

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

**FY 2005  
Annual Performance Plan**

**May 2004**



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## MESSAGE FROM THE SECRETARY

Through this submission to Congress and the American public of the Fiscal Year (FY) 2005 Annual Performance Plan (APP), I am proud to reaffirm the Department's commitment to a strong performance management system that provides accountability and transparency. Strong leadership, sound management, and excellence in program performance are critical for HUD to meet these challenges.

HUD's Annual Performance Plan directly links with the Department's Strategic Plan and the President's FY 2005 Budget. The APP provides greater accountability by identifying annual performance goals for our program activities, specifying the strategies and resources needed to achieve goals and explaining the procedures used to ensure that performance data are reliable. In crafting the FY 2005 APP, the Department continued to build on prior years' improvements and provided further specificity of how the Department will meet its challenges.

The FY 2005 APP addresses all the major priorities of the Department, including implementation of the President's Management Agenda. The FY 2005 APP documents HUD's intention to continue measurable improvements in the following areas.

- Improving the physical conditions of HUD assisted properties;
- Improving performance of HUD program intermediaries;
- Improving key areas of risk management strategies and program controls;
- Strengthening faith-based and community development activities;
- Advancing the strategic management of human capital;
- Improving financial performance;
- Integrating budget and performance;
- Advancing electronic government;
- Improving competitive sourcing; and
- Strengthening community performance reporting with less paperwork burden.

The Department's efforts reflect our fundamental support for the American Dream of homeownership and continued progress in our nation's communities. We are committed to working with Congress and our many partners to improve program performance and results during FY 2005 and beyond, so that all who choose may attain decent and affordable housing free from discrimination.

Alphonso Jackson



## EXECUTIVE SUMMARY

The Fiscal Year (FY) 2005 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 2005 to achieve them. The Department is committed to a strong performance management system that provides accountability and transparency to Congress and the public.

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 2005. 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 2005. 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 2005:

- *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 2005, HUD will track progress towards this Presidential commitment by measuring the change in minority homeownership rates.
- *Simplifying the homebuying process.* The Department is continuing to work with the housing community to improve settlement procedures and to reduce costs and encourage innovation and competition in the marketplace.
- *Downpayment Assistance.* For FY 2005, HUD proposes to provide \$200 million 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.
- *Voucher homeownership.* The Flexible Voucher Program that HUD is proposing for FY 2005 will provide greater flexibility to public housing agencies and will continue to allow Housing Choice Vouchers to be used for one-time downpayment assistance or monthly homeownership subsidies to families participating in the Voucher Homeownership program. In addition, through the Flexible Voucher Program, the Department will reward housing

agencies that participate in homeownership activities through performance-based bonuses. HUD's goal is to increase the number of voucher-assisted homeowners by 20 percent in FY 2005.

- *FHA single-family insurance.* The Federal Housing Administration (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 2003, FHA insured mortgages for approximately 1.3 million households, of which 521,937 were for first-time homebuyers and 445,432 were for minority homeowners. Performance goals for FY 2005 include exceeding the Congressionally mandated capital reserve targets to ensure continued soundness of FHA's Mutual Mortgage Insurance Fund.

## **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 2005:

- *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 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 2005, HUD will ensure that public housing management scores (PHAS) remain at high levels and Housing Choice Voucher management scores (SEMAP) increase by one percentage point.
- *The HOME program.* In FY 2005, the HOME program will provide states and local governments with \$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.
- *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 2005, HUD expects that average earnings will increase by 5 percent from year to year among non-elderly non-disabled households in the public housing and Housing Choice Voucher programs.

## **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 2005, 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 2005, the CDBG program will provide \$4.6 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 2005, HUD expects the CDBG program to create or retain 82,000 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 2005, HUD proposes \$50 million for the 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. By the end of FY 2005, HUD expects that at least 386 functioning Continuum of Care communities (or 93 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. During FY 2005, the Office of Community Planning and Development will be implementing the reformed, results-oriented planning and reporting process nationally, making the Consolidated Planning process more useful in assessing progress toward addressing problems of low-income areas and improving performance measurement and reporting.

## Ensure Equal Opportunity in Housing

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 2005 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 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 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.

## FY 2005 Annual Performance Plan

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 2005, 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 exceeded the aggressive interim goal for a 15 percent reduction by 2003 and has another interim goal for a 30 percent reduction by 2004.
- *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.

In FY 2003, HUD implemented 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. HUD's goal is to complete the Departmental Workforce Plan by FY 2005.

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 2005, 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 2005, 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 and 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 2005 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 2005 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.
- *Competitive sourcing.* HUD efforts to date have been to establish adequate capacity to support competitive sourcing of commercial staff functions. HUD is in position to launch its first competition in areas that will benefit the Department.

## **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 2003, HUD published a final rule eliminating barriers to participation of faith-based organizations in eight programs totaling nearly \$8 billion.

HUD's proposed budget for FY 2005 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.

In FY 2005, HUD's Center for Faith-Based and Community Initiatives will continue to execute a comprehensive outreach and technical assistance plan for faith-based and community organizations. The plan involves HUD regional and field offices, targeted media, and presentations at national and regional conferences. HUD's goal for FY 2005 is to establish capability to measure trends in participation of faith-based and community organizations in HUD's SuperNOFA grant funding process.

## Resources

The following table provides estimates of the budget authority (BA), full-time equivalent staffing (FTE) and salaries and expenses (S&E) that support HUD's mission. The strategic goal discussions in Part 1 of this APP provide more detailed program-level summaries for each strategic goal.

### Resources Supporting HUD's Mission

	<b>2003 Enacted</b>	<b>2004 Estimate</b>	<b>2005 Request</b>
	(BA, S&E Cost - Dollars in Thousands)		
<b>Strategic Goal H:</b>			
<b>Increase homeownership opportunities</b>			
Discretionary BA	\$2,319,355	\$2,529,313	\$2,576,560
FTE	1,008	1,110	1,110
S&E Cost	92,310	105,931	111,364
<b>Strategic Goal A:</b>			
<b>Promote Decent Affordable Housing</b>			
Discretionary BA	21,643,340	22,804,700	21,835,610
FTE	2,901	2,952	2,952
S&E Cost	267,824	283,990	299,198
<b>Strategic Goal C:</b>			
<b>Strengthen Communities</b>			
Discretionary BA	5,583,830	5,652,899	5,562,677
FTE	872	812	811
S&E Cost	79,912	77,707	80,429
<b>Strategic Goal FH:</b>			
<b>Ensure Equal Opportunity in Housing</b>			
Discretionary BA	149,411	167,232	177,280
FTE	746	653	654
S&E Cost	65,999	58,760	61,728
<b>Strategic Goal EM:</b>			
<b>Embrace High Standards of Ethics, Management and Accountability</b>			
Discretionary BA	5,348,329	5,700,168	5,617,329
FTE	3,691	3,803	3,804
S&E Cost	545,252	581,492	617,396
<b>Strategic Goal FC:</b>			
<b>Promote participation of faith-based and community organizations</b>			
Discretionary BA	138,743	142,330	141,328
FTE	61	75	74
S&E Cost	6,681	8,624	8,885
<b>Total Resources</b>			
Total BA	35,183,008	36,996,642	35,910,784
FTE	9,279	9,405	9,405
S&E Cost	1,057,978	1,116,504	1,179,000

## **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 goals and the performance measures the Department has in place to assess its performance are provided in the body of the FY 2005 Annual Performance Plan. The Plan also includes modest revisions to the FY 2004 Annual Performance Plan that reflect the realities of the final FY 2004 appropriation from Congress.



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

- *Objectives*
- *Means and Strategies*
- *Resources*
- *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) 2005 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.

## Integration with Other Planning Documents

The Annual Performance Plan (APP) is closely related to HUD's FY 2005 budget request and a number of other documents. The APP is subordinate to HUD's FY 2003–2008 Strategic Plan, which it relates to and supports in several ways:

- Uses the framework of strategic goals and objectives defined by the strategic plan;
- Provides critical support for implementing the strategic plan by defining means and strategies for achieving the Department's mission, including the year-to-year adjustments that external factors and experience inevitably prove necessary;
- Links the strategic plan to the annual budget by identifying the resources that the Department is committing toward the strategic goals;
- Specifies additional performance indicators and annual performance targets for the long-term general goals;
- Details performance data sources to provide confidence that strategic goals reflect actual results.

The Annual Performance Plan also dovetails with HUD's Human Capital Strategic Plan for FY 2003–2008 that was completed in March 2003. The Human Capital Strategic Plan supports the HUD Strategic Plan. The Department'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 2005 to achieve the Strategic Goals and Objectives outlined in HUD's Strategic Plan. The Annual Performance Plan also tells Congress and the public what we expect to achieve with the funds requested in the FY 2005 budget.<sup>1</sup>

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<sup>1</sup> HUD's Strategic Plan and FY 2005 Budget Request may be found on HUD's website at: [www.HUD.gov](http://www.HUD.gov).

Reflecting HUD's role as the lead Federal agency responsible for addressing America's housing needs and improving and developing the nation's communities, HUD's FY 2005 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 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 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**

The FY 2005 Annual Performance Plan has been organized 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 2005. 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 2005 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 2004 Annual Performance Plan, which now reflect actual HUD appropriations for FY 2004; a comprehensive list of goals, objectives and performance indicators; descriptions of HUD programs; discussion of data verification efforts; 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 2003 than at any time in this nation's history. The 2003 annual homeownership rate for the nation was a record 68.3 percent, up 0.4 percentage point from the 2002 rate.

Homeownership among racial and ethnic minorities also reached a record level of 50.6 percent in the last quarter of 2003, pushing the minority homeownership gap down 1.5 percentage points between the third and fourth quarter. The resulting minority homeownership gap of 24.9 percentage points ties with the results from the fourth quarter of 2001 as the lowest gap ever.

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. By the end of FY 2003, 1.03 million new minority homeowners had been counted toward this goal. 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 initiatives for FY 2005 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.

### Objectives

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 2003 was 68.3 percent, the homeownership rate for low- and moderate-income families was only 51.8 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 remains nearly 25 percentage points below 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 will work with the housing community to further consumer-friendly efforts founded upon a set of principles that will guide the settlement process. These principles support 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. Of the 73,000 loss mitigation claim payments made by FHA during FY 2002, 69,000 resulted in families being able to remain in their homes.

## 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 2005, 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.* The American Dream Downpayment Act was signed into law on December 16, 2003, creating an opportunity for thousands of Americans to become homeowners. This program will target funding under the HOME program specifically to low-income families wanting to purchase a home. In addition to ADDI funds from prior years, the FY 2005 budget provides \$200 million to assist approximately 10,000 low-income families with down payment and closing costs during the fiscal year and 40,000 families over the life of the grants.
- *Housing Counseling.* Helping families learn about the loan products and services available to them and how to identify and avoid predatory lending practices is critical to increasing homeownership. 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 2005 budget expands funds for counseling services from \$40 million to \$45 million. This is expected to provide counseling services to about 800,000 families, including counseling to homebuyers, existing homeowners, renters and homeless persons.

One component of HUD's housing counseling efforts is the "Reaching the Dream" homeownership initiative. HUD's Center for Faith-Based and Community Initiatives expects to continue this initiative into FY 2005. The project involves an intensive technical assistance pilot and a housing counseling effort. The Center provided the faith-based and community organizations with training on creating homeownership opportunities and providing potential homebuyers with counseling. The Center also recruited 250 nonprofits to begin the process of becoming HUD-approved housing counseling agencies.

- *Flexible Voucher Program/Voucher Homeownership.* The FY 2005 budget proposes the Flexible Voucher Program that will provide greater flexibility to Public Housing Agencies (PHAs). The proposal continues to allow Housing Choice Vouchers to be used for one-time downpayment assistance or monthly homeownership subsidies to families participating in the Voucher Homeownership program. In addition, through the Flexible Voucher Program, the Department will reward PHAs that participate in homeownership activities through performance-based bonuses.
- *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, about 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. HOME grantees have committed funds to provide homebuyer assistance to more than 295,000 lower-income households, more than half of those were for families earning less than 60 percent of median income. Further, over 150,000 lower-income homeowners have been able to rehabilitate their homes with HOME program assistance.

## **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. During FY 2003, the programs insured over 1.2 million loans (including refinanced loans), of which 515,000 represented first-time homeowners and 445,000 were minority homeowners.

FHA offers a wide variety of insurance products, the largest being single-family mortgage insurance products. FHA insures single-family home mortgages, 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.

For FY 2005, FHA is proposing two new products to enhance homeownership opportunities for low-income and minority families.

- *Zero Down Payment program.* FHA proposes to offer a new mortgage product to help first-time homebuyers purchase a home by allowing zero down-payment loans and financing of the settlement costs. Currently FHA requires a minimum downpayment of three percent. To cover the higher risk involved, premiums will be slightly increased in the short term for these borrowers.
- *FHA Payment Incentives program.* The Administration is proposing a new sub-prime loan product to offer FHA insurance to families that, due to poor credit, would be served either by the private market at a higher cost or not at all. Borrowers would be offered FHA loan insurance under this new initiative that will allow them to maintain their home or to purchase a new home. This program would serve 60,000 families.

Ongoing FHA programs that will continue to help more families attain homeownership include:

- *Adjustable rate mortgages.* During FY 2004 HUD expanded offerings of adjustable-rate mortgage products on FHA-insured mortgages. Homebuyers can choose mortgages with fixed-payment periods of three, five, seven or ten years, as well as the previously-available one-year option. Interest rates are not allowed to fluctuate during the fixed-payment periods, and are constrained thereafter. Some 40,000 families are expected to take advantage of the hybrid ARMs program annually.
- *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. TOTAL, when combined with the Automated Underwriting System, indicates acceptable documentation and underwriting characteristics for determining whether a loan is eligible for FHA insurance, facilitating prompt approval. 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 accelerates 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. The acceleration of the FHA claims process will ensure that properties remain vacant for shorter periods of time so they are less likely to destabilize 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 to trigger review by HUD field staff. 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. 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. (Greater detail on these programs is presented in Appendix C.)

- *Indian Housing Block Grants (IHBG).* The IHBG program provides grants to Indian tribes and Tribally Designated Housing Entities (TDHEs) to provide and maintain housing for low-income Native Americans.
- *Title VI Federal Guarantees for Tribal Housing.* This program provides guarantees in support of private-sector loans to Indian Housing Block Grant recipients, Indian tribes, and Tribally Designated Housing Entities. The loans allow IHBG grantees to accelerate completion of their Indian Housing Plan by pledging future IHBG funds as collateral.
- *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 on Indian trust or restricted land and in designated Indian areas. 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 Section 184 program. The guarantees secure private financing for infrastructure to purchase, construct or rehabilitate single-family homes on Hawaiian Home Lands.

- *Native Hawaiian Housing Block Grant (NHHBG)*. This program, modeled after the IHBG, provides block grant funding to the Department of Hawaiian Home Lands to carry out affordable housing activities for Native Hawaiian families who are eligible to reside on the Hawaiian Home Lands.

### **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, the Department of Veterans Affairs and the Rural Housing Service of the U.S. Department of Agriculture. During FY 2003, Ginnie Mae marked its 35<sup>th</sup> anniversary and guaranteed a record \$215.8 billion in mortgage-backed securities. 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 2005, HUD's will issue a new rule setting the GSEs' goals for 2005 and beyond 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.

HUD's ongoing GSE oversight activities will include:

- Monitoring and enforcing the GSEs' goals;
- 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 work with the housing community to improve the homebuying process and make it less complicated and less expensive for consumers. This will allow consumers better opportunities to shop for lower-cost mortgages.

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.

## Resources

The following table provides estimates of the budget authority (BA), full-time equivalent staffing (FTE) and salaries and expenses (S&E) that support this strategic goal.

### Resources Allocated to Strategic Goal H: Increase homeownership opportunities

Programs	2003 Enacted	2004 Estimate	2005 Request
	(BA, S&E Cost - Dollars in Thousands)		
<b>Public and Indian Housing</b>			
Housing Certificate Fund			
Discretionary BA	1,268,760	1,446,224	1,333,900
FTE	67	67	67
S&E Cost	6,407	7,671	8,198
Indian Housing Loan Guarantee Fund			
Discretionary BA	5,266	5,269	1,000
FTE	19	19	19
S&E Cost	1,844	1,983	2,119
Native American Housing Block Grants			
Discretionary BA	2,000	2,000	2,000
FTE	1	1	1
S&E Cost	151	162	173
Native Hawaiian Loan Guarantee Fund (Section 184A)			
Discretionary BA	1,028	1,029	1,000
FTE	1	1	1
S&E Cost	97	104	112
<b>PIH Total</b>			
<b>Discretionary BA</b>	<b>1,277,054</b>	<b>1,454,522</b>	<b>1,337,900</b>
<b>FTE</b>	<b>88</b>	<b>88</b>	<b>88</b>
<b>S&amp;E Cost</b>	<b>8,499</b>	<b>9,920</b>	<b>10,602</b>
<b>Community Planning and Development</b>			
Community Development Block Grants			
Discretionary BA	147,366	148,248	184,724
FTE	16	19	18
S&E Cost	1,477	1,802	1,803
HOME Investment Partnerships Program			
Discretionary BA	552,635	566,637	671,050
FTE	31	27	28
S&E Cost	2,843	2,582	2,801
<b>CPD Total</b>			
<b>Discretionary BA</b>	<b>700,001</b>	<b>714,885</b>	<b>855,774</b>
<b>FTE</b>	<b>47</b>	<b>46</b>	<b>46</b>
<b>S&amp;E Cost</b>	<b>4,320</b>	<b>4,384</b>	<b>4,604</b>

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<b>Office of Housing</b>			
Interstate Land Sales			
Discretionary BA	...	...	...
FTE	22	32	32
S&E Cost	2,529	3,727	3,855
FHA-GI/SRI			
Discretionary BA	19,122	21,707	19,454
FTE	69	81	82
S&E Cost	6,153	7,472	7,832
FHA-MMI/CHMI			
Discretionary BA	295,760	311,012	307,307
FTE	653	730	728
S&E Cost	58,168	66,954	69,892
Housing Counseling Assistance			
Discretionary BA	[25,917]	[26,095]	29,388
FTE	60	63	64
S&E Cost	5,226	5,681	6,060
<b>Housing Total</b>			
<b>Discretionary BA</b>	<b>314,882</b>	<b>332,719</b>	<b>356,148</b>
<b>FTE</b>	<b>804</b>	<b>906</b>	<b>906</b>
<b>S&amp;E Cost</b>	<b>72,076</b>	<b>83,834</b>	<b>87,639</b>
<b>GNMA</b>			
Mortgage-Backed Securities			
Discretionary BA	5,138	5,316	5,493
FTE	36	35	35
S&E Cost	3,846	3,938	4,488
<b>Policy Development &amp; Research</b>			
Discretionary BA	22,280	21,871	21,245
FTE	33	35	35
S&E Cost	3,569	3,855	4,031
<b>Total Strategic Goal</b>			
<b>Discretionary BA</b>	<b>2,319,355</b>	<b>2,529,313</b>	<b>2,576,560</b>
<b>FTE</b>	<b>1,008</b>	<b>1,110</b>	<b>1,110</b>
<b>S&amp;E Cost</b>	<b>92,310</b>	<b>105,931</b>	<b>111,364</b>

## 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 2005. A detailed discussion of each indicator is presented in Part 2 of this APP.

### Goal H: Increase Homeownership Opportunities

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

- 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: The share of first time homebuyers among FHA home purchase endorsements.
- 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 and VA loans.
- H.1.7: Housing Counseling is provided to 476,084 homebuyers and homeowners in FY 2006 using FY 2005 funds.
- H.1.8: Assist 43,690 first-time homeowners with HOME and American Dream Downpayment assistance.
- H.1.9: The number of homeowners who have used sweat equity to earn assistance with SHOP funding reaches 2,140.
- 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 is 66 percent.
- H.1.12: HUD will continue to monitor and enforce Fannie Mae's and Freddie Mac's performance in meeting or surpassing HUD-defined targets for low- and moderate-income mortgage purchases.

#### Objective H.2: Increase minority homeownership.

- H.2.1: The minority homeownership rate.
- H.2.2: The ratio of homeownership rates of minority and non-minority 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: HUD will continue to monitor and enforce Fannie Mae's and Freddie Mac's performance in meeting or surpassing HUD-defined targets for special affordable mortgage purchases.
- H.2.5: Housing Counseling is provided to 401,898 minority clients in FY 2006 to support the Department's goal of increasing minority homeownership.
- H.2.6: The HOME program, including the American Dream Downpayment Initiative, assists 24,466 minority households to become homeowners.
- H.2.7: Section 184 mortgage financing is guaranteed for 1,000 Native American homeowners during FY 2005.
- H.2.8: The homeownership rate among households with incomes less than median family income.
- H.2.9: The homeownership rate in central cities.
- H.2.10: The mortgage disapproval rates of minority applicants.

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

H.5.1: The number of households who have used Housing Choice Voucher/Housing Certificate Fund Vouchers to become homeowners increases by 20 percent.

H.5.2: Increase by 10 percent the number of residents who receive homeownership supportive services.

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

H.6.1: Loss mitigation claims are 45 percent of total claims on FHA-insured single family mortgages.

H.6.2: More than 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 U.S. Department of Agriculture's (USDA) Rural Housing Service or guaranteed by the Department of Veterans Affairs (VA).
- HUD has accepted the lead for a multi-agency E-Government project called Homes.gov, and is partnering with the Rural Housing Service and Veterans Affairs to develop a web-based portal for the sale of government-owned single-family properties. An interagency "proof-of-concept" has been completed, and a working prototype is being developed. The working prototype will be available to HUD, USDA, and VA managers for review and approval. The production version of Homes.gov is on track to be launched for public use during FY 2004.
- FHA is assisting the Rural Housing Service during FY 2004 by making the TOTAL (Technology Open to All Lenders) scorecard available for use in their automated underwriting system for single family guaranteed housing programs.
- To implement and enforce the Real Estate Settlement Procedures Act 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's guarantees of principal and interest will help create an incentive for other financial institutions to extend financing to Native American communities.
- HUD works closely with state and local governments to carry out enforcement actions against business partners engaged in predatory lending. On a national level, HUD's Office of Inspector General continues to work closely with law enforcement in many states, notably in New York, New Jersey, Pennsylvania, Illinois and Arizona, to target unscrupulous lenders and better combat abusive lending practices. In many of these areas HUD is working with coalitions of community groups to provide relief to FHA-insured borrowers who have been victimized by predatory practices.
- HUD has tripled its RESPA investigative staff from ten full time staff to thirty full time, and has increased funding for investigation and enforcement of fair housing and RESPA violations, with a new \$1.5 million investigation contract and an additional \$500,000 for Fair Housing investigations. Recent RESPA violation settlements have led to more than \$1.5 million in donations by lenders to HUD-approved counseling services.
- HUD works closely with the Department of Justice, federal financial regulators and the Federal Trade Commission to distinguish between predatory practices of some lenders and others whose practices are fairly serving the mortgage credit needs of those not qualified for prime loans. In November 2003, HUD and the FTC jointly filed a case against and reached settlement with a mortgage loan servicing company charged with violations of the FTC Act, RESPA, and other laws.
- HUD has partnered with other organizations in public education campaigns about predatory lending. In 2004 HUD launched a national advertising campaign, produced under a contract with the National Fair Housing Alliance and the Ad Council, to warn against the dangers of predatory lending. HUD is also a member of the Interagency Task Force on Fair Lending. HUD worked with the task force in drafting a new brochure that alerts consumers to potential borrower pitfalls, including high cost loans and provides tips for getting the best financial deal possible.

## 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, the largest component of HUD's proposed FY 2005 budget continues to promote 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.

### **Objectives**

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. Through the HOME program, HUD provides states and localities with flexible funding they can use to produce affordable rental housing. Indian Housing Block Grants extend housing assistance to tribal areas. 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 also will sustain 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 the role of public and assisted housing 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 help families increase their incomes and assets so they can afford the costs of unsubsidized rental housing or become homeowners. This makes assistance available for other families who need a boost in their housing situations.

**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. HUD continues to refine and employ these monitoring systems to ensure that public housing resources are used effectively and efficiently to meet housing needs.

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 the housing enterprises, Fannie Mae and Freddie Mac. HUD also is working with states and local communities to reduce regulatory barriers to the development of affordable housing.

In FY 2005, HUD plans the following activities:

**Flexible Voucher Program**

The existing Housing Choice Voucher program is administered by state and local Public Housing Agencies (PHAs). The program, funded through the Section 8 Housing Certificate Fund, provides housing to over 2 million households with low, very-low and extremely-low incomes. The tenants are allowed to choose their own units, and pay approximately 30 percent of their income to private landlords for rent and utilities while HUD funds the balance of the rent.

HUD's FY 2005 budget proposes to replace the existing program with the Flexible Voucher program. The program will support HUD's strategic objective of promoting self-sufficiency by reshaping voucher assistance into transitional assistance for families in need rather than a permanent institution for families. The new program's features will reduce program costs and give PHAs greater flexibility to effectively administer their programs to meet the temporary and transitional housing needs of low-income families.

- Control program costs by converting from unit-based budgeting to dollar-based budgeting as recommended by Congress.
- Simplify program requirements and provide PHAs with greater administrative flexibility to respond better to local needs for temporary housing.

## **Public Housing**

In FY 2005, HUD will continue to subsidize public housing units occupied by approximately 1.2 million tenants. These units are under the direct management of approximately 3,100 PHAs who are local housing authorities. Like the Voucher program, tenants pay approximately 30 percent of their income for rent and utilities. HUD provides operating subsidies to PHAs to cover the remaining costs, and also subsidizes modernization costs to keep the existing public housing stock in good condition. Several initiatives and program changes will enhance public housing operations in FY 2005.

- *Public Housing Operating Fund.* In FY 2006, HUD plans to implement the recommendations of a recently completed three-year study by Harvard University on the cost of operating a well-run PHA. The factors taken into account include the size, location and age of stock, and its occupancy. The operating fund is supported by \$3.6 billion in FY 2005.
- *Public Housing Capital Fund.* This program provides formula grants to PHAs for major repairs and modernization of its units. The \$2.7 billion budget request for FY 2005 provides funds to meet the accrual of new modernization needs. Some funds will be made available for natural disasters and emergencies, for demolitions and for the Resident Opportunity and Supportive Services program.
- *Freedom to House: Public Housing Reform Demonstration program.* The Freedom to House Initiative is a demonstration program that will allow up to 50 participating PHAs to use capital and operating funds flexibly, to set locally determined rent structures and to be freed of many reporting requirements. The test group will be required to operate under an asset based management and accounting system. A control group of other PHAs will enable HUD to conduct rigorous annual performance assessments and ensure that the demonstration can inform sound policy decisions in the future.
- *Revitalization of Severely Distressed Public Housing (HOPE VI).* A principal goal of the HOPE VI program has been the demolition, replacement and rehabilitation of the Nation's severely distressed public housing units, as identified in the 1992 final report issued by the National Commission on Severely Distressed Public Housing, and contributing to the Departmental goal to demolish 100,000 units of severely distressed public housing. The program has met its target. Therefore the FY 2005 Budget does not include additional funding for new HOPE VI projects. 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.

## **Other Rental Assistance Programs and Affordable Housing Efforts**

**FHA multifamily insurance and project-based Section 8.** FHA insures mortgages on multifamily rental housing projects. When combined with other multifamily mortgage programs, including those serving non-profit developers, nursing homes and refinancing mortgagors, FHA anticipates providing support for a substantial number of housing units. Section 8 project-based housing assistance provides affordable housing for about 1.3 million low-income households in FHA-insured projects.

**HOME Investment Partnerships.** 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 292,432 rental units. The HOME Program has also provided direct rental assistance to 83,939 households.

**Community Development Block Grant (CDBG).** This program provides substantial funding to support rental housing activities for low- and moderate-income persons. During FY 2003, CDBG grantees assisted approximately 11,900 households through assistance for rehabilitation of multi-unit residential properties. Although the CDBG program does not collect housing information by

tenure type, the category of funding of rehabilitation of multi-unit residential best captures housing rehabilitation for rental units.

**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. For FY 2005, \$639 million is requested. Authorized uses include both rental and homeownership assistance. Additional funds are available to IHBG grantees through the Title VI Federal Guarantees for Tribal Housing.

**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 also provide or otherwise support affordable rental housing:

- *Regulatory Barriers to the development of affordable housing.* In FY 2004, HUD created a new Office of Regulatory Reform. Through this Office, HUD will commit an additional \$2 million in FY 2005 for research about the nature and extent of regulatory obstacles to affordable housing. Researchers will develop tools needed to measure and reduce barriers that restrict affordable housing and unnecessarily increase the cost of housing development at the local level. Information is shared with State and local governments through the Regulatory Barriers Clearinghouse (<http://www.huduser.org/rbc/index.html>).
- *Energy Action Plan and Energy Star.* Wasted energy contributes directly to the operating costs of housing. HUD's Energy Action Plan, developed by a Departmental Task Force, comprises 21 actions that 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). One element of the 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. Some of the measures will require implementation through HUD's rulemaking process.

### **Housing Persons with Special Needs**

**Housing programs for the elderly and persons with disabilities.** 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.

During FY 2004, HUD launched the PIH Clearinghouse Center to help public and Indian housing authorities that may have an interest in modernizing or constructing elderly public housing. The Clearinghouse will provide technical assistance and information that links housing agencies to resources and supportive services so they can create service-enriched elderly public housing. The assistance will expand opportunities for very-low-income elderly residents to age-in-place and avoid unnecessary institutionalization.

HUD funds housing for the elderly (Section 202) through competitive awards 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. During FY 2005, “mainstream” vouchers will be renewed as regular vouchers under the Flexible Voucher program, so individuals with disabilities can continue to use their vouchers 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.

**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 (90 percent) are allocated by formula based on the number of cases and highest incidence of AIDS, a small portion of funding is provided through competition for projects of national significance and for non-formula areas. Since 1999, the number of formula grantees has risen from 97 to an expected 119 in FY 2005, and competitive awards have increased from 22 projects in 1999 to an expected 28 projects in 2005.

**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 and efforts for FY 2005 include:

- *Voluntary Graduation Incentive Bonus.* Public and assisted housing is a scarce resource needed by many families. In allocating such a resource, the federal government has an interest in ensuring that as many people as are eligible have the opportunity to participate in this federal program. This \$15 million initiative will encourage PHAs to promote graduation and turnover within the current regulatory and statutory constraints. More families will have the opportunity to benefit from limited housing resources, and public and assisted housing will not become a permanent institution for a limited number of tenants.
- *Resident Opportunity and Supportive Services (ROSS).* The \$55 million ROSS program promotes self-sufficiency among residents of Public and Native American Housing. Activities funded by the grants link residents with a wide range of supportive services.
- *Family Self-Sufficiency (FSS) Program.* During FY 2005, the Department will continue to support both the public housing and voucher Family Self-Sufficiency programs. Both

programs are designed to link families with local opportunities for education, job training and counseling while receiving housing assistance. Over a five-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.

## Resources

The following table provides estimates of the budget authority (BA), full-time equivalent staffing (FTE) and salaries and expenses (S&E) that support this strategic goal.

### Resources Allocated to Strategic Goal A: Promote Decent Affordable Housing

Programs	2003 Enacted	2004 Estimate	2005 Request
	(BA, S&E Cost - Dollars in Thousands)		
<b>Public and Indian Housing</b>			
Housing Certificate Fund			
Discretionary BA	10,150,076	11,569,795	10,671,200
FTE	526	526	526
S&E Cost	51,258	53,699	57,388
Native American Housing Block Grants			
Discretionary BA	642,781	648,241	645,000
FTE	155	154	154
S&E Cost	14,993	16,016	17,116
Public Housing Capital Fund			
Discretionary BA	2,712,255	2,696,253	2,674,100
FTE	223	222	222
S&E Cost	21,648	23,170	24,762
Revitalization of Severely Distressed Public Housing			
Discretionary BA	570,269	149,115	...
FTE	71	71	71
S&E Cost	6,893	7,410	7,918
Public Housing Operating Fund			
Discretionary BA	178,781	178,934	178,165
FTE	27	27	27
S&E Cost	2,645	2,823	3,017
Native Hawaiian Housing Block Grants			
Discretionary BA	[9,538]	[9,444]	9,500
FTE	1	1	1
S&E Cost	97	104	112
<b>PIH Total</b>			
<b>Discretionary BA</b>	<b>14,254,162</b>	<b>15,242,338</b>	<b>14,177,965</b>
<b>FTE</b>	<b>1,003</b>	<b>1,001</b>	<b>1,001</b>
<b>S&amp;E Cost</b>	<b>97,762</b>	<b>103,223</b>	<b>110,314</b>

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<b>Community Planning and Development</b>			
Community Development Block Grants			
Discretionary BA	1,154,364	1,161,275	1,062,162
FTE	124	108	105
S&E Cost	11,446	10,373	10,380
HOME Investment Partnerships Program			
Discretionary BA	1,434,366	1,438,960	1,413,150
FTE	91	80	84
S&E Cost	8,529	7,745	8,402
Housing Opportunities for People with AIDS			
Discretionary BA	246,587	250,538	250,580
FTE	22	19	19
S&E Cost	2,067	1,830	1,911
EZ/EC/RC			
Discretionary BA	1,490	746	...
FTE	1	1	1
S&E Cost	62	49	49
Housing Certificate Fund			
Discretionary BA	16,808	23,377	20,000
Rural Housing and Economic Development			
Discretionary BA	24,837	24,852	...
FTE	8	6	6
S&E Cost	718	586	528
<b>CPD Total</b>			
<b>Discretionary BA</b>	<b>2,878,452</b>	<b>2,899,748</b>	<b>2,745,892</b>
<b>FTE</b>	<b>246</b>	<b>214</b>	<b>215</b>
<b>S&amp;E Cost</b>	<b>22,822</b>	<b>20,583</b>	<b>21,270</b>
<b>Office of Housing</b>			
Section 202, Housing For The Elderly			
Discretionary BA	552,711	547,522	547,968
FTE	201	213	214
S&E Cost	17,337	19,019	20,092
Section 811, Housing For The Disabled			
Discretionary BA	202,938	202,499	202,513
FTE	106	113	114
S&E Cost	9,152	10,125	10,738
FHA-GI/SRI			
Discretionary BA	214,773	217,337	190,503
FTE	775	811	803
S&E Cost	69,428	74,638	76,620
Flexible Subsidy Fund			
Discretionary BA	...	...	...
FTE	14	14	14
S&E Cost	1,198	1,237	1,302
Rent Supplement Program			
Discretionary BA	...	...	...
FTE	3	3	3
S&E Cost	269	276	290

Rental Housing Assistance Program (Section 236)			
Discretionary BA	...	...	...
FTE	3	3	3
S&E Cost	269	276	290
Housing Certificate Fund			
Discretionary BA	3,526,633	3,680,446	3,945,469
FTE	434	460	464
S&E Cost	37,810	41,827	44,440
Housing Counseling Assistance			
Discretionary BA	[8,207]	[8,284]	9,643
FTE	19	20	21
S&E Cost	1,652	1,807	1,990
<b>Housing Total</b>			
<b>Discretionary BA</b>	<b>4,497,055</b>	<b>4,647,804</b>	<b>4,896,096</b>
<b>FTE</b>	<b>1,555</b>	<b>1,637</b>	<b>1,636</b>
<b>S&amp;E Cost</b>	<b>137,115</b>	<b>149,205</b>	<b>155,762</b>
<hr/>			
<b>GNMA</b>			
Mortgage-Backed Securities			
Discretionary BA	5,138	5,316	5,493
FTE	35	35	35
S&E Cost	3,846	3,938	4,489
<hr/>			
<b>Policy Development &amp; Research</b>			
Discretionary BA	8,533	9,494	10,164
FTE	62	65	65
S&E Cost	6,279	7,041	7,363
<hr/>			
<b>Total Strategic Goal</b>			
<b>Discretionary BA</b>	<b>21,643,340</b>	<b>22,804,700</b>	<b>21,835,610</b>
<b>FTE</b>	<b>2,901</b>	<b>2,952</b>	<b>2,952</b>
<b>S&amp;E Cost</b>	<b>267,824</b>	<b>283,990</b>	<b>299,198</b>
<hr/>			

## 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 2005. A detailed discussion of each indicator is presented in Part 2 of this APP.

### Goal A: Promote Decent Affordable Housing

#### 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 persons 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 Certificate Fund Vouchers is maintained at the FY 2003 level of 97 percent.

A.1.5: The share of the Housing Choice Voucher/HCF 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: HUD will complete 80 percent of the initial FY 2005 Mark-to-Market pipeline during the fiscal year, reducing rents and restructuring mortgages where appropriate.
- A.1.9: HUD will continue to monitor and enforce Fannie Mae's and Freddie Mac's performance in meeting or surpassing HUD-defined targets for special affordable multifamily mortgage purchases.
- A.1.10: The number of clients receiving rental and homeless counseling.
- A.1.11: Fully implement actions included in the Departmental Energy Action Plan by FY 2005.

**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 remains at least 90 percent in public housing and increases by 1 percentage point in multifamily housing.
- 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 95 percent.
- A.2.4: The unit-weighted average PHAS score remains at least 87.3 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: For households living in assisted and insured privately owned multifamily properties, the share of properties that meets HUD's financial management compliance is maintained at no less than 95 percent.
- A.2.8: The HOPE VI Revitalization Development program for public housing relocates 1,446 families, demolishes 2,602 units, completes 6,267 new and rehabilitated units, and occupies 6,070 units.
- A.2.9: The percent of public housing units under management of troubled housing agencies at the beginning of FY 2005 decreases by 15 percent by the end of the fiscal year.
- A.2.10: The share of Housing Choice Voucher/Housing Certificate Fund (HCF) voucher units managed by troubled housing agencies decreases by 5 percent.

**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.
- A.3.2: The Assisted Living Conversion program increases the supply of suitable housing for the frail elderly by completing conversion of 10 properties per year.
- A.3.3: The number of elderly households living in private assisted housing developments served by a service coordinator for the elderly increases by 10 percent.

**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 public housing assistance programs who "graduate" from assistance within 5 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 and Housing Choice Voucher programs.
- A.4.3: Increase by 5 percent the number of FSS families whose predominant source of income is earned income.
- A.4.4: Increase by 3 percent the total number of PHAs administering Family Self-Sufficiency programs.

## 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’s Public Housing Operating Fund helped fund the Justice Department’s Weed and Seed program under a reimbursable agreement in FY 2003 and FY 2004. The program fights gang activity, violent crime and drug proliferation around public and Indian housing developments. HUD provided a list of PHA sites to Justice to support the effort.
- 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 has a Memorandum of Understanding (MOU) with the Rural Housing Service of the Department of Agriculture. The purpose is to ensure an ongoing working relationship 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 also shared data on HUD’s rural portfolio of multifamily housing. RHS used the information to identify comparable properties in their Section 515 portfolio for a comprehensive property assessment.
- HUD is working with the Environmental Protection Agency 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, as specified in HUD’s Energy Action Plan.
- 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 PHAs 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. A number of PHAs have become members of the Money Smart Alliance.

## **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 factors 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. Broad economic factors also affect opportunities for low-income workers, which will directly affect the 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 2005 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.

### Objectives

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. The Department 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.

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.

#### **Means and Strategies**

This Strategic Goal encompasses a wide array of objectives that impact families, individuals and neighborhoods. 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. HUD's programs provide states and localities with tools they can put to work improving economic health and promoting community development.

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 include supporting the improvement of community consolidated planning to better ensure that HUD funds are used effectively at the local level. The Department also is committed to developing better means of measuring the performance of the community development effort, particularly with the CDBG program.

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 2005 will include:

**Community Development Block Grants.** The mainstay of HUD's community and economic development programs is the Community Development Block Grant program. The formula amount for FY 2004 and FY 2005 is approximately \$4.33 billion. Currently, 944 cities, 165 counties and 49 states plus Puerto Rico receive CDBG formula grant funds. CDBG funds may be used for a broad range of housing revitalization and community and economic development activities, thereby increasing state and local capacity for economic revitalization, job creation and retention, neighborhood revitalization, public services, community development, renewal of distressed communities, and leveraging of non-federal resources.

Beyond formula CDBG funding, special CDBG initiatives in FY 2005 include:

- *National Community Development Initiative (NCDI).* HUD participates in the privately organized and initiated NCDI. In FY 2005, HUD will continue to emphasize (a) 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. Grantees who completed Community Outreach Partnership Centers projects during FY 2003 received non-federal funds that exceeded their match commitments by 34 percent, demonstrating the substantial level of local support for program activities.
- *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 2005 request will serve more than 3,728 young adults.
- *Development Challenge Pilot program.* This proposed pilot is a \$10 million interagency effort to test ways to better coordinate, target and leverage existing federal community and economic development programs. Competitive grants will be awarded to a limited number of communities to develop and implement clear, measurable community development goals.

### **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

eliminate chronic homelessness within the next ten years. The Administration is 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 simplifying the funding process for those who provide homeless services.

The FY 2005 Budget continues to provide strong support to homeless persons and families by funding the program at \$1.5 billion.

Several changes to homeless assistance programs 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:

- *Samaritan Initiative.* The FY 2005 budget includes funding for the 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.
- *Prisoner Re-Entry Initiative.* The FY 2005 budget includes a \$300 million four-year program, with \$25 million in FY 2005 HUD funding, to help individuals exiting from prison make a successful transition to community life and long-term employment. This initiative will be carried out through the collaborative efforts of the Departments of Labor, Housing and Urban Development, and Justice.
- *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.
- *Emergency Food and Shelter Program.* The Administration continues to support 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**

- *Lead-Based Paint program.* This program is the central element of the President's program to eradicate childhood lead-based paint poisoning. In FY 2005, \$139 million in funding has been requested for the lead-based paint program. 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 \$9 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.

- *Healthy Homes Initiative.* The Healthy Homes Initiative targets 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.
- *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 private-sector credit is limited because of perceived risk.

## Resources

The following table provides estimates of the budget authority (BA), full-time equivalent staffing (FTE) and salaries and expenses (S&E) that support this strategic goal.

### Resources Allocated to Strategic Goal C: Strengthen Communities

Programs	2003 Enacted	2004 Estimate	2005 Request
	(BA, S&E Cost - Dollars in Thousands)		
<b>Community Planning and Development</b>			
Community Development Block Grants			
Discretionary BA	\$3,610,459	\$3,632,074	\$3,371,208
FTE	388	342	331
S&E Cost	35,869	32,892	32,897
Homeless Assistance Grants			
Discretionary BA	1,217,037	1,259,526	1,282,400
FTE	164	145	149
S&E Cost	15,113	13,999	14,818
Housing Opportunities for People with AIDS			
Discretionary BA	43,515	44,213	44,220
FTE	4	3	3
S&E Cost	335	300	310
Brownfields Redevelopment Program			
Discretionary BA	24,837	24,852	...
FTE	7	6	6
S&E Cost	616	586	528
EZ/EC/RC			
Discretionary BA	28,315	14,912	...
FTE	12	9	8
S&E Cost	1,172	930	935
Samaritan Housing Program			
Discretionary BA	...	...	50,000
FTE	...	...	3
S&E Cost	...	...	257
FEMA - Emergency Food & Shelter			
Discretionary BA	...	...	153,000
FTE	...	...	4
S&E Cost	...	...	377
<b>CPD Total</b>			
<b>Discretionary BA</b>	<b>4,924,163</b>	<b>4,975,577</b>	<b>4,900,828</b>
<b>FTE</b>	<b>575</b>	<b>505</b>	<b>504</b>
<b>S&amp;E Cost</b>	<b>53,105</b>	<b>48,707</b>	<b>50,122</b>

<b>Office of Housing</b>			
Section 202, Housing For The Elderly			
Discretionary BA	68,745	66,834	66,575
FTE	25	26	26
S&E Cost	2,151	2,322	2,441
Disabled Housing (Section 811)			
Discretionary BA	13,402	12,544	12,435
FTE	7	7	7
S&E Cost	610	630	662
FHA-GI/SRI			
Discretionary BA	41,015	40,466	35,823
FTE	148	151	151
S&E Cost	12,950	13,818	14,390
FHA-MMI/CHMI			
Discretionary BA	906	852	844
FTE	2	2	2
S&E Cost	195	401	434
Manufactured Housing Standards Program			
Discretionary BA	9,814	12,923	13,000
FTE	14	16	16
S&E Cost	1,279	1,614	1,678
Housing Certificate Fund			
Discretionary BA	349,913	368,045	391,146
FTE	43	46	46
S&E Cost	3,691	4,099	4,311
Housing Counseling Assistance			
Discretionary BA	[1,296]	[1,243]	1,378
FTE	3	3	3
S&E Cost	258	266	280
<b>Housing Total</b>			
<b>Discretionary BA</b>	<b>483,294</b>	<b>501,664</b>	<b>521,201</b>
<b>FTE</b>	<b>242</b>	<b>251</b>	<b>251</b>
<b>S&amp;E Cost</b>	<b>21,134</b>	<b>23,150</b>	<b>24,196</b>
<b>Policy Development &amp; Research</b>			
Discretionary BA	1,517	1,690	1,648
FTE	17	18	18
S&E Cost	1,785	1,927	2,015
<b>Healthy Homes &amp; Lead Hazard Control</b>			
Discretionary BA	174,856	173,968	139,000
FTE	38	38	38
S&E Cost	3,888	3,923	4,096
<b>Total Strategic Goal</b>			
<b>Discretionary BA</b>	<b>5,583,830</b>	<b>5,652,899</b>	<b>5,562,677</b>
<b>FTE</b>	<b>872</b>	<b>812</b>	<b>811</b>
<b>S&amp;E Cost</b>	<b>79,912</b>	<b>77,707</b>	<b>80,429</b>

## 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 2005. A detailed discussion of each indicator is presented in Part 2 of this APP.

### Goal C: Strengthen Communities

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

C.1.1: A total of 82,378 jobs will be created or retained through CDBG.

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

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

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

C.2.1: Streamline the Consolidated Plan to make it more results-oriented and useful to communities.

C.2.2: The share of CDBG entitlement funds for activities that principally benefit low- and moderate-income persons remains at or exceeds 92 percent.

C.2.3: The share of State CDBG funds for activities that principally benefit low- and moderate-income persons remains at or exceeds 96 percent.

C.2.4: For CDBG entitlement grantees, increase the number of approved Neighborhood Revitalization Strategy Areas by five percent.

C.2.5: Endorse FHA single family mortgages in underserved communities.

C.2.6: The share of multifamily properties in underserved areas insured by FHA is maintained at 25 percent of initial endorsements.

C.2.7: HUD will continue to monitor and enforce Fannie Mae's and Freddie Mac's performance in meeting or surpassing HUD-defined geographic targets for mortgage purchases in underserved areas.

C.2.8: Section 4 funding will stimulate community development activity totaling ten times the Section 4 investment.

#### **Objective C.3: End chronic homelessness and move homeless families and individuals to permanent housing.**

C.3.1: At least 386 functioning CoC Communities or 93 percent of our continuums will have a functional Homeless Management Information System by FY 2005.

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: The percentage of formerly homeless individuals who remain housed in HUD permanent housing projects for at least 6 months will be 70 percent.

C.3.5: The percentage of homeless persons who have moved from HUD transitional housing into permanent housing will be 60 percent.

C.3.6: The employment rate of persons exiting HUD homeless assistance projects will be 10 percentage points greater than the employment rate of those entering.

C.3.7: Overcrowded households in Indian Country shall be reduced by one percent.

C.3.8: At least 110,000 households will receive emergency rental or mortgage payment assistance through the Emergency Food and Shelter program to prevent homelessness.

C.3.9: The percentage of HOPWA clients who maintain housing stability, avoid homelessness and access care increases through the use of annual resources with the goal that this reaches 80 percent by 2008.

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

C.4.1: The average number of observed exigent deficiencies per property does not exceed 3.41 for public housing and 2.10 for multifamily housing.

C.4.2: The share of units that have functioning smoke detectors and are in buildings with functioning smoke detectors increases by 0.5 percentage points for public housing and by 0.7 percentage points for assisted multifamily housing.

C.4.3: The number of children under the age of six who have elevated blood lead levels will be less than 152,000 by 2005, down from 434,000 in 1999–2000 and 890,000 in 1991–1994.

C.4.4: As part of a 10-year effort to eradicate lead hazards, the Lead Hazard Control Grant program will make 9,500 units lead safe in FY 2005.

C.4.5: At least 2,500 housing units undergoing construction or rehabilitation will use Healthy Homes principles.

C.4.6: Upon advice from the Consensus Committee, HUD will publish rules for dispute resolution and installation programs mandated by the Manufactured Housing Improvement Act of 2000 by September 30, 2005.

**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 plans to work in collaboration with the Departments of Labor and Justice on the \$300 million four-year program to help individuals exiting from prison make a successful transition to community life and long-term employment.
- HUD is a member of the Interdepartmental Task Force on HIV/AIDS and is collaborating with 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 has entered into a Memorandum of Agreement (MOA) with USDA committing mutual efforts and resources to improving the quality of life in the Southwest Border Region. An Interagency Task Force includes other federal agencies to better direct limited resources to the region, address jurisdictional issues, and enhance collaborative efforts.
- 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 recent economic slowdown 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, and large concentrations of poor residents. Rural communities often face different 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. HUD can encourage certain uses of funds and funds are targeted to low- and moderate-income residents as the primary beneficiaries. While each jurisdiction makes its own decision about how to use CDBG funds, HUD encourages grantees to target CDBG funds through Neighborhood Revitalization Strategy areas to provide for the economic empowerment of the low- and moderate-income residents of a particular neighborhood and other long-term improvements (see CPD notice 96-01).

**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.

### Objectives

This goal comprises 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.

## **Means and Strategies**

HUD is committed to working cooperatively with all stakeholders in promoting the fair housing laws to help ensure that all households, regardless of race, color, religion, sex, national origin, age, disability and familial status, have fair and equal access to rental housing and homeownership opportunities. HUD also is committed to a strategy of encouraging local creativity in promoting housing choice. FHEO staff contribute to fair housing enforcement and education by directly enforcing the federal fair housing laws, investigating and conciliating complaints brought by victims of discrimination or fair housing organizations. HUD also funds State and local fair housing efforts through the following two primary grant programs:

### **Fair Housing Assistance Program (FHAP)**

The FHAP program provides funds to state and local jurisdictions that administer laws substantially equivalent to the Federal Fair Housing Act. FY 2005 funds will continue to provide: (1) an education campaign to address persistently high rates of discrimination against African-American, Hispanic, Asian, Pacific Islander, and American Indian renters (as identified by the 2000 Housing Discrimination Study); (2) funding for the 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, technical assistance, administration, special enforcement efforts, training and the enhancement of data and information systems. In FY 2005, the Department is requesting \$500,000 to fund a new technical assistance initiative. Funding for this initiative will be used to develop a strategic plan for private and public organizations to improve enforcement efforts, improve education and outreach efforts, and identify weaknesses in procedures that relate to complaint processing.

During FY 2004, HUD is issuing a proposed rule that will strengthen the process of assessing and certifying agencies as substantially equivalent for FHAP participation. The rule provides for stronger monitoring and performance of FHAP grantees by clarifying the importance of agencies, avoiding casual use of administrative closures of complaints as a substitute for a determination of cause.

### **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 2005 is structured to respond to the finding of the three-year Housing Discrimination Study and related studies that 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 the following special initiatives:

- *Education and Outreach Initiative.* 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. Recent studies emphasize the continuing need for public education on fair housing laws. The Department is requesting \$1 million for the first year of a new three-year contract to continue the Fair Housing Accessibility FIRST education and outreach training to builders, architects and others.
- *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 third 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.
- *Fair Housing Organizations Initiative.* The *Colonias* of the southwest border region have many barriers to fair and affordable housing in both rental and homeownership markets. Many of the residents are recent immigrants unaware of their rights under the Fair Housing Act. Funds will be targeted to establish new fair housing enforcement agencies or expand the capacity of existing organizations to 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.

## Resources

The following table provides estimates of the budget authority (BA), full-time equivalent staffing (FTE) and salaries and expenses (S&E) that support this strategic goal.

**Resources Allocated to Strategic Goal FH: Ensure Equal Opportunity in Housing**

Programs	2003 Enacted	2004 Estimate	2005 Request
	(BA, S&E Cost - Dollars in Thousands)		
<b>Office of Housing</b>			
Section 202, Housing For The Elderly			
Discretionary BA	19,249	20,564	20,485
FTE	7	8	8
S&E Cost	611	731	769
Section 811, Housing For The Disabled			
Discretionary BA	5,744	5,376	5,329
FTE	3	3	3
S&E Cost	269	276	290
FHA-GI/SRI			
Discretionary BA	2,494	2,412	2,135
FTE	9	9	9
S&E Cost	803	826	963
FHA-MMI/CHMI			
Discretionary BA	2,718	2,556	2,955
FTE	6	6	7
S&E Cost	593	606	842
Housing Certificate Fund			
Discretionary BA	73,133	88,011	93,535
FTE	9	11	11
S&E Cost	793	1,006	1,058
Housing Counseling Assistance			
Discretionary BA	[4,320]	[4,142]	4,592
FTE	10	10	10
S&E Cost	874	901	947
<b>Housing Total</b>			
<b>Discretionary BA</b>	<b>103,337</b>	<b>118,919</b>	<b>129,031</b>
<b>FTE</b>	<b>44</b>	<b>47</b>	<b>48</b>
<b>S&amp;E Cost</b>	<b>3,943</b>	<b>4,346</b>	<b>4,869</b>
<b>Fair Housing and Equal Opportunity</b>			
Fair Housing Initiatives Program			
Discretionary BA	20,118	20,250	20,650
FTE	36	30	31
S&E Cost	2,882	2,579	2,682
Fair Housing Assistance Program			
Discretionary BA	25,482	27,586	27,050
FTE	29	27	27
S&E Cost	2,537	2,315	2,411
Other FHEO Programs			
FTE	635	547	546
S&E Cost	56,414	49,293	51,529
<b>FHEO Total</b>			
<b>Discretionary BA</b>	<b>45,600</b>	<b>47,717</b>	<b>47,700</b>
<b>FTE</b>	<b>700</b>	<b>604</b>	<b>604</b>
<b>S&amp;E Cost</b>	<b>61,833</b>	<b>54,187</b>	<b>56,622</b>

<b>Policy Development &amp; Research</b>			
Discretionary BA	474	596	549
FTE	2	2	2
S&E Cost	223	227	237
<b>Total Strategic Goal</b>			
<b>Discretionary BA</b>	<b>149,411</b>	<b>167,232</b>	<b>177,280</b>
<b>FTE</b>	<b>746</b>	<b>653</b>	<b>654</b>
<b>S&amp;E Cost</b>	<b>65,999</b>	<b>58,760</b>	<b>61,728</b>

## 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 2005. A detailed discussion of each indicator is presented in Part 2 of this APP.

### Goal FH: Ensure Equal Opportunity In Housing

#### 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 2004 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 2004 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 2005.

FH.1.4: The number of enforcement agencies rated as substantially equivalent under the Fair Housing Act increases by 1 to 100 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 2005.

#### Objective FH.2: Promote public awareness of fair housing laws.

FH.2.1: At least one new fair housing group will be funded through collaborative efforts between fair housing and community or faith-based organizations.

FH.2.2: The number of fair housing complaints identified by FHIP partners in the Southwest border region increases by 2 percent.

#### 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.

FH.3.2: Complete training for over 3,000 housing professionals on how to design and construct multifamily housing that complies with the Fair Housing Act.

## 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.

- HUD has been working closely with the Department of Justice, federal financial regulators and the Federal Trade Commission to distinguish between predatory practices of some lenders and others whose practices are fairly serving the mortgage credit needs of those not qualified for prime loans. In November 2003, HUD and the FTC jointly filed a case against and reached settlement with a mortgage loan servicing company charged with violations of the FTC Act, RESPA, and other laws.
- 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 also works with the Department of Justice to promote fair housing for persons with disabilities. Justice's Civil Rights Division has filed a number of lawsuits enforcing the accessible design and construction provisions of the Fair Housing Act as well as ensuring availability of group homes for individuals with disabilities. Justice also works with States to conform their State housing and building codes to Federal accessibility requirements.
- 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.
- 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.

## **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 sustaining his predecessor's commitment to improving performance and maintaining the highest standards of ethics, management, and accountability. This strategic goal exemplifies that commitment by focusing on Departmental operations, and thus provides crucial support for the other five strategic goals that are devoted to improving outcomes experienced by citizens.

**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.

- *Government-wide initiatives* — human capital management, competitive sourcing, financial performance, electronic government, and budget and performance integration.
- *HUD-specific initiatives* — 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.

### Objectives

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 that is recognized for professional leadership, management and technical competency, and whose members have opportunities 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 make a difference in the lives of millions of American families and individuals. 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 result 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.

## 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 Annual Performance Plan 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 APP with substantial emphasis and specificity about individual field office goals. The Management Plan is a major annual undertaking involving all Departmental resources in both headquarters and the field. The Management Plan reflects the integration of performance management principles and processes throughout the Department, including 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 while avoiding needless interference. 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:

- Under the new Flexible Voucher Program, reduce regulatory burdens upon PHAs and increase the use of incentives determined by measurable performance indicators.
- Under the Freedom to House Initiative, evaluate the impact of local determination and flexibility on public housing operations by comparing the performance of 50 participating PHAs against a control group.
- Consult with community development partners to streamline the Consolidated Plan development process.
- Provide technical assistance to grantees including targeted technical assistance in the Community Development Block Grant program.

In FY 2005, HUD will focus on improvements in the following areas:

### HUD Management and Performance Initiatives

HUD is aggressively pursuing several major efforts to improve its management and performance by strengthening internal controls to eliminate remaining material weaknesses. In addition, the Department is focused on meeting the goals established for the entire Federal establishment in the President's Management Agenda as well as the HUD-specific goals established in the PMA. 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 achieved the PMA housing quality improvement goals years before the target deadline and continue to press for ongoing improvement.
- *Income and rent determinations.* HUD overpays substantial amounts 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 exceeded interim goals by reducing the error rate 20 percent between 2000 and 2003. HUD's Rental Housing Integrity Improvement Program remains in place to achieve the goal by 2005.

During FY 2004, HUD completed training 2000 PHAs as well as Public Housing field staff on rental housing integrity improvements. The training covered techniques like interviewing, complex computations, and PHA internal controls.

- *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.
- *Appraiser Watch.* In recent years, HUD, and in particular 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 helped HUD design pilot projects. The FY 2005 budget request includes a \$10 million development challenge pilot program to help communities define development goals. A separate research effort is underway in 2004 to examine promising performance practices of grantees that could usefully be promoted for wider adoption by local partners.

## **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 use 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 Process implemented in 2002, HUD completed a Comprehensive Workforce Analysis in 2004 that serves as one of the means to fill mission critical skill gaps through succession planning, hiring and training initiatives in a Five-Year Human Capital Management Strategy. HUD's FY 2005 budget request remains at the FY 2004 allocation of 9,405 FTEs and reflects an increase from the FY 2003 level.

### Competitive Sourcing

HUD is working to determine whether competition of staff functions identified as commercial functions 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 Management

HUD has been working for several years to enhance and stabilize financial management systems to better support the Department and produce auditable financial statements in a timely manner. Some progress has been made, enabling the Inspector General to provide unqualified audit opinions. The number of non-compliant financial management systems has been reduced from 17 in 2000 to 4 in 2003. During FY 2005, HUD 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.

**FHA financial management improvements.** A number of non-compliant systems have supported the financial management of the FHA insurance funds, a continued area of high risk. 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. In FY 2005, 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 focused on fundamental improvement in information technology management. HUD's IT decisions are made on a strategic basis to support the Department's mission and Strategic Plan. The FY 2005 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.

**Electronic government.** The Department is working toward increased electronic commerce and actively participating in the President's "E-Government" projects, such as the following.

- *Grants.gov.* HUD is participating in the [www.Grants.gov](http://www.Grants.gov) initiative that is deploying a unified electronic mechanism for Federal grants information and applications. All of HUD's FY 2004 funding opportunities will be available on the Grants.gov FIND site. The Department intends to have all grant application forms for the Grants.gov APPLY site available in FY 2005.
- *Homes.gov.* HUD has accepted the lead for a multi-agency E-Government project called Homes.gov, and is partnering with the USDA's Rural Housing Service and the Department of Veterans Affairs to develop a web-based portal for the sale of government-owned single-family properties. An interagency "proof-of-concept" has been completed, and a working

prototype is being developed. The working prototype will be available to HUD, USDA, and VA managers for review and approval. The production version of Homes.gov is on track to be launched for public use during FY 2004.

- *Online Rulemaking.* HUD is participating in the E-Rulemaking initiative whose purpose is to establish a single point for the public to access and participate in the Federal government's rulemaking function. This collaborative effort will deliver a Federal-wide online rulemaking docket management system modified for HUD's use. The modification will result in the development of an interim HUD electronic docket (EDOCKET) system that will be accessible to all internal and external users, provide an Internet access point to all Federal regulatory material, and offer the public the ability to simultaneously search all Federal dockets. HUD is currently reviewing the final EDOCKET system module that has been customized to meet HUD requirements. HUD expects to receive public comments during FY 2004.

**Data Quality Improvement.** HUD's Enterprise Data Management Group (EDMG), which operates under the oversight of an agency-wide Data Control Board, is making strides to address data quality deficiencies. The EDMG has focused initial efforts on assessing critical data elements that HUD uses to manage performance. Assessments are based on the information "value chain," encompassing data definitions, business rules, information architecture, data stewardship information and data content quality. After program offices implement steps to correct and prevent deficiencies, the EDMG and Chief Information Officer certify the information systems at one of two quality levels. The highest quality level represents fewer than 3.4 errors per million occurrences of a data element. In FY 2005, HUD will assess the quality of eight additional mission-critical information systems, bringing the total of systems assessed to 31 or 75 percent of total.

**Information Security.** HUD continues to make progress on improving information security. An external penetration test was conducted during FY 2003. During FY 2004, HUD expects to complete a review of the access rights to sensitive data and systems to identify individuals who need background investigations. Approximately 6,400 employees completed Enterprise Security Awareness Training during FY 2003, and the remainder are expected to receive training in the current year. A number of milestones will be completed during FY 2005 to sustain the progress in securing HUD's data.

### **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. The FY 2005 budget process builds on the FY 2004 effort with an improved budget/performance template and increases the focus and effort to integrate performance into budget formulation. The budget effort also reflects the focus on the President's Management Agenda as well as results from the FY 2004 Performance Assessment Rating Tool (PART) effort and the effort to-date under PART for FY 2005. The six resource tables that appear in this APP show the estimated allocation of budget resources and staff resources that are devoted to achieving each strategic goal, and enable the linking of resources with the results presented by the supporting performance indicators.

**Role of program evaluation.** The Department will continue to work hard to improve and measure program performance. HUD's program evaluation efforts directly support the PART assessments. The majority of the Department's program evaluation is funded under the \$47 million research budget of the Office of Policy Development and Research. The research budget also funds basic housing surveys, performance measurement studies and policy studies that contribute directly to HUD's performance management and budgeting efforts. Each year HUD's Performance and Accountability Report complements the reporting of performance

indicators with a summary of key findings of program evaluations and research studies. The research results provide information about the extent and causation of program impacts that performance indicators alone cannot provide.

## Resources

The following table provides estimates of the budget authority (BA), full-time equivalent staffing (FTE) and salaries and expenses (S&E) that support this strategic goal.

### Resources Allocated to Strategic Goal EM: Embrace High Standards of Ethics, Management and Accountability

Programs	2003 Enacted	2004 Estimate	2005 Request
	(BA, S&E Cost - Dollars in Thousands)		
<b>Public and Indian Housing</b>			
Public Housing Operating Fund			
Discretionary BA	3,397,819	3,399,826	3,394,835
FTE	518	514	514
S&E Cost	50,491	53,643	57,327
Housing Certificate Fund			
Discretionary BA	1,268,760	1,446,224	1,333,900
FTE	67	142	142
S&E Cost	6,407	15,342	16,397
<b>PIH Total</b>			
<b>Discretionary BA</b>	<b>4,665,579</b>	<b>4,846,050</b>	<b>4,728,735</b>
<b>FTE</b>	<b>585</b>	<b>656</b>	<b>656</b>
<b>S&amp;E Cost</b>	<b>56,898</b>	<b>68,985</b>	<b>73,724</b>
<b>Community Planning and Development</b>			
Community Development Block Grants			
Discretionary BA	...	...	...
FTE	43	38	37
S&E Cost	3,956	3,652	3,655
HOME Investment Partnerships Program			
Discretionary BA	...	...	...
FTE	14	12	13
S&E Cost	1,264	1,147	1,245
Homeless Assistance Grants			
Discretionary BA	...	...	...
FTE	19	17	17
S&E Cost	1,735	1,607	1,701
Housing Opportunities for People with AIDS			
Discretionary BA	...	...	...
FTE	2	2	2
S&E Cost	156	140	144
<b>CPD Total</b>			
<b>Discretionary BA</b>	<b>...</b>	<b>...</b>	<b>...</b>
<b>FTE</b>	<b>78</b>	<b>69</b>	<b>69</b>
<b>S&amp;E Cost</b>	<b>7,111</b>	<b>6,546</b>	<b>6,745</b>

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<b>Office of Housing</b>			
Elderly Housing (Section 202)			
Discretionary BA	21,998	23,135	23,045
FTE	8	9	9
S&E Cost	707	819	861
Disabled Housing (Section 811)			
Discretionary BA	3,829	5,376	5,329
FTE	2	3	3
S&E Cost	184	276	290
FHA-GI/SRI			
Discretionary BA	52,654	53,061	47,211
FTE	190	198	199
S&E Cost	17,608	19,075	19,833
FHA-MMI/CHMI			
Discretionary BA	131,348	124,405	123,261
FTE	290	292	292
S&E Cost	27,640	28,366	29,504
Housing Certificate Fund			
Discretionary BA	455,049	632,077	671,750
FTE	56	79	79
S&E Cost	4,873	7,182	7,549
<b>Housing Total</b>			
<b>Discretionary BA</b>	<b>664,879</b>	<b>838,054</b>	<b>870,596</b>
<b>FTE</b>	<b>546</b>	<b>581</b>	<b>582</b>
<b>S&amp;E Cost</b>	<b>51,012</b>	<b>55,718</b>	<b>58,037</b>
<b>Policy Development &amp; Research</b>			
Discretionary BA	13,890	13,072	13,094
FTE	37	40	40
S&E Cost	6,898	8,248	8,472
<b>Fair Housing And Equal Opportunity</b>			
Other FHEO Programs			
FTE	44	36	36
S&E Cost	3,745	3,096	3,222
<b>FHEO Total</b>			
Discretionary BA	...	...	...
FTE	<b>44</b>	<b>36</b>	<b>36</b>
S&E Cost	<b>3,745</b>	<b>3,096</b>	<b>3,222</b>
<b>Departmental Equal Employment Opportunity</b>			
FTE	29	29	29
S&E Cost	2,751	3,918	4,049
<b>Departmental Management</b>			
FTE	215	189	189
S&E Cost	22,786	20,959	21,794

<b>Chief Financial Officer</b>			
Housing Certificate Fund			
Discretionary BA	2,981	2,992	4,904
Other			
FTE	218	248	248
S&E Cost	43,016	38,038	39,073
<b>General Counsel</b>			
FTE	699	693	693
S&E Cost	71,714	75,041	78,330
<b>Administration And Staff Services</b>			
FTE	727	732	732
S&E Cost	229,756	247,822	268,424
<b>Field Policy And Management</b>			
FTE	513	530	530
S&E Cost	49,565	53,121	55,526
<b>Total Strategic Goal</b>			
<b>Discretionary BA</b>	<b>5,348,329</b>	<b>5,700,168</b>	<b>5,617,329</b>
<b>FTE</b>	<b>3,691</b>	<b>3,803</b>	<b>3,804</b>
<b>S&amp;E Cost</b>	<b>545,252</b>	<b>581,492</b>	<b>617,396</b>
<b>Working Capital Fund</b>			
FTE	386	380	380
S&E Cost	293,046	350,886	323,997

## 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 2005. A detailed discussion of each indicator is presented in Part 2 of this APP.

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

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

EM.1.1: REAP/TEAM will complete three milestones in support of strategic human capital management.

EM.1.2: HUD will reduce skill and competency gaps in mission-critical occupations in Public and Indian Housing (PIH).

E.M.1.3: Sixty-eight percent of HUD's successfully performing interns are retained after completing their intern programs.

**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 better support FHA's business needs, with full completion by December 2006.
- EM.2.2: HUD is proceeding with plans to eliminate 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 maintain Information Technology Investment Management (ITIM) Maturity Stage 3 achieved in FY 2004 and progress toward ITIM Maturity Stage 4 by the end of FY 2005.
- EM.2.8: HUD will complete its target architecture by the end of FY 2005.
- EM.2.9: HUD will implement policies and controls to reduce computer security risks, including certifying and accrediting 100 percent of HUD's IT systems by December 31, 2005.
- EM.2.10: Exceed the rate of net recovery received on the sale of property through the Accelerated Claim demonstration program (Section 601).

**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.
- EM.3.2: 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.3.3: More than 3.2 million files related to housing and community development topics will be downloaded from PD&R's website.

**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.
- EM.4.2: The national average PIH Information Center (PIC) 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 93 percent.
- EM.4.4: A minimum of 20 percent of active CPD program grantees will be monitored on-site or remotely 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: By taking aggressive civil or administrative enforcement actions, the DEC will increase the percentage of households who are living in acceptable insured and/or assisted multifamily housing to 95 percent, as determined by REAC physical inspections.
- 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 to 40 housing authorities and other recipients of HUD direct financial assisted projects covered under Section 3.
- EM.4.9: By the end of the fiscal year, no more than 20 percent of the Section 3 complaints will be aged.
- EM.4.10: Ensure 100 percent program compliance among FHIP and FHAP grantees.

## 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 is participating in a number of the President's E-Government initiatives that span the Federal government. The [www.Grants.gov](http://www.Grants.gov) initiative is deploying a unified electronic mechanism for Federal grants interactions. All of HUD's FY 2004 funding opportunities will be available on the Grants.gov FIND site. The Department intends to have all grant application forms for the Grants.gov APPLY site available in FY 2005. The E-Rulemaking initiative will establish a single point for the public to access all Federal regulatory material and participate in rulemaking.
- HUD will continue to coordinate with and 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 2005 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.

### **Objectives**

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.

**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 2005:

- *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.
- *Removing regulatory 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 provide technical assistance to nontraditional grassroots organizations and networks. 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 non-traditional

grassroots organizations and networks will equip them with the skills needed to successfully pursue funding and partner opportunities. 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 continue to 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.

An example is the "Reaching the Dream" homeownership initiative which the Center is operating. The project involves an intensive technical assistance pilot and a housing counseling effort. The Center provided the faith-based and community organizations with training on creating homeownership opportunities and providing potential homebuyers with counseling. The Center also recruited 250 nonprofits to begin the process of becoming HUD-approved housing counseling agencies.

- *Educating government personnel.* The Center participates in HUD field conferences, training sessions and seminars to educate HUD personnel and state and local governments on the faith-based and community initiative.

**Resources**

The following table provides estimates of the budget authority (BA), full-time equivalent staffing (FTE) and salaries and expenses (S&E) that support this strategic goal.

**Resources Allocated to Strategic Goal FC: Promote participation of faith-based and community organizations.**

Programs	2003 Enacted	2004 Estimate	2005 Request
	(BA, S&E Cost - Dollars in Thousands)		
<b>Office of Housing</b>			
Elderly Housing (Section 202)			
Discretionary BA	115,492	115,674	115,227
FTE	42	45	45
S&E Cost	3,629	4,034	4,242
Disabled Housing (Section 811)			
Discretionary BA	22,974	23,296	23,094
FTE	12	13	13
S&E Cost	1,040	1,160	1,220
FHA-GI/SRI			
Discretionary BA	277	804	474
FTE	1	3	2
S&E Cost	98	278	197
FHA-MMI/CHMI			
Discretionary BA	...	2,556	2,533
FTE	...	6	6
S&E Cost	...	538	559
<b>Housing Total</b>			
<b>Discretionary BA</b>	<b>138,743</b>	<b>142,330</b>	<b>141,328</b>
<b>FTE</b>	<b>55</b>	<b>67</b>	<b>66</b>
<b>S&amp;E Cost</b>	<b>4,767</b>	<b>6,010</b>	<b>6,218</b>
<hr/>			
<b>Center For Faith-Based and Community Initiatives</b>			
FTE	6	8	8
S&E Cost	1,914	2,614	2,667
<hr/>			
<b>Total Strategic Goal</b>			
<b>Discretionary BA</b>	<b>138,743</b>	<b>142,330</b>	<b>141,328</b>
<b>FTE</b>	<b>61</b>	<b>75</b>	<b>74</b>
<b>S&amp;E Cost</b>	<b>6,681</b>	<b>8,624</b>	<b>8,885</b>

## Performance Measures

The following table summarizes the performance indicators that will be used to gauge performance for each strategic objective under this goal during FY 2005. A detailed discussion of each indicator is presented in Part 2 of this APP.

### 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/FC.4.1: The Center will measure the potentially increased participation by new and past participating faith-based and community organizations in the Department's FY 2005 SuperNOFA process compared to 2004.

**Objective FC.2: Conduct outreach to inform potential partners of HUD opportunities.**

FC.2.1/FC.3.1: The Center will conduct comprehensive outreach and expand technical assistance to faith-based organizations.

**Objective FC.3: Expand technical assistance resources deployed to faith-based and community organizations.**

FC.3.1: (See FC.2.1)

**Objective FC.4: Encourage partnerships between faith-based/community organizations and HUD's traditional grantees.**

FC.4.1: (See FC.1.1).

## 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

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### 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.

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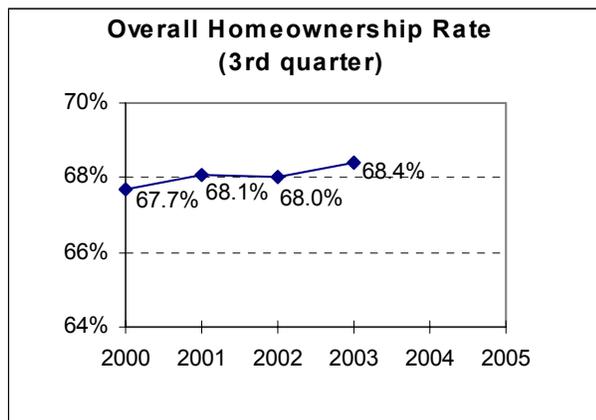
#### H.1.1: Improve National homeownership opportunities.

**Indicator background and context.** This is a tracking indicator for which no numeric target is established 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 record 68.4 percent homeownership rate by the end of FY 2003 (the third quarter of 2003).

HUD is promoting overall homeownership by striving to increase homeownership among subgroups that face greater barriers, including minority and low-income families, as well as families in central cities. Each 0.1 percentage point increase in the national homeownership rate translates to about 100,000 new homeowners (if total households remain constant). Such results are well within the scope of HUD program impacts reported under indicators H.1.3, H.1.4 and A.1.2, among others. Nevertheless, demographic and economic factors 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. Beginning with the first



quarter of 2003, the Bureau of Census implemented changes to estimation procedures. As shown for comparison, these changes had no impact on 2002 estimates for this measure. See discussion of the CPS in Appendix D for details.

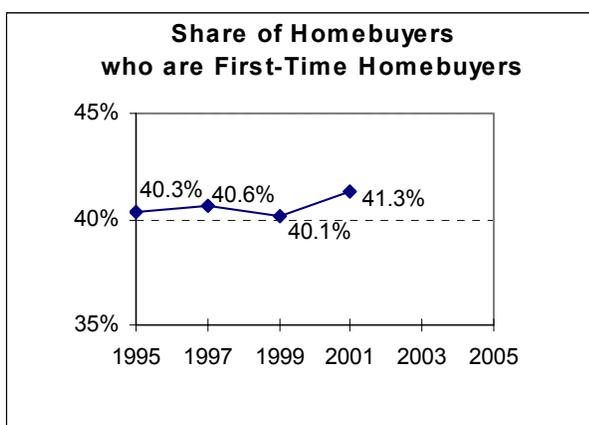
**Validation, verification, improvement of measure.** See discussion of the CPS in Appendix D.

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

**Indicator background and context.** This is a tracking indicator for which no numeric target is established because of the current dominant impact of the macroeconomy. Increases in overall ownership rates generally result when better opportunities become available for first-time homebuying by low- and moderate-income households. The most recent available data show that during calendar year 2001, 41.3 percent of homebuyers—about 2.5 million households—were purchasing their first home. 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 2004, and 2005 data will become available during FY 2006. Changes must exceed 2.26 percentage points before they are statistically significant with 90 percent confidence.

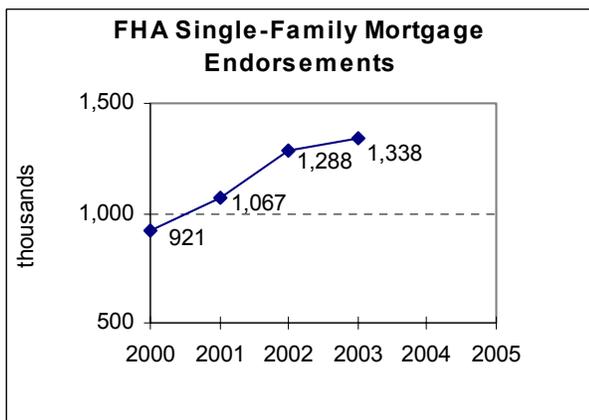


**Validation, verification, improvement of measure.** See discussion of the CPS in Appendix D.

**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, and is a key component of the Department’s efforts to improve the national homeownership rate and fulfill the President’s FY 2002 commitment to creating 5.5 million new minority homeowners over a ten-year period. This indicator has important implications for first-time and minority homeownership in addition to overall homeownership.

While the number of FHA mortgage endorsements is a key measure of HUD’s contribution to homeownership, the actual rate achieved during FY 2005 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 2005.

**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: The share of first time homebuyers among FHA home purchase endorsements.**

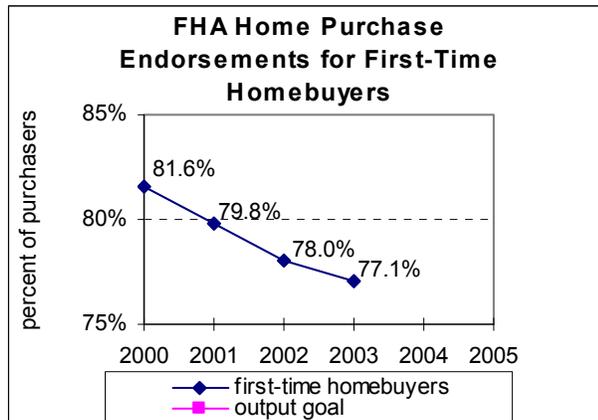
**Indicator background and context.** This is a tracking indicator. FHA is a major source of mortgage financing for first-time buyers as well as for minority and lower income buyers. HUD will help increase the overall homeownership rate, as well as reduce the homeownership gap between whites and minorities, 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. This performance measure is strongly influenced by macroeconomic factors beyond FHA control including, but not limited to, interest rate changes and choices made by lenders concerning the type of mortgage transactions on which they focus their business. FHA therefore has elected to track the progress of this performance measure without establishing a numeric target.

**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 2005, the Downpayment Assistance Initiative will continue, through funding incremental to the regular HOME program, to provide downpayment and rehabilitation assistance to first-time 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. The maximum assistance per household by statute is \$10,000, or 6 percent of the purchase price, whichever is greater. Assuming an average assistance level between 50 and 75 percent of the maximum, up to 10,000 households could be assisted during FY 2005 with funds from both FY 2003 and FY 2004, and up to 40,000 households could be assisted over time with the \$200 million FY 2005 appropriation.

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

**Limitations/advantages of the data.** 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 and VA loans.**

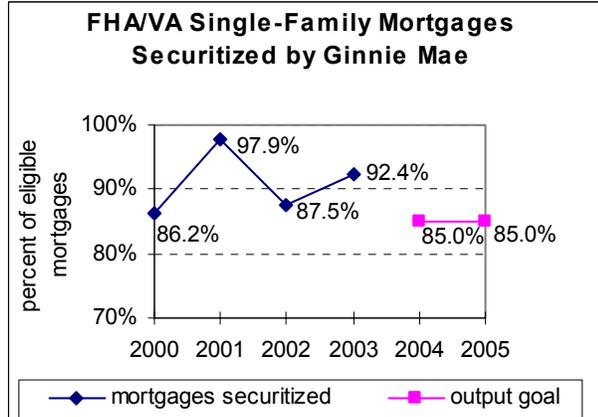
**Indicator background and context.** Ginnie Mae creates a secondary market for residential mortgages. Securitizing a high share of Federal Housing Administration and Veteran’s Affairs (VA) loans increases the liquidity of funds in the market for mortgage credit, and the presence of government-backed 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.

During FY 2002, Ginnie Mae surpassed a total of \$2 trillion in original issues of mortgage-backed securities guaranteed since 1970. FY 2003 marked Ginnie Mae’s 35th anniversary. Cumulatively over the past 35 years, Ginnie Mae has guaranteed the issuance of \$2 trillion in mortgage-backed securities that have provided affordable housing for over 30.4 million households. In FY 2005, Ginnie Mae is requesting \$200 billion in new commitment authority and is estimating that over one million more families will have a place to call home.

**Data source.** Ginnie Mae database of monthly endorsements/guaranteed 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 476,084 homebuyers and homeowners in FY 2006 using FY 2005 funds.**

**Indicator background and context.** The Department is placing more emphasis on housing counseling, including it as a requirement for several programs such as the Housing Choice Voucher (formerly Section 8) homeownership program. Clients tracked through this indicator include those individuals receiving housing counseling for homebuyer education, pre-purchase and loss mitigation and default, along with clients who are preparing to purchase a home, purchasing a home, or working to remain in their home. An increase in Housing Counseling funding in FY 2005 not only will increase the number of homebuyers and homeowners counseled, but will allow the Department to provide training 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 2005 will not become evident programmatically until FY 2006. 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 \$41.25 million of the requested \$45 million appropriation for FY 2005. 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, demand for 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 2006 when the FY 2005-funded counseling will be provided, it cannot predict with any confidence what the specific demand will be for various types of counseling. The FY 2006 performance goal is to ensure that housing counseling is provided to 476,084 homebuyers and homeowners.

**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: Assist 43,690 first-time homeowners with HOME and American Dream Downpayment assistance.**

**Indicator background and context.** HOME Investment Partnerships 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 first-time homeowners assisted with HOME funds. The new homeownership goals 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 also 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.”

<b>Homeowners Assisted</b>	<b>Total thru FY 1999</b>	<b>FY 2000</b>	<b>FY 2001</b>	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004 goal</b>	<b>FY 2005 goal</b>
HOME	160,215	30,748	29,690	32,490	31,999	34,050	33,690
Down Payment Initiative	-	-	-	-	-	1,000	10,000

**H.1.9: The number of homeowners who have used sweat equity to earn assistance with SHOP funding reaches 2,140.**

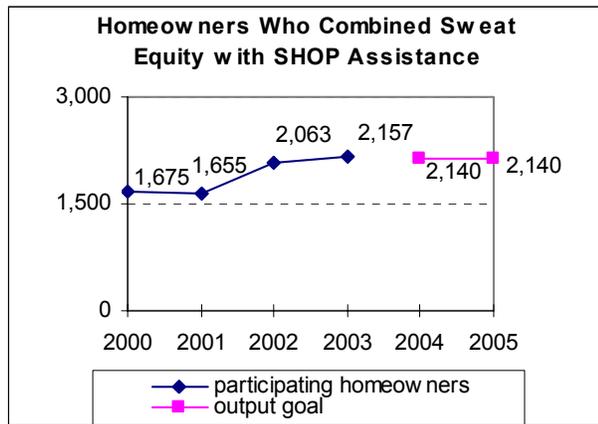
**Indicator background and context.** This indicator tracks the number of homeowners assisted with funding from the Self-Help Homeownership Opportunities Program (SHOP). Under SHOP, grant funds are combined with local funding and donated materials, and prospective homeowners perform construction-related 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 2005, HUD has proposed significantly increased funding for SHOP, which would significantly increase performance beginning in FY 2006 since, given the nature of the competitive process, FY 2005 funds will only be made available to successful SHOP applicants in the fourth quarter of FY 2005. In addition, existing SHOP 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 2005 SHOP funds will not be felt until FY 2006.

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

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

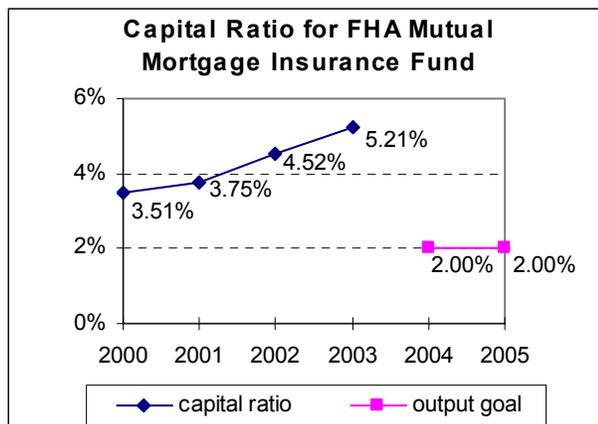
**Validation, verification, improvement of measure.** HUD headquarters staff monitor grantees to ensure that reported accomplishments are accurate.



**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.

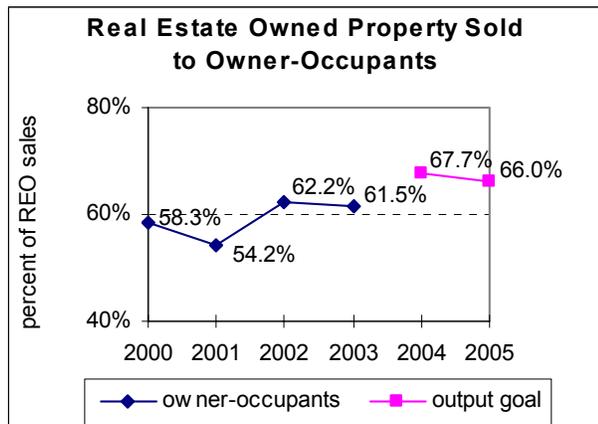
**H.1.11: The share of REO properties that are sold to owner-occupants is 66 percent.**

**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. The FY 2005 goal is to ensure that the share of REO properties that are sold to owner-occupants is 66 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: HUD will continue to monitor and enforce Fannie Mae’s and Freddie Mac’s performance in meeting or surpassing HUD-defined targets for low- and moderate-income mortgage purchases.**

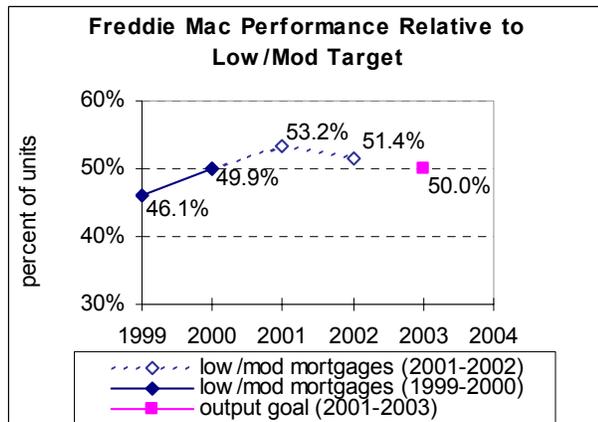
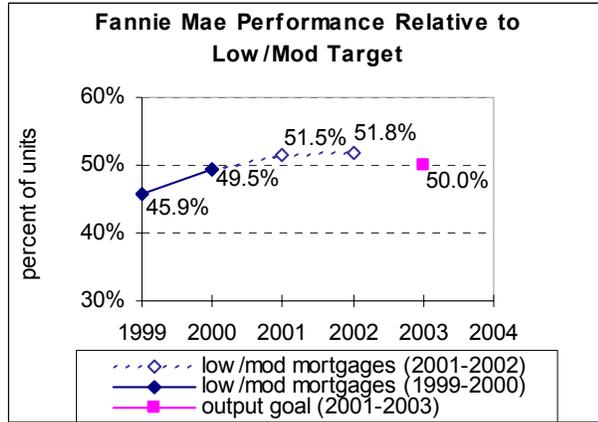
**Indicator background and context.** Fannie Mae and Freddie Mac, two housing Government-Sponsored Enterprises or GSEs, facilitate homeownership by providing a secondary market for home mortgages, thereby increasing available capital and reducing mortgage interest rates. In return for their quasi-governmental 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. HUD extended the 2000 rule to 2004, but did not extend the rule’s temporary bonus points. In 2004, HUD will publish a new rule setting housing goals for the period 2005–2008.

**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 control procedures.

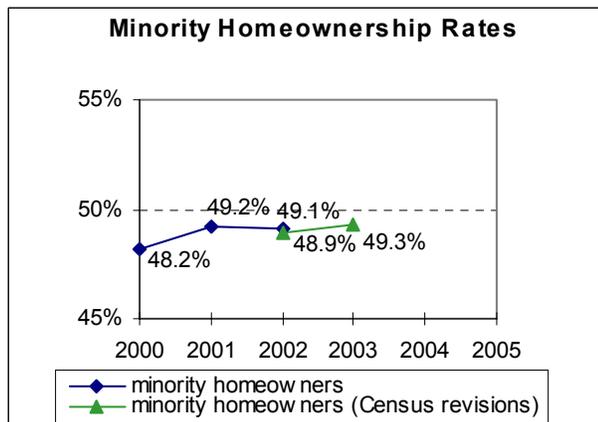


## Objective H.2: Increase minority homeownership

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

**Indicator background and context.** This is a tracking indicator for which no numeric target is established because of the current dominant impact of the macroeconomy. Many of HUD’s programs improve homeownership by targeting underserved populations including minorities.

Minority households represented 36 percent of all FHA-insured home purchases in FY 2002. 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. Beginning with the first quarter of 2003, the Bureau of Census implemented changes to estimation procedures. As shown for comparison, these changes reduced 2002 estimates of overall minority homeownership by 0.2–0.3 percentage point. See discussion of the CPS in Appendix D.

**Validation, verification, improvement of measure.** See discussion of the CPS in Appendix D.

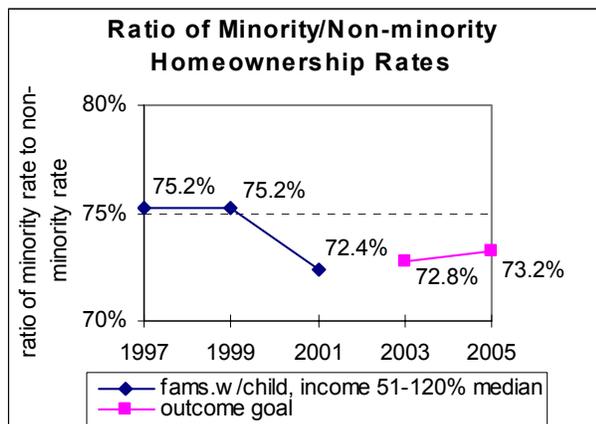
**H.2.2: The ratio of homeownership rates of minority and non-minority low- and moderate-income families with children increases by 0.4 percentage points by 2005.**

**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 goal for the FY 2004–2005 period is to reduce homeownership disparities, thus increasing the ratio by 0.4 percentage points from calendar year 2003 levels by calendar year 2005.

**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 2005 will become available during FY 2006. Sample sizes do not support detailed income and ethnicity breaks for this measure.

**Validation, verification, improvement of measure.** See discussion of the AHS in Appendix D.



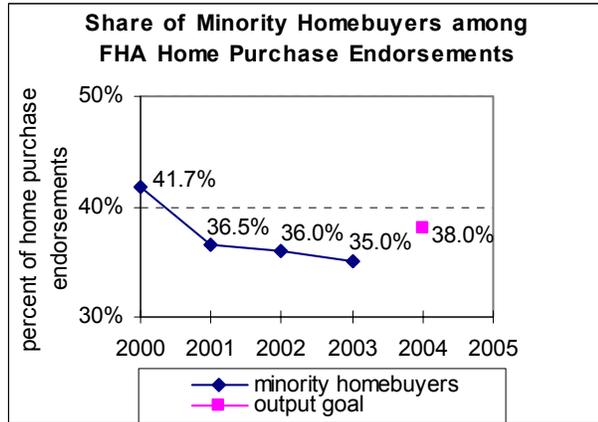
**H.2.3: The share of minority homebuyers among FHA home purchase-endorsements.**

**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.



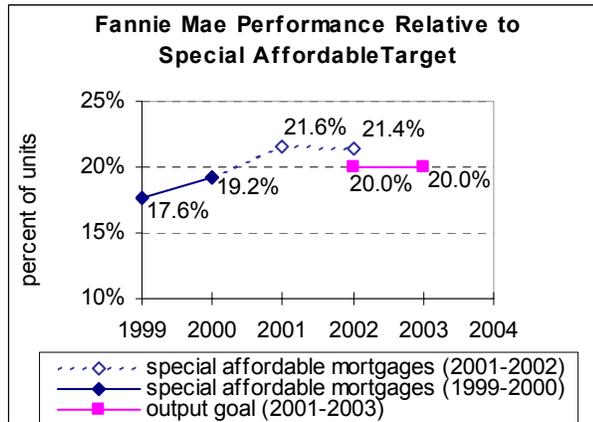
**H.2.4: HUD will continue to monitor and enforce Fannie Mae’s and Freddie Mac’s performance in meeting or surpassing HUD-defined targets for special affordable mortgage purchases.**

**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 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. HUD extended the 2000 rule to 2004, but did not extend the rule’s temporary bonus points. In 2004, HUD will publish a new rule setting housing goals for the period 2005–2008.<sup>2</sup>

**Data source.** HUD’s GSE database.

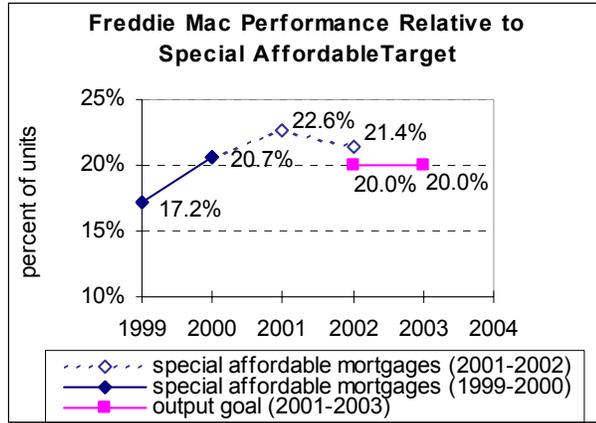


<sup>2</sup> In the accompanying graphs, the change from a solid line to a dotted line from 2000 to 2001, and the change in shapes from a solid diamond to a hollow diamond, reflect the changes in HUD’s scoring rules that became effective in 2000.

**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 control procedures.



**H.2.5: Housing Counseling is provided to 401,898 minority clients in FY 2006 to support the Department’s goal of increasing minority homeownership.**

**Indicator background and context.** The Department is placing more emphasis on Housing Counseling, including it as a requirement for several programs such as the Housing Choice Voucher (formerly Section 8) homeownership program. The housing counseling program is an integral part of helping increase the minority homeownership rate. In order to specifically target and increase the overall amount of funding benefiting the minority community, the Department is setting aside housing counseling appropriations specifically for counseling in conjunction with the housing choice voucher program, agencies serving colonias, and predatory lending. 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 FY 2006 performance goal is to ensure that 401,898 minority clients receive housing counseling to support the Department’s goal of increasing minority homeownership.

**Minority Clients of Housing Counseling**

	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004 goal	FY 2005 goal	FY 2006 goal
Minority Clients	190,727	156,161	191,153	185,117	375,669	353,183	401,898

**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.2.6: The HOME program, including the American Dream Downpayment Initiative, assists 24,466 minority households to become homeowners.**

**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 2005 performance goal is to provide HOME commitments to 24,466 new minority homeowners versus an estimate of 19,068 in FY 2004. This target is based on continued minority share of 56 percent and total homeowner commitments of 43,690 in FY 2005. This measure shows HOME’s contribution toward the Administration’s goal to increase the number of minority homeowners by 5.5 million by 2010.

**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.

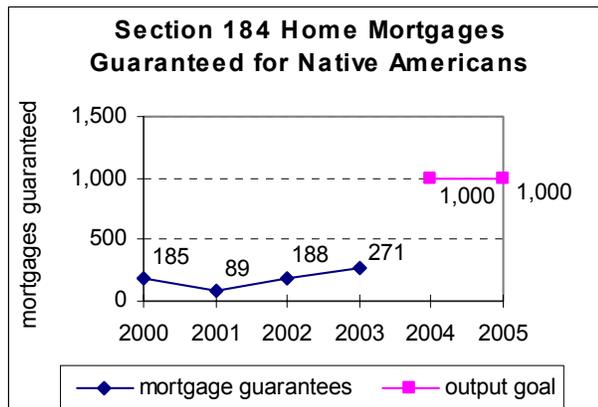
**H.2.7: Section 184 mortgage financing is guaranteed for 1,000 Native American homeowners during FY 2005.**

**Indicator background and context.** Homeownership rates on reservations are historically low. Because of the unique legal status of reservation lands, lenders have been hesitant to assume the risk of providing mortgage financing for property that cannot be used as collateral. Other constraints include weak local economies, a lack of infrastructure, high building costs in rural areas, and a shortage of homebuilders and developers. The Native American Housing Loan Guarantee fund provided credit subsidies that support loan guarantees to address these issues. 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. This indicator tracks the annual number of homeownership loans for Native Americans guaranteed under the Section 184 program. The FY 2005 goal is to issue guarantees for 1,000 new mortgages, building on a similar goal for FY 2004. These goals represent an ambitious expansion of efforts to promote homeownership among Native Americans.

**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.



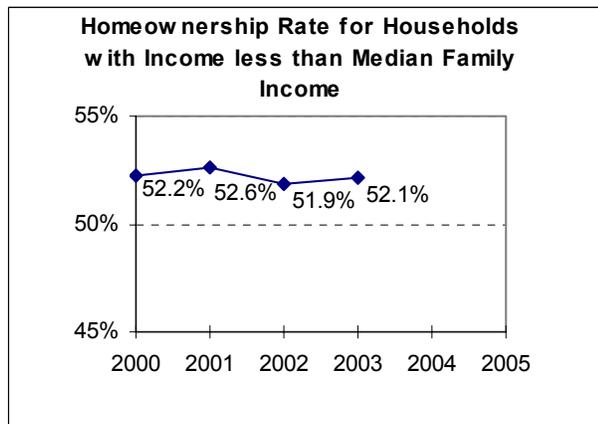
**H.2.8: The homeownership rate among households with incomes less than median family income.**

**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 the half of all households who earn less than the national median family income in numerous ways. These include improved partnering, marketing and outreach, as well as through the higher loan limits recently approved for FHA. Over 70 percent of FHA-insured single-family mortgages in recent years have been to families with below-median income. Homeownership vouchers and CDBG, HOME and IHBG homeownership activities also primarily support this population.

**Data source.** Third-quarter estimates from the Current Population Survey, conducted by the Bureau of Census. (Preliminary first-quarter data are shown for 2003.)

**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. The Bureau of Census implemented changes to estimation procedures in 2003, but the changes had no effect on 2002 estimates for this measure. See the discussion in Appendix D for details.

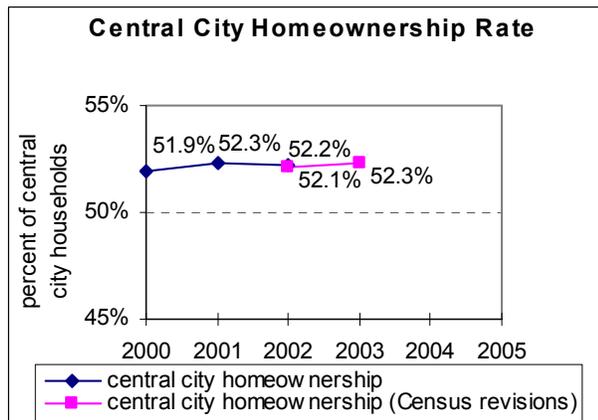


**Validation, verification, improvement of measure.** See discussion of the CPS in Appendix D

**H.2.9: 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 macroeconomy. 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 a substantial proportion of HOME funds support new homebuyers. 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. The Bureau of Census implemented changes to estimation procedures in 2003. As shown, comparable changes applied to 2002 estimates caused a reduction of 0.1 percentage point. See discussion of the CPS in Appendix D for details.

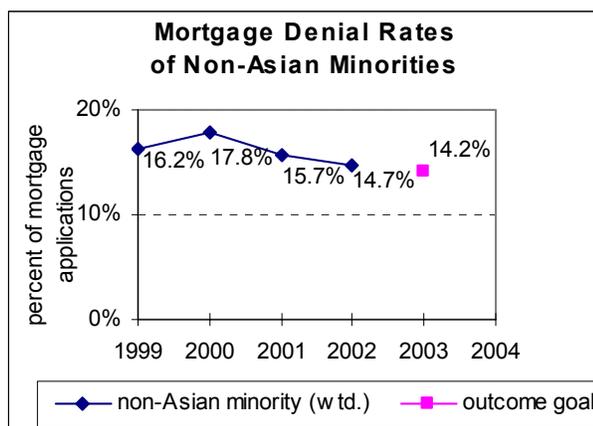
**Validation, verification, improvement of measure.** See discussion of the CPS in Appendix D.

### H.2.10: The mortgage disapproval rates of minority applicants.

**Indicator background and context.** For FY 2005, 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 2002, the average mortgage disapproval rate for minority applicants was 14.7 percent, nearly twice the 7.7 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 (calendar 2003 data will become available in August 2004). 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 indicator, first adopted for FY 2004, 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 and other checks to verify that data submissions are reasonable and accurate.

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

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

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Predatory lending may be undertaken by creditors, brokers, or even home improvement contractors. It involves deception or fraud, manipulating mortgage borrowers through aggressive sales tactics, or taking unfair advantage of a borrower's lack of understanding of loan terms. This strategic objective is primarily focused on establishing appropriate regulations to restrain predatory lending.

The FY 2003 Performance and Accountability Report discusses HUD's primary performance goal for this objective. The goal, to issue regulations to prevent "flipping" of recently sold properties with FHA-insured mortgages, was accomplished during FY 2003. Information systems also were modified to enable FHA staff to monitor lenders effectively.

Other ongoing efforts continue to fight predatory lending. FHA's Credit Watch Termination and Appraiser Watch programs have been implemented and are creating new accountability for mortgage lenders and appraisers. Neighborhood Watch provides consumers with information about the performance of lenders in the area they are considering.

#### **H.4.1: The number of loans originated by FHA-approved lenders that have been reviewed and determined to have findings.**

**Indicator background and context.** This indicator tracks efforts to reduce fraud and compliance problems in FHA relative to the number of single-family loans reviewed that have findings. A finding is defined as a failure to adhere to FHA program requirements pertaining to the origination and/or servicing of mortgage loans. Lenders are reviewed on the basis of a target methodology that focuses on high early default and claim rates in addition to other risk factors. Loans that are originated by the lenders reviewed are then evaluated for findings. Quality Assurance Division (QAD) reviews of FHA-approved lenders provide the means of data collection for this performance measure. Due to the oversight and enforcement-oriented function performed by the Quality Assurance Division, and the need to maintain objectivity in the QAD review process, a numeric target cannot be established for this performance measure. FHA has therefore elected to track the number of loans reviewed that have findings without establishing a numeric target.

### FHA-Insured Single-Family Loans Reviewed

	FY 2000	FY 2001	FY 2002	FY 2003
Loans reviewed	22,138	20,942	20,722	21,115
Loans with findings	9,867	11,424	11,483	11,983
Total findings	20,778	23,501	25,427	25,635

**Data source.** Loan review and findings data are drawn from the Approval Re-certification/Review Tracking System (ARRTS).

**Limitations/advantages of the data.** Data are generated independently and entered into the ARRTS system by out-stationed QAD monitors operating throughout the country, with secondary review and verification by FHA Homeownership Centers.

**Validation, verification, improvement of measure.** Data submitted by QAD monitors are subject to secondary review and verification by FHA Homeownership Centers. QAD functions and data are included in the Annual FHA Financial Statements audit.

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

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

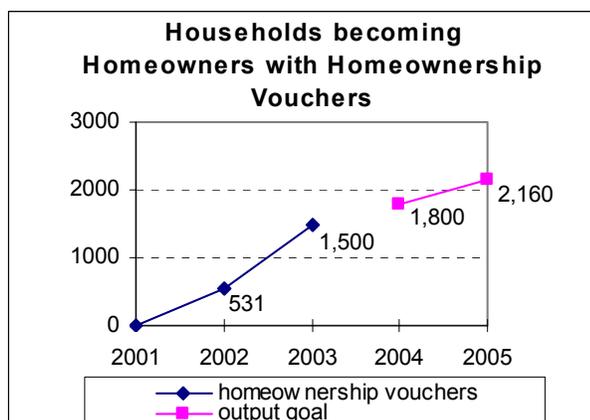
**Indicator background and context.** The Housing Choice/ Housing Certificate Fund (HCF) voucher program gives PHAs the authority to use voucher assistance for monthly homeownership expenses for first-time homebuyers. This indicator tracks the number of homeowners assisted with voucher funds. The actual increase achieved in FY 2005 will continue to be affected by PHA capacity, availability of financing for first time low- and moderate-income homebuyers, market forces and interest rates. The FY 2005 goal is to increase the number of households who use vouchers for homeownership by 20 percent over the FY 2004 level.

**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: Increase by 10 percent the number of public housing residents who receive homeownership supportive services.**

**Indicator background and context.** The Resident Opportunity and Self Sufficiency program funds grants to public housing agencies, resident groups and non-profit organizations that provide homeownership training, counseling and supportive services. The Homeownership Supportive Service (HSS) grant is designed to enhance other self-sufficiency efforts by providing public housing residents with the necessary preparation and supportive services they need in order to move from rental housing to homeownership.

**Data source.** Data currently are from reports that HSS grantees submit to field offices. In the future, grantees will report through a ROSS web-based logic model.

**Limitations/advantages of the data.** The number of residents receiving the services and the type of homeownership supportive services is relatively straightforward. Grantees establish their baselines from their approved work plan and report results January 31 and July 30 of each grant year.

**Validations, verification, improvement of measure.** The goal may need recalibration once the baseline is established. During FY 2004 and early FY 2005, the Office of Departmental Grants Management is evaluating information received from grantees as a result of the implementation of the logic model in FY 2003.

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

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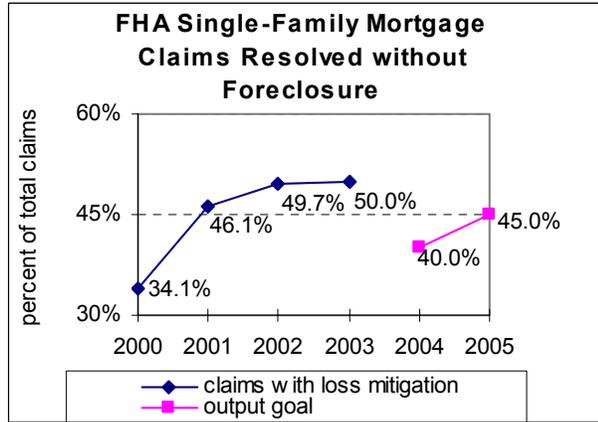
### **H.6.1: Loss mitigation claims are 45 percent of total claims on FHA-insured single family mortgages.**

**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 pre-foreclosure 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 50.0 percent in FY 2003. The FY 2005 goal is to ensure that 45 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 2005. 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.

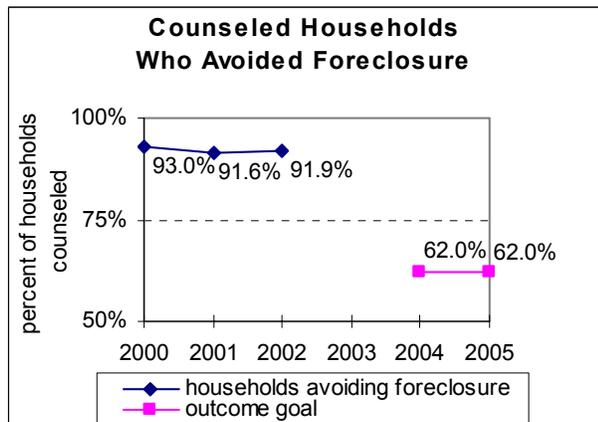
**Validation, verification, improvement of measure.** FHA data are entered by the loan servicers with monitoring by FHA.

**H.6.2: More than 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 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. This indicator measures the share of total mortgagors who, after receiving default counseling, have successfully avoided foreclosure.

**Data source.** FHA collects data on default outcomes from housing counseling grantees through the form HUD-9902. During FY 2003 a revised form HUD-9902 was implemented that facilitates the identification of the client’s specific counseling needs and the improved tracking of outcomes, such as mortgage delinquency resolution, among other updates. Using this data collection instrument, FHA will be able to more accurately assess the share of mortgagors receiving default counseling that successfully avoid foreclosure.

**Limitations/advantages of the data.** 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.



**Validation, verification, improvement of measure.** HUD collects Housing Counseling data through the form HUD-9902. To improve the quality of the counseling data and make it useful for this type of performance measure, FHA significantly revised the form HUD-9902

## FY 2005 Annual Performance Plan

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 using the new form will be available in the spring of 2004.

## Goal A: Promote Decent Affordable Housing

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### 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

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

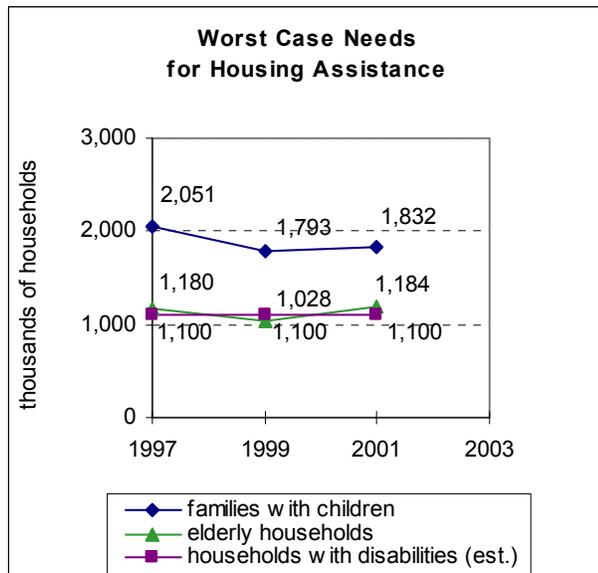
**Indicator background and context.** Due to the strong effect of macroeconomic conditions on worst case housing needs, this is a tracking indicator. Households with “worst case needs” are defined as unassisted very-low- income renters who pay more than half of their income for housing or live in severely substandard housing. This indicator focuses on three groups with special vulnerabilities: families with children, elderly households and persons with disabilities. 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 program partners meet the affordable housing needs of very-low-income renters. Contributing programs include vouchers, project-based Section 8, public housing, HOME, CDBG, HOPWA, homeless programs, multifamily mortgage insurance and capital advances for supportive housing under Sections 202 and 811. Collectively these programs keep about 5 million households out of worst case status.

**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 2005 data will become available during FY 2006. 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.

**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, HOPWA, 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 funds, a new goal has been added for FY 2005 to reflect CDBG rehabilitation assistance for multi-unit assistance. This goal is a subset of the previous CDBG households assisted goal. That goal is retained as well, because to the extent that CDBG assistance to rehabilitate single family and other housing allows residents to remain in their own homes and preserves housing stock such activities reduces the demand for other rental housing. Both goals reflect level funding for the program and the impact of inflation. CDBG housing assistance is one of several eligible activities among which grantees may choose. SHOP funds can be used for land acquisition and infrastructure, but not for direct construction costs.

Office of Native American Affairs Programs (ONAP) activity for FY 2005 is targeted to assist 70,124 families through the Indian Housing Block Grant program and to issue 15 percent more Title VI Federal loan guarantees than achieved in FY 2004. Title VI loan guarantees help IHBG recipients obtain private financing for affordable housing activities by using future IHBG grants to secure a federal loan guarantee.

<b>Households Assisted</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004 goal</b>	<b>2005 goal</b>
CDBG rental households <sup>a</sup>	–	–	–	–	11,888	11,500	11,200
CDBG households	158,300	182,700	172,445	187,380	184,611	178,852	173,486
HOME tenant-based assistance <sup>b</sup>	8,246	6,899	11,756	10,239	10,731	10,504	10,393
HOME rental units committed <sup>b</sup>	25,114	33,487	27,456	27,243	41,092	27,875	27,580
HOME new homebuyers committed <sup>b</sup>	30,695	30,748	29,690	32,490	31,999	34,050	33,690
HOME existing homeowners committed <sup>b</sup>	13,952	14,731	12,566	14,082	15,181	13,598	13,452
HOME total households	78,006	85,865	81,468	84,054	99,003	86,027	85,115
HOPWA households <sup>c</sup>	41,670	44,613	72,705	74,964	78,058	74,250	73,700
Self-Help Homeownership Opportunities Program (SHOP)	1,983	1,675	1,655	2,063	1,800	2,140	2,140
Indian Housing Block Grant families assisted with construction or rehabilitation	–	–	–	52,000	87,169	69,430 <sup>d</sup>	70,124
Title VI Federal Guarantees program (number of loans)	–	–	–	–	17	20 <sup>e</sup>	25 <sup>e</sup>
Native Hawaiians assisted with NHHBG	–	–	–	–	188	188	188

## NHHBG

<sup>a</sup> CDBG rental households represents rehabilitation assistance to multi-unit structures and the numbers of households benefiting from the assistance. Goals decline as a result of proposed level funding. This is a new goal for FY 2005. The goal for CDBG total households assisted includes multi-unit rehabilitation and also reflects level funding.

<sup>b</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>c</sup> Beginning in 2000, HOPWA data reflect more accurate IDIS reporting and results of continuing clean-up efforts.

<sup>d</sup> An increase in the FY 2004 goal for IHBG reflects more accurately measured program results in FY 2003 using the new data system.

<sup>e</sup> Numerical goals for Title VI reflect targeted increases of 15 percent in each of FY 2004 and FY 2005.

**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 units for homebuyers increased to 37 percent in FY 2001, reflecting the Department’s priority to increase affordable homeownership for underserved groups. The FY 2005 goal shows a decrease from the FY 2004 level due to the factoring in of the effects of inflation on housing production and because grantees are now performing at capacity given that the level of annual HOME funding was constant in recent years. Subgoals for specific activities are provided for information only, as grantees have discretion about which housing activities to fund.

HOPWA data are based on annual grantee performance reports, including Annual Progress Reports from competitive grantees and CAPER/IDIS information from formula grantees. Data were validated with grantees in 2003, resulting in an updating of FY 2000–FY 2003 information.

SHOP data are from progress reports submitted by grantees.

Indian Housing Block Grant and Native Hawaiian Housing Block Grant data come from tribal recipients through Annual Performance Reports. The data are captured in the Performance Tracking Databases of each area ONAP office and aggregated into a national database at ONAP headquarters. IHBG 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, involving additional data cleanup and verification efforts. Because grantees are not required to identify whether CDBG housing assistance or production is for homeownership or rental housing, this detail is lacking. (Grantees do distinguish between single-family and multifamily activities and note homeownership assistance.) Annual Progress Reviews are being integrated with IDIS, and over the next year will capture these CDBG accomplishments.

ONAP data consist of a straight-forward and easily verifiable count of administrative records. IHBG totals include carry-over activities funded through the 1937 Housing Act.

**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. The Director of the Office of Loan Guarantee reviews will review and validate the administrative records.

### **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. Projections for completions in fiscal years 2004 and 2005, excluding tenant-based rental assistance, are 60,778 and 60,133, respectively. The FY 2005 goal shows a decrease from the FY 2004 level due to the factoring in of the effects of inflation on housing production 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.

**Validation, verification, improvement of measure.** CPD field staffs 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.

**Housing Assistance Completed with HOME Funds**

	<b>Total thru FY 1999</b>	<b>FY 2000</b>	<b>FY 2001</b>	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004 goal</b>	<b>FY 2005 goal</b>
Rental Units Produced	91,275	29,309	20,453	19,076	25,977	*	*
New Homebuyers	102,371	34,126	24,757	23,241	25,867	*	*
Existing Homeowners	72,307	13,174	9,938	10,027	10,705	*	*
Total Households Assisted	265,953	76,609	55,148	52,344	62,549	60,778	60,133

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

**A.1.4: The utilization of Housing Choice Voucher/Housing Certificate Fund Vouchers is maintained at the FY 2003 level of 97 percent.**

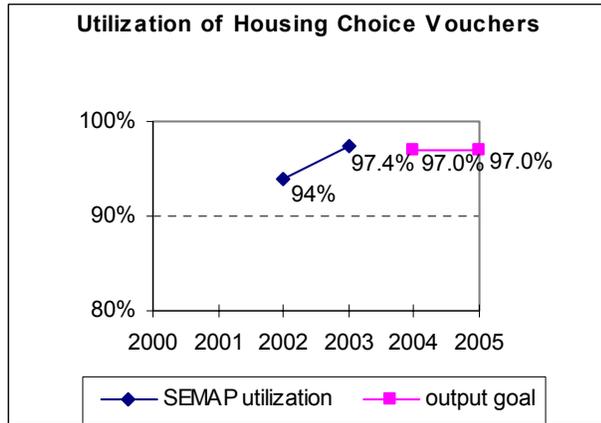
**Indicator background and context.** The Housing Choice Voucher/HCF program is one of HUD’s best tools for providing affordable housing to renters with very low or extremely low incomes, including those with worst case housing needs.

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. During FY 2003, the Department achieved a leasing level of 97 percent, considered to be an optimum level of performance, and the goal is to maintain that level.

**Data source.** HUD Central Accounting Processing System (HUDCAPS). 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.

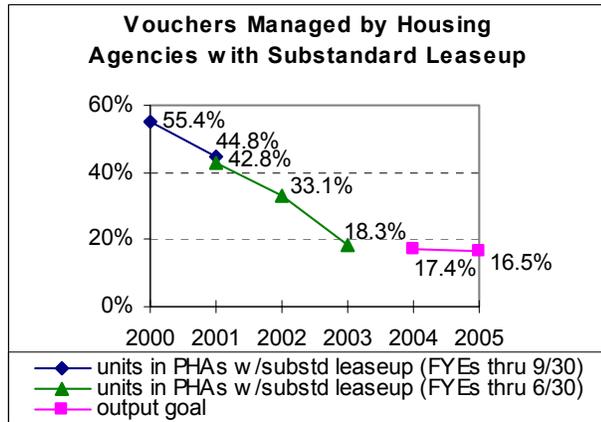


**Validation, verification, improvement of measure.** During FY 2001, critical data elements in HUDCAPS were assessed, verified and cleaned under the Data Quality Improvement Program. Agencies are excluded from the HUDCAPS data if they no longer operate voucher programs or do not yet have fully functioning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

**A.1.5: The share of the Housing Choice Voucher/HCF 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.



**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.

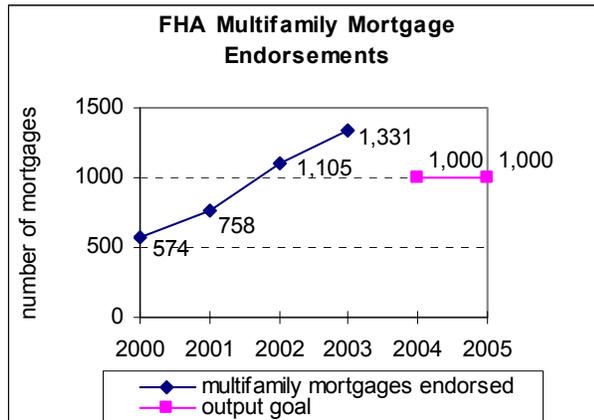
**Validation, verification, improvement of measure.** A review of the definition of lease-up by PIH led HUD to develop a new interim rule for SEMAP in early FY 2001. The resulting conversion from budgeted units to reserved units in the denominator increased the measure's validity, as the measure is no 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 to help lenders (including many with public purpose missions such as housing finance agencies) obtain the benefits of Ginnie Mae securitization.

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.

The Department is maintaining its goal for FY 2005 at 1,000 initial endorsements with 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.

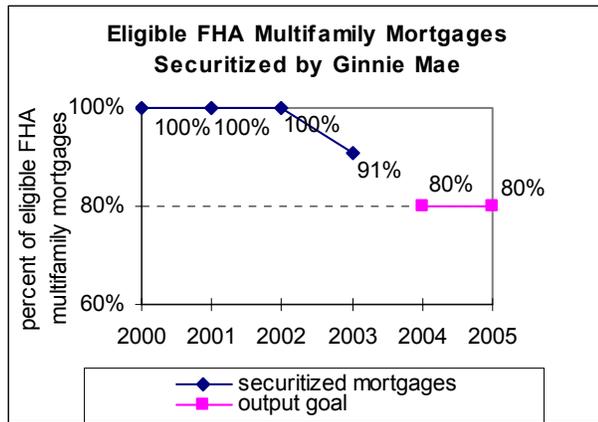
**A.1.7: Ginnie Mae securitizes at least 80 percent of eligible FHA multifamily mortgages.**

**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: HUD will complete 80 percent of the initial FY 2005 Mark-to-Market pipeline during the fiscal year, reducing rents and restructuring mortgages where appropriate.**

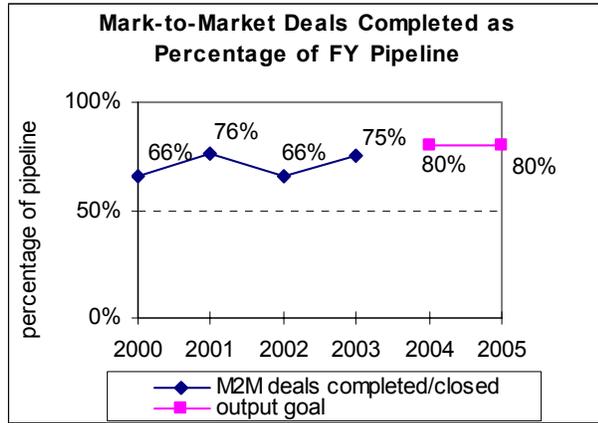
**Indicator background and context.** Under the Mark-to-Market program (M2M), the Office of Multifamily Housing Assistance Restructuring (OMHAR) analyzes FHA-insured multifamily properties for which Section 8 rents exceed comparable market rents, and reduces Section 8 rents to bring them in line with 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 2005 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. For FY 2003, as of April 2003, OMHAR has completed 260 project actions, which is 55 percent of the APP goal of 470 project actions. In FY 2002, OMHAR completed 510 project actions, which were 66 percent of the pipeline on 10/1/2001. In FY 2001, 630 project actions were completed, or 76 percent of the pipeline on 10/1/2000. In FY 2000, OMHAR completed 519 project actions, 66 percent of the pipeline on 10/1/1999. OMHAR’s goal of 80 percent was based on the above completion rates and pipeline projections.

**Data source.** OMHAR’s Mark-to-Market administrative data system.

**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.

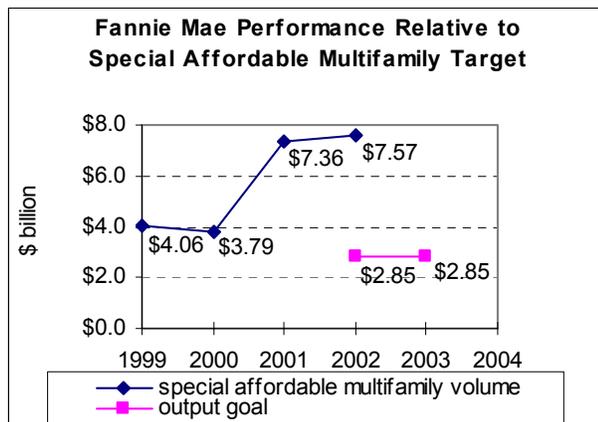


**A.1.9: HUD will continue to monitor and enforce Fannie Mae’s and Freddie Mac’s performance in meeting or surpassing HUD-defined targets for special affordable multifamily mortgage purchases.**

**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. The 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.

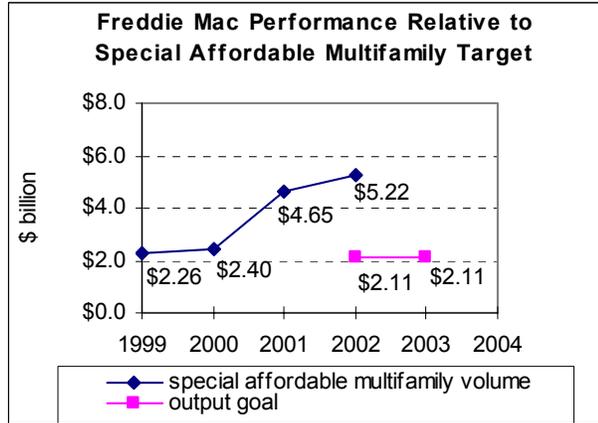
Qualifying multifamily mortgages provide five or more units that are affordable at incomes less than or equal to 60 percent of area median, or less than or equal to 80 percent of area median located in low-income areas. Low-income areas are defined as: (1) metropolitan census tracts where the median 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 control procedures.



**A.1.10: The number of clients receiving rental and homeless counseling.**

**Indicator background and context.** This is a tracking indicator. While HUD’s homeless and rental programs are a critical component of the Department’s efforts to address housing needs in this country, any effort to measure the number of individuals who receive counseling services to assist with homeless or rental assistance issues must be based on accurate and appropriate data. The Department implemented a new data collection instrument (HUD form 9902) in FY 2003 and proposed to base the indicator on this new data. The first set of data will not be available until February 2004. Therefore, when the new set of data becomes available, the Department will set a target for this indicator in the FY 2005 APP revision.

**Data Source.** FHA collects this data through Housing Counseling Agency Fiscal Year Activity Reports (HUD form 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.1.11: 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>3</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 improvements 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 10 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 50 percent of the actions will be implemented in FY 2004. Additional milestone goals will be established for FY 2005 as the Energy Action Plan is implemented.

**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>3</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.

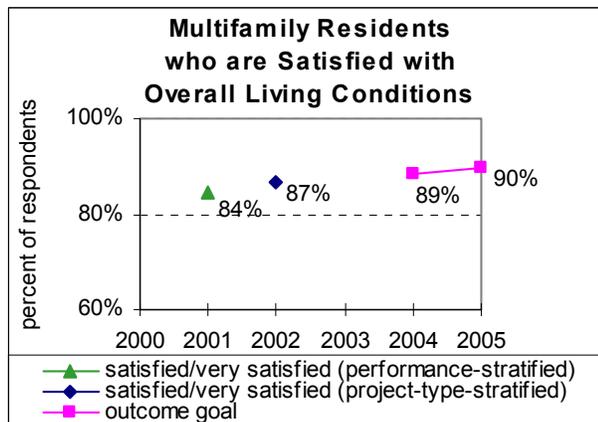
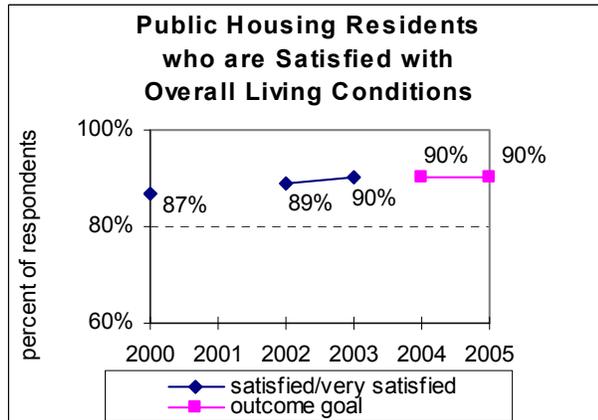
### A.2.1: The average satisfaction of assisted renters and public housing tenants with their overall living conditions remains at least 90 percent in public housing and increases by 1 percentage point in multifamily housing.

**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.” This result was derived by taking an average of survey response results from survey question 1B, which reads “How satisfied are you with the following: Your project/building.” During the 2003 assessment year, this question was modified to read, “How satisfied are you with the following: Your *property*/building.” For multifamily housing, the FY 2005 goal is to increase the percentage of households who express satisfaction by 1 percentage point from FY 2004 levels. For public housing, the goal is to maintain at least the 90 percent satisfaction level achieved in FY 2003 through FY 2005.

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

**Limitations/advantages of the data.** RASS survey results are based on statistically representative samples of public housing residents and on stratified samples of multifamily property tenants. The FY 2001 multifamily sample was stratified on the basis of property 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. Because multifamily stratified sample specifications differ each assessment year, year-to-year changes in multifamily survey results should not be compared for trend analysis purposes.

**Validation, verification, improvement of measure.** Analysis of results of a pilot survey showed slight correlation between resident satisfaction scores and physical condition scores. Results have been validated by comparison with data from



REAC's other sub-systems.

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

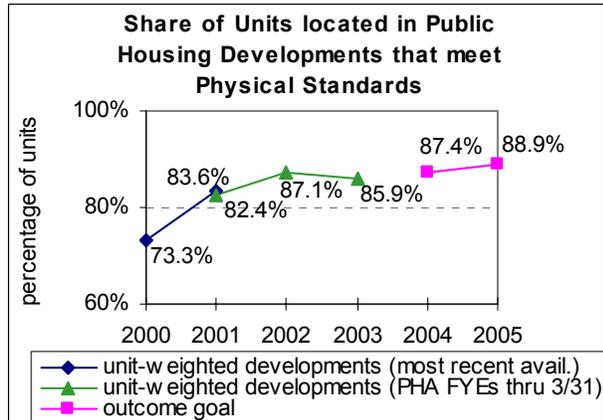
**Indicator background and context.** The physical quality of public housing increased rapidly in recent years as PHAs responded to HUD's use of physical inspections as part of an overall performance assessment. The President's Management Agenda commits to improving the physical quality of public housing such that, by 2005, 91.6 percent of units located in public housing will meet HUD's physical conditions standards. The PMA goal was established with reference to the FY 2002 baseline. Because results slipped back during FY 2003, HUD is working to achieve improvements of 1.5 percentage points during each of FY 2004 and FY 2005.

**Data source.** REAC Physical Assessment Subsystem (PASS) CIDR database, consisting of electronically coded and uploaded results of independent physical inspections of properties (sites, buildings and dwelling units). PASS is a component of the overall Public Housing Assessment System.

**Limitations/advantages of the data.**

Inspections are conducted independently and are based on a statistically valid random sample of selected buildings and dwelling units within a property.

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.



**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 assessment 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 95 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 95 percent of assisted multifamily developments will meet HUD's standards for physical condition in FY 2005.

**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.**

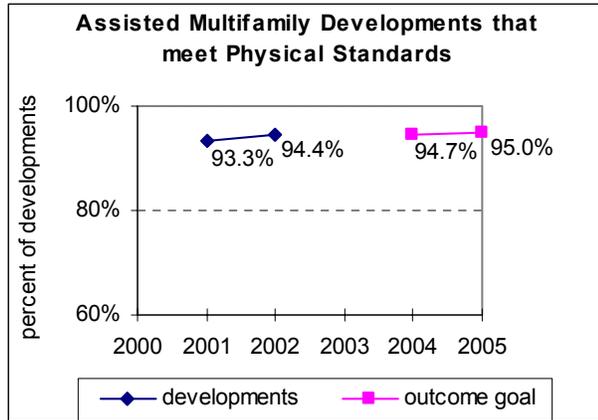
Inspections are conducted independently and are statistically representative of public housing and private multifamily assisted housing. Because of the necessity of evaluating common areas, the number of passing units is determined by multiplying passing projects by the number of units they contain.

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 remains at least 87.3 percent.**

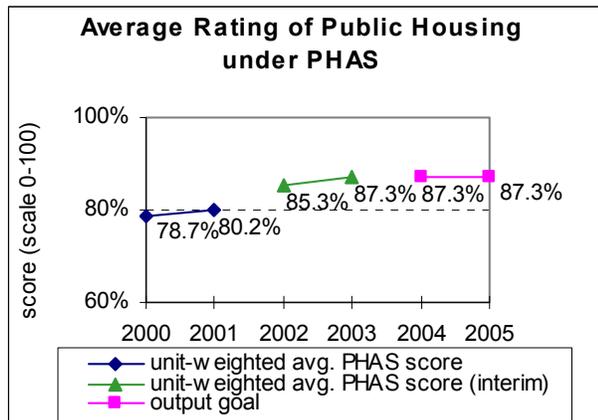
**Indicator background and context.** This indicator tracks HUD’s progress toward increasing the capability and accountability of public housing agency partners and increasing the satisfaction of residents. The Public Housing Assessment System (PHAS) provides an indication of the quality of the housing stock and the management conditions with which each public housing resident lives. The goal is to maintain at least the FY 2003 performance level through FY 2005.

**Data source.** REAC- 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 scores are based on statistically valid random samples that are representative of public housing projects and households respectively.

The PHAS scoring indicators were modified during FY 2002. A thorough



review of the PHAS system was completed and, effective FY 2004, the PHAS scoring methodology will revert back to the scoring system utilized in FY 2001. Interim scoring procedures under PASS and FASS, which generally resulted in improved scores for many PHAs will no longer be in effect. Thus, future results under this metric may be similar to the 2001 unit weighted average PHAS score of 80.2 rather than the 85.3 score posted in 2003. Future output goals/milestones may need to be revised in light of this fact. Thus, PHAS scores in FY 2004 and beyond may not be comparable with the FY 2003 baseline.

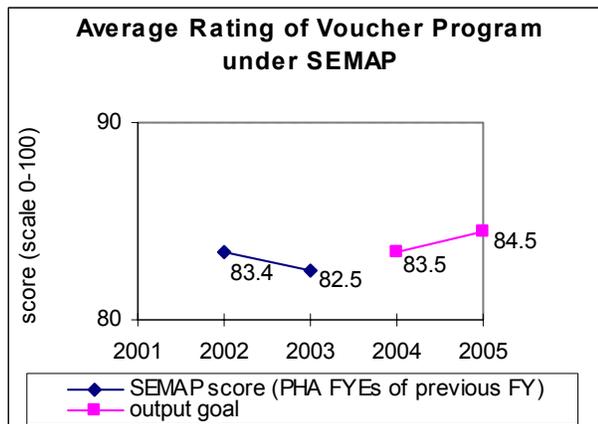
**Validation, verification, improvement of measure.** MASS and FASS submissions are subject to verification by independent audit, and the financial assessment is a process validated by the American Institute of Certified Public Accountants. PASS scores are based on independent inspections of the PHAs properties by HUD trained/certified contract inspectors, and are verified through HUD’s Quality Assurance Program.

**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 and compliance such as tenant selection, rent reasonableness, adjusted income determination, housing quality control inspections and enforcement, expanding housing opportunities, deconcentration, lease-up rates, FSS participation and correct rent calculations. SEMAP scores track progress toward increasing the capability and accountability of housing agency partners. 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 2005 goal is to increase the household-weighted SEMAP score by 1 percentage point from the FY 2004 level.

**Data source.** Public and Indian Housing Information Center Section Eight Management Assessment Program (PIC SEMAP).

**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 pre-contract 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.

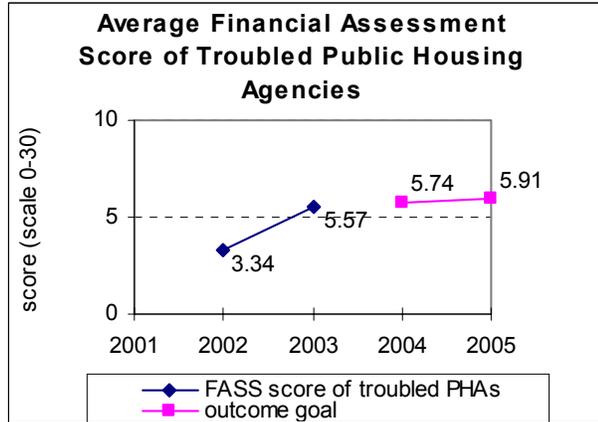
**A.2.6: The average FASS score for all PHAs designated by FASS as “troubled” will increase by 3 percent.**

**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, a reduction of 37 percent from FY 2001 levels. FASS scores among troubled agencies improved from an average of 3.34 in FY 2002 to 5.57 in FY 2003. The FY 2004 goal is to improve the average FASS score of troubled agencies by 3 percent.

**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. The baselines used to calculate the FY 2002 and FY 2003 scores are based on the Interim PHAS methodology. However, for PHAs with fiscal years ending 9/30/2003, the Department will score PHAs using the Original PHAS methodology. Accordingly, FY 2003 and FY 2004 PHAS scores may not be comparable.

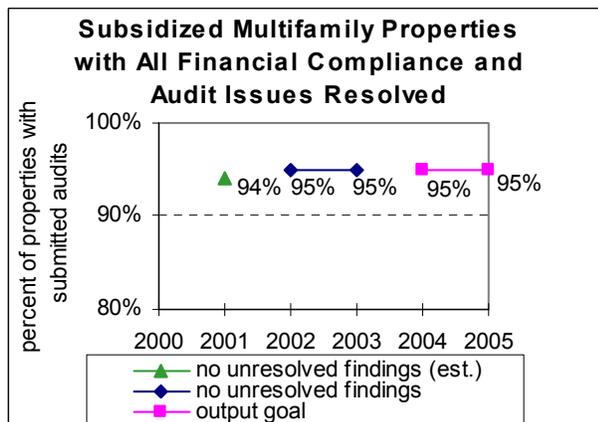


**Validation, verification, improvement of measure.** REAC performs Quality Assurance Reviews of the audited financial statements submitted by Independent Public Accountants of PHAs. The QAR provides assurance that the audited statements are accurate and reliable and that audits are conducted in accordance with government and professional standards. FASS incorporates extensive data checks and both targeted and random review by independent auditors.

**A.2.7: For households living in assisted and insured privately owned multifamily properties, the share of properties 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 and was kept in FY 2003. The FY 2004 and 2005 goals are 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 and 2005.

**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: The HOPE VI Revitalization Development program for public housing relocates 1,446 families, demolishes 2,602 units, completes 6,267 new and rehabilitated units, and occupies 6,070 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. Goals reflect planned achievements based on HOPE VI plans submitted by PHAs.

<b>HOPE VI Achievements</b>	<b>FY 2001</b>	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004 goal</b>	<b>FY 2005 goal</b>
Households relocated	6,923	4,668	6,859	3,300	1,446
Units demolished	12,375	8,346	7,468	4,000	2,602
Units constructed or rehabilitated	4,044	6,468	8,611	6,900	6,267
Units occupied	3,579	6,205	7,512	6,200	6,070

**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.

**Validation, verification, improvement of measure.** Submitted data are reviewed by HUD 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 HUD field office staff. The collection of progress data by construction and financing phase has supported improvements in the validity of performance targets.

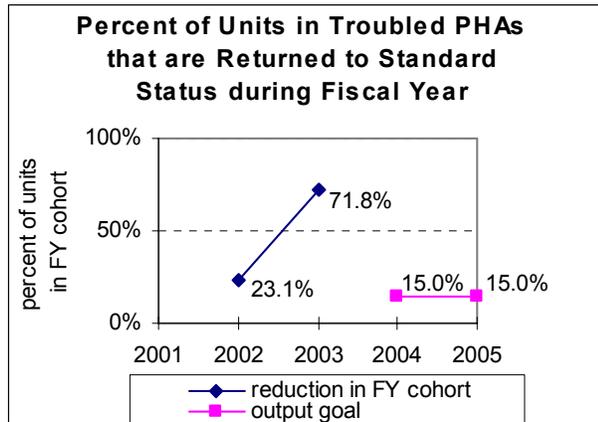
**A.2.9: The percent of public housing units under management of troubled housing agencies at the beginning of FY 2005 decreases by 15 percent by the end of the fiscal year.**

**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).

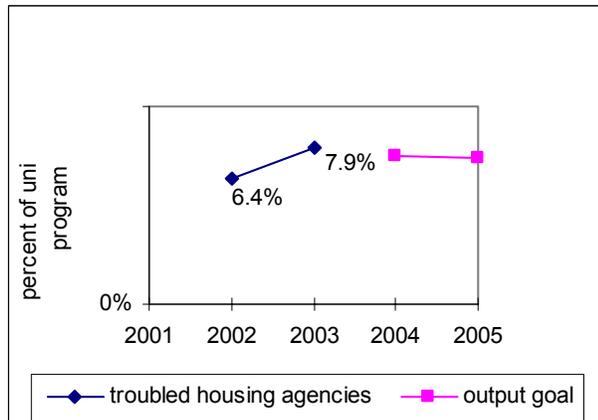
**Limitations/advantages of the data.** PASS and RASS are statistically representative of public housing projects and households respectively.

**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.2.10: The share of Housing Choice Voucher/Housing Certificate Fund (HCF) voucher units managed by troubled housing agencies decreases by 1 percent.**

**Indicator background and context.** This is an important indicator that tracks the share of Housing Choice/HCF voucher assistance that is vulnerable to poor management. The Section Eight Management Assessment Program (SEMAP) 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, adjusted income determination, housing quality control inspections and enforcement, expanding housing opportunities, deconcentration, lease-up rates, FSS participation and correct rent calculations.



**Data source.** Public and Indian Housing Information Center Section Eight Management Assessment Program (PIC SEMAP).

**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 pre-contract inspections. However, performance on such unmeasured dimensions is expected to be correlated with SEMAP scores.

**Validation, verification, improvement of measure.** PIC SEMAP data were verified and certified by the Enterprise Data Management Group during FY 2004. See Appendix D for details.

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

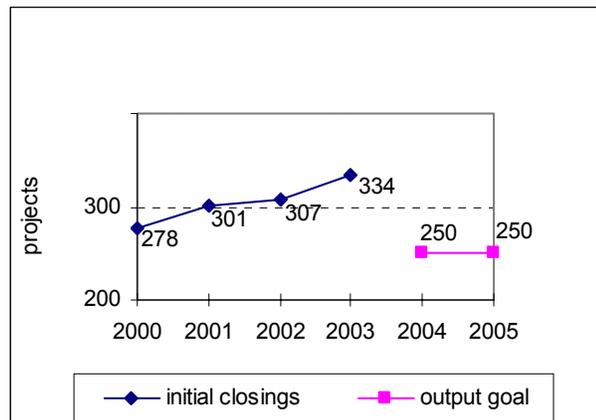
### **A.3.1: Increase the availability of affordable housing for the elderly and persons with disabilities by bringing 250 projects to initial closing under Sections 202 and 811.**

**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.

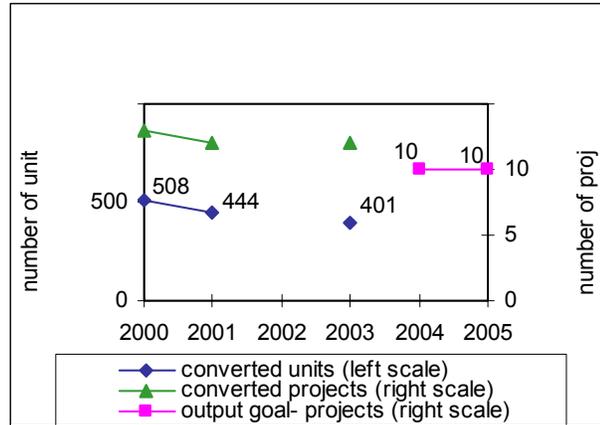
**Validation, verification, improvement of measure.** The Office of Housing receives copies of the closing document that will be used to verify data system entries.



### **A.3.2: The Assisted Living Conversion program increases the supply of suitable housing for the frail elderly by completing conversion of 10 properties per year.**

**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.

The FY 2003 goal was to increase the aggregate number of assisted living units above the number available during FY 2002. The Department increased 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.



**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.

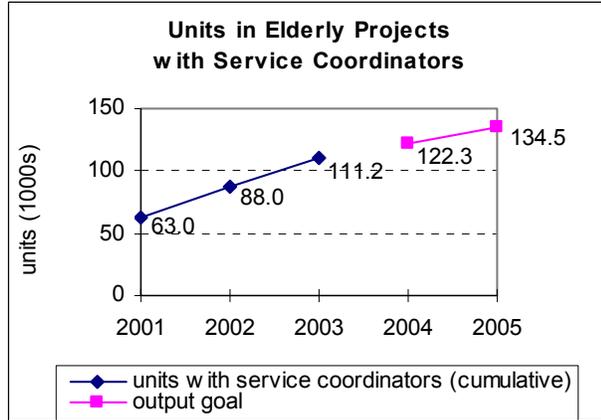
**Validation, verification, improvement of measure.** Grantee reports will be verified by monitoring.

**A.3.3: 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 FY 2004, the Public Housing Service Coordinator renewal program will be funded from the Operating Fund. These programs support the goal of keeping elderly persons independent and self-sufficient in their own communities.

HUD received \$50 million in FY 2003 and is requesting \$53 million in FY 2004, the additional \$3 million being for properties funded under the 811 programs for persons with disabilities. The FY 2005 goal is to increase elderly households served by 10 percent from FY 2004 levels. As of the end of FY 2003, there are approximately 160,000 elderly households in units being served in developments with grants for service coordinator. 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.

## 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 public housing assistance programs who “graduate” from assistance within 5 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 public housing 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 measure excludes the elderly persons HUD serves but includes disabled persons who can work. Success in this measure will allow HUD to serve more people with housing assistance needs, and is supported by several FY 2005 initiatives.

**Data source.** During FY 2004, PD&R completed a pilot study<sup>4</sup> that tested the feasibility of “passive tracking” of long-term outcomes of a random sample of households who leave public and assisted housing. The study demonstrated that passive tracking is not feasible, cost-effective or result in a representative sample. As a result, plans for a larger study using passive tracking have been discontinued. The alternative, actively tracking leavers, is difficult and costly.

HUD will continue to use administrative data from the Public and Indian Housing Information Center (PIC) to study the impact of housing assistance on self-sufficiency outcomes. In addition,

<sup>4</sup> “Where Are They Now? A Study to Identify, Locate and Survey Former Residents of Subsidized Housing.”

during FY 2004 HUD is exploring the feasibility of another approach. By cooperating with the Department of Labor to link PIC data with the Administrative Data Research and Evaluation Alliance (ADARE), HUD could obtain access to household outcome data from nine states participating in ADARE. These states currently represent 43 percent of the nation's workforce. Participation in ADARE also would give HUD access to the services of state-sponsored researchers.

**Limitations/advantages of the data.** The data are expected to be statistically representative of the public housing program. 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.** The indicator in the Strategic Plan included voucher and assisted multifamily programs in addition to public housing. The Office of Housing has reviewed data in this area and believes that this measure is not appropriate for multifamily programs. This graduation rate measure builds on the foundation of self-sufficiency measures that HUD has developed. 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 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 and Housing Choice Voucher 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. During the economically difficult year ending in FY 2003, public housing households increased average earnings by 0.5 percent and voucher households lost 0.1 percent on average. The FY 2005 goal is to achieve increases in earnings of 5 percent above the FY 2004 baseline for public housing and voucher programs collectively.

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

**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: Increase by 5 percent the number of FSS families whose predominant source of income is earned income.**

**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.

The FY 2005 goal is to achieve increases in earnings of 5 percent above the FY 2004 baseline for FSS participants in public housing and voucher programs collectively.

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

**Limitations/advantages of the data.** The data are judged to be reliable for this measure. 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.4.4: Increase by 3 percent the total number of PHAs administering Family Self-Sufficiency programs.**

**Indicator background and context.** The FSS program supports employment of participating families by providing opportunities for education, job training, counseling and other services. As a result of their participation in the FSS program many families have obtained employment, accumulated assets through their FSS escrow accounts and become homeowners. HUD is committed to increasing the number of FSS programs and, by making funding available to PHAs to enable PHAs to hire FSS program coordinators, has encourages PHAs to establish FSS programs and expand existing programs. A baseline number of PHAs administering FSS programs will be established in FY 2004 based on data in PIC.

**Data source.** PHAs administering FSS programs will be identified through the PIH Information Center (PIC) form HUD-50058.

**Limitations/advantages of the data.** The acceptance rate of FSS reports in HUD's PIC data system has improved in the last year; however, some PHAs continue to report problems getting reports into PIC.

**Validation, verification, improvement of measure.** New procedures have been implemented to facilitate submission and acceptance of the HUD-50058 FSS addendum. Data verification is being conducted and technical assistance is available to PHAs that are still experiencing problems.

## Goal C: Strengthen Communities

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### 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.

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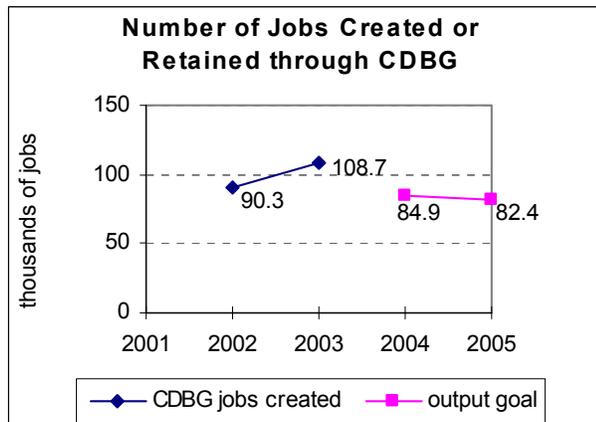
#### C.1.1: A total of 82,378 jobs will be created or retained through CDBG.

**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 2003, entitlement communities used \$237 million—7.1 percent of their funds—for economic development, and States used \$195 million or 14.9 percent. The FY 2003 actual performance was 108,684 jobs created or retained. During this same period, total U.S. private sector employment declined by 388,000 jobs. The goal for FY 2005 is to create or retain 82,378 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 three 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 December 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 crime. Enterprise Community designations will end December 31, 2004 and are no longer included in the indicator.

Three indicators will be carried over from the previous APP that reflects 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:

- New or rehabilitated affordable housing units completed;
- People served under homeless assistance programs;
- Residents that find gainful employment;

**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.

**RC, EZ and EC areas achieve Community Renewal goals**

<b>Goals Identified in Implementation Plans</b>	<b>2001 (Actual)</b>	<b>2002 (Actual)</b>	<b>2003 (Actual*)</b>	<b>2004 (Cum.Goal)</b>	<b>2004 (Per Annum Goal)</b>	<b>2005 (Cum.Goal)</b>	<b>2005 (Per Annum Goal)</b>
New or rehabilitated affordable housing units completed	25,721	32,514	34,835	35,872	2,512	38,603	2,731
Homeless persons assisted	44,358	50,487	47,657	53,000	2,000	56,088	3,088
Residents finding or retaining a new or existing job	154,517	169,935	189,416	207,745	18,843	219,352	11,607
Residents served by public safety and crime prevention	1,568,581	1,579,459	1,934,705	1,630,000	20,000	<i>discontinued</i>	<i>discontinued</i>

\* Results exclude data from 10 EZ/EC reports not yet submitted.

**Limitations/advantages of the data.** Grantees report cumulative achievements to PERMS only once a year, so measuring incremental progress requires additional analysis.

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. 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 program was completed during FY 2001 to provide a more detailed assessment of program results. GAO will be publishing a series of reports on RCs, EZs, and ECs in 2004, 2007 and 2010.

**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 2005 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. The goals are based on planned activities from grant applications.

**Youthbuild Accomplishments**

	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004 goal</b>	<b>2005 goal</b>
Persons Trained/GED	2,897	3,762	3,729	4,123	3,728	3,728
Housing Units Constructed	-	-	-	346	460	460
Housing Units Rehabilitated	-	-	-	1,409	746	746
Persons with Increased Literacy and Numeracy Skills	-	-	-	-	587	587

**Data source.** Accomplishments data are obtained by CPD field offices through contact with grantees.

**Limitations/advantages of the data.** 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 to make it more results-oriented and useful to communities.

**Indicator background and context.** The Consolidated Improvement Initiative is required by the President’s Management Agenda. Communities use the Consolidated Plan to identify community and neighborhood needs, actions that will address those needs, and measures necessary to gauge their performance. HUD has been working 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 2005, the Office of Community Planning and Development will be implementing the reformed, results-oriented planning and reporting process nationally, making the Consolidated Planning process more useful in assessing progress toward addressing problems of low-income areas and improving performance measurement and reporting. Based on pilot evaluations, by December 2004 CPD will propose legislative and/or regulatory changes to fulfill the directive contained in the PMA. CPD also will be implementing changes to grant 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 Field Offices review communities’ Consolidated Plans using the Grants Management Program.

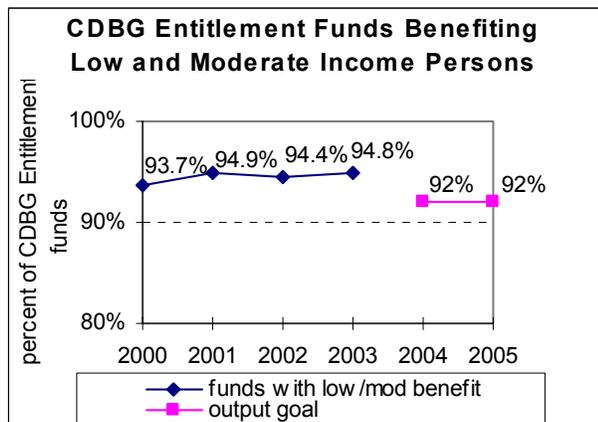
**Limitations/advantages of the data.** The qualitative milestones used for this indicator do not require numerical databases. Assessing performance of such measures may be necessarily limited by subjective judgments.

**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.

### C.2.2: 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 2003, 94.8 percent were used to benefit low- and moderate-income households, a slight increase from the FY 2002 level of 94.4 percent.

**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.

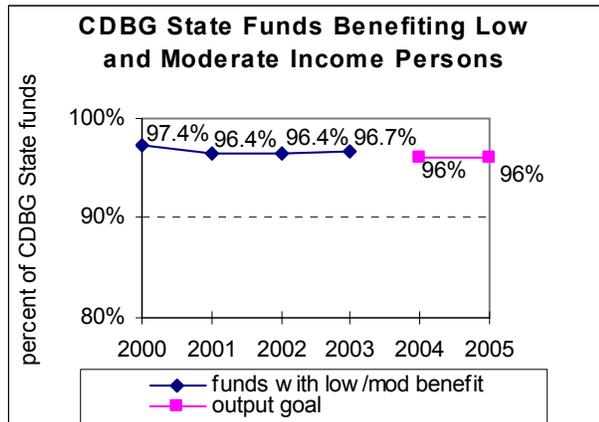
**C.2.3: The share of State CDBG funds for activities that principally benefit low- and moderate-income persons remains at or exceeds 96 percent.**

**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 96.7 percent of the roughly \$1.3 billion of CDBG funds they spent in FY 2003 to benefit low- and moderate-income persons, an increase over the FY 2002 level of 96.4 percent.

**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: For CDBG entitlement grantees, increase the number of approved Neighborhood Revitalization Strategy Areas by five percent.**

**Background and context.** In January 1995, HUD described neighborhood revitalization strategy areas (NRSAs) in the Consolidated Plan regulations at 24 CFR Part 91; and in 24 CFR Part 570, HUD provided certain regulatory incentives to grantees for certain activities carried out in HUD-approved NRSAs. NRSAs are comprehensive strategies carried out in limited geographic areas that are expected to achieve substantial physical improvements and create meaningful economic opportunities for residents living in the neighborhood. In 1996, HUD provided, by notice, the outline of the components of what constituted an acceptable NRSA.

**Data source.** IDIS and the Annual Performance Report (as part of the Consolidated Annual Performance Report (CAPER)). IDIS is HUD’s Integrated Disbursement and Information System.

**Limitations/advantages of the data.** The data are limited to what is collected under the CDBG portion of IDIS.

**Validation, verification, improvement of measure.** HUD staff reviews proposed NRSA submissions. IDIS tracks NRSAs and the activities carried out by grantees in their NRSAs. Field Office staff monitor CDBG grantees to determine, in part, the accuracy of data entered into IDIS.

**C.2.5: Endorse FHA single family mortgages in underserved communities.**

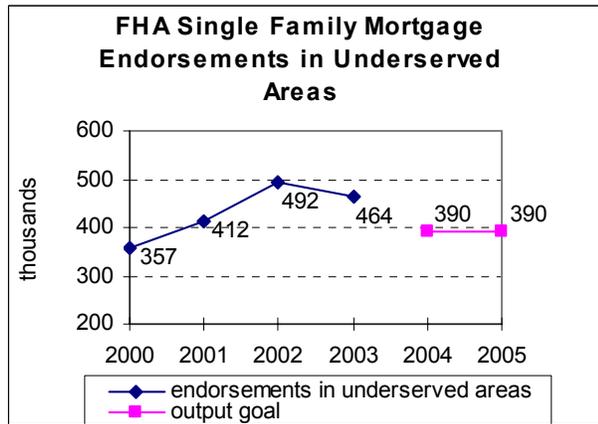
**Indicator background and context.** FHA’s role in the mortgage market is to extend homeownership to families that otherwise might not achieve homeownership. There is substantial evidence that lower income and minority neighborhoods are less well served by the conventional mortgage market than are more affluent and non-minority 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 a total of 492,000 was achieved. Given economic uncertainties, the FY 2005 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 share of multifamily properties in underserved areas insured by FHA is maintained at 25 percent of initial endorsements.**

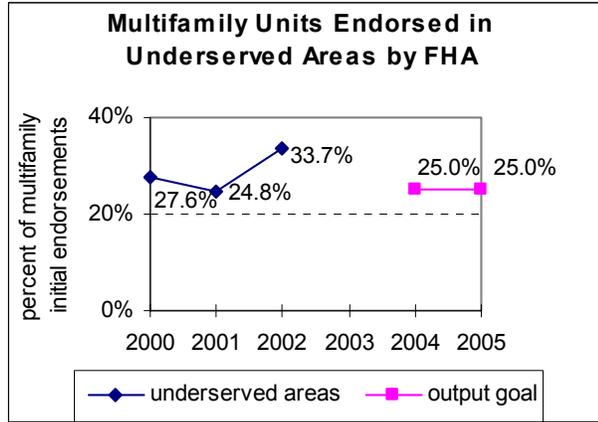
**Indicator background and context.** FHA insures loans for new construction and substantial rehabilitation of multifamily rental units under Sections 221(d)(3), 221(d)(4), and 220, and risk-sharing under 542(b) and (c). Section 223(f) insures mortgages for existing multifamily properties, either to 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 proportion of multifamily units in “underserved” neighborhoods, as a percentage of units in all multifamily properties that receive FHA mortgage endorsements. 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 2005 goal is to maintain the number of units at 25 percent. The achievement of this goal in FY 2005 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.

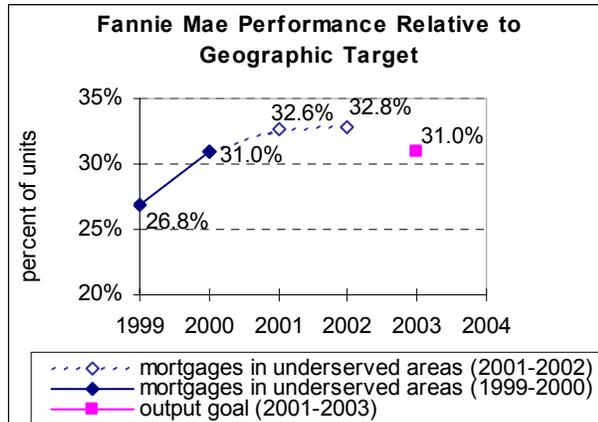
**C.2.7: HUD will continue to monitor and enforce Fannie Mae’s and Freddie Mac’s performance in meeting or surpassing HUD-defined geographic targets for mortgage purchases in underserved areas.**

**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.

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>5</sup> HUD will publish a new rule setting housing goals for the period 2005–2008.

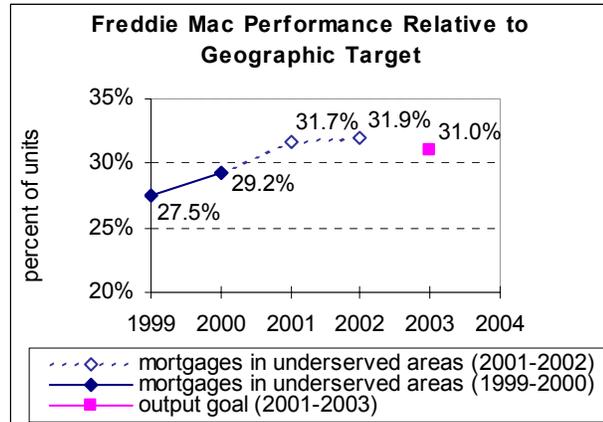
**Data source.** HUD’s GSE database.

**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.



<sup>5</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.

**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 control 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.



### C.2.8: Section 4 funding will stimulate community development activity totaling ten times the Section 4 investment.

**Background and context.** The Section 4 program emerged from a unique and unprecedented partnership initiated in 1991, the National Community Development Initiative (NCDI)—a consortium of national foundations, corporations and HUD (now known as Living Cities/NCDI). Living Cities/NCDI works through the two largest intermediaries serving the nonprofit community development industry, The Enterprise Foundation and the Local Initiatives Support Corporation (LISC). Based on the success of NCDI, Congress directed HUD to join the initiative in 1994 for the second round at this early stage of the partnership. In 1997 Congress expanded the Section 4 program for urban and rural capacity building beyond NCDI.

This indicator measures the level of community development activity generated, leveraged or supported by Section 4 funding. Most community development activities are expected to involve real estate development, including housing, economic development and community facilities. The FY 2005 goal is to ensure that the ratio of the total cost of community development activities (net of Section 4 support for that activity), to the investment of Section 4 funding, shall equal or exceed 10:1.

**Data source.** The measure uses administrative data collected from The Enterprise Foundation and LISC, maintained by HUD in the Letter of Credit Control System (LOCCS) system for contracts active during the reporting period. An activity will be reported as undertaken when development or operation has begun or when LISC/Enterprise makes a formal commitment of financing for the activity.

**Limitations/advantages of the data.** The data for total community development activity resulting from Section 4 funding are expected to be reliable because they are based largely on real estate related activities, the costs of which have been reviewed by multiple funders pursuant to commitments to lend, grant or invest in this activity. Often, LISC and The Enterprise Foundation are underwriting these activities directly. The data capture only activity occurring during the 3-year Section 4 work plan period. This may underestimate total amount of activity pursuant to Section 4 funded work plans, as projects frequently come to the development stage well after an investment in capacity activities occurs. Conversely, there may be some amount of fall off between the point of commitment and completion in development activity. These two dynamics may well work to offset one another.

**Validation, verification, improvement of measure.** Internally, both The Enterprise Foundation and LISC have effective systems in place to evaluate use of funds by sub-recipients. These include regular reporting on the achievement of performance goals, monthly/quarterly financial reporting, and site visits or desk audits of sub-recipients. HUD may monitor each grantee and verify the data used to develop this measure.

## Objective C.3: End chronic homelessness and move homeless families and individuals to permanent housing.

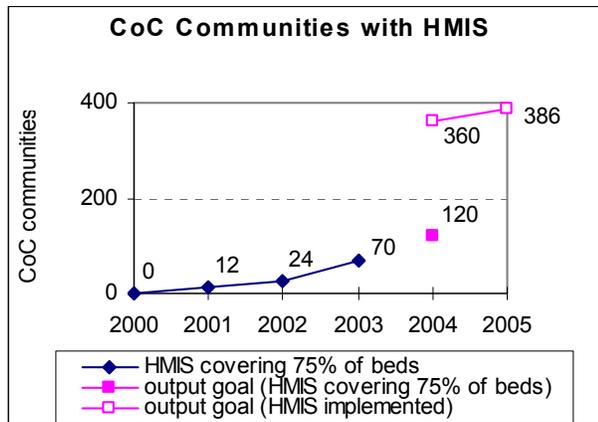
### C.3.1: At least 386 functioning CoC Communities or 93 percent of our continuums will have a functional Homeless Management Information System by FY 2005.

**Indicator background and context.** This indicator measures the number of Continuum of Care (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.

**Data source.** FY 2005 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.

**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 has announced HMIS standards in a draft notice 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.** HUD worked with HHS, communities and homeless experts to define "chronically homeless." This definition was published in January 2003 through the Notice of Funds Availability to communities. Chronically homeless people are single adults on the streets or in emergency shelters who have disabling conditions and have been either continually homeless for one year or more, or have had four or more episodes of homelessness in the past three years.

**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 systematically to track this indicator. Until HMIS becomes operational, this indicator will be measured using Continuum of Care (CoC) application data submitted by grantees. By January 2005, HUD will have a baseline established using the numbers collected in the 2004 NOFA applications. These numbers will be more reliable than the numbers collected from the 2003 NOFA because the definition of chronic homelessness was put into place just prior to the submission of those applications.

**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 were challenged to precisely estimate the number of chronically homeless individuals, given the short period between when the Continuum NOFA was issued and the CoC application was 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 continue to arise from the fact 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 adopted a definition of chronic homelessness in conjunction with HHS and VA and used it in the 2003 Continuum competition to enable collection of national data on chronic homelessness using a single definition. Moreover, HUD now collects information on chronic homelessness in the Annual Progress Report submitted by each grantee.

**C.3.3: The Samaritan Housing Initiative will be implemented and the number of chronically homeless who are assisted will be maximized.**

**Indicator background and context.** In FY 2005, 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 seek self-sufficiency.

**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 2005, a reasonable baseline sample of data will not be available until 2006.

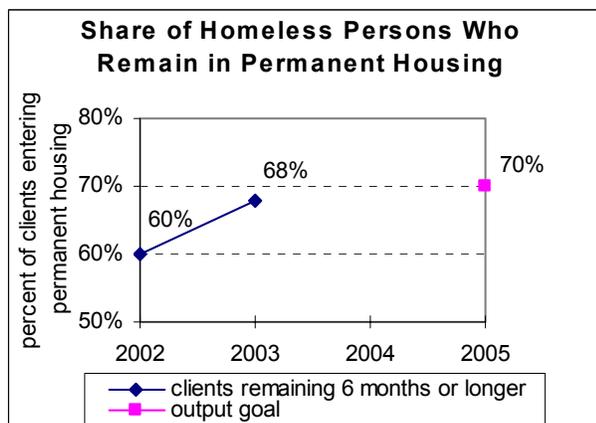
**Validation, verification, improvement of measure.** When a method of data collection is identified, HUD will ensure data will allow for the accurate measure of the Initiative’s performance goals.

**C.3.4: The percentage of formerly homeless individuals who remain housed in HUD permanent housing projects for at least 6 months will be 70 percent.**

**Indicator background and context.** One of the goals of HUD’s homeless assistance programs is for formerly homeless persons to move into permanent housing. This indicator will measure the length of stay of participants in HUD permanent housing projects. The measure’s six-month measurement threshold indicates that the project is serving participants with more than transitional assistance. For FY 2003, about 68 percent of formerly homeless individuals remained housed in permanent housing more than 6 months.

**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 stay in permanent housing, the housing units in which they reside may be funded with appropriations from several prior years. To avoid a one-year data lag, data from 2005 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.3.5: The percentage of homeless persons who have moved from HUD transitional housing into permanent housing will be 60 percent.**

**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.

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 (SHP) 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. For FY 2003, approximately 58 percent of HUD transitional housing residents moved to permanent housing.

**Data source.** CPD administrative database, consisting of accomplishments data submitted in Annual Progress Reports 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 2005 will be used. Efforts to increase completeness of compiled APR data are expected to reduce non-reporting and selection bias to negligible levels.

**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.

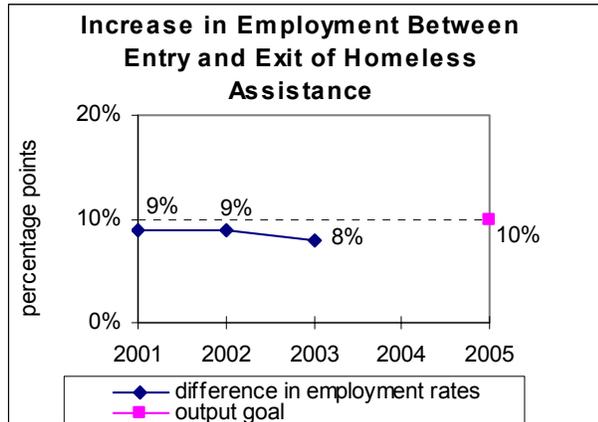
### **C.3.6: The employment rate of persons exiting HUD homeless assistance projects will be 10 percentage points greater than the employment rate of those entering.**

**Indicator background and context.** This indicator tracks the percentage of adult clients who become employed while in HUD-funded homeless-assistance projects. The measure is defined as the difference between the percentage of adults leaving a project who have earnings and the percentage entering a project who have earnings. This measure will show the impact of the program while the participant is in the program.

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. About 13 percent of homeless adults entering HUD-funded projects had earnings in FY 2003, with 21 percent exiting HUD-funded projects with employment income, showing an 8 percent increase.

**Data source.** CPD administrative database, consisting of accomplishments data submitted in Annual Progress Reports 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: Overcrowded households in Indian country shall be reduced by one percent.**

**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 based on census data. The result was that an estimated 47,169 households were overcrowded in FY 2003. The goal for FY 2005 is to reduce the number of overcrowded households by one percent from the FY 2004 level to about 46,230. This goal builds on a presumed FY 2004 result of 46,697 under a similar one percent reduction target.

**Data source.** Bureau of Census, tribal data, and PIH Office of Native American Programs administrative data.

**Limitations/advantages of the data.** Because overcrowding is not a required reporting element in Annual Performance Reports, ONAP must rely on voluntary reporting by tribal recipients. However, several tribes have agreed to participate in a program for the development of model solutions for the reduction of overcrowding. Records provided by these tribes will be used to measure the reduction of overcrowding along with other indicators to be developed.

**Validation, verification, improvement of measure.** While ONAP will not verify the reduction in the number of overcrowded housing units on an annual basis, it will monitor recipients through site visits to assure accurate reporting. In addition, comparisons to previous activity levels can be accomplished through the Performance Reporting Database to identify anomalies and variances.

**C.3.8: 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.** For FY 2005, 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.

**C.3.9: The percentage of HOPWA clients who maintain housing stability, avoid homelessness and access care increases through the use of annual resources with the goal that this reaches 80 percent by 2008.**

**Indicator background and context.** This new outcome measure was identified in OMB's Performance Assessment Rating Tool review for the FY 2005 budget request. HUD is collaborating with HOPWA grantees and technical assistance providers to develop appropriate outcome indicators. A directed discussion with formula and competitive grantees was held in July 2003, and HUD is consulting with a small affinity group on updating the Annual Progress Report to establish the new outcome measurement tool.

HUD also selected model projects under the 2003 SuperNOFA competition that will begin testing the new logic model linkage between resources, outputs and client outcomes for housing stability. Issuing the new reporting requirements will entail additional clearance steps, enhancement of the information collection technology (the IDIS system), and phased implementation of the requirements along with related training for recipients. These model projects will help verify the program baseline goal and assist in guiding other grantees in using these new tools.

**Data source.** CPD's Integrated Disbursement Information System and Annual Progress Reports. Additional standard HOPWA reporting elements were developed in 2003 and will be issued in 2004. These elements will provide data for indicators supporting the new outcome measure.

**Limitations/advantages of the data.** New elements will require additional training to enhance consistent and accurate reporting by recipients, as well as changes to the management information system.

**Validation, verification, improvement of measure.** HUD is collaborating with HOPWA grantees and technical assistance providers to insure that the performance indicators being developed to measure this long-term goal provide a valid representation of program results.

## Objective C.4: Mitigate housing conditions that threaten health.

### C.4.1: The average number of observed exigent deficiencies per property does not exceed 3.41 for public housing and 2.10 for multifamily housing.

**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.4.2.) This indicator measures the reductions in EHS/FS nationwide as HUD applies its physical inspection protocol, Uniform Property Condition Standards (UPCS), to properties inspected.

Under OMB’s “Proud to Be” exercise, a goal was established to reduce the proportion of units with observed exigent deficiencies, or located in properties with observed exigent deficiencies, to 15 percent by July 1, 2004 in both the public housing and multifamily housing programs. For FY 2005 a new measure of performance has been adopted, the average number of observed exigent defects per property. This measure captures fluctuations in the incidence of hazardous conditions with greater precision than the previous measure. The FY 2005 targets reflect maintenance of at least current conditions, a challenge because of recent increases in the rigor of inspections.

**Public Housing – Observed EHS/FS defects per property by size class**

	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004 <sup>a</sup>	FY 2004 goal	FY 2005 goal
0-19 units	0.68	0.72	0.64	0.69	1.06	-	-
20-49	1.22	1.21	1.07	1.23	2.14	-	-
50-99	1.67	1.69	1.39	1.57	2.91	-	-
100-259	2.21	2.29	1.70	2.01	3.97	-	-
250-999	4.79	5.69	4.51	5.04	7.75	-	-
1,000+	7.25	4.88	5.42	5.24	4.81	-	-
All properties	1.69	1.75	1.41	1.60	3.41	3.41	3.41

<sup>a</sup> FY 2004 values are preliminary results based on the first six months of FY 2004. The FY 2004 results reflect several factors including inspections for Puerto Rico Housing Authority, the Housing Authority of New Orleans and other large or very large PHAs, and the exclusion of small high-performing PHAs that are being skipped under the Small PHA Deregulation rule.

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.

**Multifamily Housing – Observed EHS/FS defects per property by size class**

	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004 <sup>a</sup>	FY 2004 goal	FY 2005 goal
0-19 units	0.98	0.65	0.47	0.43	0.71	-	-
20-49	1.79	1.35	1.08	1.04	1.39	-	-
50-99	1.93	1.77	1.48	1.42	1.92	-	-
100+	2.80	2.56	2.21	2.22	3.40	-	-
All properties	2.16	1.81	1.45	1.42	2.10	2.10	2.10

<sup>a</sup> FY 2004 values are preliminary results based on the first six months of FY 2004.

**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.

**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 2 or 3 years if their scores are high enough in the first year. Accordingly, not all properties or units are reflected in the percent with EHS/FS and there may be a distortion of the data since poorer properties are inspected more frequently.

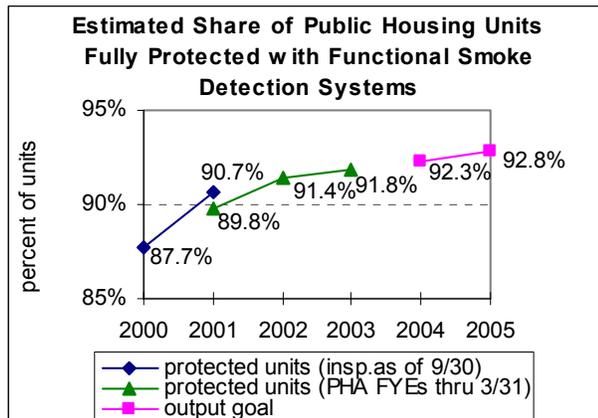
**Validation, verification, improvement of measure.** Owners and managers validate Exigent Health and Safety Report contents by acknowledging receipt at the time of inspection and reporting corrective actions. In addition, REAC re-inspects units and properties on a sample basis for quality assurance.

**C.4.2: The share of units that have functioning smoke detectors and are in buildings with functioning smoke detectors increases by 0.5 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 2005 goal is to continue to improve from FY 2004 levels.

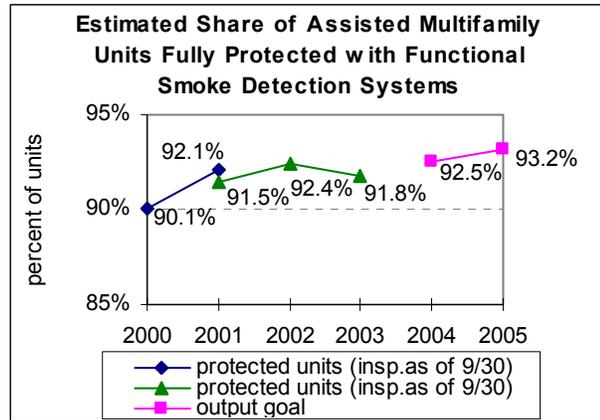
**Data source.** REAC Physical Assessment Subsystem (PASS), consisting of electronically coded and transmitted results of independent physical inspections of units, building and sites.

**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 the inspection protocol that generally is not open to subjective interpretation.

**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.4.3: The number of children under the age of six who have elevated blood lead levels will be less than 152,000 by 2005, down from 434,000 in 1999–2000 and 890,000 in 1991–1994.**

**Indicator background and context.** The Centers for Disease Control and Prevention (CDC) estimate 434,000 children under the age of six had elevated blood lead levels (EBL) in 1999–2000, a decrease from 890,000 in 1991–1994.<sup>6</sup> EBL is defined as blood lead levels exceeding 10 micrograms per deciliter ( $\mu\text{g}/\text{dL}$ ). These children 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. EBL is more common among low-income minority children living in older housing. These reductions indicate that HUD’s program, together with housing demolition and rehabilitation activity, is effective in helping to protect children. In addition to HUD’s lead-based paint abatement grant program and regulations concerning federally assisted 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.

**Data source.** National Health and Nutrition Examination Survey (NHANES). The Centers for Disease Control and Prevention conducts NHANES, with recent results scheduled for release in 2005.

**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 cannot 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.

<sup>6</sup> See [www.cdc.gov/nceh/lead/research/kidsBLL.htm](http://www.cdc.gov/nceh/lead/research/kidsBLL.htm).

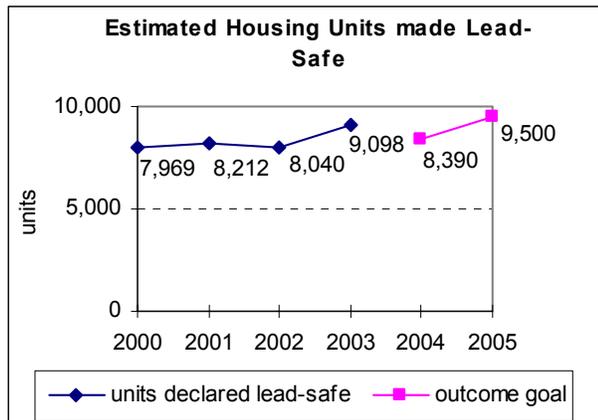
**C.4.4: As part of a 10-year effort to eradicate lead hazards, the Lead Hazard Control Grant program will make 9,500 units lead safe in FY 2005.**

**Indicator background and context.** Through the Lead Hazard Control Program and the leveraging of private resources, HUD plays a central role in an interagency initiative to eliminate lead poisoning of the Nation’s children by 2010. According to HUD’s National Lead-Based Survey,<sup>7</sup> 38 million homes had lead paint in 2000, a decrease from the 64 million homes containing lead paint when Congress passed the 1992 Residential Lead Hazard Reduction Act. 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 low-income housing. Because lead dust is the major pathway by which children are exposed to lead-based paint, grantees are required to use certified personnel to collect clearance (quality control) lead-dust samples in housing to confirm that it has been made lead safe.

With new births and turnover of occupancy, each unit made lead-safe will protect additional children. 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 hazard control industry.

As of September 30, 2003, 53,229 housing units have been made lead safe directly with Lead Hazard Control grants. The goals for this indicator have been increasing. 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 direct accomplishments as reported by grantees. The data do not include housing units that are indirectly made lead safe by the program through leveraged private sector investment, state and local programs, enforcement, and other federal housing programs.

**Validation, verification, improvement of measure.** A rigorous scientific evaluation of the program 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>8</sup> The number of units made lead safe is validated by both OHHLHC data and data from HUD’s National Lead-Based Paint Survey.

<sup>7</sup> See Jacobs et al, *Environmental Health Perspectives*, 110: A599-A606, Oct. 2002.

<sup>8</sup> Galke et al., “Evaluation of the HUD Lead Hazard Control Grant Program.” *Environmental Research* 86 (149–156), 2001.

**C.4.5: At least 2,500 housing units undergoing construction or rehabilitation will use Healthy Homes principles.**

**Indicator background and context.** The Healthy Homes program contributes to the achievement of HUD’s strategic goal 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 intrusion 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 substandard 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. HUD is working closely with the Centers for Disease Control and Prevention, EPA, the National Institute of Standards and Technology, and the National Institute of Environmental Health Sciences to implement 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-induced illness, unintentional injuries, and developmental problems.

**Data source.** OHHLHC Healthy Homes survey data.

**Limitations/advantages of the data.** The data reflect the number of units built or rehabbed using Healthy Homes principles, as reported by contractors, architects, and others who have completed HUD’s healthy homes training courses. These data likely undercount the total number, because contractors and architects are not required to report Healthy Homes construction and rehabilitation jobs to HUD. This measure replaces an earlier measure that tracked the number of Healthy Homes grants awarded.

**Validation, verification, improvement of measure.** OHHLHC will produce the data from surveys of participants in HUD’s Healthy Homes training courses.

**C.4.6: Upon advice from the Consensus Committee, HUD will publish rules for dispute resolution and installation programs mandated by the Manufactured Housing Improvement Act of 2000 by September 30, 2005.**

**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 (MHCC), also established by statute.

Through the AO and within 18 months of their initial appointments, the Act requires the MHCC to develop proposed installation standards to the Department. The Department is to publish final standards and regulations for the installation of manufactured homes, and regulations for dispute resolution, within five years of date of the Act. In FY 2005 the Department will prepare and process for Federal Register publication final installation standards and regulations and regulations for dispute resolution that consider changes to the program's standards and regulations approved by MHCC vote. HUD's FY 2005 performance goal is to ensure that the milestones outlined in the statute are achieved. In order to meet the Act's milestones, timely review of proposals by the MHCC is essential. While the Department will work closely with the AO and the MHCC 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 MHCC includes a non-voting HUD representative who will report to the Department on a continual basis.

## Goal FH: Ensure Equal Opportunity In Housing

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### 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.

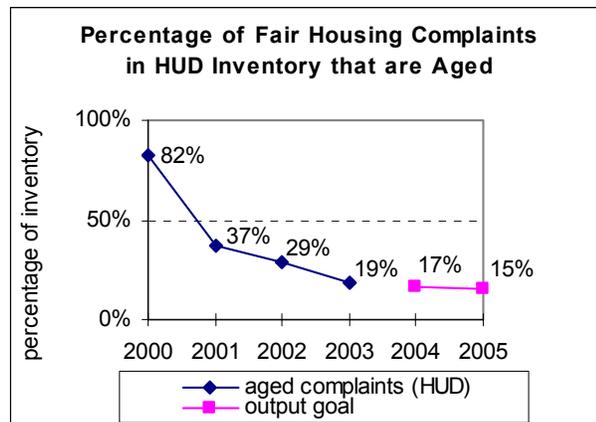
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**FH.1.1: The percentage of fair housing complaints aged over 100 days will decrease by 2 percentage points from the FY 2004 level of the HUD inventory.**

**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 violators 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 2003, 19 percent of fair housing complaints in the HUD inventory were aged over 100 days. The FY 2005 goal is to reduce the share of complaints that are aged by 2 percentage points from FY 2004 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.

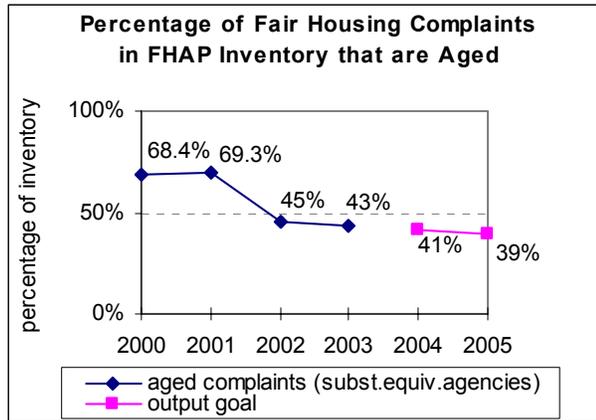
**Validation, verification, improvement of measure.** TEAPOTS incorporates controls to ensure data quality.

**FH.1.2: The percentage of fair housing complaints aged over 100 days will decrease by 2 percentage points from the FY 2004 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 2005 goal is to reduce the share of complaints that are aged by 2 percentage points from FY 2004 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.

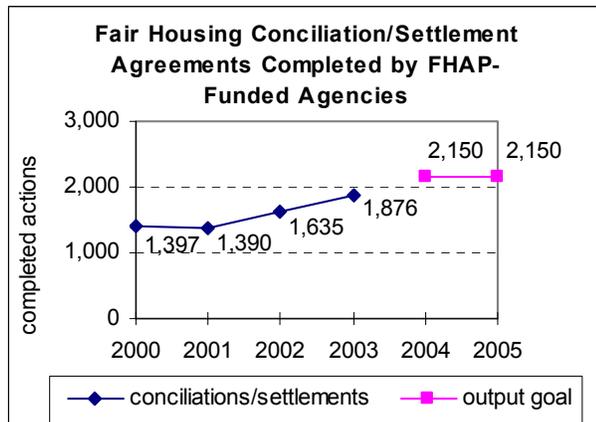
**FH.1.3: FHAP grantees increase access to sale and rental housing by completing at least 2,150 fair housing conciliation/settlement agreements in FY 2005.**

**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 enforcement activity of substantially equivalent FHAP grantees. The FY 2005 goal is for FHAP grantees to investigate and close at least 2,150 fair housing complaints by completing conciliation/settlement agreements during FY 2005.

**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.



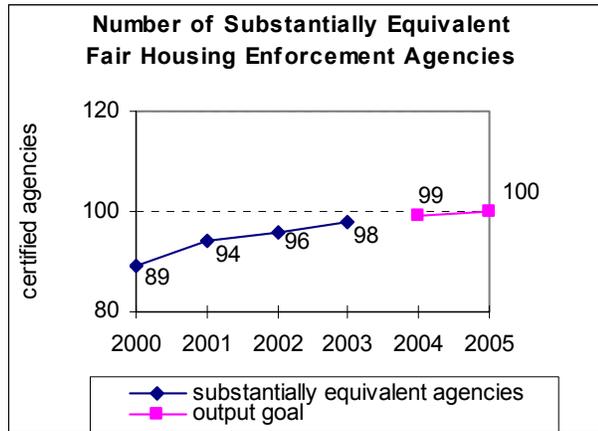
**FH.1.4: The number of enforcement agencies rated as substantially equivalent under the Fair Housing Act increases by 1 to 100 agencies.**

**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 2005 goal is to increase the number of agencies by one from the FY 2004 level, which is anticipated to reach 99 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.

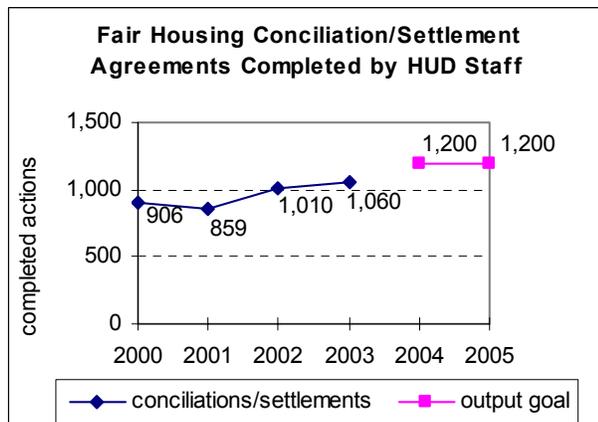


**FH.1.5: Provide protected classes under the Federal Fair Housing Act with increased access to sale and rental housing without discrimination by completing at least 1,200 fair housing conciliation/settlement agreements in FY 2005.**

**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 2005.

**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.

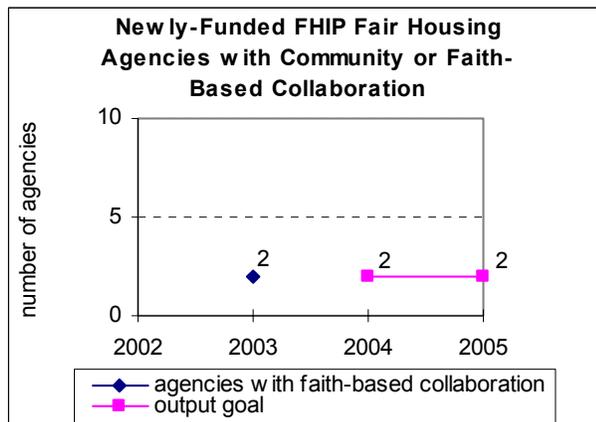
### FH.2.1: At least one new fair housing group will be funded through collaborative efforts between fair housing and community or faith-based organizations.

**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. 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 2005 goal is to identify and fund at least one new grantee that has built this linkage 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.2.2: The number of fair housing complaints identified by FHIP partners in the Southwest border region increases by 2 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 2005 goal is to increase the number of fair housing complaints by 2 percent above the FY 2004 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.** The data are being assessed to verify their reliability and validate their suitability for this measure.

## Objective FH.3: Improve housing accessibility for persons with disabilities.

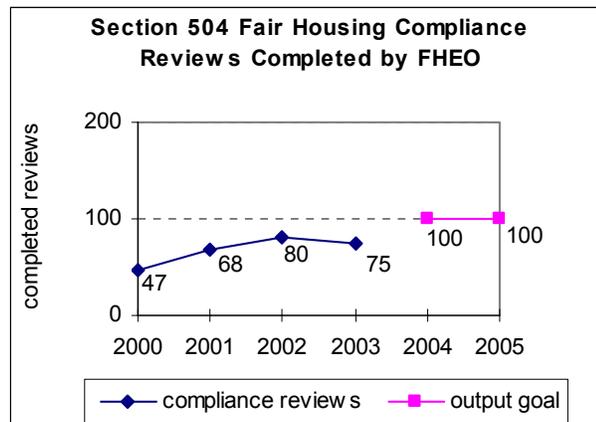
### FH.3.1: HUD will conduct 100 Section 504 disability compliance reviews of HUD recipients.

**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 2005 goal is to complete at least 100 reviews of PHAs and providers of HUD-assisted housing.

**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.



### FH.3.2: Complete training for over 3,000 housing professionals on how to design and construct multifamily housing that complies with the Fair Housing Act.

**Indicator background and context.** In FY1999, the Congress directed HUD to conduct training on the accessible design and construction requirements of the Fair Housing Act (the Act) open to architects, builders and all other persons with an interest in the accessibility of multifamily housing. Since March of 1991, the Act has required that all multifamily housing built for first occupancy after that date be accessible to persons with disabilities. The FY 2005 goal is to promote accessibility by completing training for a cumulative 3,000 professionals.

**Data source.** The data are drawn from the Accessibility FIRST contractor’s monthly reports and the final report at the end of the contract period on June 30. If the program is extended as requested, the contract period would end in June 2005.

**Limitations/advantages of the data.** The data will show how many housing professionals have been trained and in what geographic areas by this activity but will not show its actual impact on increasing and improving accessible housing availability and opportunity for persons with disabilities.

**Validation, verification, improvement of measure.** The Government Technical Representative, assisted by the attendance of other FHEO staff at training events, will validate and verify contractor monthly attendance reports and make improvements in the measure as experience dictates.

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

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### **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.**

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**EM.1.1: REAP/TEAM will complete three milestones in support of strategic human capital management.**

**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.

The National Academy of Public Administration (NAPA) helped develop REAP. NAPA recommended that it include the three components of resource estimation, resource allocation, and resource validation. The first resource estimation studies were completed in 2001, providing baseline data and standards for estimating the amount of time and resources required to perform the Department’s work. As recommended by NAPA, the Department also reevaluates the baseline data on a regular basis.

Along with REAP, HUD developed TEAM, 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 was implemented in FY 2003.

Together, REAP and TEAM assist the Department in developing a strategic human capital planning approach and at the same time support performance budgeting in terms of planning, utilization and funding of human capital resources. During FY 2005, the Department will accomplish three milestones to ensure continued strategic use of REAP/TEAM to manage human capital:

- Refresh the workload data to provide a more current profile of workload accomplishments and employee time usage;
- Use TEAM data to support the FY 2006 Budget request;
- Use TEAM to assess human resource needs in hiring decisions during FY 2005.

**Data source.** REAP/TEAM data are 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 also will be repeated on a regular basis.

### **EM.1.2: HUD will reduce skill and competency gaps in mission-critical occupations in Public and Indian Housing (PIH).**

**Indicator background and context.** In March 2003, HUD issued its Strategic Human Capital Management Plan. The HUD Inspector General reported that this Plan, issued by the Department's Executive Steering Committee, is a strong step toward better management of HUD's staffing resources.<sup>9</sup> One of the major strategies contained in the Plan is conducting a comprehensive workforce analysis and developing a workforce plan for each program office to address mission critical skill gaps. In FY 2004, HUD will have completed a workforce analysis and finalized plans for the following offices: Public and Indian Housing; Housing; Fair Housing and Equal Opportunity; and Community Planning and Development. These four Offices represent approximately 65 percent of the agency's Federal workforce. The individual office plans will be strategic and will consider e-Government, competitive sourcing, changes in mission/goals, products and services, and service delivery.

In FY 2004, HUD will establish a baseline of existing skill gaps in mission critical occupations for PIH by completing the PIH Workforce Plan. In addition, Resource Estimation and Allocation Process (REAP) studies will be completed within PIH. The Plan also includes strategies for hiring, training and retaining staff to reduce the gaps. During FY 2005, HUD will implement actions to close identified skill gaps. The workforce analysis will provide an established baseline against which progress will be measured. This will include targeting at least a 10 percent reduction in skill gaps by September 30, 2005. This approach will then be rolled out to the other program areas as they complete workforce analysis and planning.

Additionally, in FY 2005, HUD will conduct workforce analysis and develop a workforce plan for the remaining offices that were not included in FY 2004. These offices include Field Policy and Management, General Counsel, Policy Development and Research, Chief Financial Officer, Office of Administration, Healthy Homes and Lead Hazard Control, Small and Disadvantaged Business Utilization, and Faith-Based and Community Initiatives. These Offices represent approximately 35 percent of the agency's Federal workforce. In addition, a comprehensive, Departmental Workforce Plan will be issued and a baseline of existing gaps in staff knowledge, skills and abilities will be established for the Department.

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<sup>9</sup> OIG Semiannual Report to Congress, March 31, 2003.

**Data source.** Data will be gathered from the National Finance Center (NFC) payroll/personnel system, Workforce Analysis, and REAP/TEAM reports.

**Limitations/advantages of the data.** No data limitations compromise this measure.

**Validation, verification, improvement of measure.** Human Resource managers will confer with PIH officials to validate the findings of the workforce analysis, verify that program office workforce plan contains the required information, and that these plans address the principal future human capital concerns of the program areas.

### **EM.1.3: Sixty-eight percent of HUD’s successfully performing interns are retained after completing their intern program.**

**Indicator background and context.** The HUD Intern Program attracts exceptional individuals as a part of HUD’s succession planning efforts to recruit and train qualified professionals to fill mission-critical occupations at HUD. The program offers interns professional experiences and formal training opportunities that are tailored to meet their educational and professional goals and interests and to fill mission-critical skill gaps as senior HUD staff retire. Continued successful implementation of the Intern Program is crucial to maintain a constant flow of promising, talented individuals to support a productive workforce now and in the future.

As of April 2004, HUD has retained 84 percent of its intern Class of 2003. In FY 2005, HUD expects to retain 68 percent of its successfully performing interns from the Class of 2003 and convert them to permanent employees. HUD will also recruit a new intern Class of 2005 during the summer of 2004.

**Data source.** Manual performance reports provided by HUD program offices and data from the National Finance Center.

**Limitations/advantages of the data.** The Intern Program is closely administered by the HUD Training Academy and status reports are manually provided by HUD program offices, on intern performance and successful completion of requirements.

**Validation, verification, improvement of measure.** The HUD Training Academy is responsible for monitoring and measuring performance against Intern program performance goals.

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

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### **EM.2.1: FHA will continue to address financial management and system deficiencies through the phased implementation of an integrated financial system to better support FHA’s business needs, with full completion by December 2006.**

**Indicator background and context.** The FHA Comptroller developed a Blueprint for Financial Management that provides for a phased implementation of 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.

Implementation of the new Core FHA Financial Management System is included in the President’s Management Agenda for HUD to strengthen 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 annual financial statement audits and reports to the Congress. The Blueprint for Financial Management also provides corrective action for 14 different FHA systems that were previously non-compliant with federal financial systems requirements established in OMB Circular A-127.

The FHA Blueprint for an integrated Financial Management System 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 completed Phase I, FHA identified approximately 20 automated sources of accounting transactions within FHA's 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 the partially completed Phase II, FHA implemented the new JFMIP-compliant core financial software on schedule, 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.** The project will identify new annual milestones as work on each phase is completed.

### **EM.2.2: HUD is proceeding with plans to eliminate non-compliant financial management systems.**

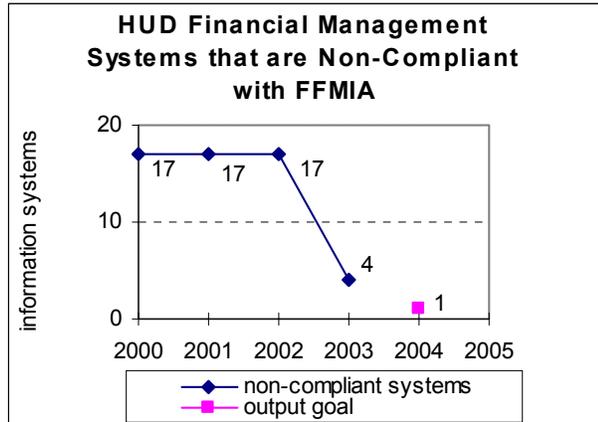
**Indicator background and context.** The Federal Financial Management Improvement Act of 1996 (FFMIA) requires Federal agencies to implement and maintain financial management systems that comply with Federal accounting standards and support the U.S. Government Standard General Ledger at the transaction 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. Fourteen of the 17 non-compliant systems were

in the Federal Housing Administration (FHA) where there was a need to replace FHA’s commercial accounting system with a system that is fully compliant with the federal basis of budgeting and accounting. Although further improvements are scheduled as part of a phased development effort running through 2006, eleven of these 14 FHA systems were reportedly brought into substantial compliance through the FHA Subsidiary Ledger Project in FY 2003, subject to independent verification. Whereas HUD’s FY 2003 goal was to reduce the number of non-compliant systems by three to 14, that goal was exceeded as the number of non-compliant systems was reduced by 13 to four.<sup>10</sup>

For the remaining four non-compliant systems, the Loan Accounting System is scheduled for remediation in FY 2005, and the following three FHA systems continue to be addressed by the FHA Subsidiary Ledger Project: Single Family Mortgage Notes Servicing; Single Family Acquired Asset Management; and Multifamily Insurance.

**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.

**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 2004, the Inspector General issued an unqualified audit opinion on HUD’s FY 2003 financial statements. The Department has received an unqualified audit opinion for four consecutive years—an indicator of financial management discipline and stability. The issuance of HUD’s audited financial statements was further accelerated by six weeks for FY 2003, 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 began 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 with the second quarter of FY 2004.

<sup>10</sup> The 13 noncompliant systems mitigated or eliminated in FY 2003 were as follows:  
*Office of Public and Indian Housing*—Regional Operating Budget and Obligation Tracking.  
*Office of Housing/Federal Housing Administration*— Tenant Rental Assistance Certification System; Mortgage Insurance General Accounting; Single Family Insurance System; Single Family Insurance Claims Subsystem; Distributive Shares and Refund Subsystem; Single Family Premium Collections Subsystems—Upfront and Periodic; Home Equity Conversion Mortgages; Cash, Control, Accounting Reporting System; Title I Notes Servicing; Title I Insurance and Claims; Multifamily Claims System.

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 maintaining 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.

**Unqualified Audit Opinions Issued by the OIG for HUD’s Financial Statements**

	FY 2000	FY 2001	FY 2002	FY 2003
Unqualified Audit Opinion	Yes	Yes	Yes	Yes

**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.

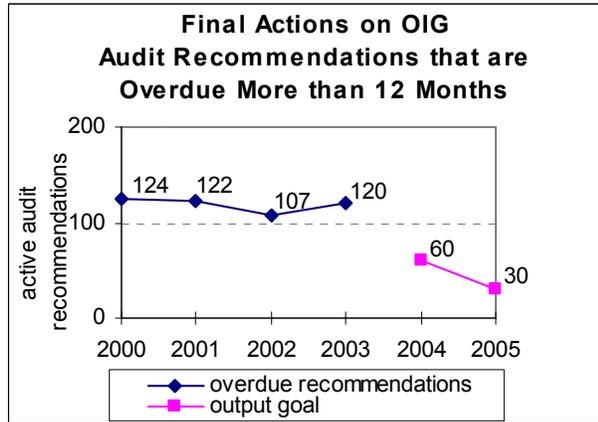
**EM.2.4: Ensure timely management decisions and final actions on audit recommendations by the HUD Office of Inspector General.**

**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 periods ending March 31, 2003 and September 30, 2003, HUD made timely management decisions on 858 OIG audit recommendations and—for only the sixth time since the passage of the Inspector General Act in 1978—had “no” overdue management decisions to report on September 30, 2003. HUD’s goal is to have “no” overdue management decisions every six-month reporting period, and has met this goal for five consecutive periods through September 30, 2003.

However, HUD ended the FY 2003 reporting period with 120 recommendations with final actions that were more than 12 months overdue, reversing a three-year trend in declining balances of overdue actions. HUD’s goal is to reduce the number of recommendations more than 12 months overdue by 50 percent by the end of FY 2004.

**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.

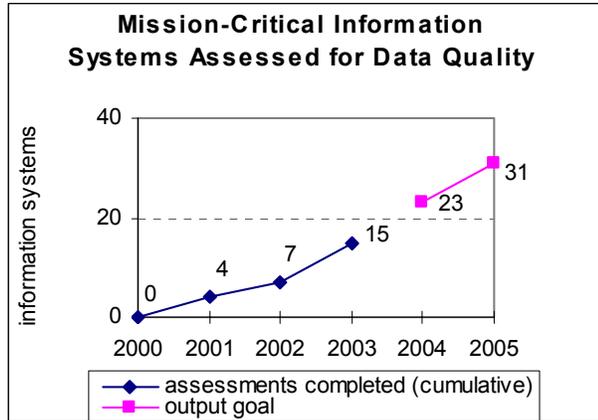
**EM.2.5: HUD will assess eight additional major systems for data quality.**

**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 Chief Information Officer (CIO) oversees information technology investments and ensures that information systems support core business processes and achieve mission-critical goals.

The CIO partnered with the Chief Financial Officer (CFO) and the program offices in FY 2000 to launch the Data Quality Improvement Program (DQIP), an enterprise-wide initiative that is ensuring accurate, complete, consistent, timely and valid data across HUD. HUD is aligning data management priorities with the Department’s mission and program office objectives resulting in streamlined data management functions across the enterprise. The DQIP initiative is enabling the Department, in program areas and in IT service areas, to develop reliable and useful information systems efficiently and effectively in less time and at a reduced cost. By the end of FY 2004, HUD will have assessed 23 mission critical systems under the DQIP. There are approximately 40 HUD systems reporting on Annual Performance Plan performance indicators.

In FY 2005, HUD will assess the quality of eight additional mission-critical information systems, bringing the total of systems assessed to 31 or 75 percent of total. 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 data cleanup activity before data quality is certified but also will implement the business and system 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 CIO. 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 CIO. 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.** CIO assessment reports identify 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.*

Organizations that apply the SA-CMM model to their acquisition processes realize benefits in identifying internal issues, problems, and risks that if properly addressed will ultimately lead to a 21 percent cost reduction.

HUD plans that five systems will achieve SA-CMM Level 2 designations in FY 2004. During FY 2005, HUD will achieve an SA-CMM Level 2 designation for an additional five mission critical application systems. In addition, the CIO will assist projects that have attained SA-CMM Level 2 towards achieving Level 3 maturity (standard, consistent processes).

HUD has planned a full CMM appraisal for internal process improvement by the end of calendar year 2004 in order to gain a thorough understanding of its software acquisition capability maturity

level and provide the basis for managing, planning and executing sound process improvement actions to meet business goals.

**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 maintain Information Technology Investment Management (ITIM) Maturity Stage 3 achieved in FY 2004 and progress toward ITIM Maturity Stage 4 by the end of FY 2005.**

**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 2000, 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; and
- Stage 5 – Leveraging IT for strategic outcomes.

In FY 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. This has required 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.

In FY 2005, moving to Stage 4 will be a significant undertaking that will require HUD to define, implement, and conduct the following activities concurrently with the activities for Stages 1, 2 and 3:

- *Portfolio Performance Evaluation and Improvement.* Comprehensive IT portfolio performance measurement data are defined and collected using agreed upon methods, Aggregate performance data and trends are analyzed, and Investment practices are developed and implemented.

- *Systems and Technology Succession Management.* IT investments are periodically analyzed for succession and appropriate investments are identified as succession candidates, Interdependency of each investment with other investments in the IT portfolio is analyzed, and the IT investment review board makes a succession decision for each candidate IT investment.

**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 knowledgeable in the GAO methodology.

### **EM.2.8: HUD will complete its target architecture by the end of FY 2005.**

**Indicator background and context.** In FY 2000, HUD established an Enterprise Architecture (EA) program to promote sound business and Information Technology 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; and
- Highlight opportunities for building greater flexibility into applications.

Before a new application is developed, the EA 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 Stage 4 operations.

The EA Practice is already paying dividends by revealing gaps in performance and identifying opportunities to guide strategic decision-making in IT. Under this initiative, analyses are being conducted that identify opportunities to consolidate systems, eliminate redundant and obsolete systems, and leverage new technologies. Through the EA Practice, HUD is pursuing cross-program and enterprise-wide initiatives in a strategic, methodical manner to allow the Department to better meet its mission and goals. These cross-program and enterprise-wide investments are resulting in: 1) streamlined operations; 2) standardized applications; 3) upgraded functionality; 4) greater flexibility; and 5) significant cost savings.

In FY 2005, HUD will complete its target architecture.

**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: HUD will implement policies and controls to reduce computer security risks, including certifying and accrediting 100 percent of HUD’s IT systems by December 31, 2005.**

**Indicator background and context.** The Federal Information Security Management Act of 2002 (FISMA) establishes specific security standards and requires federal agencies to take specific steps to ensure the security of federal information systems. HUD’s Information Technology Security Office provides protection for HUD’s information systems and resources and has responsibility for implementing security controls in compliance with FISMA. This includes establishing and implementing security policies and procedures; assessing risks; independently certifying that security controls have been correctly implemented; promoting computer security awareness training; monitoring and evaluating the effectiveness of computer security policies and control mechanisms; and ensuring that effective disaster recovery/contingency planning is in place.

During FY 2004, HUD committed additional resources to put IT Security Plans in place to meet FISMA’s rigorous requirements. As of April 2004, the IT Security organization is staffed with 13 computer specialists, and plans are in place to hire three additional security professionals that includes an experienced Chief Information Security Officer. In FY 2004, \$4.1 million dollars have been allocated to accomplish HUD’s information security program.

In FY 2005, the IT Security Office will continue to reduce risks and vulnerabilities and protect HUD’s information systems and resources from unauthorized access, use and modification. This will include the following:

- Complete security certifications and accreditations for 100 percent of HUD’s IT systems by December 31, 2005.
- Complete application-specific self-assessments for determining type and degree of computer security weaknesses.
- Complete an updated Plan Of Action and Milestones (POA&M) and all reports required by the Federal Information Security Management Act.
- Implement a quality assurance program to assess effectiveness of security control implementations, and track resolution of material weaknesses discovered through POA&M and independent certifications.
- Implement a Systems Engineering and Technical Assessment (SETA) capability to strengthen HUD’s IT Security Program and perform independent risk assessments.
- Conduct biannual technical computer vulnerability assessments through external penetration tests.
- Promote enterprise-wide security awareness training through outreach, computer based training, and multi-media based training.

**Data source.** HUD will collect computer security risk data from independent risk assessments, certifications and accreditations, self-assessments, and penetration tests.

**Limitations/advantages of the data.** Quality of data from self-assessments is likely to be variable. Quality of security certifications will be dependent on the quality of the documentation provided, and the depth of analysis used to test correctness of implemented computer controls.

**Validation, verification, improvement of measure.** Program managers regularly review the status reports to ensure that planned actions occur.

**EM.2.10: Exceed the rate of net recovery received on the sale of property through the Accelerated Claim demonstration program (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 has the opportunity to execute various asset disposition strategies as a part of the Accelerated Claim Disposition (ACD) demonstration, securitizations, whole loan sales, and a combination whole loan/pipeline sale. Currently, FHA is utilizing a structured financing and retaining 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 Claim Disposition 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 2004 and FY 2005.

**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.

**Objective EM.3: Improve accountability, service delivery and customer service of HUD and its partners.**

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**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 2001 baseline study is replicated.

**Data source.** A similar stakeholder survey is being procured 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 new 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. The baseline report, “How’s HUD Doing? Agency Performance as Judged by Its Partners,” is available at [www.huduser.org](http://www.huduser.org). In related research, focus groups were conducted in 2000 to assess partner needs and opinions as they relate to reporting program results.

**EM.3.2: 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.” HUD’s goal is to maintain at least 80 percent of responses indicating that PD&R products are valuable. 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. In intervening research, PD&R will obtain and assess user opinions of the HUD USER website.

**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 web-based survey has been contracted for FY 2004. Components of this study include a customer satisfaction survey of members of the HUD USER listserv and a survey of individuals who visit the website during autumn 2004.

**Limitations/advantages of the data.** The initial research was based on a purposive sample of the most intensive users. The current web-based survey will be a census of all listserv members and users during a six-week period.

**Validation, verification, improvement of measure.** The sample size of the follow-up research is much larger and more representative than the sample for the initial research. Response patterns will be assessed as evidence of the appropriateness and reliability of the measure. The current web-based survey effort will include features designed to boost response rates.

**EM.3.3: More than 3.2 million files related to housing and community development topics will be downloaded from PD&R’s website.**

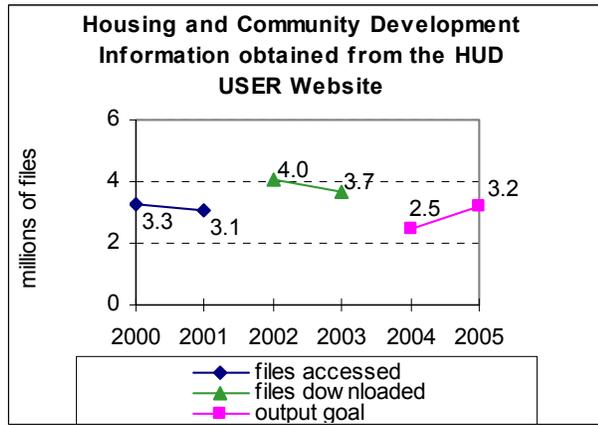
**Indicator background and context.** In 1978, PD&R established HUD USER, an information source for housing and community development researchers and policymakers. HUD USER is one of the principal sources for Federal Government reports and information on housing policy and programs, building technology, economic development, urban planning and other housing-related topics. HUD USER also creates and distributes a wide variety of useful information products and services, including products essential to HUD program operations. This measure includes downloads from the Regulatory Barriers Clearinghouse that HUD developed at the request of Congress. This clearinghouse, [www.regbarriers.org](http://www.regbarriers.org), helps stakeholders share information about ways to remove regulatory barriers to affordable housing.

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 calendar year 2003, users downloaded 3.69 million files from the HUD USER research clearinghouse: www.huduser.org. The FY 2005 goal is to achieve 3.2 million downloads, an increase from the FY 2004 goal.

**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 rather than the fiscal year.

**Validation, verification, improvement of measure.** The revised measure used beginning in FY 2002 has greater validity for tracking website use.



## 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/HCF Vouchers and project-based assistance programs) constitute HUD’s largest appropriated activity, with over \$24 billion in annual expenditures. In 2000, a HUD Quality Control Study estimated 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 set interim error reduction goals of 15 percent for FY 2003 and 30 percent for FY 2004. Based on a study of program activity in the first half of FY 2003, HUD exceeded its interim FY 2003 goal of a 15 percent reduction in estimated program administrator errors in income and rent determinations.

**FY 2003 Estimates of Errors in Program Administrator Income and Rent Determinations\***

Rental Assistance Programs	Gross Erroneous Payments		
	FY 2000 Estimates*	FY 2003 Estimates	Percent Reduction, FY 2000-FY 2003
Public Housing	\$602,556	\$356,040	40.9%
Vouchers & Mod Rehab	\$1,096,524	\$797,508	27.3%
Total PHA Administered	\$1,699,092	\$1,153,548	32.1%
Project-based Assistance	\$539,160	\$395,796	26.6%
Total	\$2,238,252 (+/- \$275,000)	\$1,549,344 (+/- \$229,000)	30.8%

\* All values are presented in thousands.

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 for tenants, program administrators and HUD monitoring staff;
- 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.

In January 2004, HUD was given statutory authority for improved computer matching capability that will enable “upfront income verification” efforts with the potential to eliminate half of the estimated erroneous payments.

**Data source.** Periodic error measurement studies by the Office of Policy Development and Research (PD&R).

**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) 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 reporting rate or better in 2004.

**Reporting Rate for Public and Indian Housing Information Center**

	FY 2003	FY 2004 Goal	FY 2005 Goal
Public housing	89%	-	-
Vouchers	98%	-	-
Total	-	85%	85%

**Data source.** Late reporting is identified by automated PIC 50058 module reports that specify late recertifications for each housing agency and flag poor reporters.

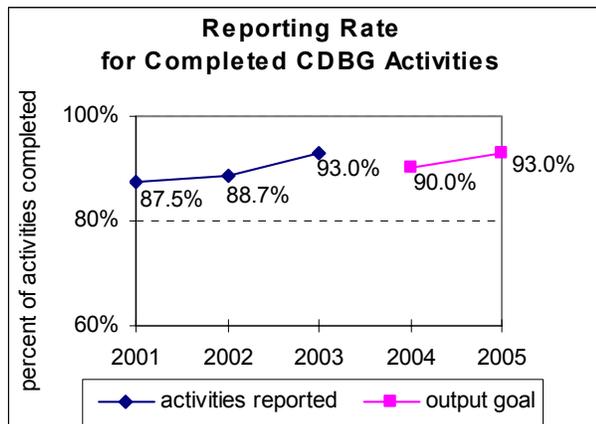
**Limitations/advantages of the data.** The identification of poor reporters is straightforward and easily verifiable.

**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 93 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 the CDBG program’s three national objectives. In order to meet the threshold for satisfactory reporting, grantees must report accomplishments for at least 93 percent of activities funded under these objectives within three months after project completion.



**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.

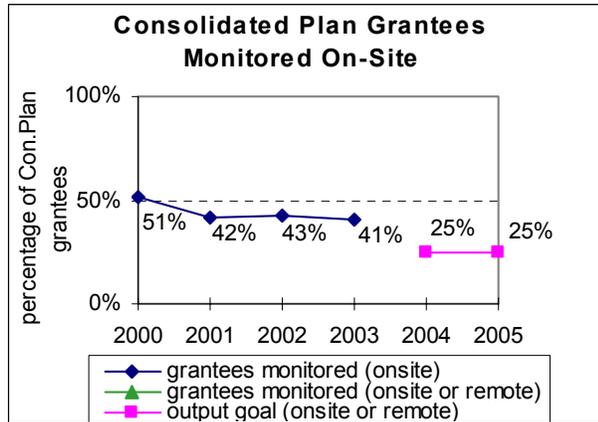
**Validation, verification, improvement of measure.** CPD field staff will monitor grantees on a random-sample basis.

**EM.4.4: A minimum of 20 percent of active CPD program grantees will be monitored on-site or remotely for compliance with statutory and regulatory requirements.**

**Indicator background and context.** Communities develop five-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.

CPD will set numerical goals for on-site monitoring of active competitive and formula grantees. An additional numerical goal will be set for remote monitoring. By establishing a minimum percentage of grantees to be monitored, this approach will provide flexibility in deploying staff resources while maintaining grantee accountability.

**Data source.** CPD Field Offices report how many grantees were reviewed in the Department’s internal tracking system, HIPRS (HUD Integrated Performance Reporting System).

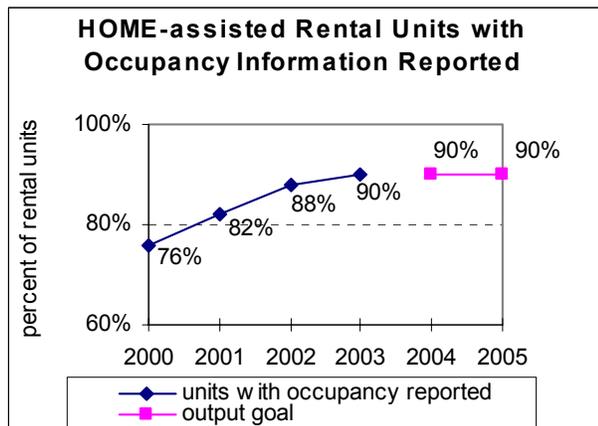


**Limitations/advantages of the data.** Administrative data do not support assessments of the quality of review. Field staff will continue to monitor all consolidated plans off site. However, remote monitoring activities will be carried out in compliance with guidelines established in the HUD Monitoring Desk Guide (Training Edition).

**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) into IDIS of household occupancy data for HOME rental units. IDIS (Integrated Disbursement Information System) is the data collection system 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. The FY 2005 goal is to maintain 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: By taking aggressive civil or administrative enforcement actions, the DEC will increase the percentage of households who are living in acceptable insured and/or assisted multifamily housing to 95 percent, as determined by REAC physical inspections.**

**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). 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, excessive expenses, or fraud in the form of equity skimming. REAC refers properties scored as “high risk” directly to DEC.

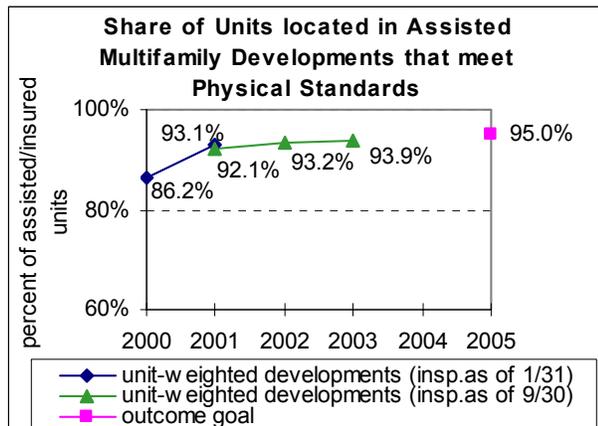
The DEC works closely with the Office of Housing and other HUD program areas to determine appropriate remedies for referrals. Remedies can include recommendations (sanction notices) for debarment, suspension, or Limited Denials of Participation. Referrals include cases triggered by audits, the single 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. The FY 2005 goal is that the proportion of units located in assisted or insured properties with acceptable physical conditions as determined by REAC physical inspections would increase to 95.0 percent from the FY 2003 level of 93.9 percent.

**Data source.** Real Estate Management System (REMS) and DEC’s Management System (DECMS). These systems are fed by data from REAC’s Physical Assessment Subsystem (PASS—the source for this indicator) and Financial Assessment Subsystem.

**Limitations/advantages of the data.** No data problems affect the reliability of this indicator.

**Validation, verification, improvement of measure.** 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. Monthly analysis of DECMS data uncovers unusual data occurrences for Enforcement and Financial Analysts to clarify and/or correct. See also the discussion of REAC data in Appendix D.



**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.** The Office of Fair Housing and Equal Opportunity 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 2005 goal is to increase the number of completed reviews by 5 percent from the number conducted in FY 2004.

**Data source.** FHEO’s Title VIII Automated Paperless Office and Tracking System (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.

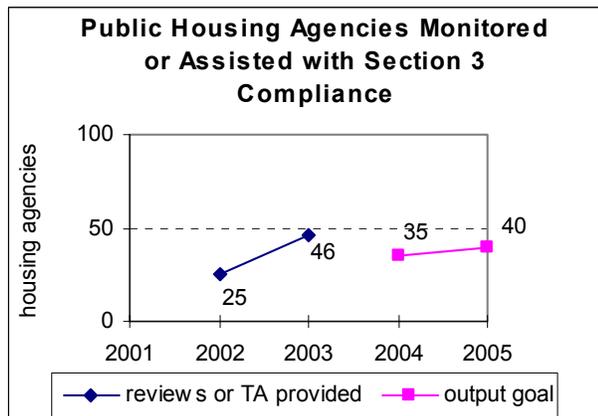
**EM.4.8: HUD will conduct monitoring and compliance reviews or provide technical assistance to 40 housing authorities and other recipients of HUD direct financial assisted projects covered under Section 3.**

**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. PHAs and other recipients must report their number of Section 3 residents receiving employment, training and contract opportunities each year. This regulation also applies to any program administered by HUD, in the form of loans, grants (including community development block grants), cooperative agreements, subsidies, contributions, or other type of financial assistance provided in aid of housing, urban planning, development. The goal for FY 2004 is to identify 35 additional agencies. The goal for FY 2005 is to identify 40 additional PHAs or other 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 and other program recipients 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.



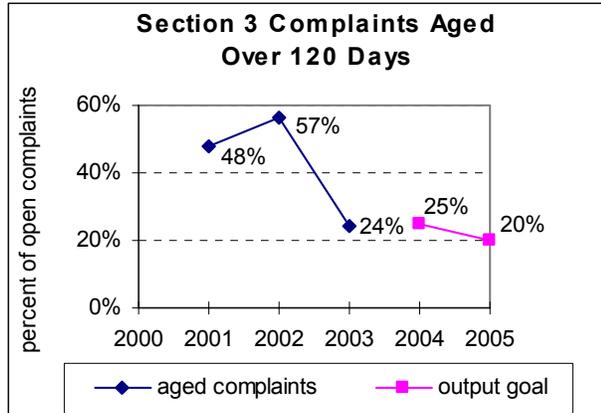
**EM.4.9: By the end of the fiscal year, no more than 20 percent of the Section 3 complaints will be aged.**

**Indicator background and context.** FHEO’s Office of Economic Development had a total of 58 Section 3 complaints in its inventory in FY 2003 (see background above). Nineteen of these cases (33 percent) exceeded the 120-day time limit allowed for the Final Investigative Report to be submitted for resolution. Headquarters has 30 days after submission to make a final determination and notify both the complainant and the respondent. The FY 2005 goal is to have no more than 20 percent of the Section 3 complaints aged.

**Data source.** The total number of complaints and aged complaints will be tracked through a automated tracking system for Section 3 complaints.

**Limitation/advantages of the data.** This measure excludes cases in which the Respondent 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 100 percent 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 \$51 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 for the grantees 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.

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### EM.5.1: Increase by 10 percentage points the level of employee satisfaction on the four targeted dimensions of the Organizational Assessment Survey (OAS).

**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 is satisfied with their work environment, the training and support they receive, and HUD's performance orientation measured along several dimensions. An employee survey, the Organizational Assessment Survey, was conducted in FY 2002. The OAS provided detailed results across 17 dimensions of organizational analysis.

Four dimensions included in the FY 2002 OAS were chosen by the Human Capital Steering Committee as areas for Departmental focus and improvement: (1) communication; (2) rewards and recognition; (3) training and development; and (4) use of resources. During FY 2003, four employee action teams (three regional and one headquarters) convened to 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.

In FY 2005, the OAS will be readministered at HUD and the percentage of favorable responses to the four dimensions of the OAS will increase by at least 10 percentage points.

Targeted Dimension	FY 2002	FY 2005 Goal
Communications	44%	54%
Use of resources	39%	49%
Training and career development	32%	42%
Rewards and recognition	41%	51%

**Data source.** The Organizational Assessment Survey (OAS) is administered by the Personnel Resources and Development Center of the Office of Personnel Management.

**Limitations/advantages of the data.** The OAS data are nearly free of sampling error because all employees receive the survey, and response rates are usually very 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 Committee guided development of the survey administration 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 HUD-specific questions.

## **Goal FC: Promote participation of faith-based and community organizations**

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### **Strategic Objectives:**

**FC.1: Reduce regulatory barriers to participation by faith-based and community organizations.**

**FC.2: Conduct outreach to inform potential partners of HUD opportunities.**

**FC.3: Expand technical assistance resources deployed to faith-based and community organizations.**

**FC.4: Encourage partnerships between faith-based/community organizations and HUD's traditional grantees.**

### **Objective FC.1: Reduce regulatory barriers to participation by faith-based and community organizations.**

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**FC.1.1/FC.4.1: The Center will measure the potentially increased participation by new and past participating faith-based and community organizations in the Department's FY 2005 SuperNOFA process compared to 2004.**

**Indicator background and context.** HUD's Center for Faith-Based and Community Initiatives surveyed FY 2003 SuperNOFA applicants and identified the FY 2003 grantees that had not previously received HUD grants. Through these tools, the Center established a baseline and a target for increased participation by nonprofit faith-based and community organizations (FBCOs).

State and local governments make the decisions on whether to award block grant funds to nonprofits. This process begins with the process of developing local Consolidated Plans. Frequently, FBCOs fail to get involved in that process and thereby fail to have their concerns considered. In FY 2003–2004, the Center created and implemented a plan for increasing FBCO participation in the consolidated planning process. The Center is encouraging FBCOs—especially those that have never accessed Federal funding—to apply for competitive grants. With respect to the block grant programs, the Center is encouraging a greater FBCO participation by tracking their involvement, by educating grantees on HUD's new regulations, by educating FBCOs on HUD's programs, and by encouraging the replication of promising examples in which grantees have worked with FBCOs. This FY 2003–2005 effort reflects the initial years of a longer term effort that is expected to increase the participation of FBCOs in HUD programs.

**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, and the survey is voluntary.

**Validation, verification, improvement of measure.** Further validation is yet to be determined.

## **Objective FC.2: Conduct outreach to inform potential partners of HUD opportunities.**

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### **FC.2.1/FC.3.1: The Center will conduct comprehensive outreach and expand technical assistance to faith-based organizations.**

**Indicator background and context.** The Center is executing a comprehensive outreach and technical assistance plan that uses the HUD regional and field offices, targeted media, and presentations at national and regional conferences. These efforts were initiated in FY 2003 and will continue in FY 2005.

In 2004, the Center provided FBCOs with training on creating homeownership opportunities and providing potential homebuyers with counseling as well as recruited more than 250 nonprofits to begin the process of becoming a HUD-Approved Housing Counseling Agency. In 2005 the Center will provide continued technical assistance to these nonprofits and track how many complete the process.

**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.**

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### **FC.3.1: (See FC.2.1)**

The Center-trained faith-based and community liaisons in each of HUD's 10 regional and 85 field offices will continue to conduct training and outreach on behalf of the Initiative and serve as point-of-contact for the nonprofit faith-based and community organizations in their region. The Center uses mass mailings, blast faxes, emails, and webcasts to inform FBCOs about the Initiative and HUD programs. The goal is to increase this list from the FY 2004 target of 5,000 FBCOs to a FY 2005 target of 10,000 FBCOs. The Center and the FBCI liaisons will conduct at least 80 grant-writing workshops by FY 2005, which will enhance the ability of FBCOs to navigate the government grant process—especially the HUD grant process. The Center also publishes annually a CD-ROM with the SuperNOFA information materials.

## **Objective FC.4: Encourage partnerships between faith-based/community organizations and HUD's traditional grantees.**

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### **FC.4.1: (See FC.1.1).**

In 2004 the Center worked with the Office of Community Planning and Development to design and offer a joint \$15 million NOFA with the Department of Labor that would engage faith-based and community organizations in housing and job training services for homeless young people. In 2005 the Center will assist in promoting the awards made, and will evaluate the implications of the NOFA's emphasis on involving grassroots organizations for other HUD grant programs. The Center will also work with CPD in 2005 to implement a \$5 million community development pilot project that will focus on working with cities that are partnering innovatively with faith-based and community organizations.

## **APPENDIX A: REVISIONS TO FY 2004 ANNUAL PERFORMANCE PLAN**

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

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

##### **H.1.4: The share of first-time homebuyers among FHA-insured home-purchase mortgages.**

The indicator is converted to a tracking indicator without a specified FY 2005 performance target. The change reflects the strong influence of macroeconomic factors beyond FHA control including, but not limited to, interest rate changes and choices made by lenders concerning the type of mortgage transactions on which they focus their business.

##### **H.1.5: The homeownership Downpayment Assistance Initiative will be fully implemented and assist 1,000 new homebuyers.**

The FY 2004 performance target is reduced to reflect the delay in funding. Funds will only become available to participating jurisdictions during the third quarter of FY 2004, following the publication of regulations. Approximately 1,000 households will be assisted during FY 2004. Between 11,600 and 17,400 households are projected to be assisted over time with the \$87 million appropriated in FY 2004.

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

The measure is revised to exclude loans from the Rural Housing Service, making this indicator consistent for fiscal years 2000-2005.

##### **H.1.7: Housing counseling is provided to 418,377 homebuyers and homeowners in FY 2005 using FY 2004 funds.**

The target is revised upward from 137,000 and changed to a new measure that reflects the total number of clients served, in contrast to the former measure that considered increases in the number of clients served over the previous fiscal year. Using a whole number as a target will better represent the impact of these funds. Using an increase as the target made performance reporting more dependent on fluctuations in appropriations and less reflective of total clients

##### **H.1.11: The share of REO properties that are sold to owner-occupants will be maintained at 64.0 percent.**

The target is revised downward from 67.6 percent to more closely match the actual program performance achieved during FY 2003 and to reflect the fact that prospective owner-occupant purchasers of HUD properties are often seeking a home that they can move into immediately without the cost and time burdens involved with home repairs or rehabilitation. HUD properties, however, often require repairs, some of which are extensive, and which take additional financial resources and cause delays in moving into the property. Approximately 45 percent of HUD property sales are of homes built prior to 1960 and near 22 percent are of homes built prior to 1940. For these reasons the target is revised.

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

The indicator is deleted to reflect that the automated underwriting systems have been established in the FHA business processes and that the indicator is more process oriented than outcome oriented.

**H.1.13: HUD will continue to monitor and enforce Fannie Mae's and Freddie Mac's performance in meeting or surpassing HUD-defined targets for low-and moderate-income mortgage purchases.**

The indicator language is revised to more accurately reflect HUD's regulatory responsibilities over Fannie Mae's and Freddie Mac's housing goals.

**Strategic Objective H.2: Increase minority homeownership.**

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

The indicator is deleted to reflect FHA's limited control regarding rates of minority participation.

**H.2.5: HUD will continue to monitor and enforce Fannie Mae's and Freddie Mac's performance in meeting or surpassing HUD-defined targets for special affordable mortgage purchases.**

The indicator language is revised to more accurately reflect HUD's regulatory responsibilities over Fannie Mae's and Freddie Mac's housing goals.

**H.2.6: Housing Counseling is provided to 353,183 minority clients in FY 2005 to support the Department's goal of increasing minority homeownership.**

The target is revised upward from 113,000 and the measure is revised to reflect total number of clients served, in contrast to the former measure that considered increases in the number of clients served over the previous fiscal year. Using a whole number as a target will better represent the impact of FY 2004 housing counseling funds. Using an increase as the target made performance reporting more dependent on fluctuations in appropriations and less reflective of total clients counseled. This measurement is consistent with the methodology for the FY 2005 Annual Performance Plan.

**H.2.8: Section 184 mortgage financing is guaranteed for 1,000 Native American homeowners during FY 2004.**

The goal is increased from the original level of 200, reflecting a greater Departmental commitment to expanding homeownership among the Native American population.

**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.**

The indicator is deleted because the goal was accomplished due to publication of a final rule on property eligibility for FHA mortgage insurance on May 1, 2003.

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

**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.**

The indicator is deleted due to the inability to track progress using current means of evaluation housing counseling activity via Form HUD-9902.

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

**H.6.2: More than 62 percent of total mortgagors receiving default counseling will successfully avoid foreclosure.**

The indicator language is revised to more accurately reflect the actual measurement.

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

**Strategic Objective A.1: Expand access to affordable rental housing.**

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

The FY 2004 target for Indian Housing Block Grants is increased to 69,430 families. The change reflects more accurately measured FY 2003 baseline results obtained through the use of the new Performance Tracking system. A target of 3,338 housing units constructed or rehabilitated through the Rural Housing and Economic Development program is established. (Funding was not requested in the FY 2004 budget; however, Congress did provide funding and so an accomplishment target is included).

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

This indicator is being discontinued as part of HUD's joint effort with OMB to develop a more focused portfolio of outcome-oriented performance indicators.

**A.1.9: HUD will complete 80 percent of the initial FY 2004 Mark-to-Market pipeline during the fiscal year, reducing rents and restructuring mortgages where appropriate.**

The indicator is revised to more accurately reflect the entire workload of the M2M program. While the majority of the completed pipeline result in reduced rents, some properties are not eligible for reduced rents, but are apart of the total M2M workload.

**A.1.10: HUD will continue to monitor and enforce Fannie Mae's and Freddie Mac's performance in meeting or surpassing HUD-defined targets for special affordable multifamily mortgage purchases.**

The indicator language is revised to more accurately reflect HUD's regulatory responsibilities over Fannie Mae's and Freddie Mac's housing goals.

**A.1.11: The number of clients receiving rental and homeless counseling.**

A FY 2004 target is not being established because baseline data will not be available due to the implementation of a new data collection instrument (HUD Form 9902) in FY 2003.

**Strategic 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 remains at least 90 percent in public housing and increases by 1 percentage point in multifamily housing.**

The FY 2004 target for public housing is revised to maintain the FY 2003 performance level.

**A.2.4: The unit-weighted average PHAS score remains at least 87.3 percent.**

The FY 2004 target for public housing is revised to maintain the FY 2003 performance level.

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

The indicator is revised to measure the share of properties that meet HUD's financial management requirements rather than the share of households living in these properties.

**A.2.11: Maintain the share of Housing Choice Voucher units managed by troubled housing agencies at the FY 2003 level.**

The indicator is restated and the FY 2004 goal of a 5 percent improvement is reduced. This revision reflects several factors including the level of resources available for the overall program, the non-enactment of the Housing Assistance for Needy Families proposal and technical factors which have reflected an over representation of PHAs who scored poorly under the income verification SEMAP indicator.

**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.**

The indicator is deleted from the APP, but because of its operational nature will continue to be used in the Management Plan.

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

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

This indicator is being discontinued as part of HUD's joint effort with OMB to develop a more focused portfolio of outcome-oriented performance indicators.

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

The indicator is deleted.

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

**A.4.2: Average earnings increase by 5 percent from year to year among non-elderly non-disabled households in the public housing and Housing Choice Voucher programs.**

The indicator is revised to remove Section 8 project-based housing from the indicator. The Office of Multifamily Housing has no programs and provides no resources for owners to assist households increase their earnings in Section 8 project-based housing.

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

The indicator is deleted.

## **Strategic Goal C: Strengthen Communities**

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

**C.1.4: Brownfields Economic Development Grants will support the creation of 5,000 jobs.**

The indicator is added because Congress appropriated FY 2004 funds for this program although funding was not requested.

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

**C.2.6: The share of multifamily properties in underserved areas insured by FHA is maintained at 25 percent of initial endorsements.**

The indicator language is revised to more accurately reflect the actual measurement with a percentage goal.

**C.2.7: HUD will continue to monitor and enforce Fannie Mae's and Freddie Mac's performance in meeting or surpassing HUD-defined geographic targets for mortgage purchases in underserved areas.**

The indicator language is revised to more accurately reflect HUD's regulatory responsibilities over Fannie Mae's and Freddie Mac's housing goals.

**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.**

This indicator is being discontinued as part of HUD's joint effort with OMB to develop a more focused portfolio of outcome-oriented performance indicators.

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

**C.3.7: Housing Counseling is provided to clients receiving homeless counseling increases by 7,000.**

The indicator is deleted because of consolidation with revised performance indicator A.1.11.

**C.3.8: Overcrowded households in Indian country shall be reduced by one percent.**

The indicator is revised to reflect the fact that a FY 2003 baseline has been newly established at 47,169 overcrowded households. The FY 2004 goal of a one percent decrease implies a reduction in the number of overcrowded households to an estimated 46,230.

**C.3.9: At least 110,000 households will receive emergency rental of mortgage payment assistance through the Emergency Food and Shelter program to prevent homelessness.**

The indicator is deleted because Congress did not authorize transfer of the program from the Federal Emergency Management Agency.

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

**C.4.1: The average number of observed exigent deficiencies per property does not exceed 3.41 for public housing and 2.10 for multifamily housing.**

This indicator is revised to use a different measure and to include goals for both the public housing and the multifamily programs. The revision is consistent with the FY 2005 indicator and captures fluctuations in the incidence of hazardous conditions with greater precision than the previous measure. The FY 2004 goals are to maintain at least current conditions observed during the first half of FY 2004, a challenge because of recent increases in the rigor of physical inspections. The revised indicator incorporates C.4.2 below.

**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.**

This indicator is deleted because it has been incorporated into the revised C.4.1 as discussed above.

**C.4.3: The share of units that have functioning smoke detectors and are in building with functioning smoke detectors increases by 0.5 percentage points for public housing and by 0.7 percentage points for assisted multifamily housing.**

The FY 2004 target for public housing is reduced from 1.2 percentage points reflecting the difficulty of maintaining substantial progress each year as the overall level increases.

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

### **Strategic Objective EM.1: Improve accountability, service delivery, and customer service of HUD and its partners.**

#### **EM.1.4: Monitor and report improvements in the representation of under represented groups in the Department.**

The indicator is deleted, as the Department will be unable to report on it because of ongoing litigation.

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

#### **EM.2.8: HUD will complete Design Architecture Blueprints for eight core and crosscutting business functions.**

The indicator is reworded to clarify that crosscutting as well as core business functions are being addressed under the Enterprise Architecture. Two of the eight FY 2004 milestones are being replaced because the planned activities have been rescheduled. During FY 2004, integrated architecture segments will be developed for Enterprise Workflow Management rather than Facilities Management and for Multifamily Mortgage Insurance rather than Acquisition Management.

### **Strategic Objective EM.3: Improve accountability, service delivery, and customer service of HUD and its partners.**

#### **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.**

The indicator is deleted due to the implementation of the Appraiser Watch system during FY 2003.

#### **EM.3.4: Process 200,000 mortgage insurance applications through TOTAL Scorecard.**

The indicator is deleted from the FY 2004 APP but will be tracked and reviewed within the Department's FY 2004 Management Plan, reflecting the indicator's focus on a process rather than an outcome.

#### **EM.3.6: HUD will increase total obligations for performance-based service contracts to \$125 million.**

The FY 2004 target has been increased from \$112 million to exceed the FY 2003 performance and agree with the FY 2004 Management Plan goal.

#### **EM.3.7: HUD will implement the Contractor Performance System and training initiatives to strengthen acquisition management.**

The third milestone for this indicator, "provide training to 100 percent of HUD's contract management staff," is revised to correspond with the goal statement in the FY 2004 budget request and to align with current training requirements. The revised milestone is "Provide 40 hours of required acquisition management training to 50 percent of HUD's acquisition professionals; and provide 24 hours of required training to 50 percent of HUD's program acquisition staff (personnel with contract oversight responsibilities)."

**Strategic Objective EM.4: Ensure program compliance.**

**EM.4.4: A minimum of 25 percent of active CPD program grantees will be monitored on-site or remotely for compliance with statutory and regulatory requirements.**

The indicator is revised to reflect both onsite and remote monitoring, and the target is established at a threshold level of 25 percent.

## 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.

The program originated in FY 1994 and is set to close at the end of FY 2004, absent authorizing legislation or appropriation. Congress extended Round I EZ designations to the end of 2009.

### **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 basis points 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 Opportunities for Persons with AIDS**

The HOPWA program provides grants that enable communities to develop long term comprehensive housing strategies for meeting the supportive housing needs of low-income persons living with HIV/AIDS and their families.

The program addresses the pressing housing needs of this client population in order to prevent homelessness and provide for housing as a base from which to participate in health care and other needed support. HUD awards 90 percent of the appropriated amount by formula allocation to states and cities through the consolidated planning process, in coordination with other community development and affordable housing resources. Recipients of formula awards are eligible states and the most populous city in each eligible Metropolitan Statistical Area that qualifies with over 1,500 cases of AIDS. Ten percent of funding is awarded through a competitive selection process for model demonstration projects and projects in areas that do not receive formula funds. Eligible applicants are states, units of general local government, and nonprofit organizations.

### **Indian Community Development Block Grants**

This program, funded through the Community Development Block Grants Fund, assists Indian tribes and Alaska Native villages to develop viable communities, including decent housing, public facilities, a suitable living environment, and economic opportunities.

### **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).

### **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 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 Operating Fund 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 guarantees for loans that can be used to purchase, construct 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 guarantees in support of loans to Indian Housing Block Grant recipients, Indian tribes, and Tribally Designated Housing Entities that request a loan from a financial institution to be used to accelerate completion of their Indian Housing Plan by pledging future IHBG funds as collateral.

**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.



## APPENDIX D: VALIDATION AND VERIFICATION OF SELECTED DATA SOURCES

The performance indicators defined in this APP have value in portraying HUD's programs only to the extent that the Department can demonstrate their reliability. To do this, HUD has engaged in a number of activities since the first performance plans and reports to verify and validate the performance data.

The General Accounting Office defined validation and verification in a 1999 report:<sup>11</sup>

“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.”

This Appendix summarizes a number of validation and verification efforts conducted for the data supporting specific performance indicators. This information supplements the discussion of “Validation, verification, improvement of measure” that appears under each performance indicator, providing greater specificity and detail without undue repetition.

### Data Quality Improvement Program

As described by indicator EM.2.5, HUD has a Data Quality Improvement Program (DQIP) that is systematically assessing the quality of mission-critical data systems, based on data quality processes defined in HUD's “Total Information Quality Management Handbook.”<sup>12</sup>

The initial emphasis of the DQIP is assessing and certifying information systems and data elements used to report on program performance under the Government Performance and Results Act. The status of the DQIP at the end of FY 2003 is shown by the following table. Some specific findings and achievements of the program are discussed below.

System Acronym	System Name	Certification Status
LOCCS	Line of Credit Control System	Certified 2001
PAS	Program Accounting System	Certified 2001
SAMS	Single Family Asset Management System	Certified 2002
MTCS	Multifamily Tenant Characteristics System	Certified 2002
HUDCAPS	HUD Central Accounting Payment System	Certified 2003
REMS	Real Estate Management System	Certified 2003
TRACS	Tenant Rental Assistance Certification System	Assessed 2001
RASS	Residential Assessment Subsystem	Certified 2003*
NASS	Integrated Assessment Subsystem	Certified 2003*
PASS	Physical Assessment Subsystem	Certified 2003*

<sup>11</sup> “Performance Plans: Selected Approaches for Verification and Validation of Agency Performance Information,” page 12. GAO/GGD-99-139.

<sup>12</sup> “Total Information Quality Management Handbook,” 3300.1. Issued May 20, 2003. Available at [http://www.HUDClips.org/sub\\_nonhud/cgi/hudclips.cgi#handnot](http://www.HUDClips.org/sub_nonhud/cgi/hudclips.cgi#handnot).

System Acronym	System Name	Certification Status
FASS	Financial Assessment Subsystem	Certified 2003*
MFIS	Multifamily Insurance System	Certified 2003*
IDIS-HOME	Integrated Disbursement Information System (HOME)	Certified 2003*
IDIS-CDBG	Integrated Disbursement Information System (CDBG)	Assessed 2003
CHUMS	Computerized Home Underwriting Management System	Assessed 2003

\*Denotes systems that were both assessed and certified in FY 2003.

## American Housing Survey

*FY 2005 indicators using this data source: H.1.2, H.2.2, A.1.1.*

The Bureau of Census has quality control procedures in place for the AHS. These procedures include reinterviewing small subsamples of respondents 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, Current Population Survey, or decennial Census data.

Ongoing efforts strengthen the value and reliability of the AHS. Research is underway to improve the accuracy of survey responses about the receipt of housing assistance. Other research that validated the use of AHS data in housing indicators was completed in 2004. The authors of “Analysis of Housing Finance Issues Using the American Housing Survey”<sup>13</sup> analyzed the extent to which sample size, survey design, and interview response affect the accuracy, consistency and validity of mortgage-related variables in the AHS. A replication analysis was performed using benchmark data sets from a number of sources including Home Mortgage Disclosure Act data and Residential Finance Survey data. A longitudinal analysis examined the internal reliability of AHS variables over time.

AHS estimates of the number of disabled adults with worst case needs (see indicator A.1.1) 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 of this group are low by a factor of 2 or more. Further, 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.

## Current Population Survey

*FY 2005 indicators using this data source: H.1.1, H.2.1, H.2.8, H.2.9.*

The Bureau of Census has rigorous data quality standards. It generally is not feasible for HUD to verify CPS data independently.

Starting with the estimates for the first quarter of 2003, the Census Bureau introduced three changes to the estimating procedures:

- Switched from 1990 Census-based weights to 2000 Census-based weights.
- Introduced housing unit controls for the Housing and Vacancy Survey (HVS) to supplement the population control totals used previously.

<sup>13</sup> Available at <http://www.huduser.org/publications/polleg/AhsAnalysis.html>

- Introduced multiple race categories and changed the order of the ethnicity and race questions.

To assess the impact of the first two changes, the Census Bureau compared results obtained for the four quarters of 2002 under the old and new procedures. The changes had no impact on estimates of National homeownership rates, but did affect estimates for racial and ethnic subgroups. The revised homeownership rates for White, non-Hispanic households are higher by 0.2 to 0.3 percentage point. Revised rates for black, non-Hispanic households are higher by 0.3 percentage point. Rates for the “other race, non-Hispanic” group are lower by 0.1 percentage point. The largest shift is for Hispanic households, for which revised rates are about 1.2 percent points lower than the initial estimates. Overall, the revised rate for minorities combined is 0.2 to 0.3 percentage point lower than the initial estimates. Households with incomes below the median have revised rates that are equal to the initial rates in three of the four quarters, with the first quarter and annual average higher by 0.1 percentage point. Female-headed households have revised rates that are 0.2 percentage point higher than the initial estimates. Central city households have revised homeownership rates that are lower by 0.1 percentage point.

The introduction of multiple race categories and the change in order of the ethnicity and race questions allowed respondents or applicants to indicate that they are more one race. While it is difficult to assess the impact on homeownership rates of this change, the impact will be small because only about 1 percent of all households fall into the new “Two or More Races, non-Hispanic” category. However, if these households had previously classified themselves into one of the minority categories, the impact on these smaller groups could be much larger.

For more information, see <http://www.census.gov/hhes/www/housing/hvs/q103src.html>.

## GSE database

*FY 2005 indicators using this data source: H.1.12, H.2.4, A.1.9, C.2.7.*

The Government-Sponsored Enterprises, Fannie Mae and Freddie Mac, apply quality control measures to the data elements they provide 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.

## Public and Indian Housing Information Center

*FY 2005 indicators using this data source: H.5.1, A.2.5, A.2.10, A.4.1, A.4.2, A.4.3, A.4.4, EM.4.1, EM.4.2.*

**PIC 50058.** The Public and Indian Housing Information Center, PIC, receives Form 50058 data electronically from housing agencies about the households residing in public housing or using vouchers. 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.

During FY 2004, HUD completed a data quality assessment of PIC critical data elements supporting performance measures. Recommendations for improving data quality under PIC 50058 are under review. This process is described under Indicator EM.2.5.

The Office of Policy Development and Research has conducted a series of Quality Control studies related to the accuracy of tenant income data and rent calculations in the PIC 50058 system. These results are described under indicator EM.4.1.

Other reviews of critical PIC 50058 data were conducted as part of the Tenant Assessment Subsystem analysis that compared Social Security numbers of assisted households with valid

numbers provided by the Social Security Administration. Another part of this analysis verified reported income against Internal Revenue Service records.

**PIC SEMAP.** PIC includes a Section 8 Management Assessment Program (SEMAP) module that is used to measure PHA performance in administering their Housing Choice Voucher programs. The FY 2004 data quality assessment of PIC critical data elements supporting performance measures found that PIC SEMAP was eligible for immediate certification.

## **Real Estate Assessment Center**

*FY 2005 indicators using this data source: A.2.1, A.2.2, A.2.3, A.2.4, A.2.6, A.2.7, A.2.9, A.2.11, C.4.1, C.4.2, EM.4.6.*

The Real Estate Assessment Center manages assessment processes for public housing and assisted multifamily housing that use a number of specialized data systems. These include the following subsystems. Together, the first four subsystems constitute the Public Housing Assessment System, and PASS and FASS are used independently to monitor the assisted multifamily housing under the administration of the Office of Housing.

- PASS – Physical Assessment Subsystem. Inspections are conducted independently, are electronically coded and transmitted, and are representative of the entire HUD stock. REAC reinspects units and properties on a sample basis for quality assurance.
- FASS – Financial Assessment Subsystem. The process is validated by the American Institute of Certified Public Accountants. 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.
- MASS – Management Assessment Subsystem;
- RASS – Resident Satisfaction Assessment Subsystem. The survey data are based on statistically representative random sample of residents. Results are compared across annual survey samples to verify the reliability of the data.
- TASS – Tenant Assessment Subsystem;
- NASS – Integrated Assessment Subsystem.

REAC has performed a number of data verification studies to ensure the reliability of these systems. A report to Congress in 2001 titled “PHAS – Physical Inspection System” was an assessment of the inspection protocol and accuracy of the physical inspection scores. The authors concluded that the REAC physical inspection is repeatable and reliable. The analysis was based on a statistically valid test of the assessment methodologies as validated by an independent engineering firm.

In addition, in FY 2003, the CIO’s audit team assessed REAC’s data quality and data management practices and found them on par with industry standards. The work, performed under the Data Quality Assessment Program, included an independent data quality assessment of PASS, FASS, RASS and NASS. RASS was certified at 6-sigma, the highest possible data quality rating, reflecting fewer than 3.4 errors per million occurrences. PASS, FASS and RASS exceeded the HUD standard 3-sigma rating, reflecting fewer than 66,810 errors per million.

The assessment systems also have been validated to some extent through the process of rulemaking and negotiation with housing providers.

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