-family homes for new homebuyers. These funds are used for land acquisition and infrastructure improvements, and homebuyers contribute a significant amount of their own hard work toward the construction of the new dwellings.

## **Title VI Federal Guarantees for Tribal Housing**

This program provides loan guarantees for Indian Housing Block Grant recipients, Indian tribes, and Tribally Designated Housing Entities who need additional funds to engage in eligible affordable housing activities but are unable to borrow from other sources.

## **Urban Empowerment Zones**

There are three rounds of Empowerment Zones/Enterprise Communities (EZ/ECs). The first two rounds combine tax incentives with direct funding for physical improvements and social services. The third round includes only tax incentives. Grants can be used for a broad range of activities that assist residents, businesses, and organizations. Eligible activities include workforce preparation and job creation efforts linked to welfare reform; neighborhood development; support for financing of capital projects; financing of projects in conjunction with the Section 108 loan guarantee program and other economic development projects; community policing; and health care. (Also see Empowerment Zones/Enterprise Communities.)

## **Youthbuild**

The Youthbuild program encourages at-risk youth to engage in remedial education, including leadership and skills training. Youthbuild serves 16- to 24-year-old high school dropouts. The program provides disadvantaged young adults with education and employment skills through rehabilitating and building housing for low-income and homeless people. This helps to expand the Nation's supply of affordable housing. The program includes both onsite construction work and offsite academic and job skills training. Youthbuild activities are also eligible activities under CDBG. Funds are awarded on a competitive basis using the selection criteria in the statute along with other factors published by HUD in the regulations and the Notice of Funding Availability.



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