

ANNUAL PERFORMANCE PLAN

FISCAL YEAR 2007



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

How To Use this Document

The FY 2007 Annual Performance Plan (APP) has been organized to enhance readability and achieve stronger budget integration. It is divided into three sections, plus appendices.

Section One: Quick Reference

Consult this section to find the key information organized for easy reference. The three elements included:

- **APP Introduction:** Introduces HUD strategic goals and objectives, and highlights key performance indicators for FY 2007.
- **Table of Indicators:** Provides the full list of HUD FY 2007 performance indicators, with page number references to the detailed descriptions of each measure in Section Three.
- **Budget Resources Tables:** Shows the way HUD FY 2007 budget resources are allocated to support each of HUD's six strategic goals.

Section Two: Means And Strategies

Read this section to discover the way key programs and initiatives will be contributing toward HUD strategic goals in FY 2007.

Section Three: Performance Indicators

View this section for detailed information about each performance measure including its background, past performance, data sources, and limitations of the data.

Appendices:

- **Appendix A:** Lists Amendments to the FY 2006 Annual Performance Plan.
- **Appendix B:** Provides summary descriptions of major HUD Programs.
- **Appendix C:** Offers detail on the validation/verification of select data sources.

Related Documents

The APP is closely related to HUD's FY 2007 budget request and a number of other documents, which can be reviewed for a deeper understanding of HUD's goals and strategies for the future. The APP is integrated with HUD's FY 2006–2011 Strategic Plan, which it supports in several ways. The FY 2006–2011 Strategic Plan can be viewed at <http://www.hud.gov/offices/cfo/stratplan.cfm>.

HUD's performance on each APP indicator is reported at the end of each fiscal year in the Performance and Accountability Report (PAR). The FY 2005 PAR can be viewed at <http://www.hud.gov/offices/cfo/reports/2005par.cfm>. The FY 2006 PAR will be published on November 15, 2006.

The APP also dovetails with HUD's Human Capital Strategic Plan for FY 2003–2008, and with each program office's Management Plan, which provides operations-level annual goals.

U.S. Department of Housing
and Urban Development

**FISCAL YEAR 2007
ANNUAL PERFORMANCE PLAN**

August 2006

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MESSAGE FROM SECRETARY JACKSON

I am pleased to present the U.S. Department of Housing and Urban Development's FY 2007 Annual Performance Plan (APP), which continues to implement HUD's 6-year Strategic Plan for the period 2006–2011. The APP identifies the means and strategies that the Department will use to fulfill its mission in FY 2007. This mission includes a commitment to providing housing and community development benefits free of discrimination to individuals, families, and communities across the nation. HUD takes its accountability for this commitment seriously, and this APP endeavors to describe the Department's means and strategies clearly, to strengthen measurement of and reporting on HUD programs, and to improve the reliability and accuracy of critical performance data.



The FY 2007 APP is fully integrated with the President's FY 2007 budget submission to ensure that available resources are used effectively to achieve HUD's goals. In recognition that resources are limited, the budget contains a number of legislative proposals that will greatly enhance HUD's ability to administer funds more effectively and efficiently. These legislative proposals include:

- Transforming the Federal Housing Administration program to expand homeownership for low- and moderate-income families;
- Reforming the Housing Choice Voucher and Public Housing programs to help preserve and maximize affordable housing opportunities;
- Reforming the Community Development Block Grant program to better target resources through an improved formula and other related program improvements;
- Consolidating HUD homeless programs into a single, more streamlined program; and
- More equitably distributing the formula funds of the Housing Opportunities for Persons With AIDS program to better assist its beneficiaries with special needs.

In addition, the Department continues to make documented progress in the program and management issues covered under the President's Management Agenda (PMA), which is designed to improve the efficiency and effectiveness of the federal government and to address significant management deficiencies at individual agencies. Activities under the PMA have been embedded in HUD's ongoing performance management process, as represented in the Department's long-range Strategic Plan and this APP. HUD continues to work diligently and innovatively to deliver on its commitments.

Finally, in conjunction with continuing to serve those in need, HUD has been given the responsibility to administer substantial supplemental disaster funding to assist the hundreds of thousands of Gulf Coast residents displaced by 2005 Hurricanes Katrina, Rita, and Wilma. The funds are being used in a wide range of recovery activities, such as rebuilding of infrastructure and housing, delivery of essential public services, and economic development. HUD is committed to achieving real results in its Gulf Coast recovery efforts and recognizes that the rebuilding of lives and communities is a national priority.

The Department is proud to work with the Congress and HUD's state, local, non-profit, and for-profit partners to meet the greatest housing and community development challenges facing the nation. I look forward to building on past accomplishments and contributing to new and expanded opportunities for citizens and communities in need.

A handwritten signature in black ink, appearing to read "Alphonso Jackson", with a long horizontal flourish extending to the right.

Alphonso Jackson

SECTION ONE

Quick Reference

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HUD'S STRATEGIC FRAMEWORK

HUD's FY 2006–2011 Strategic Framework

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Cross-Cutting Strategic Goals	D: Ensure equal opportunity in housing		
	<p>D1: Ensure access to a fair and effective administrative process to investigate and resolve complaints of discrimination.</p> <p>D2: Improve public awareness of rights and responsibilities under fair housing laws.</p> <p>D3: Improve housing accessibility for persons with disabilities.</p> <p>D4: Ensure that HUD-funded entities comply with fair housing and other civil rights laws.</p>		
	E: Embrace high standards of ethics, management, and accountability		
	<p>E1: Strategically manage HUD's human capital to increase employee satisfaction and improve HUD performance.</p> <p>E2: Improve HUD's management and internal controls to ensure program compliance and resolve audit issues.</p> <p>E3: Improve accountability, service delivery, and customer service of HUD and its partners.</p> <p>E4: Capitalize on modernized technology to improve the delivery of HUD's core business functions.</p>		
	F: Promote participation of faith-based and community organizations		
<p>F1: Reduce barriers to faith-based and community organizations' participation in HUD-sponsored programs.</p> <p>F2: Conduct outreach and provide technical assistance to strengthen the capacity of faith-based and community organizations to attract partners and secure resources.</p> <p>F3: Encourage partnerships between faith-based/community organizations and HUD grantees and subgrantees.</p>			

INTRODUCTION

The FY 2007 Annual Performance Plan reflects HUD's continuing commitment to inform the American people, the Congress, its partners and its employees about the mission, goals, and work we seek to accomplish, as well as the ways that we will measure performance and implement improvements in FY 2007. The Annual Performance Plan is fully integrated with the Department's revised Strategic Plan for fiscal years 2006–2011 that was submitted to the Congress on March 30, 2006. In both documents, the Department has made every effort to present its plans in a clear manner and to establish goals and individual performance indicators that capture the real results of the Department's efforts, both outputs and significant outcomes. In addition, HUD is committed to improving its data and measurements to provide a clearer picture of the performance of HUD's programs.

The mission statement and the six Strategic Goals of the Department are integral parts of both the Strategic Plan and this Annual Performance Plan, reflecting and helping to ensure the continuity of HUD's policies and operations. The mission statement and Strategic Goals have not changed; however, the Department has made modest adjustments to several strategic objectives, as described below, to better capture the current performance goals, operations and policies of the Department.

Included in this Quick Reference section is a table displaying budget resources divided by strategic goal. The next section explains the general means and strategies that enable the Department to accomplish the goals in this plan. The final section of the Plan details the performance indicators, with explanations, by strategic goal. The document includes appendices that describe revisions to the FY 2006 Annual Performance Plan, brief descriptions of selected HUD programs, and a discussion of data issues related to the Plan. The overall discussions and individual performance indicators also address the ways that HUD works with other federal agencies to achieve important outcomes, as well as the external factors that impact the degree of control that the Department has in attaining outcomes. These external factors can vary greatly from indicator to indicator.

The Department welcomes any comments or questions that may arise and these can be addressed to the Department's Office of the Chief Financial Officer, Mr. James Martin, at (202) 708-1946.

Goal A: Increase Homeownership Opportunities

Strategic Objectives:

A.1. Expand national homeownership opportunities.

HUD has many programs that all actively help increase homeownership opportunities. HUD's Federal Housing Administration, which is the largest insurer of mortgages in the world and a key HUD program for advancing homeownership, has insured, since its inception in 1934, more than 33 million single-family mortgages. The Department is proposing important legislative reforms for the FHA program to enhance its impact.

A.2. Increase minority homeownership.

The homeownership rate for minorities remains 25 percentage points below the homeownership rate for non-minority households. This objective reflects HUD's specific commitment to reducing this imbalance over the long term, particularly through the presidential and secretarial initiative to increase the number of minority homeowners by at least 5.5 million by the end of the decade.

A.3. Make the home-buying process less complicated and less expensive.

Under this strategic objective, HUD will work with the housing community and federal and state agencies to further consumer-friendly efforts to improve the settlement process.

A.4. Reduce predatory lending through reform, education and enforcement.

Predatory lending in the homeownership finance market 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 the Real Estate Settlement Procedures Act and the Fair Housing Act in order to reduce predatory lending practices. This is a revised objective to strengthen the Department's overall effort.

A.5. Help HUD-assisted renters become homeowners.

In recent years HUD has strengthened efforts in this area because HUD programs are assisting approximately 4.8 million renter households. The Department is committed to helping more HUD-assisted renters become homeowners by providing greater flexibility for public housing agencies and by expanding use of Housing Choice Vouchers for homeownership. Several other HUD programs, including HOPE VI, further contribute to expanded homeownership opportunities.

A.6. Keep existing homeowners from losing their homes.

HUD is supporting homeowners in maintaining their homeownership status through housing counseling and foreclosure prevention activities.

Goal B: Promote Decent Affordable Housing

Strategic Objectives:

B.1. Expand access to and availability of decent, affordable rental housing.

This is a revised strategic objective that captures HUD's efforts in maintaining over 4.8 million units of public and assisted housing, as well as increasing affordable housing opportunities through the HOME Investment Partnership, Housing Opportunities for Persons With AIDS, FHA multifamily, and other HUD rental assistance programs. The objective also recognizes the importance of targeting HUD assistance to persons and families with very low, low and moderate incomes.

B.2. Improve the management accountability and physical quality of public and assisted housing.

This objective continues to stress improving the quality of HUD's public and assisted housing and also focuses on management accountability. These efforts will increase the availability of affordable rental units.

B.3. Improve housing opportunities for the elderly and persons with disabilities.

This is a revised strategic objective that focuses on HUD's efforts to promote community-based living opportunities, where appropriate, and to make supportive services available to residents of rental housing to enable them to live as independently as possible. The Section 202 and Section 811 programs support these efforts, as does additional assistance provided through HUD's public housing and voucher programs.

B.4. Promote housing self-sufficiency.

This objective coordinates with Objective A.5: "Help HUD-assisted renters become homeowners." It reflects the Department's efforts to maximize the role of public and assisted housing as a springboard to advance families who are ready to move on toward self-sufficiency, new affordable rental housing and homeownership opportunities. Achieving this objective accomplishes important outcomes for families and stretches limited budget resources.

B.5. Facilitate more effective delivery of affordable housing by reforming public housing and the Housing Choice Voucher program.

This new objective focuses on proposed regulatory and statutory changes that will improve the efficiency, effectiveness, and long-term sustainability of public housing and the Housing Choice Voucher program. It includes a transition to asset-based management for Public Housing Agencies (PHAs) and proposed legislative reforms. These reforms would simplify housing delivery, give PHAs greater flexibility while requiring more accountability, make limited budget resources more effective, lessen intrusion into families' lives, and encourage tenant work contributions.

Goal C: Strengthen Communities

Strategic Objectives:

C.1. Assist disaster recovery in the Gulf Coast region.

This new strategic objective reflects the unprecedented impact of the hurricanes in the Gulf Coast region last summer. Congress has provided substantial supplemental HUD disaster funding to aid in the reconstruction of affected communities. HUD will ensure that families have equal opportunity in housing.

C.2. Enhance sustainability of communities by expanding economic opportunities.

This is a revised strategic objective relating to how HUD's community and economic development programs help improve economic conditions in distressed communities and help strengthen America's communities. A key focus is the Department's largest community development program, the Community Development Block Grant program. Reforms are proposed for this program to better target resources and increase the measurable impact of the program.

C.3. Foster a suitable living environment in communities by improving physical conditions and quality of life.

This is a revised strategic objective that involves a range of HUD programs that target funds to address quality-of-life issues in low-income communities and households. Efforts are focused on improving public services and amenities, providing safe, clean streets and adequate infrastructure, and eliminating blight.

C.4. End chronic homelessness and move homeless families and individuals to permanent housing.

HUD is committed, through its Continuum of Care programs, to ending chronic homelessness and reducing overall homelessness. The Department is proposing legislative reforms to increase its impact in this area. HUD's emphasis on chronic homelessness will ultimately free up resources for broader homeless reduction efforts.

C.5. Address housing conditions that threaten health.

This is a revised strategic objective that continues the focus on safe housing stock as a critical precondition for safe, livable communities. The Department is committed to eliminating the poisoning of children by lead-based paint and has achieved notable successes to date. This objective addresses health and hazard issues that exist in housing, and covers research to improve housing construction and resist natural disasters. This objective also includes outcomes of the Housing Opportunities for Persons With AIDS program, which will be aided by a HUD-proposed legislative formula improvement for this program.

Goal D: Ensure Equal Opportunity in Housing

Strategic Objectives:

D.1. Ensure access to a fair and effective administrative process to investigate and resolve complaints of discrimination.

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.

D.2. Improve public awareness of rights and responsibilities under fair housing laws.

Heightened public awareness is key to accomplishing greater compliance with fair housing laws. It can also result in increased willingness of victims to report discrimination and expanded availability of housing to all.

D.3. Improve housing accessibility for persons with disabilities.

This strategic objective reflects a concerted effort by HUD to reduce barriers that limit the housing options for persons with disabilities and create more accessible units.

D.4. Ensure that HUD-funded entities comply with fair housing and other civil rights laws.

Title VI of the Fair Housing Act requires federal agencies to ensure that their programs provide equal opportunity in housing. This new strategic objective focuses on the cross-cutting nature of fair housing issues and invigorates the Department's compliance enforcement activities, including accessibility of housing for persons with disabilities under Section 504.

Goal E: Embrace High Standards of Ethics, Management, and Accountability

Strategic Objectives:

E.1. Strategically manage HUD's human capital to increase employee satisfaction and improve HUD performance.

This revised strategic objective highlights the opportunity to invest in and make HUD's workforce even more effective and valuable. The Government Accountability Office has recognized human resource issues as a government-wide challenge. HUD views it as an opportunity to address issues such as retention, training and recruitment. The effort reflects HUD's implementation of its Strategic Human Capital Management Plan.

E.2. Improve HUD’s management and internal controls to ensure program compliance and resolve audit issues.

This revised strategic objective remains centered on continuous improvement of the organization and its functions, with a focus on financial systems and financial performance, as well as program operations and compliance. The objective strengthens HUD’s ability to prevent fraud, waste and abuse, to solve remaining audit findings, and to further improve overall Departmental performance.

E.3. Improve accountability, service delivery, and customer service of HUD and its partners.

This strategic objective reflects HUD’s extensive use of the partnership model as a fundamental aspect of the Department’s operations. HUD’s partners include state and local governments, non-profit and for profit organizations, and other federal agencies, as well as Congress, for developing the course of Departmental policies and providing budget resources. Desired management improvements and accountable, measurable performance improvements must both be developed in conjunction with and accomplished through the actions of our partners.

E.4. Capitalize on modernized technology to improve the delivery of HUD’s core business functions.

This is a revised strategic objective that better captures the importance of information technology in our modern society and in improving government operations and results. The objective aims to continue modernization improvements that are reflected in operational improvements by the Department and in quantifiable benefits tied to specific strategic investments.

Goal F: Promote Participation of Faith-Based and Community Organizations

Strategic Objectives:

F.1. Reduce barriers to faith-based and community organizations’ participation in HUD-sponsored programs.

This revised objective continues the successful work in recent years to “open doors” to advance and maximize the participation of faith-based and community organizations in HUD-sponsored programs. HUD has essentially removed existing regulatory barriers to participation and will continue to identify and eliminate any remaining barriers that might influence further participation.

F.2. Conduct outreach and provide technical assistance to strengthen the capacity of faith-based and community organizations to attract partners and secure resources.

This objective reflects ongoing outreach efforts to faith-based and other community organizations to provide information, training, technical assistance and capacity building so that there is open opportunity for these organizations to participate in HUD-sponsored programs. Participation by faith-based and other community organizations will continue to contribute to further increasing the results of HUD's programs.

F.3. Encourage partnerships between faith-based community organizations and HUD grantees and subgrantees.

This revised objective will build on and expand the accomplishments to date of faith-based and community organizations, such as projects working with selected mayors and cities. Continued and expanded efforts will include pilot projects that HUD will analyze in order to provide successful models and policies that HUD and its partners can further utilize and build upon.

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B.2.4: The unit-weighted average Public Housing Assessment System score is maintained at the 2005 level of 85.8 percent. 108

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B.2.6: The percent of public housing units under management of troubled housing agencies at the beginning of FY 2007 decreases by 15 percent by the end of the fiscal year. 110

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C.3.5: Eliminate the blighting influence of 5,000 vacant, boarded up, or abandoned properties by the end of FY 2007.	131
C.3.6: FHA mortgage insurance enables at least seven hospitals to obtain affordable financing for construction or modernization projects.	132
Objective C.4: End chronic homelessness and move homeless families and individuals to permanent housing.	132
C.4.1: At least 395 functioning Continuum of Care communities will have a functional Homeless Management Information System by FY 2007.	132

C.4.2: The percentage of formerly homeless individuals who remain housed in HUD permanent housing projects for at least 6 months will be at least 71 percent.	133
C.4.3: The percentage of homeless persons who have moved from HUD transitional housing into permanent housing will be at least 61.5 percent.	134
C.4.4: The employment rate of persons exiting HUD homeless assistance projects will be 18 percent.	134
C.4.5: Create 4,000 new permanent housing beds for chronically homeless persons.	135
C.4.6: The percentage of Housing Opportunities for Persons With AIDS program clients who maintain housing stability, avoid homelessness, and access care will reach 80 percent by 2008.	136
C.4.7: Overcrowded households in Indian Country shall be reduced by one percent.	137
Objective C.5: Address housing conditions that threaten health	138
C.5.1: The share of units that have functioning smoke detectors and are in buildings with functioning smoke detectors will be 92.8 percent or greater for public and multifamily housing.	138
C.5.2: The number of children under the age of six who have elevated blood lead levels will be less than 236,000 in 2007.	139
C.5.3: As part of a 10-year effort to eradicate lead hazards, the Lead Hazard Control Grant programs will make 10,500 units lead safe in FY 2007.	140
C.5.4: At least 696 housing units will have a reduction in allergen levels in FY 2007 through interventions using Healthy Homes principles.	141
C.5.5: As part of a 10-year effort to eradicate lead hazards, 8,800 units will be made lead safe pursuant to enforcement of the Department's lead safety regulations in FY 2007.	143
C.5.6: HUD will fully implement the dispute resolution and installation programs in HUD-administered states.	144
Objective D.1: Ensure access to a fair and effective administrative process to investigate and resolve complaints of discrimination.	145
D.1.1: Increase the percentage of fair housing complaints closed in 100 days to 65 percent, excluding recommended cause, pattern and practice, and systemic complaints.	145
D.1.2: Increase the percentage of Fair Housing Assistance Program complaints closed in 100 days to 53 percent, excluding recommended cause and systemic complaints.	146
D.1.3: In order to increase the nation's capacity to provide coordinated enforcement of fair housing laws, certify two new substantially equivalent agencies under the Fair Housing Act.	146
D.1.4: By the end of FY 2007, provide full certification to 200 fair housing professionals to ensure consistent, efficient, and effective investigations.	147
Objective D.2: Improve public awareness of rights and responsibilities under fair housing laws.	148
D.2.1: Recipients of FHIP education and outreach grants will hold at least 300 public events, to include outreach to faith-based and grassroots organizations, reaching at least 180,000 people.	148
Objective D.3: Improve housing accessibility for persons with disabilities.	149
D.3.1: HUD will conduct 80 Section 504 disability compliance reviews or formal Voluntary Compliance Agreement monitoring reviews of HUD recipients and take appropriate corrective action.	149
D.3.2: HUD will verify that HUD-assisted units are made accessible as a result of Voluntary Compliance Agreements. Beginning in FY 2007, develop and maintain a database of the accessible units.	149
Objective D.4: Ensure that HUD-funded entities comply with fair housing and other civil rights	

laws.	150
D.4.1: HUD program offices will conduct limited civil rights monitoring reviews of HUD-funded entities and make referrals to FHEO for review and appropriate action.	150
D.4.2: Conduct 57 compliance reviews or formal monitoring reviews of Voluntary Compliance Agreements, either exclusively or concurrently under Title VI and Section 109, and take appropriate corrective action.	150
Objective E.1: Strategically manage HUD’s human capital to increase employee satisfaction and improve HUD performance.....	152
E.1.1: Resource Estimation and Allocation Process, the Total Estimation and Allocation Mechanism, and the Corrective Action Plan System will complete five milestones in support of strategic human capital management.	152
E.1.2: HUD will reduce mission critical general skill gaps by 15 percent in its four core business program offices: Public and Indian Housing; Housing; Community Planning and Development; and Fair Housing and Equal Opportunity.	154
E.1.3: HUD will reduce mission critical skill gaps by 25 percent in the leadership and management competency.	154
E.1.4: Eighty percent of HUD interns are retained and targeted for mission-critical positions in HUD offices.	155
E.1.5: HUD employees continue to become increasingly satisfied with the Department’s performance and work environment.	156
Objective E.2: Improve HUD’s management and internal controls to ensure program compliance and resolve audit issues.	156
E.2.1: Sustain progress in eliminating non-compliant financial management systems.	156
E.2.2: Ensure timely management decisions and final actions on audit recommendations by the HUD Office of Inspector General.	157
E.2.3: HUD financial statements receive an unqualified audit opinion.	158
E.2.4: HUD will conduct training and exercise the Continuity of Operations Program.	159
E.2.5: The Accelerated Claim and Asset Disposition demonstration program (Section 601) will exceed the rate of net recovery received through the conveyance program on the sale of single family assets.	160
E.2.6: Use the structure established by Vision 2010 to modernize HUD’s information technology systems, maintain well-managed information technology investments, and promote collaboration between business functions.	160
E.2.7: HUD will meet specified information technology-related security requirements.	161
E.2.8: The share of completed CDBG activities for which grantees satisfactorily report accomplishments increases to 94 percent.	163
E.2.9: The share of HOME-assisted rental units for which occupancy information is reported shall be at least 90 percent.	163
E.2.10: A minimum of 20 percent of active CPD program grantees will be monitored for compliance with statutory and regulatory requirements.	164
E.2.11: The Chief Information Officer will perform quality assessments of data used by HUD’s major systems to report on 15 Annual Performance Plan performance indicators not previously assessed.	164
Objective E.3: Improve accountability, service delivery, and customer service of HUD and its	

partners. 165

E.3.1: HUD partners become more satisfied with the Department’s performance, operations, and programs. 165

E.3.2: At least 85 percent of key users (including researchers, state and local governments, and private industry) will be satisfied with the quality and usefulness of the Office of Policy Development and Research work products. 166

E.3.3: More than 7.0 million files related to housing and community development topics will be downloaded from the Office of Policy Development and Research’s website. 167

E.3.4: One hundred percent of HUD’s competitive grant packages will be available electronically through Grants.gov/Apply for those programs the Grants.gov system can accommodate. 168

E.3.5: Ensure appropriate use of funds among 100 percent of Fair Housing Initiatives Program and the Fair Housing Assistance Program grantees in compliance with cooperative and grant agreements. 169

E.3.6: The FHA Mutual Mortgage Insurance fund meets congressionally mandated capital reserve targets. 169

Objective E.4: Capitalize on modernized technology to improve the delivery of HUD’s core business functions. 170

E.4.1: The high incidence of program errors and improper payments in HUD’s rental housing assistance programs will be reduced. 170

E.4.2: PHAs will submit accurate tenant characteristics data on 95 percent of the households in accordance with established time frames and 95 percent of the required financial statements on a timely basis. 173

E.4.3: By taking aggressive civil or administrative enforcement actions, the Departmental Enforcement Center will maintain the percentage of insured and/or assisted multifamily housing properties that are physically acceptable to 95 percent or higher, as determined by the Real Estate Assessment Center physical inspections. This will be accomplished by closing 89 percent of the physical referral cases in the Departmental Enforcement Center as of October 1, 2006, by September 30, 2007. 174

Objective F.1: Reduce barriers to faith-based and community organizations’ participation in HUD-sponsored programs. 175

F.1.1: The Center for Faith-Based and Community Initiatives will measure the participation of faith-based and community organizations, through new and past relationships with public-private partners and through the Department’s FY 2007 SuperNOFA process compared to FY 2006. 175

Objective F.2: Conduct outreach and provide technical assistance to strengthen the capacity of faith-based and community organizations to attract partners and secure resources. 176

F.2.1: The Center will conduct comprehensive outreach to faith-based and community organizations by attending and participating in at least 50 conferences and workshops, as well as updating and maintaining a database. 176

F.2.2: In order to ensure that faith-based and community organizations have equal access to HUD and private funding opportunities, the Center for Faith-Based and Community Initiatives will conduct at least 50 resource training sessions across the country that provide participants with approaches to obtaining funding and strategies for developing coalitions. 177

Objective F.3: Encourage partnerships between faith-based/community organizations and HUD grantees and subgrantees. 177

F.3.1: The Center will work with HUD program offices to implement pilot projects to strengthen partnerships between faith-based and community organizations and HUD program offices and traditional grantees. 177

RESOURCES SUPPORTING HUD'S MISSION

Summary of Resources By Strategic Goal

Budget Authority (BA) and Salaries and Expenses (S&E) are in thousands of dollars. Full Time Equivalents (FTE) represent the number of paid positions.

	2005 Actual	2006 Approp.	2007 Request
Strategic for Goal A: Increase Homeownership Opportunities			
Discretionary BA	2,766,476	2,790,014	2,788,006
FTE	1,067	1,088	1,086
S&E Cost	109,018	115,974	120,044
Strategic for Goal B: Promote Decent Affordable Housing			
Discretionary BA	25,281,038	26,350,607	26,749,372
FTE	3,214	3,141	3,112
S&E Cost	331,213	338,134	347,131
Strategic for Goal C: Strengthen Communities			
Discretionary BA	5,257,825	4,950,055	4,291,467
FTE	787	800	780
S&E Cost	80,866	85,888	86,731
Strategic for Goal D: Ensure Equal Opportunity in Housing			
Discretionary BA	46,628	45,940	45,025
FTE	569	562	550
S&E Cost	57,614	59,082	59,881
Strategic for Goal E: Embrace High Standards of Ethics, Management, and Accountability			
Discretionary BA	2,561,901	2,567,461	2,566,687
FTE	3,382	3,293	3,231
S&E Cost	843,625	781,824	829,890
Strategic for Goal F: Promote Participation of Faith-Based and Community Organizations			
Discretionary BA	130,088	124,301	75,723
FTE	67	63	60
S&E Cost	7,546	7,509	7,454
Total Resources			
Total BA	36,043,956	36,828,377	36,516,280
FTE	9,086	8,947	8,819
S&E Cost	1,429,882	1,388,411	1,451,131

For consistency purposes, supplementals, rescissions, and offsetting receipts that can vary significantly any given year are not included. FTEs and S&E are not included in the Total Resources for the Inspector General's office and the Office of Federal Housing Enterprise

Oversight (OFHEO) because each has independent budget presentations. Also, a legislative proposal would transfer OFHEO responsibilities in FY 2007. S&E and FTEs for the Working Capital Fund are reflected as part of the overall resources.

Strategic Goal A: Increase Homeownership Opportunities.

Budget Authority (BA) and Salaries and Expenses (S&E) are in thousands of dollars. Full Time Equivalents (FTE) represent the number of paid positions.

	2005 Actual	2006 Approp.	2007 Request	2006 vs. 2007
Office of Public and Indian Housing				
Tenant-Based Rental Assistance				
Discretionary BA	1,479,952	1,541,792	1,592,000	50,208
FTE	83	82	81	-1
S&E Cost	9,198	9,434	9,675	241
Project-Based Rental Assistance				
Discretionary BA	25,518	20,313	19,659	-654
Indian Housing Loan Guarantee Fund				
Discretionary BA	4,960	3,960	5,940	1,980
FTE	24	24	23	-1
S&E Cost	2,569	2,729	2,756	27
Native Hawaiian Loan Guarantee Fund				
Discretionary BA	992	891	1,010	119
FTE	1	1	1	0
S&E Cost	51	55	56	1
PIH TOTAL				
Discretionary BA	1,511,422	1,566,956	1,618,609	51,653
FTE	108	107	105	-2
S&E Cost	11,818	12,218	12,487	269
COMMUNITY PLANNING AND DEVELOPMENT				
Community Development Block Grants				
Discretionary BA	470,178	417,780	303,200	-114,580
FTE	28	28	28	0
S&E Cost	2,976	3,115	3,192	77
HOME Investment Partnership Program				
Discretionary BA	436,926	404,168	440,827	36,659
FTE	34	34	33	-1
S&E Cost	3,580	3,682	3,762	80
Self-Help Homeownership Opportunity Program				
Discretionary BA	0	60,390	39,700	-20,690
FTE	0	7	7	0
S&E Cost	0	762	790	28

CPD TOTAL

Discretionary BA	907,104	882,338	783,727	-98,611
FTE	62	69	68	-1
S&E Cost	6,556	7,559	7,744	185

OFFICE OF HOUSING

FHA-GI/SRI

Discretionary BA	17,203	18,626	19,352	726
FTE	70	71	70	-1
S&E Cost	6,913	7,338	7,495	157

FHA-MMI/CHMI

Discretionary BA	299,403	294,579	299,393	4,814
FTE	668	661	660	-1
S&E Cost	65,900	68,295	70,652	2,357

Housing Counseling Assistance

Discretionary BA	[31,986]	[32,079]	34,530	34,530
FTE	69	71	76	5
S&E Cost	6,617	7,283	8,095	812

Interstate Land Sales (and RESPA)

FTE	26	43	43	0
S&E Cost	3,848	5,381	5,500	119

HOUSING TOTAL

Discretionary BA	316,606	313,205	353,275	40,070
FTE	833	846	849	3
S&E Cost	83,278	88,297	91,742	3,445

GNMA

Mortgage-Backed Securities

Discretionary BA	5,305	5,297	5,297	0
FTE	34	35	34	-1
S&E Cost	3,799	4,064	4,149	85

OFFICE OF POLICY DEVELOPMENT AND RESEARCH

Discretionary BA	26,039	22,218	27,098	4,880
FTE	30	31	30	-1
S&E Cost	3,567	3,836	3,922	86

Total for Strategic Goal A

Discretionary BA	2,766,476	2,790,014	2,788,006	-2,008
FTE	1,067	1,088	1,086	-2
S&E Cost	109,018	115,974	120,044	4,070

OFFICE OF FEDERAL HOUSING
ENTERPRISE OVERSIGHT

FTE	198	251	0	-251
S&E Cost	64,341	60,000	0	-60,000

Strategic Goal B: Promote Decent Affordable Housing.

Budget Authority (BA) and Salaries and Expenses (S&E) are in thousands of dollars. Full Time Equivalents (FTE) represent the number of paid positions.

OFFICE OF PUBLIC AND INDIAN HOUSING

Tenant-Based Rental Assistance

Discretionary BA	11,839,516	12,334,336	12,736,000	401,664
FTE	588	580	575	-5
S&E Cost	64,385	66,039	67,726	1,687

Project-Based Rental Assistance

Discretionary BA	204,147	162,502	157,274	-5,228
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Native American Housing Block Grants

Discretionary BA	621,984	623,700	625,680	1,980
FTE	139	139	135	-4
S&E Cost	15,061	15,586	15,611	25

Public Housing Operating Fund

Discretionary BA	2,438,336	3,564,000	3,564,000	0
FTE	138	137	136	-1
S&E Cost	15,341	15,680	16,076	396

Public Housing Capital Fund

Discretionary BA	2,579,200	2,438,964	2,178,000	-260,964
FTE	375	366	360	-6
S&E Cost	41,228	41,631	42,478	847

Revitalization of Severely Distressed Public Housing

Discretionary BA	142,826	99,000	0	-99,000
FTE	75	77	77	0
S&E Cost	8,363	8,951	9,215	264

Native Hawaiian Housing Block Grant

Discretionary BA	0	8,727	5,940	-2,787
FTE	1	1	1	0
S&E Cost	31	30	31	1

PIH TOTAL

Discretionary BA	17,826,009	19,231,229	19,266,894	35,665
FTE	1,316	1,300	1,284	-16

S&E Cost	144,409	147,917	151,137	3,220
OFFICE OF COMMUNITY PLANNING AND DEVELOPMENT				
Community Development Block Grants				
Discretionary BA	705,267	626,670	454,800	-171,870
FTE	43	43	43	0
S&E Cost	4,468	4,702	4,788	86
HOME Investment Partnership Program				
Discretionary BA	1,139,808	1,054,350	1,149,984	95,634
FTE	89	88	87	-1
S&E Cost	9,339	9,605	9,814	209
Housing Opportunities for Persons with AIDS				
Discretionary BA	227,636	231,177	242,481	11,304
FTE	40	40	40	0
S&E Cost	4,249	4,400	4,557	157
Tenant-Based Rental Assistance				
Discretionary BA	100	0	0	0
Project-Based Rental Assistance				
Discretionary BA	19,740	36,192	35,380	-812
Rural Housing and Economic Development				
Discretionary BA	23,808	16,830	0	-16,830
FTE	15	14	14	0
S&E Cost	1,578	1,525	1,579	54
CPD TOTAL				
Discretionary BA	2,116,359	1,965,219	1,883,095	-82,124
FTE	187	185	184	-1
S&E Cost	19,634	20,232	20,738	506
OFFICE OF HOUSING				
Section 202, Housing for the Elderly				
Discretionary BA	571,660	568,162	435,276	-132,886
FTE	242	239	264	25
S&E Cost	23,256	24,291	27,930	3,639
Section 811, Housing for the Disabled				
Discretionary BA	204,867	206,167	104,386	-101,781
FTE	123	115	130	15
S&E Cost	11,837	11,689	13,753	2,064
FHA-GI/SRI				
Discretionary BA	197,380	202,213	205,583	3,370
FTE	814	783	753	-30
S&E Cost	79,318	79,665	79,623	-42

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FTE	7	7	6	-1
S&E Cost	663	711	634	-77
Rent Supplement Program				
Discretionary BA	0	7,600	6,930	-670
FTE	4	4	5	1
S&E Cost	393	407	527	120
Rental Housing Assistance Program (Section 236)				
Discretionary BA	0	18,612	17,820	-792
FTE	4	16	25	9
S&E Cost	393	1,626	2,641	1,015
Project-Based Rental Assistance				
Discretionary BA	4,350,586	4,144,805	4,812,220	667,415
FTE	404	376	346	-30
S&E Cost	38,933	38,270	36,597	-1,673
Housing Counseling Assistance				
Discretionary BA	[9,678]	[9,501]	10,020	10,020
FTE	21	21	22	1
S&E Cost	2,002	2,157	2,349	192
HOUSING TOTAL				
Discretionary BA	5,324,492	5,147,559	5,592,236	444,677
FTE	1,619	1,561	1,551	-10
S&E Cost	156,795	158,816	164,054	5,238
GINNIE MAE				
Mortgage Backed Securities				
Discretionary BA	5,304	5,296	5,296	0
FTE	33	34	34	0
S&E Cost	3,799	4,064	4,148	84
OFFICE OF POLICY DEVELOPMENT AND RESEARCH				
Research and Technology				
Discretionary BA	8,874	1,304	1,851	547
FTE	59	61	59	-2
S&E Cost	6,576	7,105	7,054	-51
Total for Strategic Goal B				
Discretionary BA	25,281,038	26,350,607	26,749,372	398,765
FTE	3,214	3,141	3,112	-29
S&E Cost	331,213	338,134	347,131	8,997

Strategic Goal C: Strengthen Communities.

Budget Authority (BA) and Salaries and Expenses (S&E) are in thousands of dollars. Full Time Equivalents (FTE) represent the number of paid positions.

2005 Actual 2006 Approp. 2007 Request 2006 vs. 2007

OFFICE OF COMMUNITY PLANNING AND DEVELOPMENT

Community Development Block Grants

Discretionary BA	3,204,155	2,844,617	2,061,760	-782,857
FTE	192	195	192	-3
S&E Cost	20,238	21,179	21,708	529

HOME Investment Partnerships Program

Discretionary BA	170,971	158,153	172,498	14,345
FTE	13	13	13	0
S&E Cost	1,401	1,441	1,472	31

Homeless Assistance Grants

Discretionary BA	1,112,738	1,189,960	1,377,783	187,823
FTE	261	271	266	-5
S&E Cost	27,452	29,501	30,052	551

Housing Opportunities for Persons With AIDS

Discretionary BA	36,906	37,480	39,313	1,833
FTE	7	7	7	0
S&E Cost	689	713	739	26

Brownfields Redevelopment Program

Discretionary BA	13,808	9,900	0	-9,900
FTE	7	7	7	0
S&E Cost	736	762	790	28

Community Renewals

Discretionary BA	9,920	0	0	0
FTE	17	17	17	0
S&E Cost	1,788	1,851	1,918	67

CPD TOTAL

Discretionary BA	4,548,498	4,240,110	3,651,354	-588,756
FTE	497	510	502	-8
S&E Cost	52,304	55,447	56,679	1,232

OFFICE OF HOUSING

Section 202, Housing for the Elderly

Discretionary BA	60,789	61,819	42,780	-19,039
FTE	26	26	26	0
S&E Cost	2,473	2,643	2,745	102

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Section 811, Housing for the Disabled

Discretionary BA	11,700	10,741	6,398	-4,343
FTE	7	6	8	2
S&E Cost	676	609	843	234

FHA-GI/SRI

Discretionary BA	34,333	37,425	38,167	742
FTE	145	144	140	-4
S&E Cost	13,797	14,744	14,782	38

FHA-MMI/CHMI

Discretionary BA	981	3,571	3,132	-439
FTE	2	7	7	0
S&E Cost	216	828	739	-89

Manufactured Home Inspection and Monitor Program

Discretionary BA	9,451	13,000	16,000	3,000
FTE	13	11	11	0
S&E Cost	1,400	1,222	1,256	34

Project-Based Rental Assistance

Discretionary BA	422,411	407,224	388,559	-18,665
FTE	40	37	28	-9
S&E Cost	3,811	3,760	2,955	-805

HOUSING TOTAL

Discretionary BA	539,666	533,781	495,035	-38,746
FTE	233	231	220	-11
S&E Cost	22,373	23,806	23,320	-486

OFFICE OF POLICY DEVELOPMENT AND RESEARCH

Research and Technology

Discretionary BA	3,005	25,684	30,238	4,554
FTE	15	16	16	0
S&E Cost	1,783	1,976	2,019	43

LEAD HAZARD CONTROL

Discretionary BA	166,656	150,480	114,840	-35,640
FTE	42	43	42	-1
S&E Cost	4,406	4,659	4,713	54

Total for Strategic Goal C

Discretionary BA	5,257,825	4,950,055	4,291,467	-658,588
FTE	787	800	780	-20
S&E Cost	80,866	85,888	86,731	843

Strategic Goal D: Ensure Equal Opportunity in Housing.

Budget Authority (BA) and Salaries and Expenses (S&E) are in thousands of dollars. Full Time Equivalents (FTE) represent the number of paid positions.

OFFICE OF POLICY DEVELOPMENT AND RESEARCH

Research and Technology

Discretionary BA	500	400	475	75
FTE	2	2	2	0
S&E Cost	238	233	237	4

FAIR HOUSING AND EQUAL OPPORTUNITY

Fair Housing Initiatives Program

Discretionary BA	19,840	19,800	19,800	0
FTE	24	16	16	0
S&E Cost	2,427	1,681	1,741	60

Fair Housing Assistance Program

Discretionary BA	26,288	25,740	24,750	-990
FTE	31	19	19	0
S&E Cost	3,136	1,997	2,068	71

Other FHEO Programs

FTE	512	525	513	-12
S&E Cost	51,813	55,171	55,835	664

FHEO TOTAL

Discretionary BA	46,128	45,540	44,550	-990
FTE	567	560	548	-12
S&E Cost	57,376	58,849	59,644	795

Total for Strategic Goal D

Discretionary BA	46,628	45,940	45,025	-915
FTE	569	562	550	-12
S&E Cost	57,614	59,082	59,881	799

Strategic Goal E: Embrace High Standards of Ethics, Management, and Accountability.

Budget Authority (BA) and Salaries and Expenses (S&E) are in thousands of dollars. Full Time Equivalents (FTE) represent the number of paid positions.

OFFICE OF PUBLIC AND INDIAN HOUSING

Tenant-Based Rental Assistance

Discretionary BA	1,479,952	1,541,792	1,592,000	50,208
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FTE	158	157	156	-1
S&E Cost	18,396	18,868	19,350	482
Project-Based Rental Assistance				
Discretionary BA	25,518	20,313	19,659	-654
PIH TOTAL				
Discretionary BA	1,505,470	1,562,105	1,611,659	49,554
FTE	158	157	156	-1
S&E Cost	18,396	18,868	19,350	482
OFFICE OF COMMUNITY PLANNING AND DEVELOPMENT				
Community Development Block Grants				
Discretionary BA	329,125	292,446	212,240	-80,206
FTE	20	20	20	0
S&E Cost	2,083	2,180	2,235	55
HOME Investment Partnerships Program				
Discretionary BA	151,974	140,580	153,331	12,751
FTE	12	12	12	0
S&E Cost	1,245	1,281	1,309	28
Homeless Assistance Grants				
Discretionary BA	127,773	136,640	158,207	21,567
FTE	30	31	31	0
S&E Cost	3,152	3,387	3,451	64
Housing Opportunities for Persons with AIDS				
Discretionary BA	17,185	17,453	18,306	853
FTE	3	3	3	0
S&E Cost	321	332	342	10
CPD TOTAL				
Discretionary BA	626,057	587,119	542,084	-45,035
FTE	65	66	66	0
S&E Cost	6,801	7,180	7,337	157
OFFICE OF HOUSING				
FHA-GI/SRI				
Discretionary BA	42,261	50,715	52,422	1,707
FTE	165	196	194	-2
S&E Cost	16,983	19,980	20,303	323
FHA-MMI/CHMI				
Discretionary BA	131,042	115,274	111,325	-3,949
FTE	278	261	250	-11
S&E Cost	28,843	26,725	26,271	-454

Project-Based Rental Assistance

Discretionary BA	250,352	246,068	240,499	-5,569
FTE	23	22	17	-5
S&E Cost	2,242	2,272	1,829	-443

HOUSING TOTAL

Discretionary BA	423,656	412,057	404,246	-7,811
FTE	466	479	461	-18
S&E Cost	48,068	48,977	48,403	-574

OFFICE OF POLICY DEVELOPMENT AND RESEARCH

Research and Technology

Discretionary BA	6,718	6,180	8,698	2,518
FTE	35	35	36	1
S&E Cost	6,773	6,879	7,192	313

OFFICE OF FAIR HOUSING AND EQUAL OPPORTUNITY

Other FHEO Programs

FTE	57	57	61	4
S&E Cost	5,766	5,989	6,639	650

DEPARTMENTAL EQUAL EMPLOYMENT OPPORTUNITY

FTE	24	26	26	0
S&E Cost	2,892	3,228	3,334	106

DEPARTMENTAL MANAGEMENT

FTE	185	163	171	8
S&E Cost	23,046	22,225	22,707	482

CHIEF FINANCIAL OFFICER

FTE	226	218	215	-3
S&E Cost	36,309	43,197	40,407	-2,790

GENERAL COUNSEL

FTE	660	681	673	-8
S&E Cost	77,154	83,415	85,337	1,922

ADMINISTRATION AND STAFF SERVICES

FTE	679	640	633	-7
S&E Cost	245,103	246,719	250,254	3,535

FIELD POLICY AND MANAGEMENT

FTE	483	424	419	-5
S&E Cost	54,163	48,488	49,599	1,111

WORKING CAPITAL FUND

FTE	344	347	314	-33
S&E Cost	319,154	246,659	289,331	42,672

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Section One

Total for Strategic Goal E

Discretionary BA	2,561,901	2,567,461	2,566,687	-774
FTE	3,382	3,293	3,231	-62
S&E Cost	843,625	781,824	829,890	48,066

OFFICE OF INSPECTOR GENERAL

FTE	637	634	630	-4
S&E Cost	103,037	104,940	107,000	2,060

Strategic Goal F: Promote Participation of Faith-Based and Community Organizations.

Budget Authority (BA) and Salaries and Expenses (S&E) are in thousands of dollars. Full Time Equivalents (FTE) represent the number of paid positions.

HOUSING

FHA-GI/SRI

	2005 Actual	2006 Approp.	2007 Request	2006 vs. 2007
Discretionary BA	0	0	274	274
FTE	0	0	1	1
S&E Cost	0	0	106	106

Section 202, Housing For The Elderly

Discretionary BA	108,575	104,599	67,434	-37,165
FTE	46	44	41	-3
S&E Cost	4,417	4,472	4,327	-145

Section 811, Housing For The Disabled

Discretionary BA	21,513	19,701	8,015	-11,686
FTE	13	11	10	-1
S&E Cost	1,243	1,117	1,056	-61

HOUSING TOTAL

Discretionary BA	130,088	124,301	75,723	-48,578
FTE	59	55	52	-3
S&E Cost	5,660	5,589	5,489	-100

CENTER FOR FAITH-BASED AND COMMUNITY INITIATIVES

FTE	8	8	8	0
S&E Cost	1,886	1,920	1,965	45

Total for Strategic Goal F

Discretionary BA	130,088	124,301	75,723	-48,578
FTE	67	63	60	-3
S&E Cost	7,546	7,509	7,454	-55

SECTION TWO

Means and Strategies

(Discussed by strategic goal)

The means and strategies section identifies the role of individual programs in achieving HUD strategic goals in FY 2007. It describes the new initiatives, major policy changes, and other strategies that the Department will implement to improve outcomes, as well as key areas of coordination and partnership with other agencies. Finally, this section assesses the potential for external factors to affect performance.

Strategic Goal A: Increase Homeownership Opportunities

For many families, the American Dream means owning their own home. HUD is dedicated to helping more Americans—especially minorities and low- and-moderate-income families—realize the dream for themselves. Homeownership inspires civic responsibility, as homeowners are more likely to vote and get personally involved with local issues. Homeownership also offers children a stable living environment and influences their personal development in many positive, measurable ways—at home and at school.

Homeownership has demonstrated substantial potential to help families accumulate wealth. A home is the largest purchase most Americans will ever make—a tangible asset that builds equity, good credit, borrowing power, and overall wealth.

Assisted by a range of HUD programs supporting homeownership, nearly 70 percent of American families now own their homes, and minority homeownership has surpassed 51 percent for the first time in history. Recognizing recent rapid growth in home prices and the evolution of new and sometimes riskier products in the mortgage finance industry, HUD is committed to helping renter households avoid the potential pitfalls and experience the available benefits of homeownership.

The following are some of the key performance goals HUD has established to track its continued progress in increasing homeownership opportunities in FY 2007:

- **Creating homeownership opportunities through 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. Performance goals for the year include exceeding the Congressionally mandated two percent capital reserve target to ensure continued soundness of FHA's Mutual Mortgage Insurance Fund. In addition, HUD will closely track several indicators, such as the number of mortgage insurance endorsements made and the share of single family mortgage loans endorsed to first-time homebuyers.
- **Increasing minority homeownership.** In June 2002, President Bush announced a goal of increasing the number of minority homeowners by at least 5.5 million by the end of the decade. At the end of 2005, the nation remained ahead of pace, having added 2.6 million minority homeowners. During FY 2007, HUD will sustain and track progress toward this presidential commitment by measuring the change in minority homeownership rates.
- **Providing downpayment assistance.** For FY 2007, HUD proposes to provide \$100 million for the American Dream Downpayment Initiative, which is a 300 percent increase over the FY 2006 enacted level. Over time these funds will help approximately 13,000 low-income families—for whom coming up with downpayment cash is the most significant obstacle to homeownership—

with the downpayment on their first home. HUD has set a goal of assisting 5,000 families with these funds in FY 2007.

- **Expanding voucher homeownership.** In FY 2007 the proposed Flexible Voucher Program 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. HUD's FY 2007 goal is to help 2,000 additional families become homeowners through this program.
- **Improving decisions and opening doors through housing counseling.** Housing 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 2007 budget proposes increasing funding for the Housing Counseling Assistance program to \$45 million, which is anticipated to assist over 600,000 individuals and families in 2008, when those funds are to be expended. This effort will fully utilize faith-based and community organizations. For FY 2007, HUD has set an outcome goal of having at least 30 percent of clients receiving pre-purchase counseling purchase a home or be mortgage ready, i.e., completed a pre-purchase curriculum prescribed by a HUD-approved housing counseling agency and certified by that agency as ready to assume homeownership responsibilities, within 90 days.
- **Supporting affordable homeownership through Government Sponsored Enterprises.** Fannie Mae and Freddie Mac, two housing Government-Sponsored Enterprises, were chartered by Congress to achieve public purposes that include providing stability in the secondary market for residential mortgages and improving access to mortgage credit, including mortgage credit for very low and low- and moderate-income families and those living in underserved areas. To ensure that Fannie Mae and Freddie Mac play a leadership role in financing affordable housing, Congress established three affordable housing goals and mandated that HUD set annual targets for each goal. In FY 2005, HUD established new higher housing goal levels to increase the Government-Sponsored Enterprises' purchases of mortgages that finance housing for very low and low- and moderate-income households and underserved communities. HUD also established new home purchase subgoals under each housing goal to increase the Government-Sponsored Enterprises' purchases of loans that finance homeownership opportunities for families targeted by the housing goals. During FY 2007, HUD will closely monitor Fannie Mae's and Freddie Mac's performance in meeting these housing goals and subgoals.

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.

To improve the efficiency of the market, HUD continues to strengthen its regulatory role in enforcing and reforming the Real Estate Settlement Procedures Act and preventing predatory lending, as well as in ensuring a ready supply of capital through the secondary mortgage market.

HUD is committed to taking necessary action in order to eliminate predatory lending practices. Recent studies have shown that minorities, women, and the elderly are disproportionately steered to the sub-prime mortgage market even when their credit scores warrant participation in the prime market. The Offices of the General Counsel, Housing, and Fair Housing and Equal Opportunity have the shared responsibility to ensure that predatory lending does not occur in the

prime or subprime markets. The Office of Fair Housing and Equal Opportunity has developed special initiatives to identify and take action when complaints are filed alleging lending discrimination, as well as using the authority of the Secretary to initiate Secretary-initiated investigations when there is reason to believe that predatory lending activities are occurring.

In FY 2007, 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.

Federal Housing Administration

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 2005, FHA's single family programs insured more than 555,000 loans (including refinanced loans) to homeowners, of whom 79 percent were first-time homebuyers. Among first-time homebuyers served by FHA single family programs, 34.4 percent were minority homeowners.

FHA offers a wide variety of insurance products, with single-family mortgage insurance being the most prominent. FHA insures mortgages for single-family homes and condominiums, home rehabilitation loans, energy efficiency loans, and reverse mortgages for homeowners aged 62 and older. Through the Good Neighbor initiative, special discounts are available to teachers, police officers, firefighters, and emergency first responders who established their primary residence in homes located in designated revitalization areas that they purchase from HUD's real-estate-owned inventory.

The Department is proposing major reform legislation that will expand homeownership opportunities through a strengthened and more flexible FHA. Under the new legislation, FHA will balance the borrower's needs, financial profile, and mortgage terms with an appropriate mortgage insurance premium. For example, borrowers will be able to choose a down payment amount, mortgage period, or premium options to fit their long-term goals. Each borrower will pay his or her own way with a reasonably priced premium. Charging premiums commensurate with risk allows sound pricing and portfolio diversity to sustain the financial strength of the FHA fund.

The legislation also sets new loan limits, new minimum cash requirements and maximum loan terms, and individual premium reductions that will allow the mortgagor to more easily afford the mortgage. With these changes, FHA can continue to serve hardworking, creditworthy Americans. The proposed reforms also will aid minorities and other underserved populations who are significantly over-represented in the usage of high cost loans.

A number of ongoing programs will continue to help families and individuals attain homeownership:

- ***Housing counseling.*** HUD funds housing counseling organizations to help families and individuals become aware of basic requirements and potential stumbling blocks to homeownership, including predatory lending risks. Research shows that housing counseling reduces the risk of default, and during FY 2005, 68.1 percent of mortgagors who sought counseling to resolve or prevent delinquency successfully avoided

foreclosure. Over 700,000 minority households have benefited from HUD-funded housing counseling since FY 2001.

- **Adjustable rate mortgages.** HUD has expanded adjustable-rate products on FHA-insured mortgages, offering new options with longer fixed-payment periods of three, five, seven or ten years. Some 40,000 families are expected to take advantage of the hybrid products annually.
- **FHA loss mitigation.** FHA will continue to require loss mitigation techniques to minimize claims and property disposition costs when borrowers default on their mortgages. Loss mitigation was used on 59.1 percent of total claims in FY 2005, preventing thousands of families from losing their homes through foreclosure while reducing costs for FHA.
- **FHA Neighborhood Watch Early Warning System.** The Neighborhood Watch Early Warning system assists homeowners by providing an Internet-based lender monitoring service that allows prospective buyers an opportunity to track the default and claim rate performance of mortgage lenders in the area they are considering. The system also helps lenders monitor themselves as well as current and potential business partners.
- **Claims process reform.** Under the Accelerated Claims Disposition demonstration program, 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. Because the private sector will handle dispositions, this will help in ensuring that properties foreclosed on by the private sector remain vacant for shorter periods of time so they are less likely to destabilize communities. The demonstration includes careful evaluation of key performance characteristics of the innovative approach.
- **Credit Watch Termination and Appraiser Watch.** FHA has a two-pronged approach to improving loan origination in the fight against predatory lending. The Credit Watch Termination program identifies FHA lenders that make mortgage loans with excessive default and claim rates relative to their geographic area, and terminates the ability of the worst offenders to originate FHA-insured mortgages. Appraiser Watch similarly targets appraisers associated with excessive claims and default rates for further review by HUD field staff.

FHA Reverse Mortgages. FHA's Home Equity Conversion Mortgage program allows homeowners ages 62 and older to borrow against the equity in their homes. Unlike ordinary home equity loans, an FHA-insured reverse mortgage does not require repayment as long as the owner lives in the home. Reverse mortgage loans are repaid, with interest, when the home is sold. This program gives homeowners an option to keep their own homes as long as possible. Continued growth in this important source of equity financing is expected as mortgage lenders and homeowners continue to become more familiar with this product.

FHA has employed a number of means to help homeowners recover from the recent hurricanes in the Gulf Coast region, notably by issuing and extending foreclosure moratoriums and requiring lenders to employ loss mitigation tools to prevent unnecessary defaults; by providing housing rehabilitation loan products to help homeowners repair damaged properties; by offering 100 percent financing under the 203(h) program for the purchase of a new home by disaster victims whose residences have been destroyed or severely damaged; and by making arrangements

with FEMA and HUD management and marketing contractors to hold some of the real estate owned properties in the Department's inventory off the market for lease to disaster victims at no cost.

HOME Investment Partnerships

The HOME Investment Partnerships program plays a key role in addressing the shortage of affordable housing in America. Recipients of these program funds have substantial discretion to determine how the funds are spent. These 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 homebuyers, existing homeowners, and renters. HOME Investment Partnerships program grantees have cumulatively committed funds to provide homebuyer assistance to more than 295,000 lower-income households, more than half of whom were families earning less than 60 percent of median income. Further, more than 150,000 lower-income homeowners have been able to rehabilitate their homes with HOME Investment Partnerships program assistance.

A key component of the HOME Investment Partnerships program is the American Dream Downpayment Initiative, which provides low- and moderate-income families with the funds and support needed to purchase their first home. In 2003, President Bush signed the American Dream Downpayment Initiative into law, and in 2004 HUD distributed \$161.5 million in downpayment funds to 400 state and local governments. These funds have already helped 5,500 families, of whom almost 50 percent were minorities, purchase their first homes. The FY 2007 budget provides \$100 million to fully fund the Initiative, which will assist approximately 13,000 families over time.

Housing Counseling Assistance

More than ever before, potential homebuyers need help from knowledgeable housing counselors in order to make smart choices regarding homeownership. Unlike just a few years ago, a myriad of financing options now exist, including potentially riskier products like "interest only" mortgages, short-term adjustable rate mortgages (ARMS), and low to no downpayment mortgages. Moreover, low- to moderate-income Americans are increasingly turning to the subprime mortgage market to finance home purchases. Many homebuyers are simply unaware of less expensive and safer options, such as FHA, for which they could qualify. Counseling helps families evaluate their readiness for homeownership and learn about the loan products and services available to them and how to identify and avoid predatory lending practices. Besides helping families and individuals with understanding the requirements of purchasing a home, counseling has demonstrated success in helping homeowners keep their homes in times of financial stress. It is anticipated that the \$45 million FY 2007 budget request for housing counseling assistance will enable an estimated 600,000 families to receive counseling services, including counseling to homebuyers, existing homeowners, renters, and homeless persons in FY 2008.

Faith-based and community organizations will continue to play a vital role in housing counseling efforts. The successful "Reaching the Dream" pilot, which concluded in 2004, provided these organizations with training on creating homeownership opportunities and providing potential

homebuyers with counseling. Two hundred and fifty non-profit organizations were recruited to begin the process of becoming HUD-approved housing counseling agencies.



Flexible Voucher Program/Voucher Homeownership

The Flexible Voucher program will provide greater flexibility to PHAs, allowing vouchers to be used for one-time downpayment assistance or monthly homeownership subsidies to families participating in the Voucher Homeownership program.

While still new, the Homeownership Voucher program has successfully paved a path for low-income Americans to become homeowners. Strong and committed collaboration among public housing agencies, local nonprofit organizations, and lenders, as well as pre- and post-homeownership counseling for families has proven essential in making the program work. The greatest challenge to the success of the program is finding lenders who are willing to participate. Although the Homeownership Voucher program is voluntary, annual goals have been exceeded consistently since the program began. In its first four years, the program helped more than 2,000 low-income families that were renting through the Voucher program to become homeowners. For 2007, the program plans to assist 2,000 additional families each year in achieving homeownership.



Self-help Homeownership Opportunity Program

The Self-help Homeownership Opportunity Program increases low-income homeownership by providing competitive grants to national and regional nonprofit 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 FY 2007 HUD budget requests \$40 million for this program. Grantee organizations such as Habitat for Humanity play a critical role in motivating volunteer resources, supporting affiliates, and ultimately achieving the results accomplished with the Self-help Homeownership Opportunity Program. Approximately 1,500 families will be assisted in FY 2007.



Homeownership Programs for Native American and Native Hawaiian Communities

Five HUD programs help to promote homeownership in Native American and Native Hawaiian communities. (Greater detail on these programs is presented in Appendix B.)

- ***Indian Housing Block Grants.*** The Indian Housing Block Grant program provides grants to Indian tribes and tribally designated housing entities to provide and maintain housing for low-income Native Americans. Over 5,350 homeownership units will be constructed, acquired, or rehabilitated under this program in FY 2007.
- ***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 Indian Housing Block Grant grantees to accelerate completion of their Indian Housing Plan by pledging future program funds as collateral. The guarantee loan limitation is proposed at \$14.9 million in FY 2007.

- ***Indian Home Loan Guarantee (Section 184)***. Section 184 helps Native Americans obtain private mortgage financing for the purchase, construction, refinance, 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. The goal for FY 2007 is to insure a record \$159.6 million of mortgages.
- ***Native Hawaiian Home Loan Guarantee Fund (Section 184A)***. 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, or to purchase, construct, or rehabilitate single-family homes on Hawaiian home lands. For this program, HUD has a goal of insuring \$12.8 million in loans in FY 2007.
- ***Native Hawaiian Housing Block Grant (NHHBG)***. This program, modeled after the Indian Housing Block Grant, 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. The target is to provide 101 homeownership units through this program in FY 2007.



Government National Mortgage Association (Ginnie Mae)

Through its Mortgage-Backed Securities program, Ginnie Mae, a wholly owned government corporation within HUD, helps to ensure that mortgage funds are available for low- and moderate-income families served by FHA, Veterans Affairs, and the Department of Agriculture. Ginnie Mae guaranteed \$90.3 billion in mortgage-backed securities in FY 2005, which supported capital for an additional 790,000 units of housing for low- and moderate-income American families.

In FY 2005, Ginnie Mae exceeded its goal to guarantee at least 85 percent of eligible FHA and VA single family loans, for a third consecutive year. Approximately 92 percent of all VA and FHA loans were placed into Ginnie Mae securities, an increase of five percentage points. Over 91 percent of eligible FHA multifamily mortgages were placed into Ginnie Mae securities during FY 2005, exceeding Ginnie Mae's goal of 80 percent by 11 percentage points.

Ginnie Mae has set a target of securitizing at least 93 percent of FHA single family fixed rate loans, 83 percent of VA single family loans, and 95 percent of eligible FHA multifamily mortgages in FY 2007. Securitizing a high share of eligible FHA and 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.



Government Sponsored Enterprises: Fannie Mae and Freddie Mac

To increase the availability of mortgage credit for very low and low- and moderate-income families, HUD is responsible for setting affordable-housing goals for two of the other key institutions that play a vital role in financing affordable owner-occupied and rental housing throughout the nation: Fannie Mae and Freddie Mac. Along with the Federal Home Loan Banks, which HUD does not oversee, Fannie Mae and Freddie Mac are Government-Sponsored Enterprises with a mandate to serve the residential mortgage market. HUD sets the annual level of three affordable-housing goals established by Congress and monitors Fannie Mae's and Freddie Mac's progress toward their achievement of the goals. In FY 2005, HUD issued a new

rule that set new, higher housing goal targets that Fannie Mae and Freddie Mac are required to achieve annually for the period 2005 through 2008. These new goal levels will increase the GSE's purchases of mortgages that serve very low and low- and moderate-income families, and families living in underserved areas.

In addition to increasing the housing goals, HUD's rule establishes new home purchase subgoals under each of the three housing goals. These subgoals are intended to increase the number of home purchase loans that Fannie Mae and Freddie Mac buy which serve the income levels and geographic location requirements of the housing goals. HUD projects that over the next four years, Fannie Mae and Freddie Mac will purchase an additional 400,000 home loans that meet these new subgoals as a result of the new rule.

In addition to monitoring progress in meeting annual goals and exercising general regulatory authority over the Government-Sponsored Enterprises' activities, HUD is also responsible for other oversight activities that include: 1) Reviewing Fannie Mae and Freddie Mac requests for approval of new programs; 2) Prohibiting discrimination in Fannie Mae's and Freddie Mac's mortgage purchase activities and reviewing and commenting on their underwriting guidelines; and 3) Establishing a public use database on Fannie Mae's and Freddie Mac's mortgage purchases.



Real Estate Settlement Procedures Act 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. HUD has regulatory authority under the Real Estate Settlement Procedures Act, a consumer protection statute first passed in 1974. The Act requires that consumers receive timely disclosures in the transaction, and prohibits practices, such as paying kickbacks, that increase the cost of settlement services. In FY 2007, HUD's goal is to respond to 3,000 complaints or inquiries from consumers and industry regarding the homebuying and mortgage loan process. Efforts to improve the provisions of this Act are ongoing.

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. HUD's Office of Inspector General continues to work closely with law enforcement in many states to target unscrupulous lenders and better combat abusive lending practices. In many of these areas, HUD is working with coalitions of community groups.



Coordination with Other Federal Agencies

In addition to private partners and state and local government, HUD relies on other federal agencies to help accomplish its goals. Highlights of interagency coordination associated with Strategic Goal A, "Increase Homeownership Opportunities," are presented below.

- Ginnie Mae will continue to guarantee mortgage-backed securities backed by pools of mortgages that are insured by the FHA and the USDA's Rural Housing Service or guaranteed by the Department of Veterans Affairs.
- HUD has primary responsibility for enforcing the Fair Housing Act, and works closely with the Department of Justice in enforcing its provisions. HUD also cooperates with the Department of Justice and other federal agencies to enforce other civil rights laws that affect the availability of housing because of race, color, national origin, sex, religion, familial status, disability, and age. HUD serves on the Interagency Task Force on Fair Lending, whose members include the Departments of Justice and the Treasury, the Federal Deposit Insurance Corporation, 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, including initiatives to address predatory lending.
- 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, the Comptroller of the Currency, the Office of Thrift Supervision, and the Federal Reserve Board. In addition, HUD will work with the Department of Justice, the Federal Trade Commission, state attorneys general, insurance commissioners, and financial institution regulators on joint enforcement actions.
- HUD will continue to work cooperatively with several federal regulatory agencies to collect data under the Home Mortgage Disclosure Act. These 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 partner with the Department of Veterans Affairs and the Department of Agriculture in the E-Government operation of HomeSales.gov. The website provides consolidated information for prospective homebuyers about all homes for sale by these agencies.

External Factors

Several factors influence the outcomes and performance reporting for HUD's homeownership programs.

- National and regional economic conditions significantly affect the homeownership rate and several performance measures related to HUD homeownership programs. Interest rates, availability of credit, and employment conditions are among the factors that can have a meaningful impact.
- Historical patterns of discrimination and differences in schooling and income levels make it more difficult for minorities and other disadvantaged households to secure the income and credit history needed to become homeowners.
- With respect to predatory lending, a variety of state and federal agencies 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 factors in and inherent complexity of the home purchase and mortgage processes.
- HUD has proposed legislative reform of the FHA program that will help increase homeownership. Enactment of this legislation is dependent on timely congressional action.

Strategic Goal B: Promote Decent Affordable Housing

The largest component of HUD's proposed FY 2007 budget promotes affordable housing for families and individuals who rent. HUD programs expand opportunities for affordable, quality housing by assisting approximately 4.8 million families. These are important outcomes for HUD's largest program area and by providing stable housing opportunities, HUD has greatly reduced the number of American families experiencing worst case housing needs due to overburdened rents and/or physically substandard housing. In addition to providing housing stability, several smaller HUD programs seek to foster self-sufficiency 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.

In FY 2007, HUD will continue its commitment to public and assisted housing programs, as well as to expand opportunities for unassisted rental housing through FHA's mortgage insurance program and HUD's oversight of the housing enterprises, Fannie Mae and Freddie Mac. One of HUD's central strategies is to partner with states and local communities to reduce regulatory barriers to the development of affordable housing. In addition, the HOME Investment Partnerships program will continue to expand affordable housing opportunities through rehabilitation, building, and purchase of affordable housing units. Important affordable housing efforts and contributions will continue to be realized under the Community Development Block Grant program, for which a considerable portion of funding is associated with expanding housing opportunities.

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. These efforts will be improved upon, particularly as the Department progresses to asset management of public housing over a multi-year period, with the first accomplishments in FY 2007.

Flexible Voucher Program

The FY 2007 budget continues to propose the reform of the Section 8 program as a top priority for the Department. Despite tight overall fiscal constraints, approximately 65 percent of the FY 2007 budget will be targeted to affordable housing under Section 8 Housing programs. State

and local PHAs administer the existing Housing Choice Voucher program. The program, funded through the Section 8 Housing Certificate Fund, provides housing to over two million households with low incomes. HUD proposes to replace the existing program with the Flexible Voucher program.

HUD's Section 8 reform proposal returns flexibility to local agencies. For example, PHAs will be able to set and adjust subsidies based on local market rents, rather than depend on HUD-determined rents. PHAs will be encouraged to design their own tenant rent policies to reward work, and HUD will eliminate many of the complex forms that are now required.

The reform 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.

Public Housing

During FY 2007, 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 that are local housing agencies. HUD provides operating subsidies to PHAs to cover the remaining costs after the required tenant contributions, 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 2007 with a key contribution provided under the transition to asset-based management over a multi-year period.

- ***Public Housing Operating Fund.*** During FY 2007, HUD plans to implement the recommendations of the three-year study by Harvard University on the cost of operating a well-run PHA. The factors taken into account for determining reasonable operating costs include the size, location, and age of stock, and its occupancy. HUD will use a new Operating Fund formula to provide operating subsidies based on the profile and needs of each public housing project. This new formula method will provide a sound, efficient, project-based management approach. The operating fund is supported by a \$3.6 billion request in FY 2007.
- ***Public Housing Capital Fund.*** This program provides formula grants to PHAs for major repairs and modernization of its units (\$2.2 billion has been requested for FY 2007). Some of the funds will be made available for natural disasters and emergencies, for demolitions, and for the Resident Opportunity and Supportive Services program. The Department continues to implement the Capital Fund financing program, which allows PHAs to borrow from banks or issue bonds using their Capital Fund grants as collateral or debt service, subject to annual appropriations.
- ***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. The Department's goal of demolishing 100,000 such units has been achieved. Therefore, the FY 2007 Budget continues to propose no new appropriations for HOPE VI. The FY 2007 Budget focuses on completing projects and producing important outcomes with the significant funds that constitute the remaining pipeline for the program.



Other Rental Assistance Programs and Affordable Housing Efforts

FHA multifamily insurance and project-based Section 8. FHA anticipates supporting a significant number of housing units through its multifamily insurance program. FHA multifamily housing insurance is a priority because it produces additional affordable housing by focusing on gaps where existing needs are not being fully met. Section 8 project-based housing assistance provides affordable housing for about 1.3 million low-income households in FHA-insured projects and is important in providing affordable housing opportunities and preserving affordable housing infrastructure.

HOME Investment Partnerships. In addition to the extensive use of program funds for homeownership, the HOME Investment Partnerships program invests heavily in the creation of new affordable rental housing. This program has supported the building, rehabilitation, and purchase of several hundred thousand rental units, as well as provided direct rental assistance to 100,000 households. The HOME Investment Partnerships program is expected to assist over 30,000 rental households with FY 2007 funds.

Community Development Block Grant (CDBG). CDBG grantees use a substantial amount of their funds to support rental housing activities that benefit low- and moderate-income households. During FY 2005, grantees assisted slightly more than 35,000 households through assistance for rehabilitation of multi-unit residential properties, the classification that best captures rehabilitation of rental units in the CDBG programs.

Indian Housing Block Grant. This block grant is a flexible source of funding to tribes or tribally designated entities for a wide variety of affordable-housing activities. For FY 2007, \$626 million is requested. Authorized uses include both rental and homeownership assistance. Additional funds are available to Indian Housing Block Grant grantees through the Title VI Federal Guarantees for Tribal Housing. It is anticipated that the Indian Housing Block Grant will assist approximately 1,400 rental households in FY 2007.

Office of Regulatory Reform. In FY 2004, HUD created a new Office of Regulatory Reform. Through this office, HUD will continue to conduct research and provide guidance about the nature and extent of regulatory obstacles to affordable housing, as well as improve coordination among stakeholders. Researchers have developed tools and information 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. 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 housing units that are assisted, insured, or subsidized through HUD's programs (including housing financed through HUD formula grant programs such as Community Development Block Grant and HOME Investment Partnerships). For fiscal years 2005 and 2006, HUD developed its action plans and initiated its Phase II Energy Action Plan. For FY 2007, HUD will continue to implement the Phase II Plan, and further develop performance indicators that can measure energy savings.

Housing Persons with Special Needs

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 households are assisted through HUD's Section 8 and public housing programs.

HUD also funds housing for the elderly through competitive awards to private nonprofit organizations to develop new housing units through new construction or rehabilitation (Section 202). HUD then provides the facilities with rental assistance, enabling them to accept very low-income residents. The FY 2007 budget requests \$545 million for rental assistance contracts, capital advances, renewal need, and other costs related to Section 202 housing.

Many of the residents live in the Section 202 facilities for years; over time, these individuals are likely to become frailer and less able to live in rental facilities without additional services. Therefore, HUD also provides grants to convert all or part of existing properties to assisted-living facilities, which allows individual elderly residents to remain in their units. Grants also fund service coordinators who help elderly residents obtain supportive services from the community. Housing for the elderly will also be supported in FY 2007 by the HUD Public and Indian Housing Clearinghouse Center, which helps public and Indian housing agencies that may have an interest in modernizing or constructing elderly public housing, as well as other related services.

A similar program funds housing for persons with disabilities (Section 811) to enable them to live in mainstream environments. The FY 2007 Budget requests \$119 million for rental assistance contracts, capital advances, voucher, renewal need and other costs related to Section 811 housing.

Housing Opportunities for Persons With AIDS. This program remains the only federal program solely dedicated to providing rental housing assistance and coordinated supportive services for persons and their families living with HIV/AIDS. Funding supports local long-term comprehensive strategies. Most grants (90 percent) are allocated by formula based on the number of cases and highest incidence of AIDS, with the remainder provided through competition for the renewal of permanent supportive housing projects, and for demonstration projects of national significance, and for non-formula areas. The number of formula grantees has risen from 97 in FY 1999 to 124 in FY 2007. In FY 2007, it is anticipated that the Housing Opportunities for Persons With AIDS program housing subsidies will support about 75,000 households. Of the households served, about 81 percent have extremely low incomes (incomes less than 30 percent of area median) or very low incomes (incomes of 30–50 percent of area median).

Promoting Housing Self-Sufficiency

HUD not only seeks to ensure that households live in a healthy and secure environment, but also they have the opportunity to achieve housing self-sufficiency. Because HUD cannot serve every American family who would be eligible for its programs, the Department is working toward a better solution for transitioning people to housing self-sufficiency so others can benefit from this resource. HUD has proposed legislation that would authorize PHAs to simplify how they charge tenant rents, allowing rents based on local conditions, increased expectations, and efforts to promote housing self-sufficiency. In the interest of making the most of a limited asset and in

transforming public housing from a life time entitlement to a temporary resource, housing agencies in the Moving-To-Work program are already experimenting with term limits in concert with rent reform and employment incentives. 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 2007 include:

- ***Resident Opportunity and Supportive Services.*** This program promotes self-sufficiency among residents of public and Native American housing. In FY 2007, \$24 million is proposed.
- ***Family Self-Sufficiency Program.*** During FY 2007, the Department will continue to support both the Public Housing and Voucher Family Self-Sufficiency programs and proposes \$48 million for the program. Both programs are designed to link families with local opportunities for education, job training, and counseling, while receiving housing assistance.
- ***Housing Counseling.*** HUD's Housing Counseling Assistance program includes both renter and homebuyer/homeowner counseling components that help provide renters, including assisted renters and public housing residents, with information and guidance they need to improve their housing situations and meet the responsibilities of tenancy.



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 B, "Promote Decent Affordable Housing," is summarized below.

- HUD has a memorandum of understanding with the Department of the Treasury to cooperate on research related to the Low-Income Housing Tax Credit, a program that makes substantial annual additions to the stock of affordable rental housing. HUD's Office of Policy Development and Research has done significant research on the tax credit program to inform that policy. HUD publishes estimates of area median income limits that are used to determine income eligibility and maximum rents for Low-Income Housing Tax Credit units, and identifies Difficult Development Areas and Qualified Census Tracts—areas where tax credits can be taken on a higher percentage of a project's "eligible basis." HUD also works closely with the Treasury Department 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 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 memorandum of understanding will facilitate the processing of Multifamily Housing Assistance Payment contract renewals for Rural Housing Service-financed projects.
- 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 Energy Star 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 and Labor, to ensure the successful implementation of welfare reform policies designed to help low-income families make progress toward self-sufficiency. HUD promotes the Department of Health and Human Services Assets for Independence competitive grant program through HUD's communications mechanisms and assists, e.g., through conferences and broadcasts, Health and Human Services in its technical assistance program for state welfare agencies. 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 the Department of Health and Human Services to develop guidance and a model cooperative agreement for PHAs 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 the Department of Health and Human Services 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 memorandum of understanding with the Federal Deposit Insurance Corporation to establish a national partnership to promote financial education using Money Smart, its financial education curriculum. The Federal Deposit Insurance Corporation 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.
- HUD has an interagency agreement with the Department of Health and Human Services under which that department helps HUD to administer Section 242 Mortgage Insurance for Hospitals. By helping hospitals get low-interest financing for needed construction and modernization projects, the program strengthens communities, creates jobs, and reduces the cost of health care. Currently HUD insures 78 hospital loans totaling \$5.1 billion.

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, local zoning requirements, state and local program decisions, high construction costs, and the actions of HUD's many other partners. The activity in the national housing market, whether private or subsidized, is affected by macroeconomic conditions including, importantly, interest rates and employment activity. Broad economic factors also affect employment opportunities for low-income workers, which may in turn influence HUD's efforts to promote self-sufficiency among assisted renters. In addition, accelerating growth in the number of elderly persons caused by aging of the baby-boom generation will pose a challenge for ensuring diverse housing opportunities for this population.

Strategic Goal C: Strengthen Communities

HUD is committed to preserving, stabilizing, and revitalizing America's cities as vibrant hubs of commerce, aiding recovery efforts in the Gulf Coast region, 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.

One of HUD's strategies for achieving the goal of strengthening communities is to improve federal provision of economic and community development opportunities to low- and moderate-income households. In particular, the strategy focuses on improving coordination of resources for neighborhood revitalization, elimination of blight, and other community development efforts by local partners. As a part of this effort, the Administration is proposing to reform the Community Development Block Grant (CDBG) program, one of HUD's largest programs and a key component of this goal, in order to improve its effectiveness and create more incentives for communities. CDBG reform will be a significant step in enabling HUD to focus on targeting resources to communities that need the funds the most, such as those with high poverty and unemployment rates.

HUD is working on significant improvements in the Integrated Disbursement and Information System, which is CPD's major performance reporting system. In early 2006, HUD published an outcome performance measurement framework that was jointly developed and approved by key national public interest groups, HUD, and the Office of Management and Budget. This framework applies to the four CPD formula programs—CDBG, HOME Investment Partnerships, Emergency Shelter Grants, and Housing Opportunities for Persons With AIDS—and will be incorporated into the improved data system for release in late 2006 or early 2007. In addition, HUD continues to work with local stakeholders to identify performance measures that make the CPD programs more results-oriented and useful to communities in assessing their own progress toward addressing the problems of low-income areas.

Another major effort for HUD in FY 2007 will be to focus resources on disaster recovery in areas affected by hurricanes Katrina, Rita, and Wilma. To achieve this objective, HUD is currently administering \$16.7 billion in supplemental CDBG funding to states and cities in these areas, and is working with the Federal Emergency Management Agency to meet emergency housing needs of people in the region. A number of HUD programs waived requirements immediately following the hurricanes in order to provide flexibility to the hardest-hit areas. HUD requires grantees to affirmatively further fair housing, and expects them to provide housing and housing services on a non-discriminatory basis. These activities will help these disadvantaged areas obtain needed funding. In FY 2007, HUD will continue to work with the Universities Rebuilding America partnership, which engages college and university students, faculty, and staff in helping to rebuild the Gulf Coast region.

Neighborhood health is also affected by both the physical stock of housing and the social service network for those in need. In FY 2007 HUD will continue to work to streamline HUD's homeless programs and carry out activities aimed at alleviating chronic and other homelessness. 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 for prevention of housing-related childhood diseases, and promote widespread educational efforts in both areas. Over the past several years, these programs have greatly reduced the number of children under the age of six that have elevated blood lead levels. The current long-term goal is to reduce the number from 434,000 children in 2000 to 236,000 children in FY 2007, working to eliminate lead poisoning in children by 2010.

Specific programmatic activities in FY 2007 will include:

Community Development Block Grants

The Administration's proposal to reform the CDBG program includes both legislative and administrative activities that will help HUD work with communities and more effectively contribute to local community and economic progress. The CDBG Reform proposal includes (1) a proposed formula change that will direct a higher proportion of resources to areas with greater need and ensure that areas with similar needs will receive more equal funding than occurs under the existing formula; (2) bonus funds for communities that demonstrate the greatest progress in expanding homeownership and opportunity for residents; and (3) improved performance measurement that will lead to a more effective national program and greater local impacts. The use of CDBG resources will continue to produce significant accomplishments that benefit low- and moderate-income persons, including those resulting from job creation and housing assistance activities. Grantees may also use CDBG funds to invest in infrastructure investments and housing improvements, which can spur further economic growth.

Another CDBG-related community development component is:

- ***Hurricane Recovery Efforts.*** The \$11.5 billion in supplemental funding currently provided by Congress through the CDBG program is one of the most important ways that HUD will assist hurricane recovery efforts in the Gulf Coast. The affected Gulf Coast states are developing and implementing plans for using this funding for rebuilding the region. HUD requires grantees to affirmatively further fair housing, and expects them to provide housing and housing services on a non-discriminatory basis.

Programs to Help the Homeless

The Administration is deeply engaged in meeting the challenge of homelessness that confronts many American cities. HUD is leading a government-wide commitment to an unprecedented goal to eliminate chronic homelessness. 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. To support the overall effort, the FY 2007 budget proposes a record level of funding of \$1.54 billion, reflecting a \$209 million increase over FY 2006 funding levels.

HUD has a multi-part strategy to assist families and individuals experiencing chronic and temporary homelessness—first, to consolidate its homeless assistance grants and reduce the administrative burden on jurisdictions to administer multiple programs; second, to continue to focus 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; third, to increase the budget resources available for the Homeless Assistance Grants program; and, fourth, to continue

to focus on ending chronic homelessness and thereby free up additional resources to reduce overall homelessness.

In addition, Secretary Jackson is the current chairman of the U.S. Interagency Council on Homelessness, and in this role is working to better coordinate the efforts of 20 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.

Several homeless assistance program initiatives that are underway will provide new direction and streamline the delivery of funds to the local and nonprofit organizations that serve the homeless population in FY 2007 and beyond:

- ***Legislation to Consolidate Homeless Assistance Programs.*** In 2006, HUD proposed legislation to consolidate its current competitive homeless assistance programs into a single program. The consolidated program will significantly streamline homeless assistance in this nation.
- ***Samaritan Initiative.*** The FY 2007 budget includes a funding set-aside for a Samaritan Initiative to help address the President's goal of ending chronic homelessness. The Samaritan Initiative will provide up to \$200 million for 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. Research indicates that although these individuals may make up less than 10 percent of the homeless population, they consume more than half of all emergency homeless services because their needs are not comprehensively addressed.
- ***Prisoner Re-Entry Initiative.*** The FY 2007 budget includes \$25 million in 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.



Housing for Persons With AIDS

In FY 2007, the Housing Opportunities for Persons With AIDS program will serve an estimated 75,000 persons, of whom many are the most vulnerable clients of AIDS housing efforts. Resources will be targeted to help clients achieve the important outcomes of maintaining housing stability, avoiding homelessness, and accessing care. At the same time, this program encourages grantees to place greater emphasis on permanent supportive housing. Incentives have been provided to emphasize housing assistance while reducing HUD's funding of supportive services that can be accessed through other mainstream health and human welfare programs.



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 2007, \$115 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 approximately \$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 funds 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 approximately \$9 million in funding per year to prevent other housing-related childhood diseases and injuries such as asthma and carbon monoxide poisoning. A report of the President’s Task Force on Environmental Health Risks and Safety Risks to Children notes that asthma alone costs the nation over \$6 billion each year. Working with other agencies such as the Centers for Disease Control and Prevention, Environmental Protection Agency, and the US Department of Agriculture, 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 mortgage insurance for health care facilities.*** 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.

Research and Technology

- ***University Partnership grant programs.*** The FY 2007 budget continues the University programs as part of the Office of Policy Development and Research program budget. Through these programs, HUD helps colleges and universities, including minority institutions, engage in a wide range of community development activities. These programs build resources to support the outcome of neighborhood revitalization across the nation.

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.

- HUD is working with the Corporation for National and Community Service on the Universities Rebuilding America Partnership. The new program will offer resources and support to engage college and university students, faculty, and staff in helping rebuild the Gulf Coast region.
- 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 an active member of the Interagency Council on Homelessness, of which Secretary Jackson is the current chair. HUD is working with 20 other federal agencies. 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 Health and Human Services and Veterans Affairs to better integrate HUD housing for homeless persons with service resources from these Departments. In FY 2007, HUD will work in collaboration with the Departments of Labor and Justice on the multi-year program to help individuals exiting from prison make a successful transition to community life and long-term employment.
- HUD is collaborating with the Department of Health and Human Services in coordinating federal resources to address challenges of the HIV/AIDS epidemic. This effort involve discussion on defining case management and 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 continues its collaboration with the Centers for Disease Control and Prevention on a study of the connections of homelessness or stable housing to HIV transmission and the progression of HIV disease, in order to gain a better understanding of these issues and to help prevent HIV transmission.
- HUD works with the Department of Justice and the Environmental Protection Agency 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 Centers for Disease Control and Prevention, the Environmental Protection Agency, the U.S. Department of Agriculture, 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 with the Department of Agriculture to commit 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.
- HUD has an interagency agreement with the Department of Health and Human Services under which HHS helps HUD to administer Section 242 Mortgage Insurance for Hospitals. By helping hospitals get low-interest financing for needed construction and modernization projects, the program strengthens communities, creates jobs, and reduces the cost of health care. Currently HUD insures 78 hospital loans totaling \$5.1 billion.
- HUD has proposed legislative reforms impacting the CDBG, Housing Opportunities for Persons With AIDS, and Homeless Assistance grant programs. Enactment of these reforms is dependent upon timely congressional action.



External Factors

Community and economic development. The success of distressed communities in improving their economic conditions depends heavily on national and regional economic trends.

Economic slowdowns can lead 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 base issues, scarcity of land, scattered 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 in infrastructure, limited services, and few community institutions.

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 D: Ensure Equal Opportunity in Housing

HUD is committed to working cooperatively with all stakeholders to promote and enforce U.S. fair housing and civil rights laws. These laws help ensure that all households, regardless of race, color, religion, sex, national origin, disability and familial status, have fair and equal access to rental housing and homeownership opportunities. Staff in HUD's Office of Fair Housing and Equal Opportunity contributes to fair housing enforcement and education by directly enforcing federal fair housing laws, which involves, among other things, investigating and conciliating complaints brought by victims of discrimination or fair housing organizations. In appropriate cases, attorneys in HUD's Office of General Counsel issue charges of discrimination, and litigate cases on behalf of the complainant before an administrative law judge. Central HUD strategies in ensuring equal opportunity in housing are to encourage local creativity in promoting housing choice, to educate the public about fair housing rights and responsibilities, and to increase attention to accessibility of housing for persons with disabilities that is mandated by civil rights laws. These efforts support the outcome of increasing access to the nation's housing stock so that all Americans can choose to live where they want to live, and are reflected in the following two primary grant programs that fund state and local fair housing efforts:

Fair Housing Assistance Program

The Fair Housing Assistance Program provides funds to state and local government entities that administer laws substantially equivalent to the Federal Fair Housing Act. FY 2007 funds, totaling \$24.8 million, will sustain the following: (1) funding for the National Fair Housing

Training Academy to effectively train civil rights professionals and housing partners, including HUD investigators, in conducting fair housing investigations; (2) funding for discrimination cases processed by a projected 109 state and local fair housing agencies; and (3) funding to assist new state and local enforcement agencies with start-up costs. The Department will continue to focus on the efficient processing of complaints by substantially reducing the number of “aged” complaints under both HUD and Fair Housing Assistance Program responsibility in order to support the goal of ending housing discrimination.

The Department supports Fair Housing Assistance Program agencies by providing funds for capacity building, complaint processing, technical assistance, administration, and training. An estimated 200 fair housing professionals will be certified in FY 2007 as a result of courses completed at the National Fair Housing Training Academy.



Fair Housing Initiatives Program

This program provides grant funds for nonprofit Fair Housing Initiatives Program agencies nationwide to directly target discrimination through education, outreach, and enforcement. The program for FY 2007 is funded at \$19.8 million and 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 enforcement efforts nationally as a result of continuing high levels of discrimination. The requested funds also will continue to support the following special initiatives:

- ***Education and Outreach Initiative.*** Education and outreach are critical components of HUD’s ongoing efforts to prevent or eliminate discriminatory housing practices. Recent studies have demonstrated the continuing need for public education on fair housing laws. The FY 2007 budget provides \$4.7 million for fair housing education and outreach, which will enable grantees to conduct at least 300 community events that reach 180,000 individuals with information about their rights and responsibilities under the Fair Housing Act.
- ***Fair Housing Accessibility FIRST.*** Promoting the fair housing rights of persons with disabilities is a departmental priority and will remain an important initiative within the Fair Housing Initiatives Program. Fair Housing Act accessibility design and construction training and technical guidance are being implemented through *Fair Housing Accessibility First* (formerly called the Project on Training and Technical Guidance). In FY 2007, the Department is requesting \$1.2 million to advance priority accessibility goals.
- ***Private Enforcement Initiative.*** This initiative provides funding to private, tax-exempt organizations to investigate reports of discrimination, develop evidence on behalf of victims, and pursue complaints with government agencies and in the courts. Most significantly, private enforcement initiative grantees are the nation’s experts in “testing.” Because housing discrimination is rarely overt, these grantees investigate complaints of discrimination by sending trained “testers” to inquire about housing availability and record their experiences. In FY 2005, HUD created a “Performance Based Funding Component” for the private enforcement initiative, which it will continue in FY 2007. This component will allow high-performing enforcement agencies to receive continuous funding for three years to support agencies in implementing their strategic plans and developing long-term systemic investigations. For FY 2007, approximately

75 percent of the private enforcement initiative's \$13.9 million budget will be used for the performance based funding component.

Ensuring that HUD-funded entities comply with fair housing and civil rights laws

HUD regularly monitors a number of funded housing programs. The Department is increasing attention on training and monitoring funded entities, conducting “front-end reviews” of documents such as fair housing marketing plans, and enforcing civil rights related program requirements, such as site and neighborhood standards. Competitive grant applications are reviewed to ensure that applicants meet affirmative fair housing, nondiscrimination, and Section 504 accessibility requirements in their programs and activities.

HUD's Office of Fair Housing and Equal Opportunity designed a checklist to assist other program offices in determining a funded agency's compliance with applicable laws. HUD program offices work together to determine the appropriate corrective action to take when an entity fails to comply, and the Office of Fair Housing and Equal Opportunity uses the information collected to reach out to these entities to ensure full compliance with fair housing laws.

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 D, “Ensure Equal Opportunity in Housing,” is summarized below.

- HUD 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 Federal Deposit Insurance Corporation, 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 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 Justice Department to promote fair housing for persons with disabilities. The Department of 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. The Civil Rights Division also launched a new program, the Multi-Family Housing Access Forum, to assist building professionals to better understand their legal obligations under the Fair Housing Act's accessibility requirements and to promote compliance.

- HUD will continue to work with the Departments of Justice and the Treasury to ensure that low-income housing tax credit projects are in compliance with the Fair Housing Act. Pursuant to memoranda of understanding, the three agencies formalized a compliance process to ensure that these properties do not violate the Fair Housing Act.
- The Office of the Assistant Attorney General, Civil Rights Division, of the Department of Justice chairs the Interagency Working Group on Limited English Proficiency. The working group consists of representatives from all federal civil rights offices and 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 limited English proficiency issues. The working group will ensure that persons with limited English proficiency will have meaningful access to federally 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 are moving into communities at a time when affordable housing is increasingly scarce.

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

HUD's goal of embracing high standards of ethics, management, and accountability is achieved through rebuilding and better managing its human capital, as well as improving its internal controls and systems. HUD is also committed to improving accountability and service delivery through creating and fostering constructive partnerships with PHAs and other intergovernmental bodies. HUD's priorities under this goal are largely reflected in specific agreements made by the Department as part of the President's Management Agenda (PMA), which is designed to improve the efficiency and effectiveness of the federal government and to address significant management deficiencies at individual agencies. The PMA serves as a performance assessment structure for several of HUD's administrative functions.

The PMA addresses HUD's management challenges and high-risk programs through five government-wide initiatives to improve government performance. The PMA also includes a sixth HUD-specific initiative to correct long-standing program risks and management control weaknesses. A multi-agency initiative (discussed under Strategic Goal F, "Promote Participation of Faith-Based and Community Organizations") focuses on improving HUD's program delivery by enabling increased participation by faith-based and community organizations. Under an eighth initiative, HUD seeks to eliminate improper payments in federally funded activities. HUD

continues to be a leader in the federal government on this initiative. Recently, a ninth initiative (not discussed under this goal) that focuses on credit program management was added as a multi-agency initiative. A summary of the means and strategies for Goal E by PMA initiative follows:

Strategic Management of Human Capital

Strategic management of HUD's most important asset, its "human capital," is the key to management accountability. HUD's three strategic priorities for human capital are: 1) a mission-focused agency, 2) a high-quality workforce, and 3) an effective succession plan. HUD is committed to ensuring that its employees have the skills and knowledge they need to achieve HUD's mission and that institutional knowledge is sustained. Clear lines of succession will help the Department recruit high-performing employees and ensure that customer service will not suffer due to retirements and staff turnovers. The means and strategies that will be applied to effectively utilize human capital include the following:

- Continued monitoring of the implementation of HUD's Strategic Human Capital Management Plan by the Human Capital Steering Committee, which is chaired by the Assistant Secretary for Administration and comprised of executives from all major program areas.
- Continued implementation of the workforce plans that address mission-critical skill gaps, developed as a result of the Department's comprehensive workforce analysis conducted for each of its core business program offices.
- Continued use of the Resource Estimation and Allocation Process (a departmental resource management process) and the Total Estimation and Allocation Mechanism (an automated information system that validates the Resource Estimation and Allocation Process) in developing budget requests and as part of the process of assessing hiring needs and making hiring decisions.
- Continued improvement in internal communications and employee involvement to allow HUD to be a more cohesive organization that exhibits greater comprehension of, commitment to, and capacity for achieving departmental goals.
- Continued support of the workforce through expanded opportunities for professional development, including the enhancement of such initiatives as the creation of a comprehensive training curriculum using the HUD Virtual University, the Emerging Leaders program, the HUD Intern program, and Operation Brain Trust—a program that captures the critical knowledge of experienced HUD professionals before they retire, transferring it to new or less experienced employees. In addition, the Department participates in other leadership programs such as the Council for Excellence in Government, the Senior Executive Service Candidate program, and a host of other internal and external leadership programs to ensure continuity of operations and transfer of knowledge.

Competitive Sourcing

Competitive Sourcing is a government wide initiative designed to ensure that the government acquires commercially available services at the best value for the taxpayer, regardless of whether such services are provided by the private sector or federal government. The Department is committed to using competitive sourcing as a means of achieving efficiencies, increasing cost-effectiveness, and improving services, while minimizing program risks. HUD already has

significant outsourced services and, therefore, must carefully consider the impact of any further outsourcing on program risk. Competitive sourcing has been integrated as a resource management tool in HUD's human capital management planning process and will be considered in areas where the Department is experiencing performance problems or where workforce analyses identify existing or anticipated staffing or skill gaps in the HUD workforce. HUD has successfully completed six competitions and is in the process of implementing the results of a major competition involving the administration of multifamily project-based housing assistance in programs other than Section 8, as well as a smaller competition involving the Office of Administration's training support services. HUD will continue to encourage competition in the management and performance of commercial activities, and empower federal managers to make sound and justifiable business decisions that will support the mission of the Department.

Improved Financial Management

This initiative is designed to improve controls over financial transactions and the quality of financial information so that agencies and the Congress can use the information to make informed decisions about federal programs; reduce the risk of fraud, waste, and abuse; and manage federal programs more effectively. Success is measured against clear and specific performance criteria, including:

- Accurate and timely financial information;
- Integrated financial and performance management systems that support day-to-day operations;
- Financial systems that meet federal requirements; and
- Clean and timely audit opinions with no material weaknesses.

A major initiative of the Department is the modernization of its core financial systems through the HUD Integrated Financial Management Improvement Project. The goal is to provide a user-friendly system that improves the availability and use of financial information to better inform HUD's business decision making process. This initiative is a multiyear effort that will result in more seamless and integrated financial management processes throughout the Department.

Recent significant improvements in financial management systems and controls have enabled HUD to receive clean financial statement audit opinions from the Inspector General for the past six years. The two remaining material weaknesses identified by the Inspector General for FY 2005, dealing with the FHA Credit Reform estimation process, and the risk analysis monitoring in FHA's single-family insured mortgage program, will be eliminated in FY 2006 and reported on in FY 2007.

Expanded Electronic Government

HUD continues to be an active partner in the federal Electronic Government initiatives to improve the efficiency of public sector business through the use of the Internet. As an active partner, HUD is capitalizing on efforts to introduce shared solutions, retire redundant or obsolete systems, and provide innovative technological tools to increase access to programs, services, and information. Three examples of HUD's use of E-Government to provide citizens better services follow:

Grants.gov. This federal portal allows partners to receive email notification of funding opportunities from every federal agency, find the opportunity, and apply on line using a single registered identification number and password. Recently, HUD has taken steps to make all of its competitive funding opportunities available on Grants.gov. In FY 2005, more than 5,000 applications for HUD programs were submitted using Grants.gov. Plans are underway to make all HUD competitive funding opportunities available on Grants.gov by the end of FY 2007.

E-Rulemaking. HUD is one of the first agencies to migrate to E-Rulemaking's Federal Docket Management System, collaboratively designed to assist federal agencies in managing and organizing materials and comments associated with rulemakings. The system provides a single point for citizens to access and participate in the federal government's rulemaking function, replacing the array of disparate systems currently in use and the paper-based process in effect at many agencies.

HomeSales.gov. HUD and its multi-agency partners launched the E-Government project HomeSales.gov in September 2004. HomeSales.gov integrates information from the three largest inventories of federal real property assets, HUD, Veterans Affairs, and United States Department of Agriculture, to provide a single point of entry for prospective homebuyers to access all homes for sale from these agencies. HomeSales.gov is the first joint government online listing of homes for sale by the government and provides a link to over 95 percent of the single family homes for sale by government agencies. The HomeSales.gov website makes it easier for potential homebuyers to find HUD and other government-owned homes that are for sale throughout the United States.

The expanding Electronic Government initiative also requires federal agencies to develop secure Information Technology systems and strictly adhere to project cost, schedule, and performance projections. The following are examples of improvements to the management of HUD's Information Technology portfolio that are underway:

Information Technology Project Management. HUD's earned value management system data shows Information Technology major project overruns and shortfalls average less than 10 percent as of December 30, 2004. During 2003, HUD implemented a system to allow project managers to report project status. Information Technology Project business cases now identify the qualifications and competency of the individual serving as Project Manager using the Office of Management and Budget definition. HUD has established a central Information Technology Project Management Office, to provide system sponsors with centralized project management guidance and support. In 2005, the Office of the Chief Financial Officer recognized the Office of Housing as the first program office to set the standard for earned value management throughout the system lifecycle in its detailed government cost estimate submitted for TransAccess.

Data Quality Improvement. Reliable information is critical for effective management and accountability. HUD's Enterprise Data Management Group, which operates under the oversight of an agency-wide Data Control Board, continues to make strides in addressing data quality deficiencies. The Enterprise Data Management Group has focused initial efforts on assessing critical data elements that HUD uses to measure and manage performance. In recent years, the Department has greatly expanded the use of performance information to manage programs and operations, to guide budget decisions, to inform stakeholders about program results, and to strengthen enforcement actions against partners who fail to act with integrity.

Information Security. The Federal Information Security Management Act of 2002 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 will continue to reduce risks and vulnerabilities and protect HUD's information systems and resources from unauthorized access, use, and modification. More specifically, the office will:

- Continue the Certification and Accreditation effort to ensure that 100 percent of major applications documented in the Inventory of Automated Systems has been certified and accredited;
- Prioritize and remedy high priority risks; and
- Ensure 90 percent of HUD employees and contractors will have completed information technology security and awareness training.

Budget and Performance Integration

The Budget and Performance Integration initiative requires agencies to use performance goals and results as an integral element in program operations and budget formulation. This initiative has heightened awareness of the need for clear, measurable program goals and indicators to make budget and resource allocation decisions based on performance results. HUD again developed its FY 2007 budget submission to the Office of Management and Budget with an emphasis on collecting and using higher quality performance information. Program evaluations, research, and a focus on outcome indicators continued to be employed to better allow decision-makers to make connections between budget dollars and what programs actually produce. HUD has completed the Office of Management and Budget's Program Assessment Rating Tool evaluation on 25 major program areas, representing over 80 percent of HUD's budget, to identify areas in need of actions to improve the focus of performance measures and establish efficiency measures. HUD continues to work with the Office of Management and Budget to develop and use efficiency measures for major programs and to reduce the number and improve the focus of performance measures covering the Department's core goals and objectives. The six resource tables that appear in this Annual Performance Plan show the allocation of budget resources and staff resources that are devoted to achieving each strategic goal, and enable the linking of resources with the results.

HUD Management and Performance

This HUD-specific initiative contains four parts that allows the Department to aggressively address its high-risk program and material weakness issues that are not covered by other PMA initiatives. These efforts are summarized below:

Improved performance of housing intermediaries. HUD surpassed initial goals for improving adherence to housing physical condition standards for public and assisted housing properties and for reducing improper payments in its rental housing assistance programs. HUD set and communicated clear and measurable goals and corrective actions for reducing improper payments and improving housing conditions, and worked collaboratively with the housing industry and local housing program administrators to exceed initial goals.

Improved FHA risk management. FHA's Single Family Mortgage Insurance programs enable millions of first time, minority, low-income, elderly and other underserved households to

realize the dream and benefits of homeownership, but the populations served by FHA are particularly vulnerable to predatory lending practices that are harmful to those homebuyers and the self-sustaining FHA fund. HUD has taken a number of actions to reduce risks to homebuyers and the FHA fund. With consistent implementation of these and other corrective actions taken by FHA, HUD's goal is to eliminate the Government Accountability Office's high-risk program designation on the Single Family Housing Mortgage Insurance program area by January 2007.

Reduced meaningless compliance burdens. HUD has worked closely with grantees, program stakeholders, and public interest groups to develop techniques for streamlining the Consolidated Planning process to make it more results-oriented and useful to communities in assessing their own progress toward addressing the problems of low-income areas. Communities use the Consolidated Plan to identify community and neighborhood needs, actions that will address those needs, and measures to gauge their performance. HUD developed and released the Consolidated Plan Management Process Tool that introduced an automated approach to managing the consolidated planning and reporting process.

Improved Acquisition Management. HUD acquires more than \$1 billion in contracted services and goods each year. As part of an overarching strategy to improve HUD's acquisition management, actions are being taken to ensure that:

- HUD's centralized contracting management information system contains reliable data on the number of active contracts, the expected cost of the contracts, and the types of goods and services acquired; and
- HUD's financial management information systems provide complete and reliable obligation and expenditure information on its contracting activities.

Other aspects of HUD's acquisitions management improvement strategy are being addressed through the human capital strategic implementation plan, which incorporates actions to enhance HUD's procurement staff capacity and improve guidance and training for HUD's acquisition workforce.

Elimination of Improper Payments

This initiative was established in conjunction with the requirements of the Improper Payments Information Act of 2002. The Act requires agencies to annually assess improper payment risks and measure and report programs/activities that may be susceptible to improper payment levels in excess of a \$10 million threshold. It holds agency managers accountable for strengthening financial management controls in order to reduce any significant improper payment levels identified. The specific objectives are as follows:

- Establish an annual agency-wide risk assessment process that identifies all programs at risk of significant improper payments;
- Provide for annual estimates of improper payment levels in at-risk programs;
- Analyze the causes of improper payments in at-risk programs to serve as the basis for setting reduction goals and corrective action plans;
- Provide annual reporting of progress and results in attaining improper payment reduction goals.

HUD is considered a leader in this effort and is the first federal agency to achieve the PMA goals for reducing improper payments. In 2000, a HUD Quality Control Study estimated approximately \$3.2 billion in gross improper payments and \$2 billion in net annual subsidy overpayments attributed to the combination of program administrator errors and tenant income reporting errors. By the end of 2004, follow-up studies showed that gross improper payments due to program administrator and income reporting errors had decreased to approximately \$1.2 billion, a reduction of 62 percent over four years. Continued success in this area is contingent on the expansion of computer matching processes to verify tenant beneficiary income and on HUD's ability to sustain adequate level of monitoring of program administrator performance.

Faith-based and Community Organizations

HUD is one of several Departments that are leading the government-wide effort to promote participation of Faith-Based and other Community organizations. This effort will strengthen the governments' efforts and results through the increased participation of new organizations with energy, vision and important mission goals.

Additional Strategies. In addition to the PMA initiatives, HUD pursues several strategies for helping employees and partners effectively deliver results to customers:

- Supporting accomplishment of goals in the Annual Performance Plan by helping managers shape the annual Management Plan. HUD's Management Plan defines specific operational goals that dovetail with this Annual Performance Plan while providing substantial emphasis and specificity about plans of individual field offices. Developing the Management Plan is a major annual undertaking that involves 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. HUD continues to examine ways to increase the authority of field offices to provide quicker decisions for partners and customers.
- Reducing regulatory burdens on PHAs through the proposed Flexible Voucher Program, which would allow local agencies to establish rent subsidies and policies while rewarding good management through performance-based incentives.
- Maintaining a strong research program focused on program evaluations to assess the effectiveness of HUD programs and develop recommendations for program improvements.
- Ensuring compliance by recipients of HUD funds with civil rights authorities and Section 3 of the Housing and Urban Development Act of 1968 through compliance and monitoring reviews.

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. Examples of interagency coordination associated with Strategic Goal E, "Embrace High Standards of Ethics, Management, and Accountability," follow:

- 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 memoranda of understanding with the Internal Revenue Service to work closely in efforts to link low-income individuals and families to free tax preparation, electronic filing, and asset building assistance from the Internal Revenue Service; and coordination with the Department of State to enter into memorandum of understandings 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. Additionally, HUD has taken a leadership role in extending FedStats with city data and linking HUD applications with FedStats applications.

Strategic Goal F: Promote Participation of Faith-Based and Community Organizations

In FY 2007, HUD's Center for Faith-Based and Community Initiatives will continue to play a key role in facilitating intra-departmental and interagency cooperation regarding the needs of faith-based and community organizations. The Department has achieved notable success in eliminating regulatory barriers to program participation by Faith Based and other Community Organizations. The Center will build on the significant accomplishments to date and continue to focus on research and expanding outreach, training, and coalition building. The Center works to further HUD's overall strategic goals and objectives—particularly as they relate to partnerships with faith-based and community organizations. A range of activities will promote connections between the extensive resources of the federal government and the vision, commitment, and expertise of community-based religious and voluntary organizations.



Outreach and Technical Assistance to Faith-Based and Community Groups

In FY 2007, 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, helping more of these organizations apply for HUD's formula and competitive grants. The Center will encourage access to local funds by making grant processes more transparent. This will be accomplished in part by conducting at least 50 "Art & Science of Grant Writing" workshops in cities around the country, and by publicizing local grant opportunities, points of contact, and examples of recent grants to faith-based and community grassroots organizations. The Center will also attend at least 50 conferences for outreach purposes. More than 10,000 eligible faith- and community-based organizations currently in the Center's database will be kept informed of educational and grant opportunities through periodic email and fax

“blasts.” Faith-based organizations are competing more widely and effectively, as shown in their success in increasing the number of grants from 659 in 2002 to 765 in 2003, a 16 percent increase. HUD will continue to help faith- and community-based hospitals obtain low-interest financing for construction and modernization projects. These hospitals deliver health care and social services to large and small communities across the country. Section 242 mortgage insurance gets them AA or AAA credit ratings for their projects.

Annual Department-Wide Inventory

The Center is charged with conducting, in coordination with the White House Office of Faith-Based and Community Initiatives, an annual department-wide inventory to identify barriers to participation of faith-based and community organizations in the delivery of social services. This review may 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.

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.

For FY 2007, HUD will expand its “Unlocking Doors” initiative to work with mayors in 11 cities to identify what methods and practices were used that have made the city successful in its community housing efforts, highlighting effective partnerships with faith and community-based organizations. In addition to working with HUD program offices to incorporate the findings in HUD programs, HUD also provided support to these cities to enable them to reach more people, expand their successful partnerships, and further their efforts to promote affordable housing and homeownership.

The Center also will continue to implement and analyze the grants awarded in FY 2005 under an Office of Public and Indian Housing pilot project aimed at encouraging PHAs to enlist area faith-based and community organizations in supplying mentors for public housing residents moving toward self-sufficiency.

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.

Coordination with Other Federal Agencies

In addition to private partners and state and local government, HUD relies on other federal agencies to help accomplish its goals. HUD’s Center for Faith-Based and Community Initiatives will partner with the Centers for Faith-Based and Community Initiatives at the Departments of

Education, Health and Human Services, Justice, Labor, 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.



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 encourages 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.

SECTION THREE
Performance Indicator Detail

Strategic Goal A: Increase Homeownership Opportunities

Strategic Objectives:

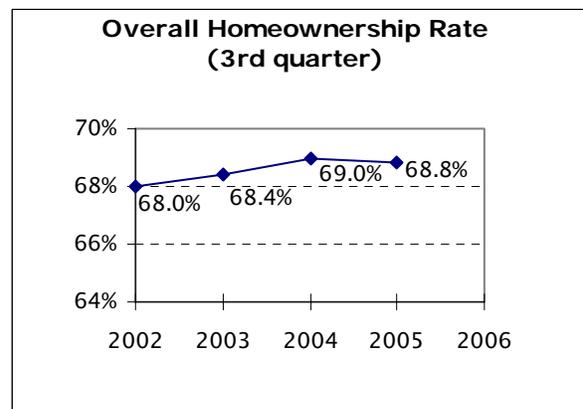
- A.1 Expand national homeownership opportunities.*
- A.2 Increase minority homeownership.*
- A.3 Make the home-buying process less complicated and less expensive.*
- A.4 Reduce predatory lending through reform, education, and enforcement.*
- A.5 Help HUD-assisted renters become homeowners.*
- A.6 Keep existing homeowners from losing their homes.*

Objective A.1: Expand national homeownership opportunities.

A.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. Increased homeownership produces beneficial outcomes by creating stronger neighborhoods, providing better opportunities for child development, and encouraging 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. At the end of FY 2005, the homeownership rate was 68.8 percent, near the record level set in FY 2004.



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 through a number of performance indicators. For example, at the end of FY 2005, FHA had over \$416 billion of mortgage insurance in force, of which 80 percent was supporting homeownership through the Mutual Mortgage Insurance fund. 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, conducted monthly by the Bureau of Census. This corresponds to the final quarter of the fiscal year.

Limitations/advantages of the data. Current Population Survey data have the advantage of being nationally representative, reliable and widely recognized. Changes in estimated rates exceeding 0.25 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. The changes are inconsequential for this indicator.

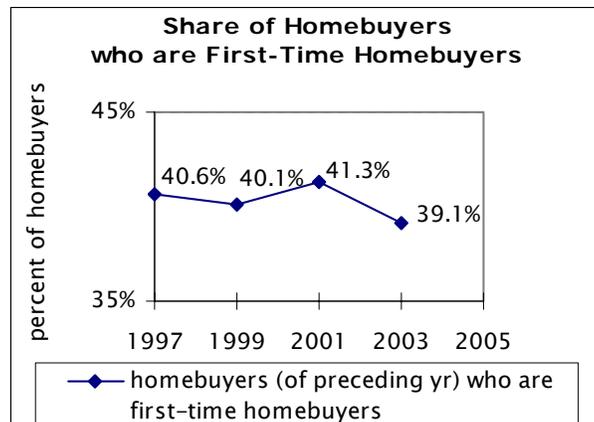
Validation, verification, improvement of measure. See discussion of the Current Population Survey in Appendix C.

A.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. This indicator is an important intermediate outcome leading to higher homeownership. Homeownership rates generally increase when better opportunities become available for first-time homebuying by low- and moderate-income households. The most recent available data show that the percentage of homebuyers who were first-time homebuyers decreased by 2.2 percentage points from 2001 levels to 39.1 percent in calendar year 2003. (For each year shown, the results represent households who reported purchasing their home in the previous year.) A number of economic factors not controlled by HUD affect this outcome, especially changes in mortgage interest rates.

Data source. The American Housing Survey, conducted for HUD by the Bureau of Census. The data represent homeowners who reported, during the (odd) year shown, that they moved during the previous (even) year.

Limitations/advantages of the data. American Housing Survey data are available only biennially with a time lag. Calendar year 2005 data will become available in the third quarter of 2006. Information on first-time status was missing



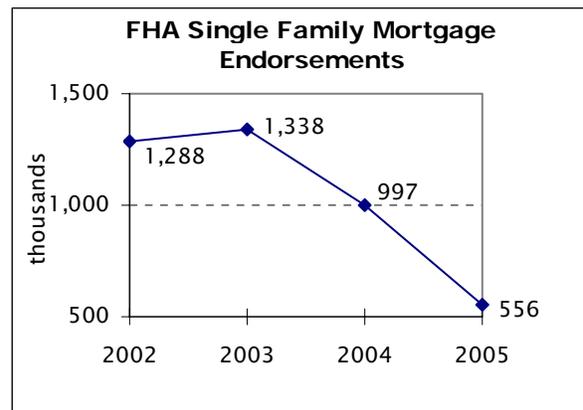
for 4.4 percent of homebuyers surveyed in 2003, so those households were excluded.

Validation, verification, improvement of measure. See discussion of the American Housing Survey in Appendix C.

A.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. It is a key component of the Department's priority outcome of improving the national homeownership rate and fulfilling the President's 2002 commitment to create 5.5 million new minority homeowners by 2010. 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 2007 will be dramatically affected by market forces outside of HUD's control, especially interest rates. The Department is proposing comprehensive reform of FHA single family mortgage insurance activities to better achieve its mission of reducing barriers to homeownership. Balancing the importance of reporting this key measure of HUD activity with an appreciation of the dominant effect of market factors in the annual volume achieved, the Department has decided to track this measure without establishing a numeric goal for FY 2007.



Data source. The data originate in the Computerized Homes Underwriting Management System and for convenience are reported from FHA's Single Family Housing Enterprise Data Warehouse.

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.

A.1.4: The share of first-time homebuyers among FHA home purchase endorsements is 71 percent.

Indicator background and context. FHA is a major source of mortgage financing for first-time buyers as well as for minority and lower-income buyers. HUD will help achieve the outcome of increasing the overall homeownership rate, as well as reducing the homeownership gap between whites and minorities, by maximizing FHA endorsements for first-time homebuyers. This indicator measures the share of first-time homebuyers among FHA endorsements for home purchases—thus excluding loans made for home

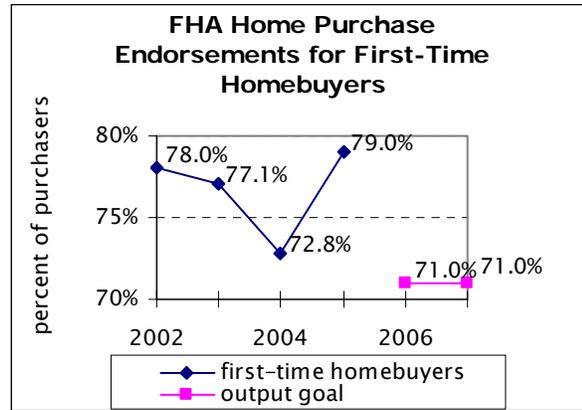
improvements. The FY 2007 goal is to ensure that 71 percent of home purchase mortgages endorsed for insurance by FHA are to first-time homebuyers.

Data source. The data originate in the Computerized Homes Underwriting Management System and for convenience are reported from FHA's Single Family Housing Enterprise Data Warehouse.

Limitations/advantages of the data. This performance measure is strongly influenced by macroeconomic factors beyond FHA's control, which include interest rate changes and lender choices concerning the type of mortgage transactions on which they focus their business.

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.

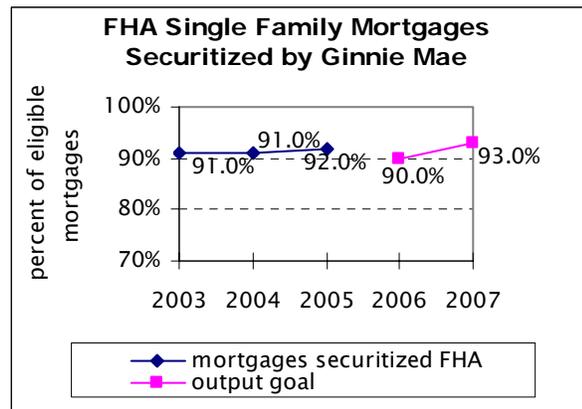


A.1.5: Ginnie Mae securitizes at least 93 percent of eligible single-family fixed rate FHA loans.

Indicator background and context. Ginnie Mae helps create a secondary market for residential mortgages by securitizing a high share of eligible fixed rate FHA loans. The securitization of FHA fixed rate mortgages increases the availability of funds for lenders making these loans and thereby decreases the cost associated with making and servicing the loans. The outcome is lower mortgage costs for homebuyers who use federal government housing credit, thereby increasing the number of potential homeowners.

Since 1970, Ginnie Mae has guaranteed the issuance of \$2.4 trillion in mortgage-backed securities that have provided affordable housing for over 32 million households. In FY 2007, Ginnie Mae is requesting \$100 billion in new commitment authority that will provide housing for more than one million additional families.

Data source. Ginnie Mae database of monthly endorsements by FHA and the loan level data collected by Ginnie Mae in its Mortgage-Backed Security Information System.



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.

A.1.6: Ginnie Mae securitizes at least 83 percent of VA single family loans.

Indicator background and context. Ginnie Mae creates a secondary market for residential mortgages. Securitizing a high share of Veteran’s Affairs 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 reflects the ratio between the reported value of VA guarantees and the total value of Ginnie Mae Veteran’s Affairs single family securities guaranteed. 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 Veteran’s Affairs loans in recent years.

Data source. Ginnie Mae database of monthly Veteran’s Affairs guarantees and the loan level data collected by Ginnie Mae in its Mortgage-Backed Security Information System.

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

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

A.1.7. At least 28 percent of all Ginnie Mae single family pools issued in FY 2007 are Targeted Lending Initiative pools.

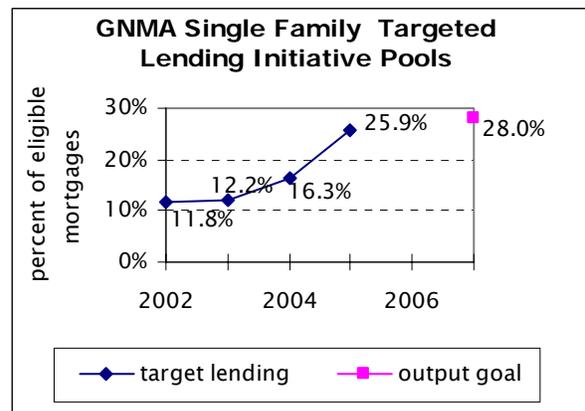
Indicator background and context. Ginnie Mae established the Targeted Lending Initiative in FY 1996 in order to provide incentives for lenders to increase loan volumes in the following traditionally under-served areas: HUD-designated Renewal Communities, Urban Enterprise Zones, Urban Empowerment Zones, Native American Lands, Rural Empowerment Zones, and Rural Enterprise Communities. Ginnie Mae expanded the Targeted Lending Initiative in FY 2004 to include the colonias (poor rural communities, almost always unincorporated, that lie in a 150-mile-wide strip along the U.S.-Mexico border between Texas and California). Most recently, Ginnie Mae expanded the program to include those census tracts that were declared disaster areas as a result of Hurricane Katrina.

The Targeted Lending Initiative program offers discounts ranging from one to three basis points on Ginnie Mae’s six basis point guaranty fee, depending on the percentage of Target Lending Initiative—eligible loans within the security. The reduced guaranty fee gives lenders an incentive to originate loans in Target Lending Initiative areas.

Data source. Ginnie Mae monthly Master Pool file detailing characteristics of pools securitized by Ginnie Mae.

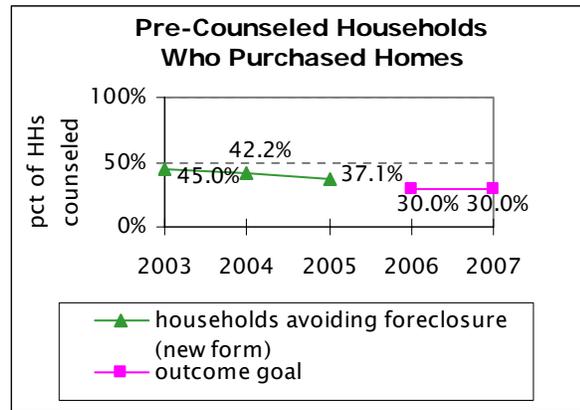
Limitations/advantages of the data. No data limitations are known to affect this indicator.

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



A.1.8: At least 30 percent of clients receiving pre-purchase counseling will purchase a home or become mortgage-ready within 90 days.

Indicator background and context. The Department continues to emphasize the critical role of counseling in the home buying process. Clients tracked through this indicator include those individuals receiving housing counseling for pre-purchase reasons, including clients who are preparing to purchase a home or working to become mortgage-ready. The FY 2007 performance goal is to ensure that at least 30 percent of clients receiving pre-purchase counseling achieve the outcome goal of purchasing a home or becoming mortgage-ready within 90 days.



Depending on the state of the economy and the housing market, demand for various types of counseling rises and falls, and may vary for reasons outside of HUD’s control. However, the Department is confident that HUD-approved agencies are providing quality counseling services that will help clients resolve their housing problems regardless of how many clients are served in a given year. As a result, HUD will focus on outcomes associated with clients receiving pre-purchase counseling, rather than the number of clients served.

Data source. The data are from the Housing Counseling System and are submitted 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. A major limitation of the data collection instrument is that it does not differentiate the level of counseling given to each client. The level of counseling provided can vary significantly.

Validation, verification, improvement of measure. To improve the quality of the housing counseling information that is used by HUD, the Department is in the process of implementing a new automated data collection instrument that will enable it to collect client-level data beginning in FY 2007.

A.1.9: The number of homebuyers who have been assisted with the HOME Investment Partnerships program is maximized.

Indicator background and context. During FY 2007, 30,221 households are projected to become homeowners with HOME Investment Partnerships program assistance. Of this number, 5,000 households will be assisted through the use of funds provided under the American Dream Downpayment Initiative. Enacted by Congress in 2003, this initiative is a set-aside under the HOME Investment Partnerships program that provides downpayment assistance to first-time homebuyers. The first funds were distributed to participating jurisdictions in FY 2004. Based upon the history of the HOME Investments Partnerships program funding, the number of minority homebuyers assisted with

program funds will be 14,506—48 percent of the 30,221 new homeowners. In addition to assisting homebuyers, the program will help 8,943 existing homeowners rehabilitate their homes up to standard condition in FY 2007 and supports homeownership by assisting current homeowners in retaining that status. The FY 2007 goal shows a decrease from the estimated FY 2005 level due to the effects of inflation on housing production—calculated at 3 percent annually—together with the reduction in HOME Investments Partnerships program funding in recent years.

HOUSEHOLDS ASSISTED THROUGH HOME	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006 goal	FY 2007 goal
New Homebuyers, not Down Payment Initiative	23,241	25,867	28,517	23,413	26,001	25,221
New Homebuyers, Down Payment Initiative	NA	NA	2,263	8,894	7,500	5,000
Minority Homebuyers Assisted			14,774	15,507	16,080	14,506
Existing-homeowner rehabilitation			10,112	14,832	9,220	8,943

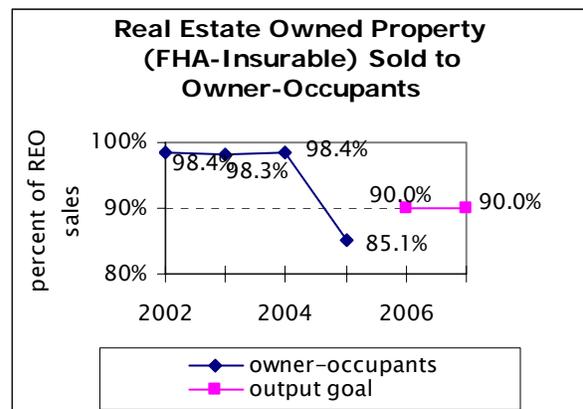
Data source. Integrated Disbursement and Information System – HOME Module, which contains completion reports submitted by participating jurisdictions.

Limitations/advantages of the data. HUD relies on participating jurisdictions to enter data into the Integrated Disbursement and Information System. Historically, there has been a time lag between the time when project construction is complete or assistance is provided and the time when this information is entered into the data system.

Validation, verification, improvement of measure. CPD field staff verifies program data when monitoring grantees, and grantee reports are subject to independent audits.

A.1.10: The share of FHA-insurable real-estate-owned properties that are sold to owner-occupants is 90 percent.

Indicator background and context. This indicator is a measure of the Department’s success in achieving the outcomes of expanding homeownership opportunities and helping stabilize neighborhoods. HUD acquires real-estate-owned properties when borrowers with FHA-insured single family mortgage loans cannot resolve their delinquencies, their properties are foreclosed upon and FHA pays mortgage insurance claims to lenders. HUD intends to increase sales of its FHA-insurable real-estate-owned homes directly to families that will occupy them rather than to investors. The FY 2007 goal is to ensure that at least 90 percent of FHA-insurable real-estate-owned properties are sold to owner-occupants.



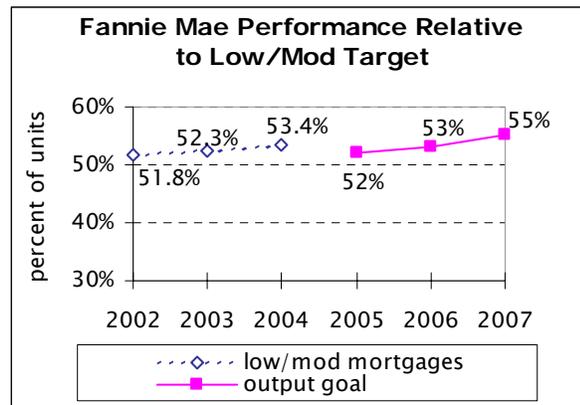
Data source. FHA’s Single Family Acquired Asset Management System.

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. This performance indicator considers only properties that are in a physical condition acceptable to qualify for FHA insurance at the time of sale. HUD regulations require that properties be sold as-is without repairs. By excluding sales of properties that, on the basis of their physical condition, are not appropriate for owner occupant purchasers, FHA is able to measure the expansion of homeownership opportunities to this segment of the homebuyer market more effectively.

Validation, verification, improvement of measure. Real-estate-owned data are covered by the Inspector General’s audit.

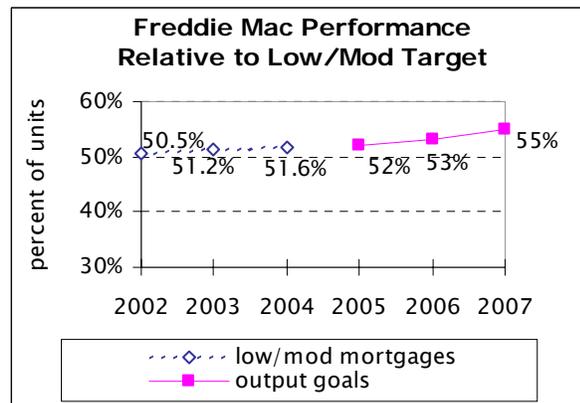
A.1.11: HUD will continue to monitor and enforce Fannie Mae’s and Freddie Mac’s performance in meeting or surpassing HUD-defined targets for low- and moderate-income mortgage purchases.

Indicator background and context. Fannie Mae and Freddie Mac, two housing Government-Sponsored Enterprises that HUD oversees, are private corporations with public purposes that include providing stability in the secondary market for residential mortgages and promoting access to mortgage credit throughout the nation. To fulfill their public purposes, Congress requires that each Government-Sponsored Enterprise achieve annual affordable housing goals, including a goal that targets families with low-



and moderate incomes. HUD sets the level of an annual Low- and-Moderate Income goal target. HUD’s targets for low- and moderate-income mortgage purchases for these two Government-Sponsored Enterprises aid in expanding homeownership and rental opportunities for these income groups (defined as households with incomes less than or equal to the area median income).

Beginning in 2005, HUD increased the Low- and Moderate-Income goal from 50 percent to 52 percent. The Low- and Moderate-Income goal will increase in stages between 2005 and 2008, capping at 56 percent in 2008. HUD set the goals with the objective of ensuring that Fannie Mae and Freddie Mac fulfill their mandate to provide leadership to the mortgage market. By 2008, the goal level will match HUD’s calculation of market share averages for goals-eligible mortgages in 1999–2003 and will be at the high



end of HUD’s estimated market share range for 2005–2008. HUD’s low- and moderate-income targets

measure the two Government-Sponsored Enterprises' purchase performance relative to all eligible mortgages that finance housing for families earning no more than the area median income. These include mortgages for both purchasing and refinancing single-family and multifamily residential properties, and loans in metropolitan and non-metropolitan areas.

In addition to the broader low- and moderate-income target, HUD has also implemented a home purchase subgoal under the Low- and Moderate-Income housing goal. This subgoal targets Fannie Mae's and Freddie Mac's performance in serving the homeownership segment of the low- and moderate-income market. The home purchase subgoal is expressed as a percentage of the total number of mortgages purchased by Fannie Mae and Freddie Mac that finance the purchase of single-family, owner-occupied properties located in metropolitan areas. In 2005, the Low- and Moderate-Income Home Purchase subgoal was 45 percent for each Government-Sponsored Enterprise. This figure will rise to 46 percent in 2006, and 47 percent in 2007 and 2008. HUD established the home purchase subgoal to encourage the Government-Sponsored Enterprises to improve their efforts in expanding homeownership opportunities for these income groups (defined as households with incomes less than or equal to the area median).

Data source. Government-Sponsored Enterprises.

Limitations/advantages of the data. The data are compiled directly from Government-Sponsored Enterprise records on single-family and multifamily loan purchases, and include mortgages for multifamily rental properties. The data are based on calendar year rather than fiscal year activity, and are presented for performance reporting purposes on a one-year lagged basis.

Validation, verification, improvement of measure. Fannie Mae and Freddie Mac apply quality control measures to the data elements provided to HUD. The Department verifies the data through comparison with independent data sources, replication of Government-Sponsored Enterprise goal performance reports, and independent reviews of Fannie Mae and Freddie Mac data quality control procedures.

A.1.12: The number of households receiving homeownership assistance and homeowners receiving housing rehabilitation assistance from the Community Development Block Grant (CDBG), the Indian Housing Block Grant, and the Native Hawaiian Housing Block Grant.

Indicator background and context. The CDBG program is a flexible block grant program that provides grantees wide discretion in their use of funds, yet the use of CDBG funds for the rehabilitation of owner-occupied housing units continues to be one of the primary activities assisted by grantees. Such rehabilitation, along with the use of CDBG to assist low- and moderate-income persons to become homeowners, helps to maintain existing housing stock and reduce demand for rental housing. For 2007, CDBG has two separate goals under this category: owner-occupied units rehabilitated, 113,161, and assistance directly contributing to homeownership, 6,840.

The Indian Housing Block Grant and Native Hawaiian Housing Block Grant programs address the severe shortages of affordable housing in Indian country and in Hawaii. The measures for these programs track the affordable homeownership units built, acquired, or rehabilitated with the funds. In each case, achieving the targets shown is subject to appropriations as well as economic conditions and local discretion.

Data source. Data on CDBG accomplishments are from the Integrated Disbursement and Information System – CDBG Module. The CDBG goals are based on historical accomplishments reported by grantees, a smaller appropriation for FY 2007, estimated spend-out rates, and a three percent reduction due to the impact of inflation.

Indian Housing Block Grant data come from grant recipients through annual performance reports. The data are captured in the performance-tracking database of each regional Office of Native American Programs and then aggregated into a national database at headquarters.

Native Hawaiian Housing Block Grant data come from the grantee’s annual performance report. The data are captured in the Performance Tracking database at headquarters.

HOMEOWNERSHIP/HOME REHABILITATION ASSISTANCE	2002	2003	2004	2005	2006 goal	2007 goal
CDBG (homeownership assistance)	NA	NA	NA	7,530	11,452	6,840
CDBG (owner-occupied rehabilitation)	NA	NA	115,146	124,544	115,525	113,161
Indian Housing Block Grant (homeownership assistance and owner-occupied rehabilitation)	NA	NA	5,544	8,043	5,350	5,350
Native Hawaiian Housing Block Grant (homeownership assistance and owner-occupied rehabilitation)	NA	NA	NA	72	90	101

Limitations/advantages of the data. CPD has pursued a variety of enhancements to the Integrated Disbursement and Information System, which, along with on-going data clean-up efforts, have resulted in continuous improvements in data quality for the CDBG program.

Accomplishments for the Indian Housing Block Grant program recorded in the database by October 1 each year only include reports from grantees whose fiscal year ended June 30 or earlier, because grantees have 60 days after their year-end to submit their annual report.

Because the Native Hawaiian Housing Block Grant program has a single grantee, the Department of Hawaiian Home Lands, the data are consistently reported.

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. To simplify reporting for Indian Housing Block Grant, HUD officials and grantees have been collaborating to revise the annual data collection forms.

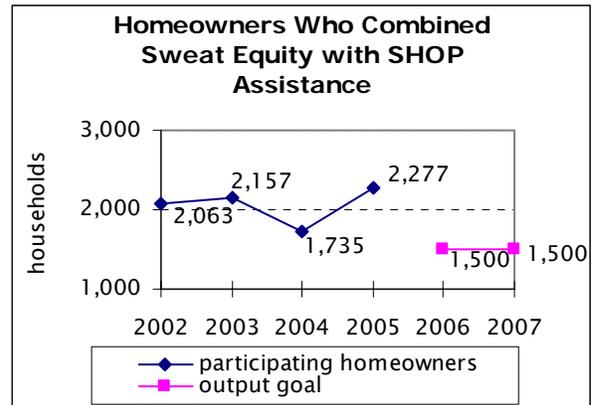
A.1.13: The number of homeowners who have used sweat equity to earn assistance with Self-help Homeownership Opportunity Program funding reaches 1,500.

Indicator background and context. This indicator tracks the number of homeowners assisted with funding from the Self-help Homeownership Opportunity Program reflecting completed units. Under this program, 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 the Self-Help Homeownership Opportunity Program.

In FY 2007, the full effect of the FY 2004 increase from \$10,000 to \$15,000 in the program’s allowable average assistance level per unit will continue to be felt. Consequently, the FY 2007 assistance goal is maintained at 1,500 households. The doubling in program funding requested in FY 2007, compared to the FY 2006 appropriation level, will begin to affect results in FY 2008, as FY 2007 funds will be awarded on a competitive basis during the fourth quarter of FY 2007.

Data source. Self-Help Homeownership Opportunity Program data are from progress reports submitted by grantees.

Limitations/advantages of the data. No data limitations are known to affect this measure. The data shown above for FY 2004 and FY 2005 are not entirely consistent with 2002–2003 data, and also differ from data reported in the Department’s Performance and Accountability Report; the data shown above are tallied on a fiscal year basis (October 1 through September 30) rather than the July 1–June 30 basis.



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

A.1.14: The Self-help Homeownership Opportunity Program will maintain a default rate that is lower than that under the comparable US Department of Agriculture 502 loan program.

Indicator background and context. The Self-help Homeownership Opportunity Program has established this outcome measure to indicate the extent to which assisted households that were otherwise unable to afford their own home but for this program are able to manage monthly mortgage and other housing expenses successfully and remain in their homes. This indicator will measure the stability of this homeownership both for the new owners and as an addition to the total national homeownership housing stock. The current US Department of Agriculture 502 default rate, net of recoveries, is 3.21 percent. Given the fact that loan qualification criteria for low-income homebuyers of units assisted by the Self-help Homeownership Opportunity Program, such as credit history, are applied more liberally than is the case with federal insured loan programs, such as the US Department of Agriculture 502 loan program, the target for maintaining a loan default rate of less than their rate is ambitious. This is especially true considering that almost 80 percent of homebuyers of the Self-help Homeownership Opportunity Program assisted units have incomes under 50 percent of median for their area.

Data source. Data are from progress reports submitted by grantees.

Limitations/advantages of the data. The default rates for the Self-help Homeownership Opportunity Program are collected and compiled by the grantees from numerous local affiliates which may delay reporting.

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

A.1.15: In the Self-help Homeownership Opportunity Program, create \$37.5 million in household equity (cumulative total of purchase price less outstanding mortgage balance at closing for assisted households).

Indicator background and context. This outcome indicator measures the extent to which assisted households that were otherwise unable to afford their own home but for the Self-help Homeownership Opportunity program become homeowners and accumulate equity in their home.

A minimum of \$37.5 million in home equity is projected to be created annually for low-income homebuyers assisted by the Self-help Homeownership Opportunity program through 2011 is premised on an average of \$25,000 per household, to be achieved largely through the sweat equity contributions of the households themselves. By any measure, this is a significant amount of wealth created within a relatively short period of time and an ambitious target for any housing assistance program at any level of government especially considering the relatively low level of federal assistance per unit. Approximately \$2 of household equity would be created for each \$1 of program funds invested.

Data source. Self-help Homeownership Opportunity Program data are from progress reports submitted by grantees.

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

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

A.1.16: Through the HOPE VI Community and Supportive Services program, 156 public housing families will become homeowners.

Indicator background and context. The Community and Supportive Services component of the HOPE VI program encompasses all activities that are designed to promote upward mobility, housing self-sufficiency and improved quality of life for the residents of the public housing project involved. Many of these activities assist public housing residents in becoming homeowners, which is a key indicator of housing self-sufficiency.

The Strategic Plan's outcome goal is that between FY 2006–FY 2011, 800 public housing families will become homeowners through this program component. Cumulatively, as of December 1, 2005, 2,513 public housing residents had purchased homes in connection with a HOPE VI Revitalization plan. During FY 2007, 156 public housing families will become homeowners through the HOPE VI Community and Supportive Services program.

This goal is based on HOPE VI plans submitted by PHAs. The President's FY 2007 budget proposes no additional funds for HOPE VI and proposes to rescind all FY 2006 HOPE VI appropriations. Therefore this goal will be met with available prior year funds.

Data source. PIH's HOPE VI Progress Reporting System, consisting of quarterly progress reports submitted by grantees. The numbers above are based on reports submitted by FY 1993 to FY 2004 grantees.

Limitation/advantages of the data. The data are judged to be reliable for this measure. The usefulness and completeness of the data are improving following continued efforts to assist grantees in quantifying and reporting on Community and Supportive Services indicators.

Validation, verification, improvement of measure. HUD Headquarters staff reviews the reports each quarter and compares progress to stated goals and the results of on-site visits by HUD field office staff.

A.1.17: The HOPE VI Program will create 1,500 new homeownership units.

Indicator background and context. Many families are prevented from purchasing a home due to some combination of low income, low savings, poor credit history, and lack of awareness of opportunities. The Department addresses these issues, in part, through its Strategic Plan outcome measure to create 10,000 new homeownership units through the HOPE VI program between FY 2006 and FY 2011. Cumulatively, as of December 31, 2005, 6,067 homeownership units had been produced. In FY 2007, the HOPE VI program, through the use of grant and leveraged funds, will create 1,500 new homeownership units. This goal will be achieved through a variety of means, including construction, rehabilitation, lease-purchase, Section 32 (selling existing public housing rental units or acquired units), and provision of direct financing to purchasers (e.g., downpayment or closing cost assistance, or subordinate mortgages).

This goal is based on HOPE VI plans submitted by PHAs. The President's FY 2007 budget proposes no additional funds for HOPE VI and proposes to rescind all FY 2006 HOPE VI appropriations. Therefore this goal will be met with available prior year funds.

Data source. PIH's HOPE VI Progress Reporting System, consisting of quarterly progress reports submitted by grantees. The numbers above reflect reports submitted by FY 1993 to FY 2004 grantees.

Limitation/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 phases.

Validation, verification, and improvement of data. Submitted data are reviewed by HUD staff and verified through grant management activities and site visits. HUD headquarters staff reviews the reports each quarter and compares progress to stated goals and the results of on-site visits by HUD staff and, in some cases, the Army Corps of Engineers. The collection of progress data by construction and financing phase has supported improvements in the validity of performance targets.

Objective A.2: Increase minority homeownership.

A.2.1: The homeownership rate among targeted households.

Indicator background and context. Three tracking indicators help HUD understand the degree of progress in promoting homeownership among underserved populations. These are measures of

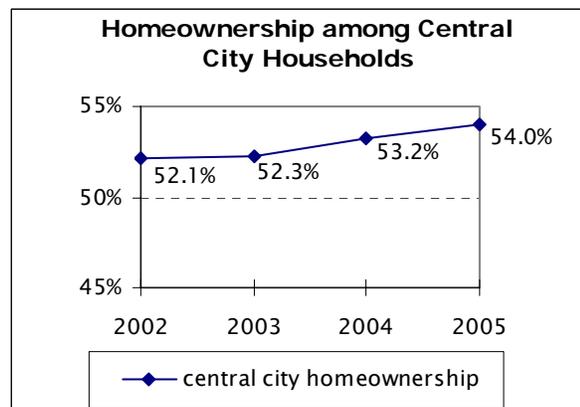
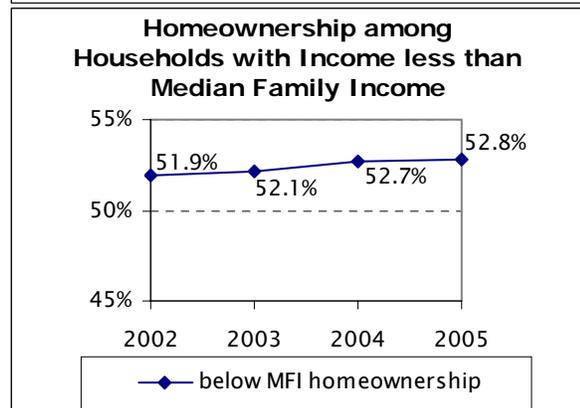
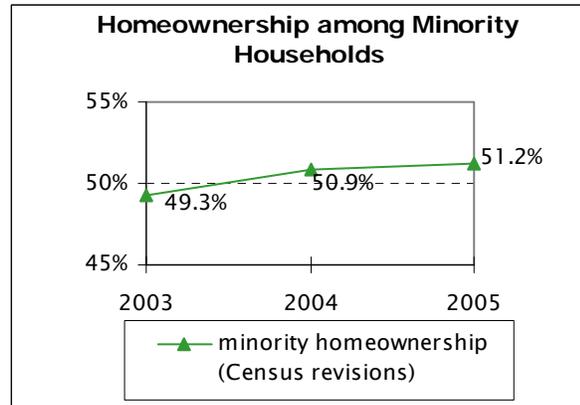
homeownership outcomes among racial and ethnic minority households, households with incomes below the area median income, and households in central cities. Targets are not established for these indicators because of the current dominant impact of the macroeconomy.

Homeownership rates have increased for each of these populations in recent years during periods of low mortgage interest rates, and HUD's programs have played a significant supporting role. The 34.4 percent of FHA-insured first-time homebuyers who were minority households in FY 2005 was part of the third consecutive annual increase in the national minority homeownership rate, as it reached 51.2 percent in the final quarter of FY 2005.

HUD's strategies to increase minority homeownership include increased outreach and continued enforcement of equal opportunity in housing. The Department's programs support the homeownership rate of households with incomes below median family income, which again increased, albeit insignificantly, to 52.8 percent during FY 2005. HUD's efforts especially have borne fruit in central cities, where the homeownership rate increased 0.8 percentage point to 54.0 percent during FY 2005.

HUD's Housing Counseling program helps 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. CDBG and HOME Investment Partnerships block grant programs are among the Department's largest programs, and each has a sizable homeownership component. Nearly half of households who are assisted through the HOME Investment Partnerships program receive homebuyer assistance, or roughly 29,000 homebuyers annually.

Data source. The indicators are based on third-quarter estimates from the Current Population Survey, conducted monthly by the Bureau of Census. This time period corresponds to the last quarter in HUD's fiscal year.



Limitations/advantages of the data. Current Population Survey data are free of serious problems, and the sample size is sufficient to report this measure with low variance. Changes in homeownership rates are statistically significant with 90 percent confidence when they exceed 0.53 percentage points for minority homeownership and 0.43 points for households with incomes below median family income. The estimates shown reflect Census 2000 population information and housing unit controls and survey procedures that allow respondents to select more than one race.

Validation, verification, improvement of measure. See discussion of the Current Population Survey in Appendix C.

A.2.2: Increase the number of minority homeowners by 5.5 million between 2002 and 2010.

Indicator background and context. This indicator supports the goal of the President's Minority Homeownership Initiative of adding 5.5 million minority homeowners by the end of the decade (that is, the last quarter of 2010 compared with the second quarter of 2002). This presidential priority is an important theme and outcome goal in HUD's strategic plan and supports the Department's long-term objectives to expand national homeownership opportunities and increase minority homeownership. From the beginning of the President's Initiative through the second quarter of 2006, there has been a net increase of 2.7 million minority homeowners. Progress remains ahead of schedule, as 49 percent of the goal has been attained while 47 percent of the time has elapsed. By the end of FY 2007, when progress against this indicator will be reported, slightly less than 62 percent of the time will have passed, with 3.4 million net new minority homeowners needed to maintain the course.

An important component for achieving this goal is to maintain first-time minority homebuyers as a substantial proportion of FHA's mortgage insurance business, in part by implementing FHA reform to make lower-interest rate FHA-insured loans available to more households. Numerous other HUD programs also contribute to this effort, including pre- and post-purchase housing counseling, loss mitigation and foreclosure prevention programs, and grant programs, including HOME Investment Partnerships, CDBG, and the Self-help Opportunity Program. In addition, thousands of State, local, nonprofit and for-profit partners play critical roles. Also, strong fair housing efforts are key to maximizing homeownership opportunities.

Economic factors may restrain progress in the near term. Rising interest rates make homeownership less affordable for new purchasers, and could trigger defaults among recent purchasers with adjustable rate mortgages. In addition, high energy costs pose financial strains on households.

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

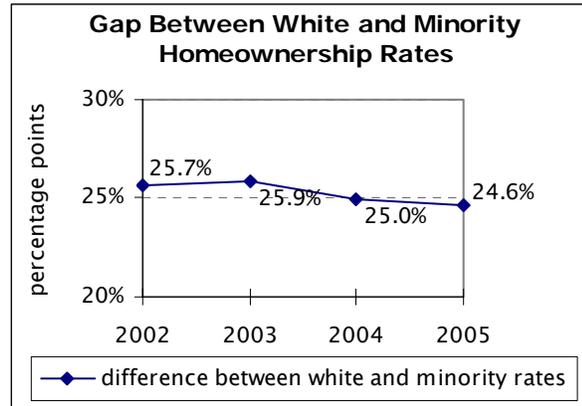
Limitations/advantages of the data. Current Population Survey data have the advantage of being nationally representative, reliable and widely recognized. The data are based on a sample survey and thus are subject to sampling and nonsampling error.

Validation, verification, improvement of measure. This is a net change indicator that deducts from the total those minority households who leave homeownership. For comparison, gross change estimates are

made using the American Housing Survey. Also see the discussion of the Current Population Survey in Appendix C.

A.2.3: The gap in homeownership rates of minority and non-minority households.

Indicator background and context. This tracking indicator assesses progress for one of HUD’s central objectives, removing homeownership barriers and increasing homeownership among minorities. Progress toward this important outcome represents advancement in the core American value of equality of opportunity. No numeric target is established because of the current dominant impact of the macroeconomy.



In 2002, President Bush launched an initiative to increase the number of minority homeowners by 5.5 million by 2010, and progress toward this goal remains on track during FY 2006 (see A.2.2 above). 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 the difference in percentage points between the homeownership rate of households who are “non-Hispanic white alone” and the homeownership rate of minority households. The homeownership gap reached a record low of 24.6 percentage points for FY 2005, reflecting continuing strength in minority home purchases.

Data source. Quarterly estimates from the Current Population Survey are averaged on a fiscal year basis to allow timely reporting.

Limitations/advantages of the data. Current Population Survey data have the advantage of being nationally representative, reliable, and widely recognized.

Validation, verification, improvement of measure. See discussion of the Current Population Survey in Appendix C.

A.2.4: The mortgage disapproval rates of minority applicants.

Indicator background and context. This indicator tracks lender disapproval rates of minority home purchase mortgage applications, an important early indicator of trends in minority homeownership. Equal access to home loans is critical for decreasing disparities in homeownership rates. However, specific targets are not being established because lender decisions about which applications to accept or deny are primarily beyond HUD’s control.

Mortgage disapproval rates for minority applicants remain substantially higher than disapproval rates for non-minority white applicants. The most recent data, for calendar year 2004, show that among primary borrowers reported as a single race, black alone households experienced the highest denial rate of 19.8 percent. Denial rates were 16.6 percent for American Indian/Alaskan Natives alone, 11.8 percent

for Asian alone, and 14.0 percent for Native Hawaiian/Pacific Islander alone. Denial rates were 16.6 percent for Hispanics and 12.8 percent for two or more races, compared with 10.0 percent for white alone.

The primary causes of disparities in mortgage denial rates are 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 non-minorities who were less creditworthy or had less income. In such cases HUD takes 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 endeavor to increase minority lending through targeted marketing and counseling to potential home purchasers.

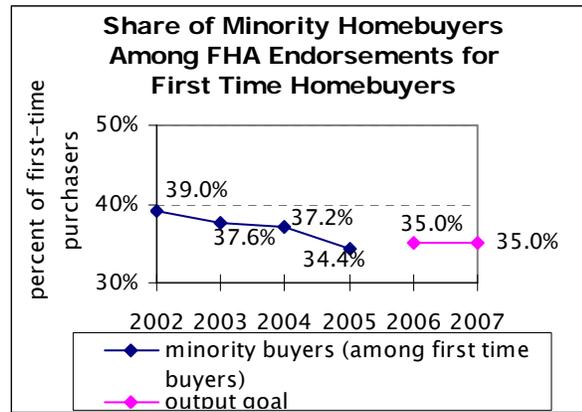
Data source. Home Mortgage Disclosure Act database, consisting of calendar-year data submitted by lenders to the Federal Financial Institutions Examination Council and HUD. The mortgage applications counted are conforming loans or loans insured by FHA, Veterans Administration, or the Rural Housing Service and are limited to owner-occupied single-family home purchases. Beginning with 2004 data, the covered loans are limited to owner-occupied single-family home purchases in core-based statistical 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 under the Home Mortgage Disclosure Act causes difficulties in interpreting the overall data.

Limitations/advantages of the data. Home Mortgage Disclosure Act data are available with a one-year lag (calendar 2005 data will become available in August 2006). New Census Bureau race and ethnicity categories are used for this indicator beginning with 2004, so the 2004 estimates are not directly comparable with those for preceding years. 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 Home Mortgage Disclosure Act data, and the effect of subprime loan applications on home purchase denial rates is unclear. Loan denials at the pre-approval stage are excluded, although new but incomplete data suggest that initially denied or unaccepted pre-approvals may account for at least one percent of all loans. Finally, about 11.5 percent of applications had missing or unknown race and ethnicity data in 2004.

Validation, verification, improvement of measure. The Federal Financial Institutions Examination Council and HUD use automated data quality procedures and other checks to verify that data submissions are reasonable and accurate. HUD assessed the impact of several technical factors on the reported results. New data for 2004 made possible the direct exclusion of manufactured home loans rather than loans by manufactured home loan specialists. This change contributes 0.6 percentage point to the denial rate of white alone households, reducing disparities in denial rates. In addition, estimates for 2004 are based on rounding the “conforming” loan limit for Government Sponsored Enterprise mortgage purchases up to the nearest \$1,000, which was found to have negligible impact.

A.2.5: The share of first-time minority homebuyers among FHA home purchase endorsement is 35 percent.

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 first-time minority homebuyers will help achieve the outcome of reducing the homeownership gap between whites and minorities as well as increasing the overall homeownership rate. The FY 2007 goal is to ensure that first-time minority homebuyers represent 35 percent of home purchase mortgages endorsed for insurance by FHA.



Data source. The data originate in the Computerized Homes Underwriting Management System, based on data submitted by direct-endorsement lenders, and for convenience are reported from FHA’s Single Family Housing Enterprise Data Warehouse.

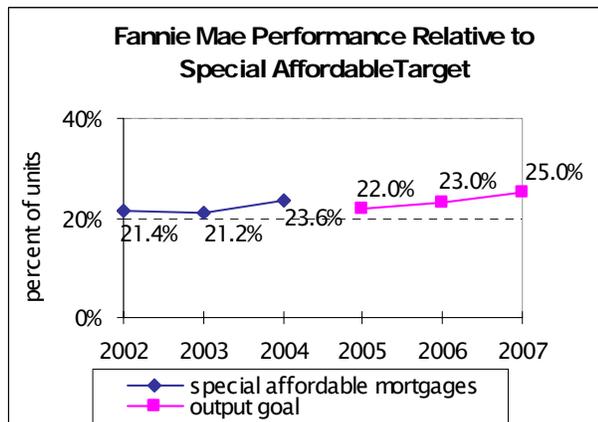
Limitations/advantages of the data. The data are judged to be reliable for this measure.

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

A.2.6: HUD will continue to monitor and enforce Fannie Mae’s and Freddie Mac’s performance in meeting or surpassing HUD-defined targets for mortgages financing special affordable housing.

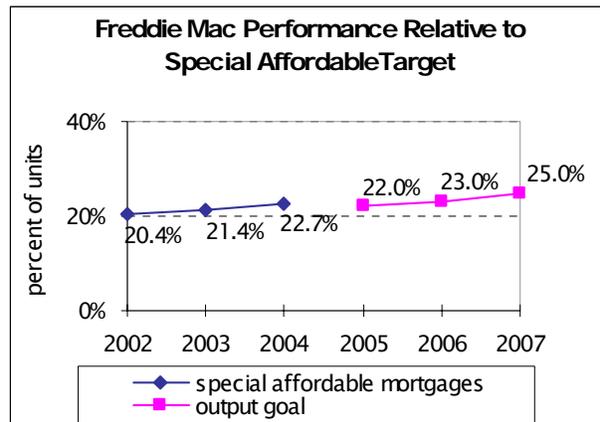
Indicator background and context. One of the three public purpose goals that HUD sets for Fannie Mae and Freddie Mac (two housing Government-Sponsored Enterprises) is a Special Affordable Housing goal that targets families earning very low incomes no greater than 60 percent of area median income, or families earning low incomes no greater than 80 percent of area median income and living in low income areas.

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) non-metropolitan census tracts where median income does not exceed 80 percent of the county median income or the statewide metropolitan median income, whichever is greater. Increasing homeownership and rental opportunities for these families will contribute to the outcome of increasing affordable housing opportunities for



lower income families.

Beginning in 2005, HUD increased the Special Affordable Housing goal from 20 percent to 22 percent. The Special Affordable Housing goal increases in stages between 2005 and 2008, capping at 27 percent in 2008. HUD set the goals with the objective of ensuring that Fannie Mae and Freddie Mac fulfill their mandate to provide leadership to the mortgage market. By 2008, the goals match HUD's calculation of market share averages for goals-eligible mortgages in 1999–2003 and will be at the high



end of HUD's estimated market share range for 2005–2008. HUD's special affordable housing targets measure the two Government-Sponsored Enterprises' purchase performance relative to all eligible mortgages. These include mortgages for both purchasing and refinancing single-family and multifamily residential properties, and loans in metropolitan and non-metropolitan areas.

In addition to the broader target for special affordable housing, HUD has implemented a home purchase subgoal under the Special Affordable Housing goal. This subgoal targets the two Government-Sponsored Enterprises' performance in serving the homeownership segment of the special affordable housing market. The home purchase subgoal is expressed as a percentage of the total number of mortgages purchased by Fannie Mae and Freddie Mac that finance the purchase of single-family owner-occupied properties located in metropolitan areas. In 2005 and 2006, the Special Affordable Home Purchase subgoal is 17 percent for each of the two Government-Sponsored Enterprises. This figure will rise to 18 percent in 2007 and 2008. The purpose of this subgoal is to encourage Fannie Mae and Freddie Mac to improve homeownership opportunities in metropolitan areas for very low-income families and low-income families living in low-income metropolitan areas.

Data source. Government-Sponsored Enterprises.

Limitations/advantages of the data. The data are compiled directly from Government-Sponsored Enterprise records on single family and multifamily loan purchases. The data are based on calendar year rather than fiscal year activities, and are presented for performance reporting purposes on a one-year lagged basis.

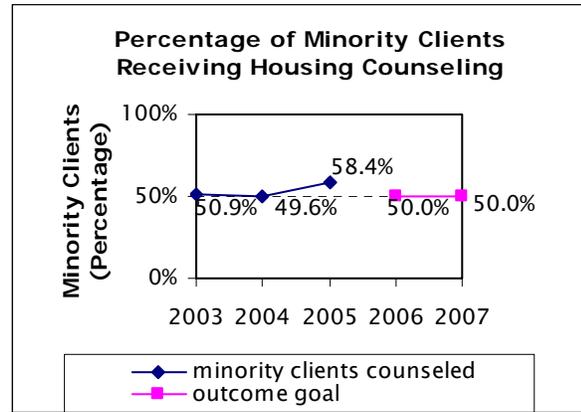
Validation, verification, improvement of measure. Fannie Mae and Freddie Mac apply quality control measures to the data elements provided to HUD. HUD verifies the data through comparison with independent data sources, replication of Government-Sponsored Enterprise goal performance reports, and independent reviews of Fannie Mae and Freddie Mac data quality control procedures.

A.2.7: Minority clients are at least 50 percent of total clients receiving housing counseling in FY 2007.

Indicator background and context. The Housing Counseling Assistance program is an integral part of achieving the outcome of helping to increase the minority homeownership rate. The FY 2007

performance goal is to ensure that minority clients are at least 50 percent of total clients receiving HUD-funded housing counseling.

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. Depending on



the state of the economy, and the housing market, demand for various types of counseling rises and falls, and may vary for reasons outside of HUD’s control. However, the Department is confident that HUD-approved agencies are providing quality counseling services that will help clients resolve their housing problems regardless of how many clients are served in a given year. As a result the Department is focused on ensuring that minorities represent a proportion of families and individuals receiving housing counseling from HUD-approved agencies, rather than on targeting a specific number of clients.

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

Limitations/advantages of the data. A major limitation of the data collection instrument is that it is difficult for counselors to collect demographic information from individuals participating in group education sessions. The lack of confidentiality and privacy discourages many client responses.

Validation, verification, improvement of measure. HUD is working with counselors to encourage greater confidentiality in the collection of demographic information from clients.

A.2.8: Section 184A mortgage financing of \$12.8 million is guaranteed for Native Hawaiian homeowners during FY 2007.

Indicator background and context. This indicator tracks the amount of money guaranteed annually by Section 184A loans. There is an affordable housing shortage in Hawaii, especially among its native population, and this program supports the Department’s strategic goal of increasing minority homeownership. With an estimated average home loan of \$160,000, the Department’s goal is to guarantee \$12.8 million in Section 184A financing in FY 2007 (approximately 80 loans). These loans can be made to construct, acquire, or rehabilitate single-family housing for Native Hawaiians located on the Hawaiian Home Lands. Eligible borrowers include individual Native Hawaiians, the Department of Hawaiian Home Lands, the Office of Hawaiian Affairs, or a private nonprofit organization experienced in Native Hawaiian affordable housing.

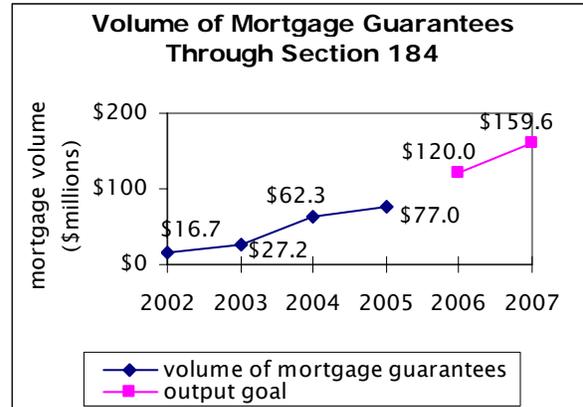
Data source. Administrative records of the Office of Native American Programs’ Office of Loan Guarantee.

Limitations/advantages of the data. The Office of Loan Guarantee data consist of a straightforward and easily verifiable count of administrative records.

Validation, verification, improvement of measure. The director of the Office of Loan Guarantee will verify counts.

A.2.9: Section 184 mortgage financing of \$159.6 million is guaranteed for Native American homeowners during FY 2007.

Indicator background and context. This indicator tracks the annual volume of homeownership loans for Native Americans guaranteed under the Section 184 program. The Department’s FY 2007 goal is to issue guarantees for new mortgages of \$159.6 million (approximately 1,182 loans), building on a goal of \$120 million for FY 2006 (approximately 1,000 loans). These goals represent an ambitious expansion of efforts to promote homeownership among Native Americans. This goal also targets the key presidential and secretarial priority of increasing minority homeownership.



Homeownership rates on reservations have been 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 Indian Housing Loan Guarantee fund provides credit subsidies that support loan guarantees to address these issues. The guaranteed loans can be used to purchase, construct, refinance, or rehabilitate single-family homes on Indian trust or restricted land and in designated Indian areas.

Data source. Administrative data of the Office of Native American Programs.

Limitations/advantages of the data. The indicator uses a straightforward and easily verifiable count of administrative records.

Validation, verification, improvement of measure. The director of the Office of Loan Guarantee will verify counts.

Objective A.3: Make the homebuying process less complicated and less expensive.

A.3.1: Respond to 3,000 inquiries and complaints from consumers and industry regarding the Real Estate Settlement Procedures Act and the homebuying and mortgage loan process.

Indicator background and context. The Real Estate Settlement Procedures Act is a consumer protection statute administered by HUD. This Act helps consumers be better shoppers in the homebuying and mortgage loan process by requiring that consumers receive disclosures at various times in the transaction and by prohibiting practices, such as paying kickbacks, that increase the cost of settlement services. The Act also provides consumers with protections relating to the servicing of their loans, including proper escrow account management. The Department currently receives questions and complaints from consumers, industry, and other state and federal regulatory agencies by mail, telephone, and email. It also receives requests for assistance from consumers. The Department's responses to the inquiries and complaints received are a measure of its public assistance and enforcement activities.

HUD's Office of RESPA and Interstate Land Sales tracks inquiries and responses regarding the homebuying and mortgage process, as well as questions and complaints from industry, consumers, and state and federal regulators regarding practices that violate the Real Estate Settlement Procedures Act. Recent efforts by the Office to increase public awareness of its enforcement of the Act have helped bring additional violations to HUD's attention, and have enabled the Department to provide greater assistance to the public, particularly consumers.

Data source. Real Estate Settlement Procedures Act complaint and response data will be compiled from the PO 30 Case Tracking System and Website email box.

Limitations/advantages of data. The complaints received give the Department an indication of specific violations and types of violations occurring, which assists enforcement.

Validation, verification, improvement of measure. Management reviews tracking system and email data on an ongoing basis.

Objective A.4: Reduce predatory lending through reform, education and enforcement.

A.4.1: FHA increases the percentage of at risk loans that substantively comply with FHA program requirements.

Indicator background and context. This indicator monitors efforts to reduce fraud and compliance problems in FHA relative to the number of "at risk" single-family loans reviewed that do not contain substantive findings. A substantive finding is defined as a failure to adhere to FHA program requirements (pertaining to the origination and/or servicing of mortgage loans) such that it materially affects the insurability of the loan. FHA's Quality Assurance Division reviews lenders on the basis of a methodology that focuses on high early default and claim rates in addition to other risk factors that

represent “at risk” loans. Samples of defaulted loans (90 days or more delinquent) that are originated by the targeted lenders are then evaluated for findings. This indicator represents the number of loans without material findings divided by the number of loans reviewed. Because this is a new indicator, HUD established the initial target on the basis of the three-year average for FY 2002 – FY 2004, which is 85 percent.

Proportion of FHA “At Risk” Loans Found in Compliance

	FY 2002	FY 2003	FY 2004	FY 2005
At-Risk Loans Reviewed	20,722	21,115	21,442	18,451
Loans without Material Findings	17,520	17,605	18,866	16,565
Proportion Complying	0.85	0.83	0.88	0.89

Data source. Loan review and findings data are drawn from FHA’s Approval Re-certification/Review Tracking System.

Limitations/advantages of the data. Data are generated independently and entered into the Approval Re-certification/Review Tracking System by out-stationed Quality Assurance Division monitors operating throughout the country, with secondary review and verification by FHA Homeownership Centers.

Validation, verification, improvement of measure. Data submitted by Quality Assurance Division monitors are subject to secondary review and verification by FHA Homeownership Centers. Quality Assurance Division functions and data are included in the Annual FHA Financial Statements audit. Results of the indicator and the underlying data will be analyzed to: 1) determine the causes of compliance findings and corrective actions necessary to mitigate risk, and 2) set new performance targets that reflect commitment to continuous improvement.

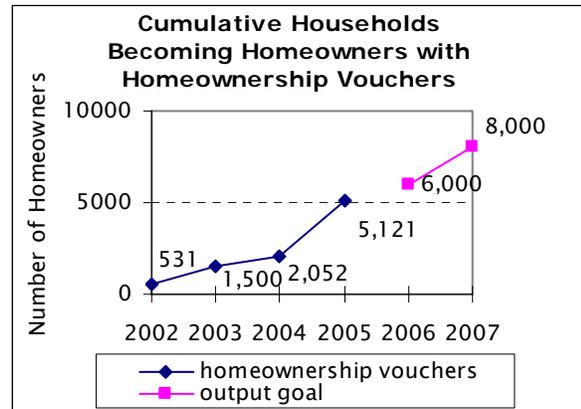
Objective A.5: Help HUD-assisted renters become homeowners.

A.5.1: Increase the cumulative homeownership closings under the homeownership option of the Housing Choice Voucher/Flexible Voucher program to 8,000 by the end of FY 2007.

Indicator background and context. Increasing homeownership among low-income and minority households is one of the Department’s most important initiatives. The outcomes associated with this effort are increased homeownership and resident mobility from the rental program. The homeownership

option under the Housing Choice/Housing Certificate Fund voucher program helps accomplish this objective by allowing PHAs to provide voucher assistance to low-income first-time homebuyers for monthly homeownership expenses rather than for monthly rental payments, the most typical use of voucher assistance. This indicator tracks the annual number of homeowners assisted with voucher funds. The FY 2007 goal is to increase the cumulative number of homeownership closings to 8,000 households from the FY 2006 goal of 6,000.

Since its inception in 2001, this program has grown annually. As of FY 2005, 5,121 households have become homeowners through homeownership vouchers. Although the Department plans to significantly expand homeownership voucher utilization in FY 2006 through the use of an administrative fee incentive, the actual increase achieved in FY 2006 will continue to be affected by several other factors, including PHA capacity, availability of financing for first-time low- and-moderate-income homebuyers, availability of a FY 2006 administrative fee incentive, market forces, and interest rates.



Data source. The data are from the Public and Indian Housing Information Center – 50058 module, consisting of household data reported by PHAs.

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

Validation, verification, improvement of measure. Automated checks on data ranges and internal consistency are performed to help ensure the accuracy of tenant data. The Department is developing an Internet-based Resident Characteristics Report that will make monthly Form 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.

A.5.2: HUD works to expand public housing agencies' use of the Section 32 homeownership program, resulting in the submission of 12 proposals in FY 2007.

Indicator background and context. The Quality Housing and Work Responsibility Act permits PHAs, through Section 32 of the U.S. Housing Act of 1937, to make public housing dwelling units and other units available for purchase by low-income families as their principal residence. The final Section 32 rule (published March 11, 2003, effective April 10, 2003) and homeownership program replaced the Section 5(h) rule and homeownership program. This indicator tracks HUD's efforts to expand the use of the Section 32 homeownership program and, thereby, the homeownership opportunities available to public housing residents and other low-income individuals. Under Section 32, a PHA may:

- Sell all or a portion of a public housing development to eligible public or non-public housing residents,
- Provide Capital Fund assistance to public housing families to purchase homes, or
- Provide Capital Fund assistance to acquire homes that will be sold to low-income families.

By expanding awareness of this program, the Department plans to have at least 12 new Section 32 proposals in FY 2007.

Data source. Public and Indian Housing Information Center and records of the Office of Public Housing Investments specifically including those of the Special Applications Center.

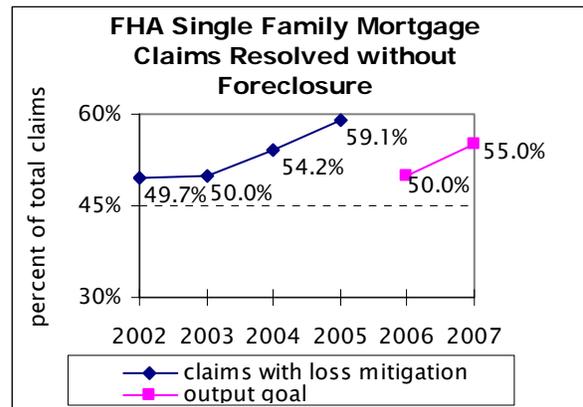
Limitations/advantages of the data. The data consist of a straightforward count of proposals received and are judged to be reliable for this measure.

Validation, verification, improvement of measure. Section 32 homeownership proposals are submitted to the Office of Public Housing Investments for review and approval. Activities under the program are monitored and verified by the HUD field offices and through the use of data from the Public and Indian Housing Information Center.

Objective A.6: Keep existing homeowners from losing their homes.

A.6.1: Loss mitigation claims are 55 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. 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, keeps FHA financially sound, and enables it to help more borrowers. For these reasons, achieving this outcome goal will help HUD increase the overall homeownership rate.



A borrower can resolve a default (90-day delinquency) in several ways short of foreclosure: for example, by paying down the delinquency (cure), 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. The use of loss mitigation as a share of total claims increased from 46.1 percent in FY 2001 to 59.1 percent in FY 2005. The FY 2007 goal is to ensure that 55 percent of the total number of claims are resolved through loss mitigation, representing a large increase from the 2005 target of 45 percent.

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 2007. HUD's programmatic objective is to sustain the high level of participation in loss mitigation, even as the Office of Housing tightens programmatic requirements designed to increase the ultimate success rate of loss mitigation in helping borrowers avoid foreclosure.

Data source. The data originate in the Single Family Insurance System – Claims Subsystem, and for convenience are reported from FHA's Single-Family Housing Enterprise Data Warehouse, Loss Mitigation Table. The resolutions that are counted as loss mitigation are forbearance agreements, loan modifications, partial claims, pre-foreclosure sales, and deeds-in-lieu of foreclosure. A small and decreasing number of "other" resolutions that were previously counted, along with supplemental claims, are now excluded. Total claims comprise loss mitigation claims plus conveyance claims.

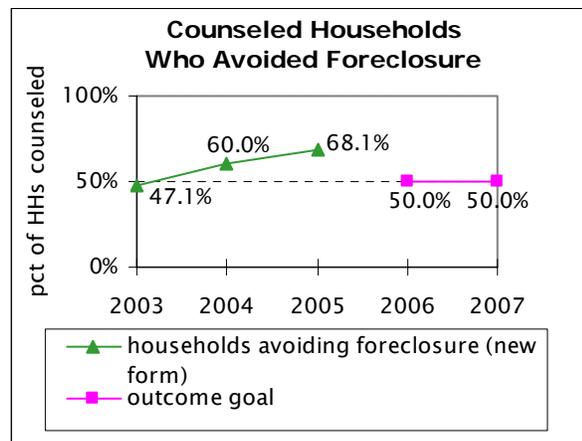
Limitations/advantages of the data. No data limitations are known to affect this indicator.

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

A.6.2: More than 50 percent of total mortgagors seeking help with resolving or preventing mortgage delinquency will successfully avoid foreclosure.

Indicator background and context. Clients tracked through this indicator include homeowners 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. The FY 2007 performance goal is to ensure that more than 50 percent of total mortgagors seeking help with resolving or preventing mortgage delinquency successfully avoid foreclosure.

Default counseling is a cost-effective way to reduce HUD's exposure to risk while contributing to the outcomes supporting economic 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 difficult for families to meet their financial obligations, and default rates rise. This indicator measures the share of total mortgagors who, after seeking help with resolving or preventing mortgage delinquency, have successfully avoided foreclosure.



Data source. The data are from the Housing Counseling System and are submitted 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. 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 “reinstated” in a given year could actually result in “foreclosure” in another year.

Validation, verification, improvement of measure. In an effort to further improve its ability to collect detailed information about the families and individuals seeking help with resolving or preventing mortgage delinquency, among other data, the Department is in the process of implementing an automated data collection instrument that will enable it to collect client-level information beginning in FY 2007.

Strategic Goal B: Promote Decent Affordable Housing

Strategic Objectives:

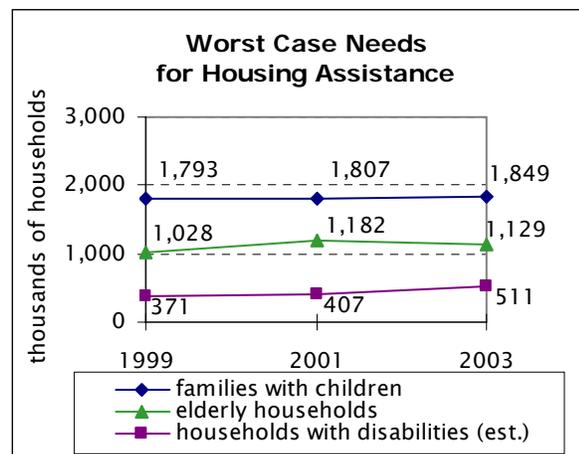
- B.1 Expand access to and availability of decent, affordable rental housing.*
- B.2 Improve the management accountability and physical quality of public and assisted housing.*
- B.3 Improve housing opportunities for the elderly and persons with disabilities.*
- B.4 Promote housing self-sufficiency.*
- B.5 Facilitate more effective delivery of affordable housing by reforming public housing and the Housing Choice Voucher program.*

Objective B.1: Expand access to and availability of decent, affordable rental housing.

B.1.1: The number of households with worst case housing needs among families with children, the elderly, and non-elderly 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.

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 Investment Partnerships program, CDBG, Housing Opportunities for Persons With AIDS, homeless programs, multifamily mortgage insurance, and capital advances for supportive housing under Sections 202 and 811. Collectively these programs produce a critical outcome, keeping many of the 5 million households supported out



of worst case status.¹

This indicator focuses on three groups with special vulnerabilities: families with children, elderly households, and households containing non-elderly 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.

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

Limitations/advantages of the data. National American Housing Survey data are available biennially. Calendar year 2005 data will become available during FY 2006. Changes in estimated worst case needs are statistically significant (with 90 percent confidence) when the difference from year to year exceeds 170,000 households for families with children, 140,000 households for elderly families, or 90,000 households containing persons with disabilities. Estimates of households containing non-elderly persons with disabilities are based on HUD's tabulation of households that reported receiving Supplemental Security Income.

Validation, verification, improvement of measure. Estimating the extent of worst case needs has numerous complexities that are addressed in detail in the 2005 Policy Development and Research report "Affordable Housing Needs: Report to Congress on the Significant Need for Housing." The report includes an analysis intended to verify the most important component of worst case needs by comparing the 2001 American Housing Survey with the 2001 Survey of Income and Program Participation (Exhibit 3-6). Estimates of very low-income renters with severe rent burdens produced with Survey of Income and Program Participation data showed 37 percent fewer elderly households, 11 percent fewer families with children, and 2 percent more households with disabilities. See also the discussion of the American Housing Survey in Appendix C.

B.1.2: The net number of years of affordability remaining for all HOME Investment Partnerships program-assisted units is maximized.

Indicator background and context. This indicator tracks the net number of years of affordability produced for low-income households residing in units developed through the investment of the HOME Investment Partnerships program funds. The FY 2007 goal is to reach a level of 1.15 million net unit-years of affordability. This compares to the FY 2006 revised goal of 1 million, and the actual 983,713 achieved by the program in FY 2005. Rental and homebuyer units produced with HOME Investment Partnerships funds must remain affordable, through rent and other restrictions, to low-income households for a minimum of five and for as many as 20 years—depending upon the amount of the program investment. The net number of years of affordability remaining at any point in time is calculated by multiplying the number of units assisted by the remaining number of years of affordability attached to those units. The greater the number of years a unit remains affordable, the greater the rent stability for low-income households and, as a consequence, the greater the likelihood that their disposable income for non-rent expenses will increase.

¹ See the table "Units/Households Receiving HUD Assistance" in HUD's FY 2005 Performance and Accountability Report, page 314.

Data source. Integrated Disbursement and Information System – HOME Module, which contains completion reports submitted by participating jurisdictions.

Limitations/advantages of the data. HUD relies on grantees to enter data into Integrated Disbursement and Information System. 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.

B.1.3: The number of rental households and rental housing units assisted with CDBG, HOME Investment Partnerships, Housing Opportunities for Persons With AIDS, and Indian Housing Block Grants.

Indicator background and context. This indicator tracks rental housing assistance—including rehabilitation of rental housing units—provided through a number of formula block grants and other programs. Because of shortages of affordable rental housing and the need to maintain existing housing units, it is desirable to increase the number of households aided with housing assistance, including through rental housing production. The level of these housing outputs is subject to appropriations as well as economic conditions and local discretion. In prior years, this performance indicator included all types of housing assistance.

Grantees use their discretion to decide what types of housing assistance to provide with CDBG, HOME Investment Partnerships, Housing Opportunities for Persons With AIDS, and Indian Housing Block Grants. Primary types of assistance include new construction, rehabilitation, acquisition, and tenant-based assistance. Funds used to preserve existing, owner-occupied housing also may improve the availability of affordable rental housing by helping homeowners remain in their homes.

In the case of CDBG funds, the rental assistance goal has been adjusted from prior years to now reflect only CDBG assistance used for multi-unit rehabilitation. Under the CDBG program, grantees conduct housing rehabilitation projects of all sizes, ranging from small weatherization improvements and emergency repairs to the rehabilitation of major household systems, such as roofing, heating, and siding.

There is a severe shortage of affordable rental housing in Indian country; most tribal housing developments have long waiting lists. Achieving this goal is subject to appropriations as well as economic conditions and local discretion.

Rental Households/Rental Units Receiving Assistance	2003	2004	2005	2006 goal	2007 goal
CDBG (rental units rehabilitated)	NA	31,186	34,918	22,408	31,726
HOME (tenant-based assistance)	10,731	15,479	20,554	10,081	9,779
HOME (rental units completed)	25,977	23,392	33,612	21,338	20,698
HOPWA	78,467	70,779	70,325	71,526	75,025
Indian Housing Block Grant	1,365	2,758	1,485	1,420	1,420

Data source. CDBG values in this table are based on historical accomplishments reported by grantees in the Integrated Disbursement and Information System.

HOME Investment Partnerships program units produced and direct assistance provided are as reported by participating jurisdictions in the Integrated Disbursement and Information System. The FY 2007 HOME Investment Partnerships program goal shows a decrease from the FY 2006 projected level due to the effects of inflation on housing production—calculated at three percent annually—together with the reduction in HOME Investment Partnerships program funding in recent years.

The Housing Opportunities for Persons With AIDS program data are based on annual grantee performance reports from both formula and competitive grantees, and on accomplishment information reported by formula grantees through the Integrated Disbursement and Information System. The goals show a projected upward trend commencing in FY 2006. This reflects an increase in the program's appropriation following the FY 2005 funding decrease. The number of projected units is based solely on annual performance reporting and does not include the Integrated Disbursement and Information System reporting, which is experiencing delays and data variance while the system is being integrated with annual performance reporting.

Tribal recipients report annually on their accomplishments. The data are captured in the performance tracking database of each regional Office of Native American Programs and then are aggregated into a national database at headquarters.

Limitations/advantages of the data. CDBG, HOME Investment Partnerships, and Housing Opportunities for Persons With AIDS data come from grantees through the Integrated Disbursement and Information System. CPD has pursued a variety of enhancements to the system, which, along with data clean-up efforts, has resulted in a continuous improvement in data quality. Data reliability will be further enhanced by the system re-engineering that is underway.

For the Housing Opportunities for Persons With AIDS program, the Integrated Disbursement and Information System reporting requirements are being revised. A large part of these system changes will not be complete until fall 2007, with data collection beginning shortly thereafter, and verifiable data available in fall 2008. Grantee training is scheduled during 2006 to ensure consistent and accurate reporting by recipients as enhancements are implemented.

For Indian Housing Block Grants, accomplishments recorded in the database by October 1 each year only include reports from grantees whose fiscal year ended June 30 or earlier, because grantees have 60 days after their year-end to submit their annual report.

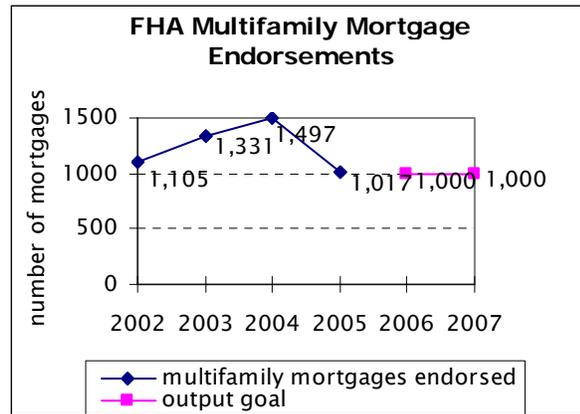
Validation, verification, improvement of measure. Field staff from the Office of Community Planning and Development and the Office of Native American Programs verify program data when monitoring grantees.

B.1.4: FHA endorses at least 1,000 multifamily mortgages.

Indicator background and context. FHA brings stability to the mortgage market for multifamily housing. 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 fulfill the outcome goal of making more decent rental housing available to consumers at a modest cost. This indicator measures FHA’s annual output of initial multifamily endorsements.

FHA’s role in the multifamily mortgage market is especially important for a number of crucial but higher-risk entities, including 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 those with public purpose missions, such as housing finance agencies) obtain the benefits of Ginnie Mae securitization.



In FY 2007, the Department will maintain its FY 2006 goal level of 1,000 initial endorsements. This continues to reflect the increased use of FHA’s Multifamily Accelerated Processing program by lenders gaining knowledge and capacity (i.e., having in-house staff that can analyze the third party reports as well as developing a good cadre of capable third parties) in the program and of the Development Applications Processing system for automated underwriting of multifamily mortgages. Nonetheless, since FHA responds to local markets and national economic conditions, it remains conservative in estimating this goal in the interest of assuring sound underwriting.

Data source. The data originate in the Office of Housing’s Multifamily Insurance System, and for convenience are reported from the Real Estate Management System.

Limitations/advantages of the data. The data, which are based on a straightforward 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 Real Estate Management System data passed automated tests for validity, completeness, and consistency. A data quality assessment completed for the Real Estate Management System in FY 2001 identified no problems that compromise this measure.

B.1.5: Ginnie Mae securitizes at least 95 percent of eligible FHA multifamily mortgages.

Indicator background and context. Ginnie Mae expands affordable housing options through enhancing the liquidity of the mortgage market. This outcome is accomplished by providing multifamily mortgage-backed securities for investors to purchase in the secondary market. Ginnie Mae-guaranteed securities accomplish the important outcome of increasing the availability of capital for multifamily mortgages, thereby making loans less costly and easier to obtain, and ultimately broadens

homeownership opportunities. Some types of FHA multifamily loans (risk sharing and bond-financed hospitals) are not eligible for securitization by Ginnie Mae.

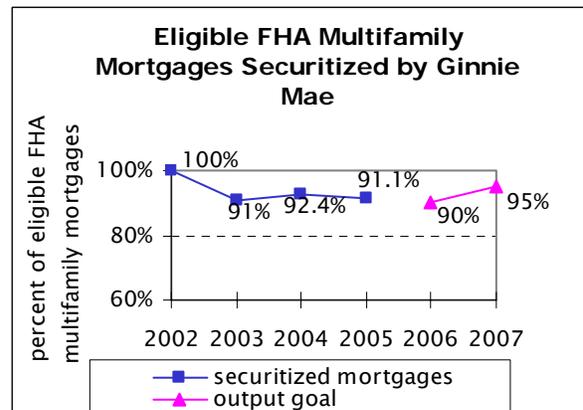
Additionally, increased regulatory emphasis on assisting low- and moderate-income housing by other secondary market agencies, including Fannie Mae and Freddie Mac, has significantly increased the level of competition for FHA guaranteed loans.

Data source. Ginnie Mae's database of multifamily loan securities, compared with the 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. FHA endorsement data are based on the endorsement date, while Ginnie Mae loan level data are based on the pool issue date.

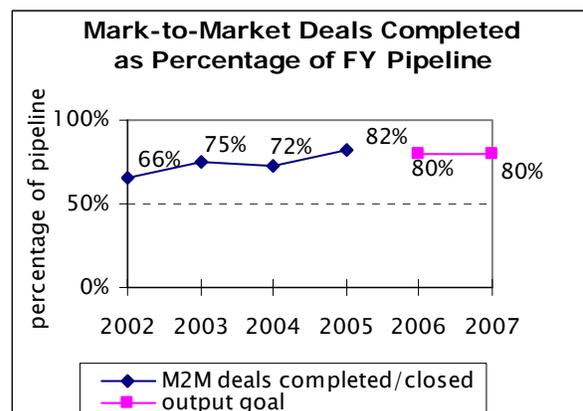
Validation, verification, improvement of measure. Both Ginnie Mae and FHA data are subject to annual financial audits because they represent an obligation on the part of the federal government.



B.1.6: HUD will complete 80 percent of the initial FY 2007 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, the Office of Affordable Housing Preservation analyzes FHA-insured multifamily properties for which Section 8 rents exceed comparable market rents, and reduces the Section 8 rents to comparable market rents or levels that preserve financial viability. Properties also are eligible for debt restructuring, consisting of 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 preserve good quality, affordable housing, a crucial outcome and major issue in housing policy. The Office of Affordable Housing Preservation administers the Mark-to-Market program by contracting with participating administrative entities, including a number of state housing finance agencies, to conduct the mortgage restructurings.

The FY 2007 goal is based on an Office of Affordable Housing Preservation 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 Real Estate Management System database, and future legislative changes relative to Mark-to-Market eligible properties.

Data source. Office of Affordable Housing Preservation’s Mark-to-Market information data system.

Limitations/advantages of the data. The Mark-to-Market system tracks the milestones completed and final rent determinations for each Mark-to-Market property, enabling the Office of Affordable Housing Preservation to measure performance, estimate savings, and provide budget projections.

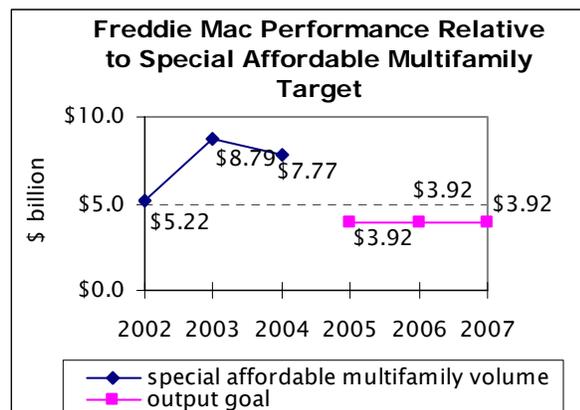
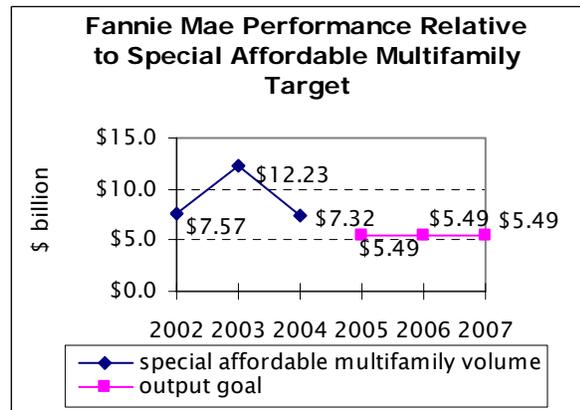
Validation, verification, improvement of measure. Participating administrative entity files are subject to independent audits. The Office of Affordable Housing Preservation has developed participating administrative entity oversight and audit procedures that are used by the office or contract staff in conducting periodic reviews of each participating administrative entity. Mark-to-Market data that are used by the Office of Affordable Housing Preservation to determine progress and status of properties and participating administrative entities are validated and verified by HUD data integrity team members. The data integrity team members meet biweekly to review the data integrity exception reports generated by the data system.

B.1.7: 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 housing Government-Sponsored Enterprises that were established by Congress to create a secondary market for residential mortgages. To ensure that the Government-Sponsored Enterprises devote a portion of their business to financing affordable rental housing, HUD established a Special Affordable Multifamily goal. The indicator measures the performance of the Government-Sponsored Enterprises in providing capital, measured in billions of dollars, for affordable multifamily housing. Beginning in 2005, HUD increased the Special Affordable Multifamily goal from \$2.11 billion to \$3.92 billion for Freddie Mac and from \$2.85 billion to \$5.49 billion for Fannie Mae.

Qualifying multifamily mortgages finance properties consisting of 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 for properties 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.

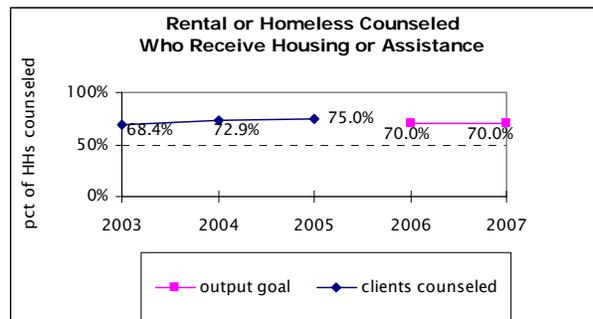
Data source. Government-Sponsored Enterprises.

Limitations/advantages of the data. The data are compiled directly from Government-Sponsored Enterprise records on multifamily loan purchases. The data are based on calendar year rather than fiscal year activities, and verified data become available on a one-year lagged basis.

Validation, verification, improvement of measure. Fannie Mae and Freddie Mac apply quality control measures to the data elements provided to HUD. HUD verifies the data through comparison with independent data sources, replication of their goal performance reports, independent data integrity reviews, and reviews of their data quality control procedures.

B.1.8: At least 70 percent of clients receiving rental or homeless counseling either find suitable housing or receive social service assistance to improve their housing situation.

Indicator background and context. The Department is placing more emphasis on housing counseling, including counseling for homeless clients and families seeking affordable rental housing. The FY 2007 performance goal is to ensure that at least 70 percent of clients receiving rental or homeless counseling either find suitable housing or receive social service assistance to improve their housing situation.



Depending on the state of the economy and the housing market, demand for various types of counseling rises and falls, and may vary for reasons outside of HUD’s control. However, the Department is confident that HUD-approved agencies are providing quality counseling services that will help clients successfully resolve their housing problems regardless of how many clients are served in a given year. As a result, HUD will focus on outcomes associated with clients receiving rental or homeless counseling, rather than the number of clients served.

Data source. The data are from the Housing Counseling System and are submitted through Housing Counseling Agency Fiscal Year Activity Reports (form HUD-9902). The data include the total number of clients, the type of counseling received, and the results of the counseling.

Limitations/advantages of the data. A major limitation of the data collection instrument is that it does not differentiate the level of counseling given to each client. The level of counseling provided can vary significantly.

Validation, verification, improvement of measure. To improve the quality of the housing counseling information that is used by HUD, the Department is in the process of implementing a new automated data collection instrument that will enable it to collect client-level data beginning in FY 2007.

B.1.9: Reduce energy costs in building or operating HUD-financed, assisted or insured housing.

Indicator background and context. This indicator measures an increasingly important public outcome, the savings in energy costs achieved through HUD's Energy Action Plan (FY 2002–2005) and Phase II Energy Action Plan (FY 2006–2007) in support of the President's National Energy Policy. HUD 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 agencies. Energy efficiency improvements could yield significant cost savings, as a 5 percent reduction could save \$2 billion over the next 10 years.

In support of the Energy Action Plan, HUD has signed a memorandum of understanding with the Environmental Protection Agency and the Department of Energy to promote the use of Energy Star products and appliances through HUD programs. HUD's task force has worked closely with these agencies in developing and implementing the Action Plan. In addition, in July 2005 Secretary Jackson announced a new "Partnership for Home Energy Efficiency" with the Environmental Protection Agency and the Department of Energy to reduce the cost of utilities in existing housing by 10 percent by 2010. The metric framework will be established in fiscal years 2006–2007.

HUD's Energy Action Plan is primarily an operational plan aimed at upgrading the energy efficiency of new and existing housing using an established inventory of proven energy-efficient products and appliances. These products are being put to work in existing programs through consumer education and outreach, interagency cooperation, market-based incentives, public-private partnerships, and research and development of energy-efficient technologies.

During fiscal years 2005 and 2006, HUD successfully completed numerous activities under the Energy Action Plan, and initiated the implementation of the Phase II Energy Action Plan. During FY 2007, HUD will continue to implement the Phase II Energy Action Plan, and implement or identify indicators that will allow HUD to assess actual performance in reducing energy costs associated with HUD program activities.

Data source. Energy savings will be estimated by HUD's Office of Policy Development and Research based on the extent to which Energy Star appliance and construction standards are in place or other energy efficiency practices have been adopted in HUD-assisted, insured, or financed housing, including public housing. Average savings produced through Energy Star will be based on studies conducted by the Environmental Protection Agency and the Department of Energy. Energy efficiency in public housing achieved through energy performance contracting will be based on reports from public housing agencies. The number of Energy-Efficient Mortgages will be tracked through FHA's Computerized Homes Underwriting Management System. The number of HOME Investment Partnerships program or CDBG-funded units meeting Energy Star will be tracked by HUD's Integrated Disbursement and Information System.

Limitations/advantages of the data. Actual savings achieved through Energy Star may vary from estimates developed through research done by the Environmental Protection Agency and the Department of Energy (the standard for Energy Star-Qualified New Homes is intended to generate savings of 30 percent over the 1993 Model Energy Code, but actual savings may be less, depending on quality of construction, sound property management, and other factors). Data from energy performance contracting

in public housing will generally reflect activity only in larger public housing agencies, because smaller PHAs generally have not been able to take advantage of this mechanism.

Validation, verification, improvement of measure. The Environmental Protection Agency and the Department of Energy continue to conduct research to verify savings produced through Energy Star. HUD will review baseline reports of Energy Star applications to assess data reliability and will seek to improve reporting mechanisms based on initial results.

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

B.2.1: Reduce the number of observed exigent deficiencies per property by 10 percent among PHAs that are designated as troubled by PHAS and have 5 or more deficiencies per property for public housing. Reduce the average number of observed exigent deficiencies per property for substandard multifamily housing properties by 10 percent.

Indicator background and context. HUD's Real Estate Assessment Center conducts physical inspections that identify exigent health and safety or fire safety deficiencies. Exigent health and safety hazards include: 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 exigent health and safety or fire safety for this measure because they are covered in Indicator C.5.1.). A significant majority of the deficiencies for both public housing and multifamily housing are represented by three categories: locked emergency/fire exit egress, missing/broken electrical cover plates/switches/outlets, and exposed wires/missing covers.

In prior years the Department focused on the reductions in exigent health and safety or fire safety on an overall basis. From FY 2001 to FY 2005, the average number of exigent health and safety or fire safety deficiencies observed per property was reduced from 2.09 to 1.92 for public housing and from 1.81 to 1.40 for multifamily housing. PHAs and multifamily housing owners remain responsible for complying with HUD's housing physical condition standards and for correcting and preventing exigent health and safety or fire safety deficiencies. However, due to scarce monitoring resources, the Department shifted and targeted its focus to the reduction of deficiencies at the worst properties in FY 2006. The public housing goal for FY 2007 is to continue to reduce the number of observed exigent deficiencies per property by 10 percent among PHAs that are designated as troubled by PHAS and have 5 or more deficiencies per property. For multifamily housing the goal for FY 2007 is to continue to reduce the average defects per property for substandard properties with a Physical Assessment Subsystem score of less than 60 by 10 percent. Nevertheless, the Department will continue to track and report on the status of the average number of observed exigent deficiencies per property for all public housing and multifamily housing properties, as a means of determining the overall compliance of PHA and multifamily housing owners and the need for any further corrective action.

Data source. The Real Estate Assessment Center’s Physical Assessment Subsystem, consisting of electronically coded and transmitted results of independent physical inspections of units, buildings, and sites, stored in the National Inspection Contract – Central Integrated Data Repository. Unit-level data are estimated on the basis of project-level sample observations, extrapolated to the universe of all units.

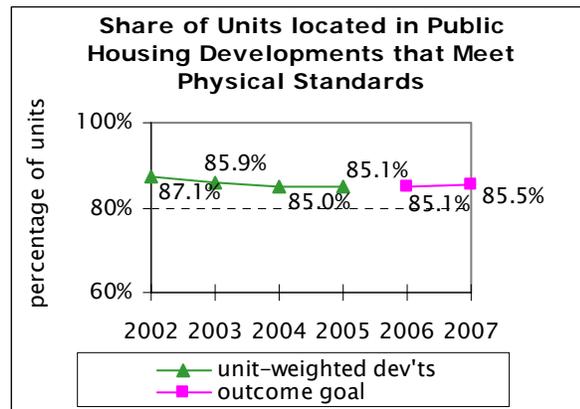
To measure the results in public housing, HUD will take an inventory of substandard properties at the beginning of each fiscal year and compare the next inspections. The average defects on both samples will be calculated and the change computed.

Limitations/advantages of the data. While each PIH project receives an annual Real Estate Assessment Center physical inspection, FHA multifamily housing properties are under what is commonly referred to as the “3-2-1 rule.” The rule stipulates that inspections of multifamily developments occur at intervals of 1, 2, or 3 years depending on the Physical Assessment Subsystem inspection score that the property receives. As a result, not every property in the portfolio and the units associated with those properties are reflected in the Exigent Health and Safety or Fire Safety percentages. There may also be a distortion of the data since many of the properties that receive a Physical Assessment Subsystem score of less than 60 may be inspected more than once annually.

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, the Real Estate Assessment Center re-inspects units and properties on a sample basis for quality assurance.

B.2.2: The share of public housing units that meet HUD established physical inspection standards will be 85.5 percent.

Indicator background and context. This indicator reflects the commitment in the President’s Management Agenda to steadily improve the physical quality of public housing, for which HUD’s Strategic Plan has a goal of 87.5 percent by FY 2011. The FY 2007 target of 85.5 percent is based on the actual performance of 85.1 percent in FY 2005. The adjusted target takes into consideration actual resources available for improvements and maintenance, as well as new, more stringent inspection standards that brought down scores in FY 2004 and FY 2005.



Data source. The Real Estate Assessment Center’s Physical Assessment Subsystem, consisting of electronically coded and uploaded results of independent physical inspections of properties (sites, buildings, and dwelling units), stored in the National Inspection Contract – Central Integrated Data Repository. The subsystem 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 Physical Assessment Subsystem 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 FY 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. The subsystem 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 Real Estate Assessment Center 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. An independent engineering firm, as reflected in the subject report, validated the results.

B.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.

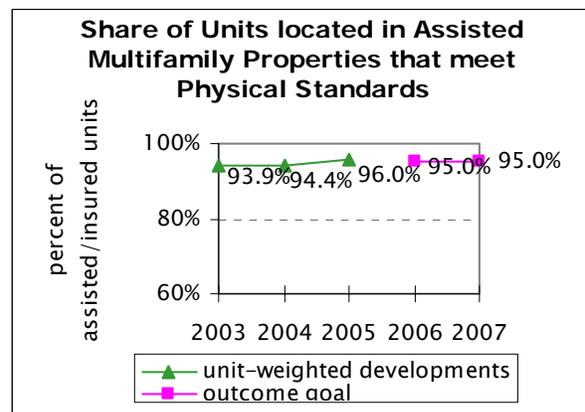
Indicator background and context. This performance goal builds on recent successes and exceeds the benchmark established in the President’s Management Agenda, setting a goal that at least 95 percent of assisted multifamily properties will continue to meet HUD’s standards for physical condition in FY 2007. This is a very high performance rate and reflects the important outcome goal of providing healthy, quality, and safe housing for HUD’s multifamily inventory.

Data source. Real Estate Assessment Center’s

Physical Assessment Subsystem, consisting of electronically coded and transmitted results of independent physical inspections of units, common areas, and facilities, stored in the National Inspection Contract – Central Integrated Data Repository. The Physical Assessment Subsystem is a component of the overall Public Housing Assessment System, and is used separately for private multifamily housing.

Limitations/advantages of the data. Inspections are conducted independently and are statistically representative of assisted private multifamily 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 the Physical Assessment Subsystem may alter slightly the selection and weighting of individual inspection items from year to year. Physical Assessment Subsystem 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.

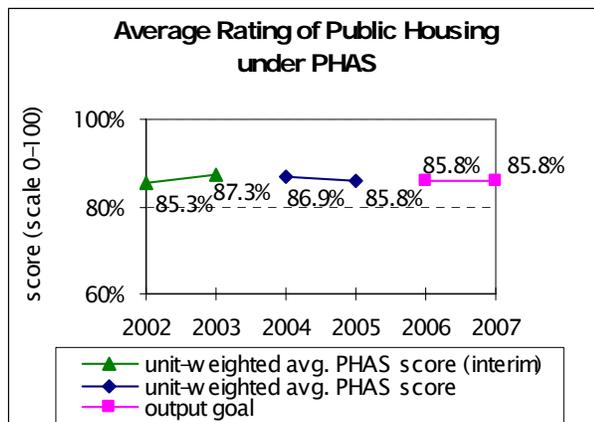
Validation, verification, improvement of measure. As reported to Congress in the March 1, 2001, Conferee Report titled *PHAS-Physical Inspection System*, the Real Estate Assessment Center’s physical assessment program ensures the proper application and interpretation of the inspection protocol and the accuracy of inspection scores, which were validated by an independent engineering firm as reflected in the subject report.

B.2.4: The unit-weighted average Public Housing Assessment System score is maintained at the 2005 level of 85.8 percent.

Indicator background and context. This indicator tracks HUD’s progress toward increasing the capability and accountability of PHA partners and increasing the satisfaction of residents. The Public Housing Assessment System provides an indication of the quality of the housing stock and the management conditions with which each public housing resident lives. The FY 2007 goal is to maintain the FY 2005 performance level of 85.8 percent.

Data source. The Public Housing Assessment System – Integrated Assessment Subsystem module, which comprises scores determined by the Physical, Management, Financial, and Resident Satisfaction subsystems.

Limitations/advantages of the data. The Physical Assessment and Resident Assessment scores are based on statistically valid random samples that are representative of public housing projects and households respectively.



The scoring methodology for the Public Housing Assessment System was modified during FY 2002. For FY 2003 and FY 2004 interim scoring procedures for the Physical and Financial subsystems generally resulted in improved scores for many PHAs. A thorough review of the assessment system was completed and, effective FY 2004, the scoring methodology reverted back to the scoring system similar to that utilized in FY 2001. The scores for FY 2005 were lower than the two prior years since the interim methodology was no longer effective.

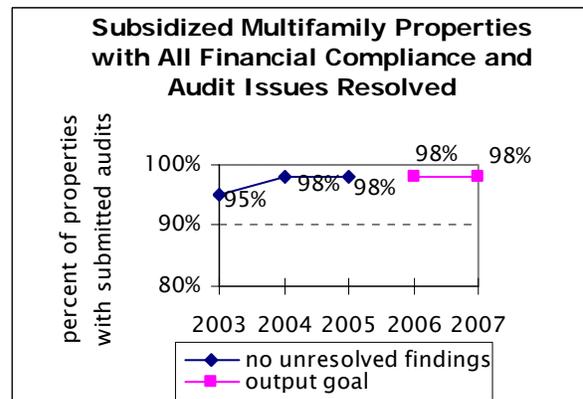
The Department has set the goals for FY 2006 and FY 2007 at the same level of performance as FY 2005 since the FY 2005 average should account for most, if not all, of the methodology changes. Since it is not certain that the entire impact of these changes was affected in FY 2005, the Department will carefully review the results for FY 2006 and adjust goals for future periods accordingly.

Validation, verification, improvement of measure. The Management Assessment and Financial Assessment submissions are subject to verification by independent audit. The Financial Assessment methodology is a process validated by the American Institute of Certified Public Accountants. The Physical Assessment 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.

B.2.5: 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 98 percent.

Indicator background and context. The FY 2007 goal is to maintain high compliance and successful resolutions so that at least 98 percent of the properties submitting audited financial statements either have no compliance issues or audit findings, or have such issues or findings closed (resolved) by the end of each fiscal year. Property owners must submit annual financial statements so the Department can ensure that project owners are in compliance with their business agreements, i.e., the Regulatory Agreement, Mortgage and Note, and any subsidy contracts. These compliance factors are used in the evaluation of project operations and guide business and operating decisions and have the important outcome of protecting subsidy and FHA funds. Multifamily project managers in the field offices are responsible for resolving all compliance issues or findings identified by HUD’s Real Estate Assessment Center, to achieve the outcome of ensuring that there is the necessary financial information to make business and operating decisions. Financial reporting has the important outcome of protecting FHA funds and supports both the quantity and quality of the affordable housing inventory. Owners not submitting their audited financial statements in a timely manner are referred to the Departmental Enforcement Center.

HUD’s Real Estate Assessment Center evaluates the financial management of both public housing agencies and privately owned multifamily properties based on generally accepted accounting principles. The Real Estate Assessment Center Financial Assessment Subsystem 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.



Data source. The data come from the Office of Housing’s Real Estate Management System and the Real Estate Assessment Center’s Financial Assessment Subsystem.

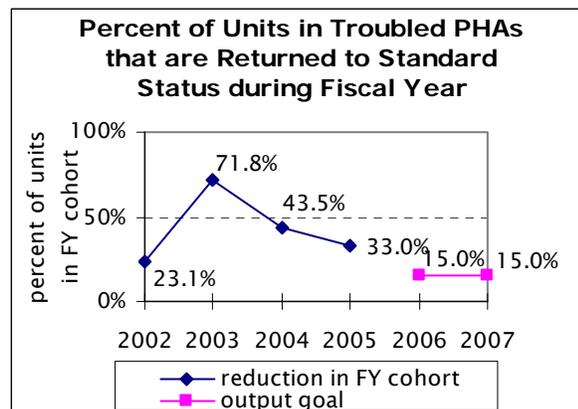
Limitations/advantages of the data. The financial assessment is a process validated by the American Institute of Certified Public Accountants. Further refinements may be necessary as the assessment process matures.

Validation, verification, improvement of measure. The Real Estate Assessment Center performs quality assurance reviews of the audited financial statements of multifamily property owners submitted by independent public accountants. The quality assurance review provides assurance that the audited statements are accurate and reliable and that audits are conducted in accordance with government and professional standards. The Financial Assessment Subsystem incorporates extensive data checks and both targeted and random review by independent auditors.

B.2.6: The percent of public housing units under management of troubled housing agencies at the beginning of FY 2007 decreases by 15 percent by the end of the fiscal year.

Indicator background and context. The Office of Public and Indian Housing and the Real Estate Assessment Center use the Public Housing Assessment System to evaluate the performance of PHAs 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 Public Housing Assessment System rating.

Under this system, 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. The data originate in the Public Housing Assessment System – Integrated Assessment Subsystem module, comprising scores determined by the Physical, Management, Financial, and Resident Satisfaction Assessment Subsystems. Unit data originate in the PIH Information Center – 50058 module. For convenience, the indicator is reported using the Troubled Agencies Portfolio, a database that captures the date a PHA is designated troubled based on Public Housing Assessment System scores.

Limitations/advantages of the data. The Physical and Rental Satisfaction Assessment Subsystems rely on statistically representative samples of public housing projects and of households respectively.

Validation, verification, improvement of measure. The Management and Financial Assessment systems submissions are subject to verification by independent audit. The Physical Assessment system scores are based on independent inspections of the PHA’s properties by HUD, and are verified through HUD’s Quality Assurance Program.

B.2.7: The proportion of Flexible Voucher Program (formerly Housing Choice Voucher Program) funding administered by troubled housing agencies decreases annually by 10 percent.

Indicator background and context. This goal is dependent on passage and enactment of the State and Local Housing Flexibility Act of 2005 (S.771, introduced April 14, 2005). This is an important indicator that will track the share of Flexible Voucher Program funding that is vulnerable to poor management. The Act provides that HUD shall establish performance standards and a performance assessment system for PHAs receiving Flexible Voucher Program grant funding to maximize the benefits of such assistance.

During FY 2006, HUD will develop the methodology for assessing whether a PHA is troubled. At the end of calendar year 2006, HUD will determine the baseline percentage of Flexible Voucher Program funding that is administered by PHAs that are determined to be troubled under this new performance assessment system. The Department's goal will be to reduce this baseline proportion by 10 percent by the end of calendar year 2007. Thereafter, a new baseline proportion of funding managed by troubled agencies will be established each calendar year, and the goal will be to reduce it by 10 percent.

At the date of this writing, the State and Local Housing Flexibility Act of 2005 has not been enacted. The timing of this legislation's passage may require HUD to adjust the collection of data and implementation of this goal.

Data source. The data source for this goal will be the new performance assessment system for the Flexible Voucher Program established in accordance with the Act.

Limitations/advantages of the data. The assessment system and the data elements have yet to be determined.

Validation, verification, improvement of measure. The new performance assessment system will incorporate lessons learned in the development and operation of the predecessor system, SEMAP.

B.2.8: The HOPE VI Revitalization Development program for public housing relocates 1,378 households, demolishes 4,209 units, completes 8,745 new and rehabilitated units, and occupies 8,293 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. However, because of the extensive planning and partnering involved, PHAs have been slower in implementing HOPE VI redevelopment plans than was anticipated. The Department established this annual indicator to track the number of HOPE VI redevelopment plans that are being implemented in terms of four key outputs: tenants relocated to permit redevelopment, units demolished, new and rehabilitated units completed, and units occupied. These goals are based on HOPE VI plans submitted by PHAs. The President's FY 2007 budget proposes no additional funds for HOPE VI and proposes to rescind all FY 2006 HOPE VI appropriations. Therefore this goal will be met with available prior year funds.

HOPE VI Achievements	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006 goal	FY 2007 goal
Households relocated	4,668	6,859	4,618	4,702	1,400	1,378
Units demolished	8,346	7,468	4,919	8,765	2,600	4,209
Units constructed or rehabilitated	6,468	8,611	4,132	9,632	6,500	8,745
Units occupied	6,205	7,512	4,210	8,467	6,300	8,293

Data source. PIH's HOPE VI Progress Reporting System, consisting of quarterly progress reports submitted by grantees. The numbers above reflect reports submitted by FY 1993 to FY 2004 grantees.

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

Validation, verification, improvement of measure. Submitted data are reviewed by HUD staff and verified through grant management activities and site visits. HUD Headquarters staff reviews the reports each quarter and compares progress to stated goals and the results of on-site visits by HUD staff and, in some cases, the Army Corps of Engineers. The collection of progress data by construction and financing phase has supported improvements in the validity of performance targets.

B.2.9: The average length of time for completion of all units in HOPE VI projects will be seven years from the date of the Grant Agreement execution, and 85 HOPE VI grants awarded from FY 1993 through FY 2004 will have completed all unit production.

Indicator background and context. Inherently, through its Strategic Plan, the Department continues to emphasize the importance of timeliness and accountability in its programs, including HOPE VI. That is, the more quickly projects are completed, the more quickly homeownership and affordable housing opportunities will become available. However, because of the extensive planning and partnering involved, as well as extenuating circumstances, grantees have been implementing their HOPE VI redevelopment plans more slowly than was anticipated. Nevertheless, HUD has worked diligently with grantees to shorten the time they need to finish projects, and to increase the total number of projects completed, as measured by completion of all units (whether public housing, tax credit, market-rate, or homeownership) proposed in the revitalization plan.

The Strategic Plan establishes a target of seven years from the execution of the Grant Agreement as the average length of time for completion of all units in HOPE VI projects. Cumulatively, 85 HOPE VI grants awarded from FY 1993 through FY 2004 will have completed all unit production by the end of FY 2007. These goals are based on HOPE VI plans submitted by grantees. The President's FY 2007 budget proposes no additional funds for HOPE VI and proposes to rescind all FY 2006 HOPE VI appropriations. Therefore this goal will be met with available prior year funds.

Data source. PIH's HOPE VI Progress Reporting System, consisting of quarterly progress reports submitted by grantees. The numbers above reflect reports submitted by FY 1993 through FY 2004 grantees.

Limitation/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 phases.

Validation and verification. Submitted data are reviewed by HUD staff and verified through grant management activities and site visits. HUD Headquarters staff reviews the reports each quarter and compares progress to stated goals and the results of on-site visits by HUD staff and, in some cases, by the Army Corps of Engineers. The collection of progress data by construction and financing phase has supported improvements in the validity of performance targets.

B.2.10: The HOPE VI Program will leverage \$800 million of other financing.

Indicator background and context. The mixed-financing approach to replacement public housing development is the single most important development tool currently available to PHAs implementing HOPE VI revitalization projects. It emphasizes the formation of new public and private partnerships to ensure long-term sustainability of public housing developments and the leveraging of public and private resources to transform the isolated communities in which many public housing residents live into vibrant and sustainable mixed-income communities with a wide range of family incomes. Accordingly, in FY 2007, the HOPE VI program will leverage \$800 million of other financing. Such financing will help ensure the realization of HOPE VI goals and their contribution toward the Department's strategic goals for homeownership and affordable housing.

These goals are based on HOPE VI plans submitted by PHAs. The President's FY 2007 budget proposes no additional funds for HOPE VI and proposes to rescind all FY 2006 HOPE VI appropriations. Therefore, this goal will be met with available prior year funds.

Data source. PIH's HOPE VI Progress Reporting System, consisting of quarterly progress reports submitted by grantees. The numbers above reflect reports submitted by FY 1993 through FY 2004 grantees.

Limitation/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 phases.

Validation and verification. Submitted data are reviewed by HUD staff and are verified through grant management activities and site visits. HUD Headquarters staff reviews the reports each quarter and compares progress to stated goals and the results of on-site visits by HUD staff and, in some cases, the Army Corps of Engineers. The collection of progress data by construction and financing phase has supported improvements in the validity of performance targets.

B.2.11: Approve \$50 million of leveraged funds through the Capital Fund Financing program.

Indicator background and context. The Capital Fund Financing program is an appropriations-based financing program that makes financing available to PHAs. The agencies borrow funds from the private markets, pledge their capital funds subject to the availability of appropriations, and then repay the financing as they receive their capital funds. Proceeds from Capital Fund Financing program transactions are used for modernization and development of public housing. This goal measures the dollar amount of Capital Fund Financing program transactions approved by the Office of Capital Improvements. It supports HUD's strategic goals by leveraging private sector resources, thereby maximizing valuable but limited public sector resources, in order to develop decent affordable housing. In FY 2007, the Office of Capital Improvements will approve \$50 million of leveraged funds through the Capital Fund Financing program.

Data source. The data are collected by HUD and based on the Capital Fund Financing program proposals received from PHAs.

Limitation/advantages of the data. Data are judged to be reliable for this measure. The measure focuses on the key element of the Capital Fund Financing program, which is the amount of funds raised through the program.

Validation and verification. Data are derived from the financing packages and is reviewed by HUD during its approval process.

B.2.12: In FY 2007, HUD will award 35 grants to establish new, or expand existing, Public Housing Neighborhood Networks centers.

Indicator background and context. This funding program provides grants to PHAs to establish, expand, and/or update community technology centers. Neighborhood Networks centers provide access to computers, computer training, and the Internet. Neighborhood Networks centers also can provide a wide range of services to help residents achieve long-term economic self-sufficiency. PHAs may use grant funds for activities such as hiring of a project coordinator to manage and oversee center activities, purchase of computer equipment, Internet connection, physical improvements, computer training, college preparatory classes, job training, and literacy training. Since FY 2002, 156 Public Housing Neighborhood Networks grants have been awarded.

Data source. The number of grants awarded is determined from the application review process conducted by PIH’s Grants Management Center.

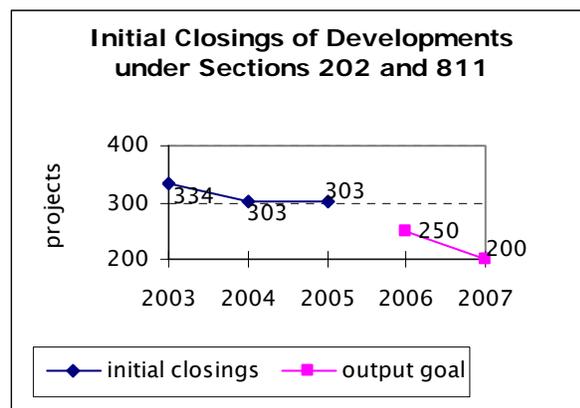
Limitations/advantages. Data are judged to be reliable for this measure. The Department’s ability to award Public Housing Neighborhood Networks grants is subject to the availability of appropriations.

Validations, verifications, improvement of measures. The application review process involves many levels of quality review in order to ensure awards are made in accordance with the criteria of the Notice of Funding Availability.

Objective B.3: Improve housing opportunities for the elderly and persons with disabilities.

B.3.1: Increase the availability of affordable housing for the elderly and persons with disabilities by bringing 200 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. The outcome of this funding is the expansion of quality and affordable housing for elderly and persons with disabilities. It also expands opportunities for independent living, particularly for frail elderly, and achieves significant medical



care-related savings. 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 measures 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).

The goal for FY 2007 reflects the static funding in FY 2005 and FY 2006, which limited the number of new fund reservations as additional resources were used for renewal of tenant subsidies.

Data source. Office of Housing’s Development Application Processing system.

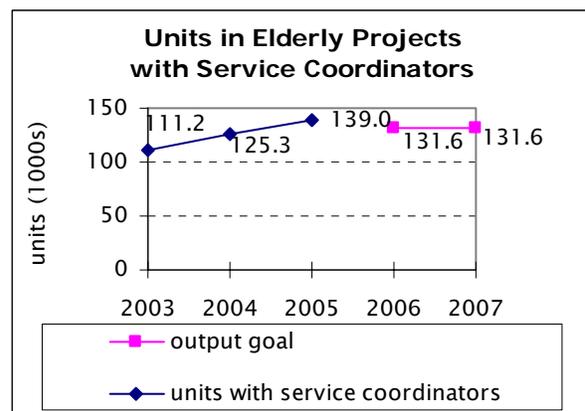
Limitations/advantages of the data. The data consist of straightforward and easily verifiable counts of initial closings.

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

B.3.2: The number of elderly households living in private assisted housing developments served by a service coordinator is maintained at the FY 2006 level.

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 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. These programs support the goal of keeping elderly persons independent and self-sufficient in their own communities.

HUD received \$51 million for the Service Coordinator program in FY 2006 and has requested \$50 million for FY 2007. As virtually all of the FY 2007 funds will be needed to cover program renewals on existing served properties, the goal is to maintain the number of units covered by services coordinators at the FY 2006 level. At of the end of FY 2005 there were more than 139,000 elderly households in units being served in developments with grants for service coordinators. Elderly households are defined as families or individuals with a head or spouse aged 62 or older.



Data source. The data for this indicator are from the Office of Housing’s Real Estate Management System, which includes information originating in the Tenant Rental Assistance Certification System.

Limitations/advantages of the data. Administrative data capture only projects with service enhancements funded under the Service Coordinator program.

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

Objective B.4: Promote housing self-sufficiency.

B.4.1: By FY 2008, increase the proportion of those who transition from HUD's public housing and Housing Choice Voucher programs by 20 percent and decrease the proportion of active participants who have been in HUD's housing assistance programs for 10 years or more by 10 percent.

Indicator background and context. HUD's public and assisted housing programs provide low-income families with temporary, transitional housing and provide an opportunity for families to gain housing self-sufficiency. This indicator tracks the percentage of *all* recipients who leave public and assisted housing each year for *any* reason. The goal is to improve the annual "transition" percentage from the 2003 baseline of 11.1 percent to at least 13.3 percent in FY 2008. This corresponds to annualized target of 12.9 percent by FY 2007. Additionally, HUD will reduce the proportion of households who have been in HUD's public housing and Housing Choice Voucher programs for ten years or more from 20.6 percent in FY 2003 to 18.5 percent or less by FY 2008. Thus HUD's target for FY 2007 is 19.0 percent. The movement of families to adequate shelter of their own allows HUD to serve more families in need of housing assistance.

Data source. HUD will use occupancy data taken from the Public and Indian Housing Information Center database to track these indicator measures. PHAs submit data to the Public and Indian Housing Information Center on each household in their programs.

Limitations/advantages of the data. The Public and Indian Housing Information Center is the most complete data source available on low-income assisted households in the public housing or voucher programs. Incomplete reporting to PIC may introduce some error to these measures, but this is not anticipated to be a substantial problem. The length of stay measure will not accurately capture tenure for the small number of families who change programs or move between jurisdictions because their length of stay starts over at zero. In addition, PHAs that participate in the Moving To Work Demonstration project have not been required to submit household data into the Public and Indian Housing Information Center database.

Validation, verification, improvement of measure. The target for the first portion of this indicator, the proportion of participants who transition from the program, has been increased this year to 20 percent. This is due to a higher than expected rate of transitioning families during the past year.

B.4.2: The number of residents counseled through the Resident Opportunity and Self Sufficiency program in homeownership readiness will increase by 295, and the number of counseled residents who purchased homes will increase by 26 during FY 2007.

Indicator background and context. The Resident Opportunity and Self Sufficiency program provides funds to PHAs, tribes/tribally designated housing entities, and qualified nonprofit organizations to deliver homeownership training, counseling, and other supportive services to residents of public and Indian housing. The grant assistance is designed to build upon other self-sufficiency efforts by providing participating residents with the supportive services they need in order to move from rental housing to homeownership.

As of the end of FY 2005, data had been collected by the program office that established baselines of 3,363 residents that had received counseling and 298 that had purchased a home. Activity for FY 2006 and future years' goals will be measured against these baselines.

Data source. Data currently come from reports that grantees submit to field offices. The program office collects these data for analysis through communication with the grantees and field offices. In the future, grantees will report through a Resident Opportunity and Self Sufficiency Internet-based logic model.

Limitations/advantages of the data. As of the end of FY 2005, due to lack of funding and other limitations, the Department had not been able to implement an Internet-based logic model reporting system for Resident Opportunity and Self Sufficiency. However, the Department continues to refine development of this reporting system. Until this system is operational, the program office will continue to collect data on grantees in order to track this goal.

Validations, verification, improvement of measure. The field office monitors grant implementation. The goal may need recalibration once the Internet-based reporting system is operational.

Objective B.5: Facilitate more effective delivery of affordable housing by reforming public housing and the Housing Choice Voucher program.

B.5.1: Complete analysis of Section 8 and public housing assessment programs and develop a more accurate and efficient assessment tool.

Background and context. The Department would like to move to a flexible program as envisioned by the State and Local Housing Flexibility Act of 2005 to eliminate some of the more cumbersome program requirements, emphasize rent reform, and establish a successful Section 8 Voucher Program in a budget based environment.

Currently, Section 8 funding is based on a fixed annual budget, yet the program's underlying law and regulations mandate a restrictive, cumbersome program that makes managing within budget very difficult. The present program monitoring tool, the Section Eight Management Assessment Program, is based on self-reported management indicators. As envisioned, a Section 8 assessment would be basic and results-oriented. Under the proposed program, PHAs would be measured on four main standards:

housing quality, fund utilization, financial condition of the agency, and the accuracy of reports. The Secretary may determine additional indicators. The goal is to complete the analysis by the end of FY 2007 and to implement the replacement by the end of FY 2008, though it will depend on data capture issues.

Data source. The data sources for the proposed assessment tool will be the Public and Indian Housing Information Center, a revised Financial Assessment Subsystem, and the Voucher Management System.

Limitation /advantages of data. The accurate and timely reporting by the PHAs into the database may distort the actual condition of the PHA for any rated criteria. An advantage of the system is that the PHAs are rated against the data they provide and have a vested interest in accurate and timely reporting.

Validation, verification, and improvement of measure. The PHAs will enter and validate their data. PHAs whose data do not meet the (yet to be developed) criteria will be subject to sanctions as well as field office review and validation. Financial data will be validated by independent public accountants (for both the Financial Assessment Subsystem and Voucher Management.). Independent surveys will address the quality of units. PHAs will be subject to annual on-site review/certification by both the field offices and the Section 8's program's Quality Assurance Division.

B.5.2: Asset-based accounting will be implemented in 20 percent of PHAs by FY 2007.

Background and context. Congress has mandated the transition to an asset-based accounting for PHAs that receive the operating subsidy. The establishment of asset based accounting in at least 20 percent of PHAs will help to insure the efficient and timely delivery of the operating subsidy. The timely implementation of asset-based accounting in a phased proportion of the covered PHAs will insure coordinated and effective delivery of related new systems and processes. This is a new initiative that will require the establishment of a new project management database.

Data source. A data set with the number of PHAs that have currently implemented will be maintained in a database at the Real Estate Assessment Center.

Limitation/advantages of the data. Although the Department has created incentives for the timely implementation of asset-based management, it does not directly control the actions of those entities responsible for implementation. Local, higher priorities could cause delays in implementation.

Validation, verification, improvement of measure. Data will be analyzed by senior staff within the Real Estate Assessment Center and verified by reports and submissions from the field offices and PHAs.

Strategic Goal C: Strengthen Communities

Strategic Objectives:

- C.1 Assist disaster recovery in the Gulf Coast region.*
- C.2 Enhance sustainability of communities by expanding economic opportunities.*
- C.3 Foster a suitable living environment in communities by improving physical conditions and quality of life.*
- C.4 End chronic homelessness and move homeless families and individuals to permanent housing.*
- C5 Address housing conditions that threaten health.*

Objective C.1: Assist disaster recovery in the Gulf Coast region.

C.1.1: Assist disaster recovery in the Gulf Coast Region.

Indicator background and context. In response to the disaster on the Gulf Coast as a result of Hurricanes Katrina, Wilma, and Rita, Congress provided \$11.5 billion through the CDBG program in December 2005. The Congress provide additional supplemental funding of \$5.2 billion for community development and continued housing assistance for Louisiana in June 2006. Under this objective, HUD will use supplemental appropriations to support the recovery of housing and critical infrastructure in the Gulf region so the citizens can rebuild their communities and lives. HUD will assist Louisiana, Mississippi, Alabama, Texas, and Florida in planning and implementing programs to aid in community and economic recovery of the areas destroyed by the hurricanes.

The statute provides that quarterly progress reports be submitted to the Congress and HUD. The statute also maintains broad flexibility in activities authorized under the CDBG program and maintains local discretion on the use of funds via the plans submitted through the states with local collaboration. It is expected that housing and infrastructure activities will predominate the rebuilding effort as well as economic development and other related activities. This is a new effort and metrics need to be established during FY 2007 to determine data gathering needs and goals based on submitted local plans and real world experience.

Data source. Grantees will submit quarterly reports. The Disaster Recovery Grant Reporting System will record information.

Limitations/advantages of the data. This is a new data effort involving areas that have been devastated and involving new recipients of assistance. Data quality will be an important focus area.

Validation, verification, improvement of measure. CPD staff verifies program data when monitoring grantees.

Objective C.2: Enhance sustainability of communities by expanding economic opportunities.

C.2.1: A total of 77,284 jobs will be created or retained through CDBG.

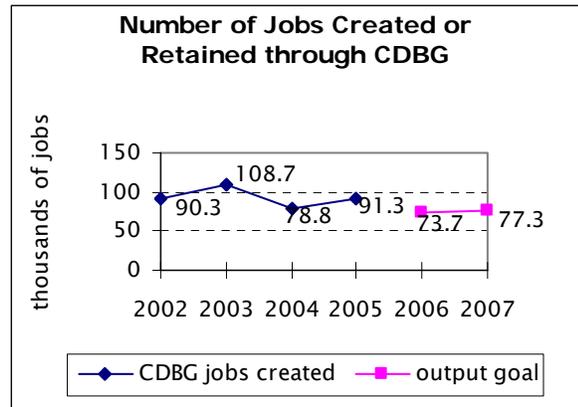
Indicator background and context. Many grantees have established CDBG-assisted economic development programs that focus on providing financial assistance to businesses that will create or retain jobs, including assistance to microenterprises. In FY 2005, 6.4 percent (\$225 million) of the CDBG funds expended by entitlement communities was used for economic development activities, and 15.2 percent (\$119.8 million) of the CDBG funds expended by states was for economic development activities.

In FY 2005, 91,287 jobs were created or retained through CDBG. The FY 2006 goals for jobs created/retained through CDBG and the Section 108 Loan Guarantee programs are 73,735 and 11,000, respectively. No goal for the Section 108 program is being identified for FY 2007 because under existing budgetary assumptions, no Section 108 commitments will be issued in FY 2007.

Data source. Data on CDBG accomplishments are from the Integrated Disbursement and Information System – CDBG Module. The CDBG goals are based on historical accomplishments reported by grantees, a reduced appropriation amount for FY 2007, estimated spend-out rates, and a three percent adjustment for inflation.

Limitations/advantages of the data. CDBG data come from grantees through the Integrated Disbursement and Information System. CPD has pursued a variety of enhancements to this system, which, along with on-going data clean-up efforts, have resulted in continuous improvements in data quality.

Validation, verification, improvement of measure. Field staff review grantee reports to assess accuracy and monitor to ensure that reported jobs benefit low- and moderate-income persons in accordance with program requirements.



C.2.2: Increase economic opportunity through the use of CDBG funds in communities that have unemployment rates above the national unemployment rate.

Indicator background and context. This indicator establishes a goal to improve unemployment conditions in those jurisdictions where the unemployment rate is significantly more severe than that faced by the nation as a whole. Locally concentrated unemployment is one indicator of cities or suburbs that are not sharing in national economic growth. HUD's Community Development Block Grant program creates jobs in low-income communities, promotes job mobility, and helps families make progress toward self-sufficiency, all of which contribute to reducing concentrations of unemployment. While grantees have wide discretion in their use of funds, CPD will encourage grantees with unemployment rates exceeding the national average to use their CDBG funds to create communities of opportunity and choice for lower income residents.

Communities use CDBG funds for physical development projects, such as roads, sewers, public facilities, and other infrastructure that make them more attractive locations for business investment. CDBG funds for education, job-training, and other services that support the workforce in low-income communities also make them more attractive to prospective employers. The use of CDBG funds for economic development activities is one of many choices available to grantees under this flexible block grant program. For FY 2007, the goal is to develop a baseline for this indicator that will show positive improvements in unemployment conditions in those jurisdictions where the problem is significantly more severe than that faced by the nation as a whole.

Data source. HUD will use Bureau of Labor Statistics data to identify the number of grantees for which the unemployment rate is above the national average. A baseline needs to be established for the reduction of unemployment. HUD will review information reported by these grantees in the Integrated Disbursement and Information System (IDIS) on their use of CDBG for activities that increase economic opportunities to establish a baseline for further measurement, e.g., the number of jobs created and retained, number of jobs with health benefits, and the number of businesses assisted.

Limitations/advantages of the data. The Bureau of Labor Statistics data used to identify employment and unemployment rates are the best available. Information on activities that increase economic opportunities is dependent on the redevelopment of IDIS reporting for the CDBG program.

Validation, verification, improvement of measure. The Bureau of Labor Statistics employs rigorous data quality standards, and it is not feasible for HUD to verify Bureau of Labor Statistics data independently. HUD continues its collaborations with grantees and technical assistance providers to ensure that the performance indicators will measure this long-term goal.

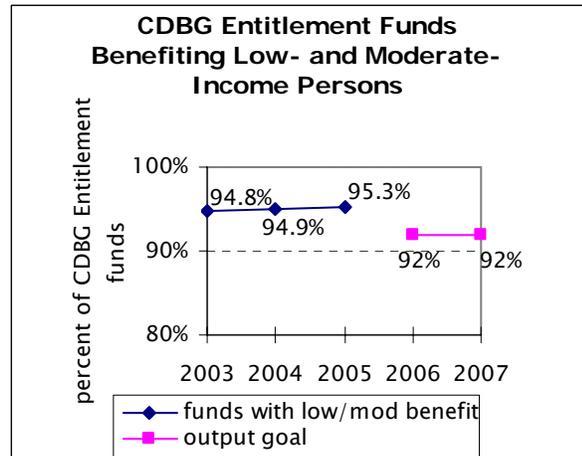
C.2.3: The share of CDBG entitlement funds that benefit low- and moderate-income persons remains at or exceeds 92 percent.

Indicator background and context. CDBG entitlement communities have the discretion to select the activities they will assist each year, but are required by statute to use at least 70 percent of the funds expended (over a one, two or three year period, selected by each grantee) for activities that benefit low- and moderate-income persons. CDBG grantees have historically exceeded the 70 percent threshold, but

HUD continues to emphasize the importance of targeting the use of CDBG funds for activities that benefit low- and moderate-income persons.

Data source. Information reported by grantees on their use of CDBG funds in Integrated Disbursement and Information System is compiled to report on this goal. HUD has made a change to this system, used by grantees to report on their use of CDBG funds, to improve the information grantees report on such targeting.

Limitations/advantages of the data. CDBG funds used for activities that are available to all residents of a particular geographic area (identified by the grantee) are presumed to serve low- and moderate-income persons if, generally, at least 51 percent of the residents of the area served are low- and moderate-income.



Validation, verification, improvement of measure. CPD field staff verifies program data when monitoring grantees.

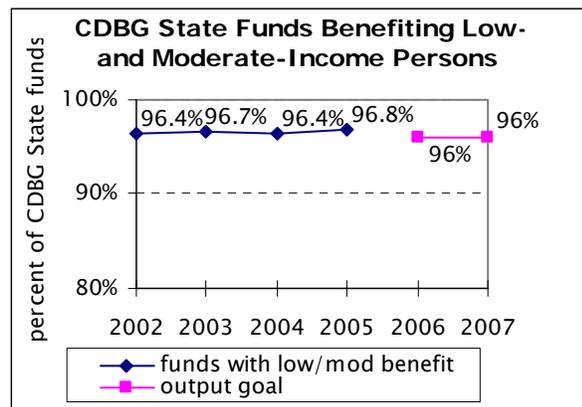
C.2.4: The share of State CDBG funds that benefit low- and moderate-income persons remains at or exceeds 96 percent.

Indicator background and context. As with CDBG entitlement communities, States are required to use at least 70 percent of CDBG funds for activities that benefit low- and moderate-income persons. State CDBG grantees have historically exceeded this requirement (96.77 percent in FY 2005), but HUD continues to emphasize the on-going importance of strong performance in this area.

Data source. Information reported by grantees on their use of CDBG funds in the Integrated

Disbursement and Information System is compiled to report on this goal. HUD has made a change to the system, used by grantees to report on their use of CDBG funds, to improve the information grantees report on such targeting.

Limitations/advantages of the data. CDBG funds used for activities that are available to all residents of a particular geographic area (identified by the State grant recipient) are presumed to serve low- and moderate-income persons if, generally, at least 51 percent of the residents of the area served are low- and moderate-income.



Validation, verification, improvement of measure. CPD field staff verifies program data when monitoring grantees.

C.2.5: Propose CDBG reform legislation on formula and authorization of bonus funds. Implement the transition and operation of the proposed reforms.

Indicator background and context. CPD has developed and finalized a legislative proposal to reform the CDBG program consistent with the initiatives described in the Administration's FY 2007 budget. These initiatives include:

- CDBG formula reform intended to target funding to the nation's neediest communities;
- Challenge grant funds will be awarded to communities that show the greatest improvements in measures of community livability and investment;
- Consolidate programs, such as the Brownfields Economic Development Initiative, Rural Housing and Economic Development Program, and the Section 108 Loan Guarantee program, to eliminate duplicative activities; and
- Performance measurement provisions to hold grantees more accountable for meeting their own goals.

Depending on timing of congressional action to enact this legislative proposal, HUD would undertake actions necessary to implement for FY 2007. A key issue with respect to the CDBG formula would be the potential inclusion and nature of any "transition" provisions in the enacted legislation. HUD will also develop the notice of funding availability for the CDBG challenge grant and undertake efforts to ensure eligible grantees are aware of the additional funding opportunity.

Data source. Monitoring of Congressional enactment and development of HUD Regulations.

Limitations/advantages of the data. Legislation would have to be enacted by the beginning of FY 2007 in order to develop implementing regulations in FY 2007.

Validation, verification, improvement of measure. Upon enactment of the legislation and development of regulations based on the new legislation, measures would have to be established.

C.2.6: Renewal Communities and Urban Empowerment Zones expand economic opportunity in communities characterized by pervasive poverty, unemployment, and general distress.

Indicator background and context. The Office of Community Renewal designates distressed communities to receive important tools for economic and community development. For 2002-2009 HUD designated 40 urban and rural Renewal Communities and a third round of 8 urban Empowerment Zones, making a total of 30 urban Empowerment Zones. The designations were authorized by the Community Renewal Tax Relief Act of 2000, which authorized all of the Renewal Communities and Empowerment Zones to share in an estimated \$11 billion package of tax incentives. HUD selected the Renewal Communities competitively on criteria including poverty, unemployment, household income, and crime and Empowerment Zones on the basis of the quality of their locally developed strategic plans as well as pervasive poverty, unemployment, and general distress. HUD's Enterprise Community

designations, which have strategic plans similar to Empowerment Zones, ended December 31, 2004. Some Enterprise Communities may report additional accomplishments as projects and programs close out.

HUD is phasing out the three indicators that Empowerment Zones and Enterprise Communities self-report in the Performance Measurement System, which were intended to assess the designated Empowerment Zones and Enterprise Communities in terms of their performance relative to the projected outputs in their plans. The new measures are more closely tied to use of tax incentives and outcomes in terms of economic conditions in the community. The Renewal Communities also are reporting into the Performance Measurement System the amount of “commercial revitalization deductions” allocated by the state to businesses as accelerated depreciation for construction or substantial rehabilitation of commercial buildings. The business may expense 50 percent in the first year or have an accelerated depreciation over 10 years. The updated measures are shown in the table below.

Data source. The commercial revitalization deductions allocations are reported in the CPD Performance Measurement System. The other data are available from third-party providers, as noted below.

PERFORMANCE MEASURES	FY2003 Actual	FY2004 Actual	FY2005 Actual	FY2006 Goal	FY2007 Goal
Amount of Renewal Community and Empowerment Zone employment credits claimed by sole proprietors (Current Year ending during the FY)	\$61.26 million	\$83.45 million	N/A ¹	\$90 million	\$95 million
Amount of Commercial Revitalization Deductions allocated in Renewal Communities (Current Year ending during the FY)	\$273 million ²	\$209 million	\$219 million	\$211 million	\$225 million
Total businesses in Renewal Communities/Empowerment Zones per capita vs. national average	80.2%	89.7% ⁶	N/A ³	95%	96%
Total addresses vacant 90 days per capita in Renewal Communities/Empowerment Zones vs. national average	N/A	N/A	N/A ⁴	280% ⁵	270%
Earned income tax credit claims in Renewal Communities/Empowerment Zones per capita vs. national average	N/A	N/A	157% ⁷	158%	159%

¹ Data from the Internal Revenue Service are not yet available.

² Unusually high Commercial Revitalization Deductions allocations for FY 2003 occurred because only in calendar year 2002 the Internal Revenue Service allowed unused Commercial Revitalization Deduction allocations to be awarded to projects in other Renewal Communities within the same state.

³ Data from Dun & Bradstreet were not provided for 2005.

⁴ US Postal Service began reporting vacant address data by 2000 Census tracts in October 2005. The October 2005 data were used to calculate the FY 2006 percentage.

⁵The number 280 percent is Actual. The 280 percent is derived from 7.6 percent Renewal Communities versus 2.7 percent national average. The other numbers in the FY 2006 column are *Goals*.

⁶The 89.7 percent is derived from 6 percent Renewal Communities versus 6.9 percent national average.

⁷The 157 percent is derived from 11.5 percent Renewal Communities versus 7.4 percent national average.

Limitations/advantages of the data. The output indicators, that is, use of the employment credits and allocations of Commercial Revitalization Deductions, depend on private business decisions. The other indicators represent outcomes reflecting community economic conditions. As is the case for many economic development initiatives, those conditions are affected by many factors other than the availability and use of the Renewal Communities/Empowerment Zones tax incentives.

The new performance measures reduce the reliance on data reported by the Renewal Communities and Empowerment Zones. This is important because HUD recognizes that the Renewal Communities and round III Empowerment Zones receive only tax incentives and do not have administrative funding for outreach efforts and collecting data. A standard methodology and consistent reporting now are reasonably assured as long as HUD's Office of Community Renewal receives timely and accurate data from the Internal Revenue Service, the Postal Service, and through subcontract arrangements with Dun & Bradstreet.

The designated Renewal Communities and Empowerment Zones understand the need to provide data in the Performance Measurement System on their outreach efforts to promote utilization of the tax incentives by small- and medium-sized businesses and on compliance with their other state and local commitments.

The new data generally are available by 2000 Census tracts or ZIP Codes, which necessitates use of conversion algorithms or areas that approximate the designated Renewal Communities and Empowerment Zones. The Renewal Communities/Empowerment Zones largely comprise 1990 Census tracts.

Validation, verification, improvement of measures. HUD is developing ZIP Code tables that more closely approximate the Renewal Communities/Empowerment Zones areas to refine the measure that compares Earned Income Tax Credit usage in the Renewal Communities/Empowerment Zones with national Earned Income Tax Credit data. Receiving regular Dun & Bradstreet data depends on updating HUD's contractual arrangements for this purpose. HUD is updating the Renewal Communities/Empowerment Zones population figures to maintain the accuracy of all the population-based measures.

HUD still considers these measures to be prototypes, due to newness and validity concerns as discussed above. We expect to receive and consider comments from the Renewal Communities and Empowerment Zones leaders this year.

C.2.7: Facilitate the transfer of the Youthbuild program to the Department of Labor.

Indicator background and context. The FY 2007 budget proposes to transfer the Youthbuild program from HUD to the Department of Labor's Employment and Training Administration, as recommended by the White House Task Force on Disadvantaged Youth, to allow for greater coordination of the program

with Job Corps and other employment and training programs. The FY 2007 request in the Labor Department's budget is \$50 million. Youthbuild's mission and strategic goals align directly with those of the Employment and Training Administration. Youthbuild is a required partner in the Nation's One-Stop Career Center system administered by the Department of Labor under the Workforce Investment Act of 1998; consequently, the President's Task Force recommended that a more direct linkage between the program and the system's activities was needed. The Task Force asserted that integrating Youthbuild funding into the federal agency that is responsible for delivering youth employment services would benefit the program and its participants by streamlining policy development and service delivery. A greater number of individuals could be served in a more effective and comprehensive manner, enhancing program performance and supporting a competitive and prepared workforce.

HUD will assist in the transition of the Youthbuild program to Department of Labor. Achievement of this goal during FY 2007 is contingent upon timely passage of authorizing legislation.

Data source. Not applicable.

Limitations/advantages of the data. Not applicable.

Validation, verification, improvement of measure. Not applicable.

C.2.8: Conduct monitoring and compliance reviews or provide technical assistance under Section 3 to 20 housing authorities and other recipients of HUD financial assistance.

Indicator background and context. Section 3 of the Housing and Urban Development Act of 1968 and its implementing regulations apply to any program administered by HUD in the form of loans, CDBG grants, cooperative agreements, subsidies, contributions, or other types of financial assistance provided for aid in making housing available, urban planning, and development. Under Section 3, HUD requires recipients of Section 3-covered funds to provide, to the greatest extent feasible, training and employment opportunities to low- and very-low-income persons. This requirement applies not only to recipients, but also to their contractors and subcontractors. Recipients must report the number of Section 3 residents and Section 3 business concerns receiving employment, training, and contract opportunities each year.

For FY 2007 HUD will continue to identify HOPE VI grantees that are starting major construction activities and other recipients of Section 3 covered assistance for monitoring and technical assistance. In addition, HUD plans to use ongoing Section 3 investigations to monitor or provide technical assistance for 20 recipients in FY 2007. HUD conducted 22 monitoring/compliance reviews or technical assistance visits in FY 2005.

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 enhance Section 3 compliance.

Validation, verification, improvement of measure. Headquarters will conduct performance monitoring and provide technical assistance, and review all reports for completeness and accuracy.

C.2.9: Through Departmental cross-program efforts, create training, employment and contracting opportunities at Section 3-covered projects for qualifying low- and very-low-income residents and Section 3 businesses.

Indicator background and context. Recipients of HUD funded assistance covered by Section 3 are considered in compliance with the program’s regulations if 1) a minimum of 30 percent of all new hires resulting from a Section 3 covered activity are low-income residents from the local community; and 2) a minimum of 10 percent of construction contracts and/or 3 percent of non-construction contracts are awarded to Section 3 business concerns. Recipients are required to submit annual reports on Form HUD 60002. The form represents a convenient summary of Section 3 compliance regarding training, employment, and contracting. However, many recipient agencies covered by Section 3 are not submitting annual reports, making it difficult to assess and achieve full compliance.

In FY 2007, headquarters staff will ensure that the 60002 data submitted are recorded properly and analyze the submissions to identify overall trends, such as the number of Section 3-covered new hires that are Section 3 eligible residents and the number of Section 3 contracts that are awarded to Section 3 businesses. In addition, staff will determine the percentage of the agencies reporting and compare this to previous years in order to enhance the outreach strategy. Once the FY 2007 data are obtained, the information will be compared to the FY 2006 data to develop incremental goals to create training, employment and contract opportunities for Section 3 residents and Section 3 businesses.

Data source. HUD 60002 reporting system.

Limitations/advantages of the data. The HUD 60002 monitoring system will need reprogramming to generate a numerical count of agencies reporting. Because many recipient agencies covered by Section 3 are not submitting annual reports, it is difficult to determine compliance. Accurate reporting and analysis of data will provide enhanced assessment of compliance.

Validation, verification, improvement of measure. Headquarters staff will administer the HUD 60002 reporting system to track desired outcomes.

Objective C.3: Foster a suitable living environment in communities by improving physical conditions and quality of life.

C.3.1: At least 35 percent of single-family mortgages endorsed for insurance by FHA are in underserved communities.

Indicator background and context. The FY 2007 goal is to ensure that at least 35 percent of all single-family mortgages endorsed for insurance by FHA are in underserved areas. The achievement of this goal is influenced by national economic conditions. FHA’s role in the mortgage market is to extend homeownership to families that otherwise might not achieve homeownership. Specifically, FHA lending in disadvantaged neighborhoods helps achieve the important outcome of increasing the homeownership rate. 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. 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 should complement rather than substitute for conventional lending, which is crucial for a healthy housing market. 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.

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

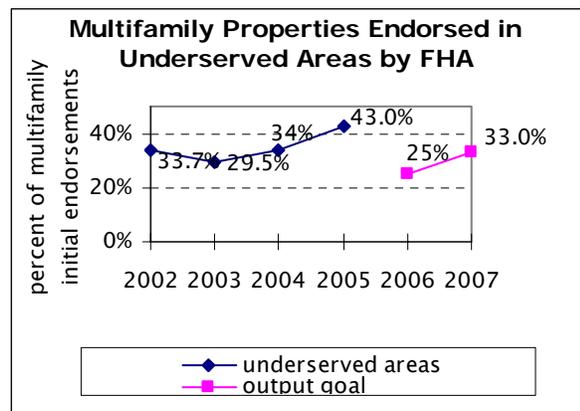
Limitations/advantages of the data. This measure may fluctuate when the census tracts constituting underserved areas are redefined using the latest Census data. The fluctuations are not expected to substantially reduce the reliability of this national summary measure.

Validation, verification, improvement of measure. HUD verifies FHA data for underserved communities by comparison with Home Mortgage Disclosure Act data.

C.3.2: The share of multifamily properties in underserved areas insured by FHA is maintained at 33 percent of initial endorsements.

Indicator background and context. This indicator measures the proportion of multifamily properties in “underserved” neighborhoods, as a percentage of all multifamily properties that receive FHA mortgage endorsements. The FY 2007 goal is being established at the higher level of 33 percent of the properties insured. The achievement of this goal is influenced by national economic conditions.

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 have the outcome of improving the quality and affordability of rental housing, and increasing their availability in underserved neighborhoods will promote revitalization of those neighborhoods.



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 non-metropolitan areas, using counties rather than tracts.

Data source. For project locations, FHA’s Real Estate Management System. For tract poverty rates and minority share, the decennial Census of Population, updated with the American Community Survey. The

Office of Policy Development and Research determines which census tracts meet the definition of “underserved” for HUD’s role in oversight of Freddie Mac and Fannie Mae.

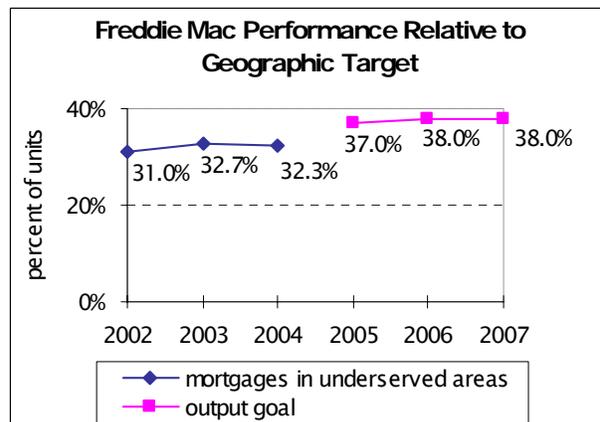
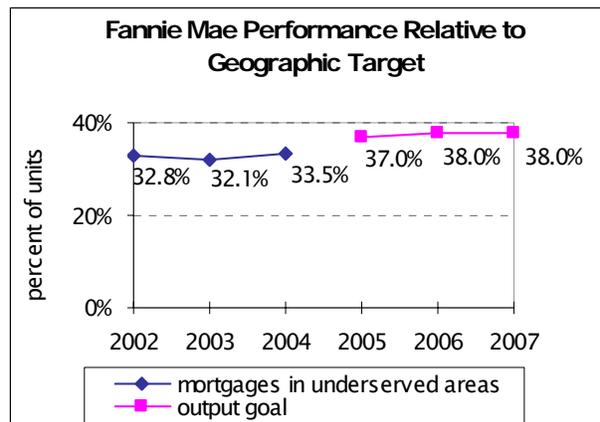
Limitations/advantages of the data. The program data are subject to variance caused by fluctuating market conditions. The Census data used to define underserved areas are the best available.

Validation, verification, improvement of measure. FHA performs computerized checks of data quality, and FHA staff verify multifamily mortgage transactions. The Census Bureau has rigorous data quality standards, and it is not feasible for HUD to verify Census or American Community Survey data independently.

C.3.3: 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 housing goals that HUD sets for Fannie Mae and Freddie Mac, as Government-Sponsored Enterprises, requires Fannie Mae and Freddie Mac to increase the number of mortgage purchases that finance housing located in “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 Fannie Mae and Freddie Mac in meeting HUD-defined targets is central to meeting the outcome goal of stabilizing homeownership and affordable housing in underserved neighborhoods. Beginning in 2005, HUD increased the Underserved Areas goal from 31 percent to 37 percent. The Underserved Areas goal will increase in stages, reaching 39 percent in 2008. HUD set the goals with the objective of ensuring that the Government-Sponsored Enterprises fulfill their mandate to provide leadership to the mortgage market. By 2008, the goals match HUD’s calculation of market share averages for goals-eligible mortgages in 1999–2003 and will be at the high end of HUD’s estimated market share range for 2005–2008. HUD’s geographic targets measure the two Government-Sponsored Enterprises’ mortgage purchase performance relative to all eligible loans in underserved areas. These include both purchase and



refinance loans on single-family and multifamily residential properties, and loans in metropolitan and non-metropolitan areas.

In addition to the broader geographic target, HUD has implemented a home purchase subgoal under the Underserved Areas Housing goal. This subgoal targets Fannie Mae's and Freddie Mac's performance in serving the homeownership segment of the geographically targeted market. Specifically, the Home Purchase subgoal is expressed as a percentage of the total number of mortgages purchased by the Government-Sponsored Enterprises that finance the purchase of single-family, owner-occupied properties located in metropolitan areas. In 2005, the Underserved Area Home Purchase subgoal is 32 percent for each Government-Sponsored Enterprise. This figure will rise to 33 percent in 2006 and 2007 and will cap at 34 percent in 2008. HUD established the Underserved Areas Home Purchase subgoal to encourage Fannie Mae and Freddie Mac to facilitate greater financing and homeownership opportunities for families and neighborhoods targeted by the subgoal.

Data source. Government-Sponsored Enterprises.

Limitations/advantages of the data. The data are compiled directly from Government-Sponsored Enterprise records on single-family and multifamily loan purchases. The data are based on calendar year rather than fiscal year activities, and are presented for performance reporting purposes on a one-year lagged basis.

Validation, verification, improvement of measure. Fannie Mae and Freddie Mac apply quality control measures to the data elements provided to HUD. HUD verifies the data through comparison with independent data sources, replication of Government-Sponsored Enterprises' goal performance reports, reviews of Government-Sponsored Enterprises data quality control procedures, and other independent data integrity reviews.

C.3.4: Median loan amounts as reported in Home Mortgage Disclosure Act data will increase in 10 percent of the CDBG Neighborhood Revitalization Strategy Areas that have concentrated community development investments.

Indicator background and context. With this indicator, CPD is building upon information developed in the Policy Development and Research publication, "The Impact of CDBG Spending on Urban Neighborhoods" (October 2002), and a study in Housing Policy Debate, "Measuring the Impact of CDBG Spending on Urban Neighborhoods" (2004). This research suggests a positive relationship between CDBG investments in neighborhoods and median mortgage loan amounts. Mortgage loan amounts are a compelling outcome indicator of improving neighborhood conditions because they reflect the interest of families and individuals in investing in, and often committing personal resources to improve, what may formerly have been a distressed neighborhood. Under the CDBG program, Neighborhood Revitalization Strategy Areas, developed by the grantees and approved by HUD, receive concentrated CDBG benefits, so established Neighborhood Revitalization Strategy Areas will be the focus of the examination. Beginning in FY 2006 and by FY 2007, the Department will collect baseline data for this indicator and will begin reporting on the results in FY 2008.

Data source. HUD will use Home Mortgage Disclosure Act data and Census Bureau data to determine outcomes. Baselines will be established using the studies cited above.

Limitations/advantages of the data. This will be a complex multivariate analysis that will require methodological and analytical judgment to control for external factors. The two data sources use consistent geographic definitions. The Neighborhood Revitalization Strategy Areas are locally defined and will have to be matched to the primary data sources.

Validation, verification, improvement of measure. The first study cited above showed that median mortgage loan value is a valid, readily-available proxy for a number of neighborhood outcomes associated with CDBG activities. CPD will analyze the results and validate the data.

C.3.5: Eliminate the blighting influence of 5,000 vacant, boarded up, or abandoned properties by the end of FY 2007.

Indicator background and context. This is a new key initiative and is projected in HUD's new FY 2006–2011 Strategic Plan to encompass the elimination of 25,000 vacant boarded up properties by FY 2011. This initiative is expected to make a measurable contribution to the priority outcome of restoring and strengthening neighborhood communities by improving the quality of residents' lives. Vacant, abandoned, or boarded up properties are associated with neighborhood decline. The removal or improvement of these properties is a promising indicator of neighborhood improvement.

Data source. Quarterly extracts of United States Postal Service administrative data on addresses vacant 90 days or greater. The data are available down to the census tract level. This allows longitudinal tracking of vacant addresses over time to determine addresses that are vacant and abandoned (vacant for an extended period of time) versus addresses that may cycle in and out of vacancy. Combining this US Postal Service data with other measures of census tract distress (such as concentrated poverty) will allow HUD to construct a statistical definition of "vacant and abandoned" that can be tracked over time. The Integrated Disbursement and Information System for CDBG activities will report data on demolition, clearance, and cleanup of brownfields sites.

Limitations/advantages of the data: This will be a new and relatively untested data collection effort. Currently, the US Postal Service surveys buildings where mail is not deliverable, recording the data by ZIP code. CPD will identify grantees that use CDBG funds for activities involving demolition and clearance, as well as those using significant amounts for activities meeting the slum/blight national objective. HUD will use these data to determine the number of vacant, boarded up, or abandoned properties that are improved. These data do not indicate the qualitative level of improvement of such properties.

Validation, verification, improvement of measure. If a postal carrier observes that mail has not been collected from an address for 90 days, they submit a form to indicate that the address should no longer receive mail. The US Postal Service uses these data to inform bulk mailers not to send mail to these addresses. If an address stays on this list for an extended period of time and if the address is in an identified neighborhood of distress, this can be a good measure to track vacant and abandoned housing over time.

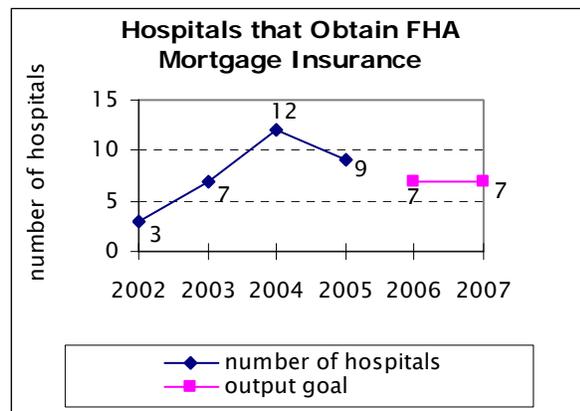
C.3.6: FHA mortgage insurance enables at least seven hospitals to obtain affordable financing for construction or modernization projects.

Indicator background and context. Hospitals are community anchors and among the largest employers in their areas. Modern medical care facilities are important contributors to quality of life. FHA Section 242 insurance enables hospitals to get a credit rating of AAA or AA for their projects, reducing borrowing costs and making construction and modernization projects possible. FHA will emphasize assistance to hospitals in regions that have made little use of the program, to continue geographic diversification of the loan portfolio. This shift in emphasis may be reflected in the number of hospitals assisted because these other regions of the country have less infrastructure, capacity, or experienced.

Data source. F47 Multifamily Insurance System.

Limitations/advantages of the data. There is sometimes a delay of 1-2 months between loan closing and entry of the loan into the system, resulting in an undercount. However, because of the relatively low volume of loans, the program office always has current data.

Validation, verification, improvement of measure. Monthly, FHA checks F47 to make sure that hospital loans have been added or deleted appropriately.

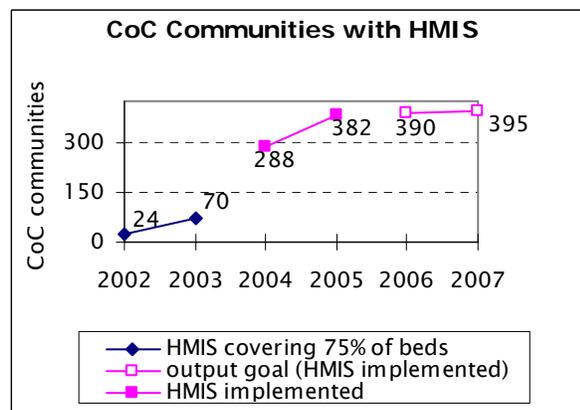


Objective C.4: End chronic homelessness and move homeless families and individuals to permanent housing.

C.4.1: At least 395 functioning Continuum of Care communities will have a functional Homeless Management Information System by FY 2007.

Indicator background and context. This indicator measures the number of Continuum of Care communities that have implemented a Homeless Management Information System. 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. Data from this system will help to more accurately determine the size, characteristics, and needs of the community's homeless population. These

systems allow communities to provide important community-level, aggregate information to HUD, with



the outcome of better understanding the nature and extent of homelessness at the national level and allowing better strategic planning at the local level.

Data source. FY 2006 Continuum of Care application data will be used for this measure.

Limitations/advantages of the data. Homeless Management Information System data will be obtained by a community's self-reporting via their Continuum of Care application, which will require the data in the application.

Validation, verification, improvement of measure. Office of Community Planning and Development staff verify the quality of data in Continuum of Care homeless plans. As the data systems develop, local communities will gain a better understanding of how best to track their progress in the data system implementation.

C.4.2: The percentage of formerly homeless individuals who remain housed in HUD permanent housing projects for at least 6 months will be at least 71 percent.

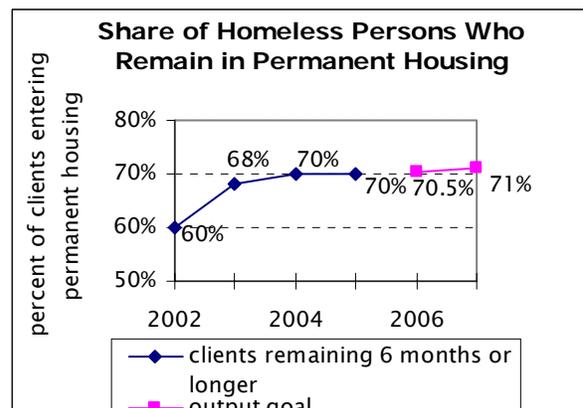
Indicator background and context. One of the goals of HUD's homeless assistance programs is for formerly homeless persons to move into permanent housing. This goal supports the important outcome of increasing the self-sufficiency and stability of homeless participants. This indicator will measure the 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 2005, about 70 percent of formerly homeless individuals remained housed in permanent housing more than 6 months.

Data source. Office of Community Planning and Development administrative database, consisting of accomplishments data submitted in Annual Progress Reports by recipients of Homeless Assistance Grants.

Limitations/advantages of the data. The data available for reporting in FY 2007 will reflect program activity occurring in 2006. Efforts undertaken to increase completeness of compiled Annual Progress Report 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. Because Annual Progress Reports are submitted from grantees across the country, this represents a statistically valid sampling as verified by previous years' Annual Progress Report database reviews.

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 Annual Progress Report that will eliminate transmission lags of the paper-based reporting system and increase response rates.



C.4.3: The percentage of homeless persons who have moved from HUD transitional housing into permanent housing will be at least 61.5 percent.

Indicator background and context. This measure tracks the number of homeless persons who move from HUD-funded transitional housing projects into permanent housing. The ultimate objective of homeless assistance is to achieve the outcome of helping homeless families and individuals obtain 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 toward self-sufficiency. Other HUD programs that provide permanent housing, including the Supportive Housing Program and the Section 8 Moderate Rehabilitation Single Room Occupancy Program, help meet other needs related to homelessness, including the development or rehabilitation of permanent housing and the preservation of Single Room Occupancy units, which have traditionally served as the housing of last resort for homeless individuals. For FY 2005, approximately 61 percent of HUD transitional housing residents moved to permanent housing.

Data source. Office of Community Planning and Development administrative database, consisting of accomplishments data submitted in Annual Progress Reports by recipients of Homeless Assistance Grants.

Limitations/advantages of the data. The data available for reporting in FY 2007 will reflect program activity occurring in 2006. Efforts undertaken to increase completeness of compiled Annual Progress Report data are expected to reduce non-reporting and selection bias to negligible levels. Because Annual Progress Reports are submitted from grantees across the country, this represents a statistically valid sampling as verified by previous years' Annual Progress Report database reviews.

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 Annual Progress Report that will eliminate transmission lags of the paper-based reporting system and increase response rates.

C.4.4: The employment rate of persons exiting HUD homeless assistance projects will be 18 percent.

Indicator background and context. This indicator tracks the percentage of adult clients who are employed when they exit HUD-funded homeless-assistance projects. Employment is a critical step for homeless persons to achieve greater self-sufficiency, which represents an important outcome that is reflected both in participants' lives and the health of the community. HUD encourages communities to provide comprehensive housing and services to homeless individuals and families. Clients receiving HUD's McKinney-Vento assistance receive support, which can include employment training and job

search, to help them achieve greater self-sufficiency. About 17 percent of homeless adults exited HUD-funded projects with employment income in FY 2005. As a result of the Program Assessment Rating Tool process negotiated between OMB and HUD, this measure was changed to more accurately reflect an overall employment indicator.

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 show 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. The data available for reporting in FY 2007 will reflect program activity occurring in 2006. 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. Because Annual Progress Reports are submitted from grantees across the country, this represents a statistically valid sampling as verified by previous years' Annual Progress Report database reviews.

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 Annual Progress Report that will eliminate transmission lags of the paper-based reporting system and increase response rates.

C.4.5: Create 4,000 new permanent housing beds for chronically homeless persons.

Indicator background and context. The chronically homeless are often the most visible of the homeless population. The coordination of housing and supportive services is crucial to the outcome of improving self-sufficiency and stability and, ultimately, breaking the cycle of chronic homelessness. The HUD Continuum of Care competition encourages communities to create permanent housing for this population, and in FY 2007, Homeless Assistance Grant funding will be expended to create 4,000 new permanent housing beds for the chronically homeless. In FY 2005 there were 4,397 new permanent housing beds created from HUD funding for chronically homeless persons.

In addition to Homeless Assistance Grants programs, HUD's public and assisted housing programs are an important resource in helping chronically homeless persons move into the housing mainstream. Other housing and community development programs, such as CDBG, HOME Investment Partnerships, and Housing Opportunities for Persons With AIDS, and state and local initiatives also provide housing resources that are targeted to aid chronically homeless persons. In FY 2007, multiple sources of funding, including from HUD, will help communities create 7,500 new permanent housing beds for chronically homeless persons, working toward the long-term goal of creating 40,000 new permanent beds for chronically homeless persons by 2011. The competitive funding initiatives and performance reporting at the Continuum of Care level allows tracking the number of permanent housing beds for chronically homeless persons at the local level.

Data source. FY 2006 Continuum of Care application data will be used for this measure.

Limitations/advantages of the data. Bed count data will be obtained by a community's self-reporting via their Continuum of Care application. Funding data for beds dedicated to chronically homeless persons will provide a count of the number of beds created.

Validation, verification, improvement of measure. Office of Community Planning and Development staff verify the quality of data in Continuum of Care homeless plans. As Homeless Management Information Systems develop, local communities will gain a better understanding of how best to track their progress in counting the number of beds dedicated to chronically homeless persons.

C.4.6: The percentage of Housing Opportunities for Persons With AIDS program clients who maintain housing stability, avoid homelessness, and access care will reach 80 percent by 2008.

Indicator background and context. The Housing Opportunities for Persons With AIDS program has implemented the housing stability performance outcome measure. Both formula and competitive grant recipients will measure client outcomes to assess how housing assistance results in creating or maintaining stable housing, reduces risk of homelessness, and improves access to HIV/AIDS treatment and health care and other needed support. The Annual Progress Report and the Consolidated Annual Performance and Evaluation Report are designed to help competitive grantees and formula grantees respectively, including their project sponsors, aggregate results from the use of program resources. This effort will provide housing assistance as the new annual output measure and collect client information demonstrating the outcome for improved housing stability.

Grant recipients must conduct activities consistent with their approved plans for annual housing assistance output goals and objectively measure actual achievements against their anticipated accomplishments, and annually report on these results. The Housing Opportunities for Persons With AIDS reporting forms were updated to collect information on client outcomes, based on annual assessments that housing arrangements are expected to continue in units that provide for safe, decent and sanitary housing for residents (see forms HUD-40110-C and HUD-40110-D, revised 1/2006, and related Integrated Disbursement and Information System enhancements, version 10.0). These annual reporting requirements are an integral component of measuring and evaluating grantee accomplishment while providing grantees with the ability to evaluate program performance of its project sponsors and contracted service providers, identify recommendations for program improvements, and establish future housing program objectives. Grantee reporting on these elements will enable grantees and HUD to evaluate the progress towards achieving the outcome goal.

Data source. The data for this indicator come from Annual Performance Reports and the Integrated Disbursement and Information System – HOPWA module. The Department commenced full implementation of these reporting requirements during the second quarter of FY 2006. Technical assistance and support are being provided to grantees in the form of regional training sessions and a user guidebook. The performance data collected from these requirements will enhance the national and local assessment of performance in providing stable housing to program beneficiaries. In addition, this reporting will enable the grantees to aggregate program results along with other CPD programs to assess the effectiveness of the community-wide coordination and delivery of these federal resources.

Limitations/advantages of the data. This measure is dependent on the redesign of Integrated Disbursement and Information System reporting requirements for the Housing Opportunities for Persons With AIDS program. A large part of these system changes are not anticipated until autumn 2007, with data collection beginning shortly thereafter. Actual data verification would not be available until autumn 2008. In addition, data system enhancements and new elements in reporting forms during 2006 will require recipient training to ensure consistent and accurate reporting by recipients.

Validation, verification, improvement of measure. HUD continues to collaborate with the program's grantees and technical assistance providers to ensure that the performance indicators will measure this long-term goal while providing a valid representation of program results. The Department uses monthly financial reports and quarterly data collection reports to help track timely compliance with requirements, support effective risk assessment reviews and foster efficient oversight actions, including remote and on-site monitoring of projects. The updated reporting forms and pending redesign of the Integrated Disbursement and Information System will support improved validation of grantee reporting. This program's performance data are reviewed by headquarters and field staff.

C.4.7: Overcrowded households in Indian Country shall be reduced by one percent.

Indicator background and context. This indicator tracks the Department's annual progress in reducing overcrowding in American Indian and Alaska Native households. Recent research shows that more than 24 percent of Native Americans in non-gaming tribes and 10 percent in gaming tribes live in overcrowded households, compared to 6 percent of the total United States population. By easing overcrowding, public health and safety are improved, and communities are strengthened.

In FY 2003, the Office of Native American Programs and several participating tribes established a baseline estimating the extent of overcrowding in Indian Country. This baseline, 47,169 households, was based on data from Census 2000. Since the baseline was established, approximately 8,483 new homeownership and rental housing units have been built in Indian areas with assistance from the Indian Housing Block Grant program. Because each new unit is considered to relieve overcrowding by one household, the estimated number of households remaining overcrowded at the end of FY 2005 was 38,686. Although grantees are given flexibility to design and administer their own unique housing programs, the Department encourages initiatives that address overcrowding.

The goals for FY 2007 is to further reduce the number of overcrowded households by 472 each year, which represents 1 percent of the baseline established in FY 2003.

Data source. Data on overcrowding come from the decennial U.S. Census, and data on the number of new housing units built are collected from grantees' annual performance reports.

Limitations/advantages of the data. Overcrowding is not a required reporting element for grantees; therefore, HUD has no means to accurately measure the extent of overcrowding on an annual basis. HUD currently assumes all new units result in a corresponding reduction to overcrowding. Though this is considered to be reasonable, it is likely that some units are not constructed in overcrowded areas. Also, the migration of families in and out of Indian Country means that overcrowding may fluctuate from year to year. Because of rapid population growth, the number of families living in such households may

increase even as new units are being added to the market. Census data that measures actual overcrowding is only available every 10 years.

Validation, verification, improvement of measure. The Office of Native American Programs is examining various methods to improve the measurement of this performance indicator. In FY 2005, the Department began consulting with tribal governments about revising reporting requirements to include data on overcrowding and other pertinent demographics. These revisions to the reporting process are ongoing. All data sources that measure overcrowding in Indian Country are being investigated. Upon publication of the decennial census, HUD will have its most reliable source to validate progress made toward relieving overcrowding.

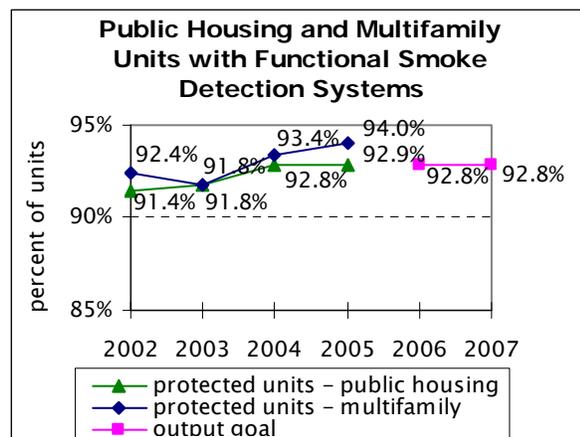
Objective C.5: Address housing conditions that threaten health

C.5.1: The share of units that have functioning smoke detectors and are in buildings with functioning smoke detectors will be 92.8 percent or greater for public and multifamily housing.

Indicator background and context. 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 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. The Real Estate Assessment Center’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. As of FY 2005, an estimated 92.9 percent of public housing units and 94.0 percent of multifamily units had functioning smoke detectors, as defined above.

The Department’s goal for FY 2006 and onward is to maintain performance at approximately the same level, as incrementally larger monitoring resources are not being provided and the penetration rate is currently at a level where improvements will be difficult to attain without those resources.

Data source. Real Estate Assessment Center Physical Assessment Subsystem, consisting of electronically coded and transmitted results of independent physical inspections of units, buildings, and sites, which are stored in the National Inspection Contract – Central Integrated Data Repository.



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. The Real Estate Assessment Center re-inspects 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.

C.5.2: The number of children under the age of six who have elevated blood lead levels will be less than 236,000 in 2007.

Indicator background and context. The Department continues the President's and Secretary's priority effort to eliminate lead poisoning in children by 2010. This outcome indicator projects a reduction to 236,000 in FY 2007. The Centers for Disease Control and Prevention estimates that 434,000 children under the age of six had elevated blood lead levels (EBL) in 1999–2000, and 310,000 children in 1999–2002, a decrease from 890,000 in 1991–1994.² Elevated blood lead is defined as blood lead levels at or exceeding 10 micrograms per deciliter (µg/dL) in a child under age 6 (72 months). 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 the Centers for Disease Control and Prevention from 19 states showed that the proportion of children under the age of six who tested with elevated blood lead levels decreased from 10.5 percent in 1996 to 7.6 percent in 1998. Elevated blood lead levels are more common among low-income minority children living in older housing. These reductions indicate that HUD's program, together with housing demolition and rehabilitation, is effective in helping to protect children. In addition to HUD's lead hazard control grant programs and its regulations concerning federally owned- and assisted housing, other factors causing the decrease in the number of children with elevated blood lead levels are demolition, substantial rehabilitation, hazard control financing by the private sector and local and state governments, and ongoing public education.

Data source. National Health and Nutrition Examination Survey (NHANES). The Centers for Disease Control and Prevention conducts the National Health and Nutrition Examination Survey, with 2003–2004 results scheduled for release in 2006. The Centers for Disease Control and Prevention expects to continue monitoring blood lead levels in children under the age of six annually.

Limitations/advantages of the data. The National Health and Nutrition Examination Survey is costly because it uses actual physical examinations of a nationally representative sample of children to determine blood-lead levels, among other things. A delay of two years is projected from taking blood samples until reporting the data. The survey cannot identify the source of elevated blood lead levels. This year's goal reflects a shift in the tracking method in using the actual National Health and Nutrition Examination Survey -based elevated blood lead levels estimate published by the Centers for Disease Control and Prevention as of this year, which reflects the prevalence of elevated blood lead levels in

² See www.cdc.gov/nceh/lead/research/kidsBLL.htm, and www.cdc.gov/mmwr/preview/mmwrhtml/mm5420a5.htm.

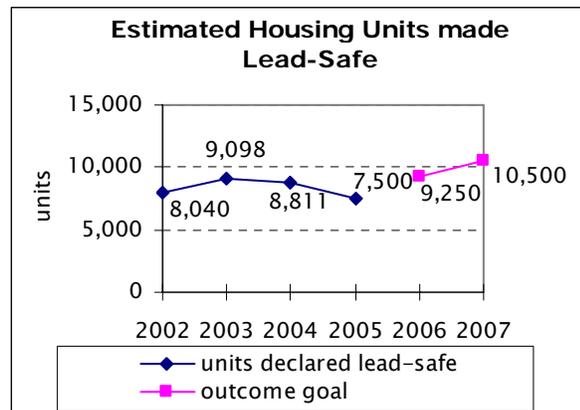
previous years, rather than a projection of prevalence for this year, which could only be validated when survey results for future years are published by the Centers for Disease Control and Prevention.

Validation, verification, improvement of measure. The National Health and Nutrition Examination Survey 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 Centers for Disease Control and Prevention's long-term quality control data for blood lead tests show that the survey results are validated by results from the Childhood Blood Lead Surveillance program, which supports state blood lead surveillance efforts.³

C.5.3: As part of a 10-year effort to eradicate lead hazards, the Lead Hazard Control Grant programs will make 10,500 units lead safe in FY 2007.

Indicator background and context. Through HUD's Lead Hazard Control Programs and the leveraging of private resources, HUD plays a central role in an interagency initiative to achieve the outcome of eliminating lead poisoning of the Nation's children by 2010. The FY 2007 goal is to eliminate lead hazard in 10,500 units.

According to HUD's National Lead-Based Paint Survey,⁴ 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 provides grants to state and local government agencies, and to private sector entities, 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

³ See www.cdc.gov/nceh/lead/surv/surv.htm.

⁴ Jacobs, D.E. et al., "The Prevalence of Lead-Based Paint Hazards in U.S. Housing," published in *Environmental Health Perspectives* 110 (A599-A606), 2002; <http://ehp.niehs.nih.gov/members/2002/110pA599-A606jacobs/jacobs-full.html>.

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, 2005, 69,163 housing units have been made lead safe directly with Lead Hazard Control grants. The goals for this indicator have been increasing. The modest increase in this year's goal reflects the decreased number of grant applications received by the Office of Healthy Homes and Lead Hazard Control in 2005, which resulted in a decreased number of grant awards. The number of units made lead safe is projected to increase in the future based on the requested funding under the Department's ten-year effort to eradicate lead hazards in housing. The number of units made lead safe for FY 2005 has been reduced from the number reported in the FY 2005 Performance and Accountability Report because actual results are now available.

Data source. Office of Healthy Homes and Lead Hazard Control's On-Line Grantee Quarterly Reporting System.

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.⁵ The number of units made lead safe is validated by both Office of Healthy Homes and Lead Hazard Control data and data from HUD's National Lead-Based Paint Survey. The Office of Healthy Homes and Lead Hazard Control will produce the data from its web-based Quality Progress Reporting System, which is internally validated, and is verified through grantee documentation of intervention disbursements and environmental reports linked to housing units, as well as on-site and remote auditing of the data.

C.5.4: At least 696 housing units will have a reduction in allergen levels in FY 2007 through interventions using Healthy Homes principles.

Indicator background and context. The Healthy Homes program contributes to the achievement of HUD's strategic goal of strengthening communities by reducing multiple housing-related hazards that result in preventable childhood illnesses and injuries, such as lead poisoning and asthma. The FY 2007 target is to reduce allergens in 696 housing units using Healthy Homes interventions, leading to a long-term goal of 5,000 units by 2011. This program gives particular emphasis to the mitigation of asthma triggers, such as mold and allergens (allergy-inducing substances, such as in debris from dust mites, cockroaches and rodents). The focus on asthma reflects the widespread occurrence of asthma in children and the heavy costs associated with this disease to both families and society. Grantees provide physical

⁵ Dixon, S. et al., "Effectiveness of lead-hazard control interventions on dust lead loadings: findings from the evaluation of the HUD Lead-Based Paint Hazard Control Grant Program," published in *Environmental Research* 98 (303-314), 2005.

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, the United States Department of Agriculture's Cooperative State, Research, Education and Extension Service, and the Environmental Protection Agency 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. Office of Healthy Homes and Lead Hazard Control's On-Line Grantee Quarterly Reporting System.

Limitations/advantages of the data. The data reflect the outcome measure of reducing levels of allergy-inducing substances (allergens) in housing undergoing interventions using Healthy Homes principles, as reported by Office of Healthy Homes and Lead Hazard Control grantees, contractors, architects, and others who have been involved in healthy homes programs and/or completed HUD's healthy homes training courses. This is a change from the previous output tracking of the number of housing units undergoing construction or rehabilitation interventions using Healthy Homes principles. The data also reflect a changing from tracking the cumulative number of units since the inception of the Healthy Homes Initiative, to the incremental number for this fiscal year, to bring it in line with other Office of Healthy Homes and Lead Hazard Control tracking measures. These data likely undercount the total national number of homes with reduced allergen levels resulting from Healthy Homes interventions because contractors and architects not assisted by the Office of Healthy Homes and Lead Hazard Control's grants are not required to report Healthy Homes jobs to HUD.

Validation, verification, improvement of measure. The Office of Healthy Homes and Lead Hazard Control will produce the data from its web-based Quality Progress Reporting System, which is internally validated, and is verified through grantee documentation of intervention disbursements and environmental reports linked to housing units, as well as on-site and remote auditing of the data.

C.5.5: As part of a 10-year effort to eradicate lead hazards, 8,800 units will be made lead safe pursuant to enforcement of the Department's lead safety regulations in FY 2007.

Indicator background and context. This new indicator will report on accomplishments attained through regulatory enforcement activities and complement other efforts in the lead hazard control arena. The Department's lead regulations implement Sections 1012, 1013, and 1018 of Title X of the Housing and Community Development Act of 1992. These regulations apply to certain "target" housing constructed before 1978 and are significant components of the federal strategy to address and eliminate childhood lead poisoning as a major health issue by 2010. In FY 2007 the Department will obtain commitments to make 8,800 dwelling units lead safe by owners/agents utilizing private resources under Lead Disclosure Rule enforcement settlement agreements and Lead Safe Housing Rule enforcement actions.

The Lead Disclosure Rule implementing Section 1018 requires owners/agents to disclose knowledge of lead paint and lead paint hazards when leasing or selling target housing. HUD monitors Lead Disclosure Rule implementation to assure that compliance is the norm rather than the exception, with a civil money penalty of \$11,000 authorized for each violation of the law. Owners/agents found to have violated the law may be required to pay fines, and/or perform lead paint inspections and/or risk assessments of units and control lead hazards identified, as part of settlement agreements.

HUD programs providing assistance for target housing are covered by the Lead Safe Housing Rule, which implements Sections 1012 and 1013 of Title X. The Lead Safe Housing Rule establishes lead safety requirements for inspecting, maintaining, and renovating target housing, including acceptable methods for performing work that may create or are intended to eliminate lead hazards, and tenant notification of lead evaluation and control activities. HUD Program Offices (the Offices of Public and Indian Housing, Housing, and Community Planning and Development) monitor implementation of the Lead Safe Housing Rule as part of their overall assistance monitoring activities. A recipient of HUD housing assistance who fails to comply with the Lead Safe Housing Rule is subject to the sanctions available under the relevant federal housing assistance or ownership programs and other penalties authorized by law.

Data source. For the Lead Disclosure Rule, units made lead safe under a settlement agreement are documented in individual reports of the independent risk assessors who perform clearance tests. For the Lead Safe Housing Rule, administrative data systems (REMS, IDIS, PIC) will provide information on housing units made lead safe by owners receiving federal assistance.

Limitations/advantages of the data. The Lead Disclosure Rule data represent direct accomplishments as reported by property owners who have entered into settlement agreements. The Lead Safe Housing Rule data represent direct accomplishments as reported by grantees and other recipients of HUD housing assistance, as well as by staff of HUD field offices and program office headquarters. The data are limited in that they reflect a structured sampling of the accomplishments, rather than a review of each activity. For the Lead Safe Housing Rule, the HUD program offices are updating their tracking systems, and control their internal quality assurance processes.

Validation, verification, improvement of measure. The clearance reports associated with Lead Disclosure Rule enforcement cases will be reviewed by the Office of Healthy Homes and Lead Hazard

Control for completeness and conformance with established Environmental Protection Agency (EPA) and HUD protocols. Its staff will perform on-site quality control inspections in a structured sample of housing units to ensure that lead hazard control work was properly completed. HUD's program offices will review reports submitted by owners/agents, and conduct program monitoring to ensure that reported work was accomplished properly. The Office of Healthy Homes and Lead Hazard Control reviews the quality of the Program Offices monitoring efforts through quality management reviews, compliance assistance visits, and remote reviews, using standardized questionnaires and established EPA and HUD protocols.

C.5.6: HUD will fully implement the dispute resolution and installation programs in HUD-administered states.

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. The Department is to establish installation and dispute resolution programs for manufactured homes within five years of the date of the Act. This will help accomplish the ultimate outcomes of improving the safety and quality of manufactured homes. In FY 2007, the Department will fully implement these programs. HUD's FY 2007 performance goal is to ensure that the two new programs are fully implemented in both the states administering their own programs, and HUD-administered states. In order to meet the Act's milestones, timely review of certifications by the states with their own installation and dispute resolution programs is essential.

Data source. Accomplishments will be assessed and documented by HUD's Office of Manufactured Programs.

Limitations/advantages of the data. The qualitative milestones used for this indicator will be the state certifications received and processed by the Office of Manufactured Housing Programs regarding the operation of the programs in state-administered programs, together with implementation of the programs in HUD-administered states. While the Department will work closely with the states to receive the self-certifications with the required information, the timing and nature of the submissions from these states is largely outside HUD's control.

Verification/validation of measure. HUD will maintain records of state certifications received and processed for the dispute resolution and installation programs, and will maintain records regarding its implementation of the programs in HUD-administered states.

Strategic Goal D: Ensure Equal Opportunity In Housing

Strategic Objectives:

- D.1 Ensure access to a fair and effective administrative process to investigate and resolve complaints of discrimination*
- D.2 Improve public awareness of rights and responsibilities under fair housing laws.*
- D.3 Improve housing accessibility for persons with disabilities.*
- D.4 Ensure that HUD-funded entities comply with fair housing and other civil rights laws.*

Objective D.1: Ensure access to a fair and effective administrative process to investigate and resolve complaints of discrimination.

D.1.1: Increase the percentage of fair housing complaints closed in 100 days to 65 percent, excluding recommended cause, pattern and practice, and systemic complaints.

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. The ability to provide a fair, effective and efficient complaint process is an important aspect of the fair housing performance of HUD and of agencies whose laws have been deemed substantially equivalent to the federal Fair Housing Act. Efficient and expeditious processing encourages victims of discrimination to file complaints, which in turn should increase the likelihood that violators will be punished. This will support the priority outcome of eliminating housing discrimination and expanding housing opportunities to all Americans.

The goal established by this indicator is to increase the percentage of fair housing complaints received by the HUD Office of Fair Housing and Equal Opportunity that are closed within 100 days to 65 percent. This indicator is calculated by dividing the number of complaints closed within 100 days by the total number of complaints closed during the reporting period. Complaints open at the end of the fiscal year are reported in the next fiscal year. Fair housing complaint closures include cause recommendations, no-cause determinations, administrative closures, conciliations/settlements, and referrals to the U.S. Department of Justice. In FY 2005, 77 percent of HUD's non-complex fair housing complaints were closed within 100 days. In FY 2006, HUD amended this indicator to include all complaints, with the exception of recommended cause, pattern and practice, and systemic complaints.

Data source. Data are recorded and maintained in the Office of Fair Housing and Equal Opportunity's Title VIII Automated Paperless Office and Tracking System.

Limitations/advantages of the data. The data represent overall effectiveness and efficiency in handling fair housing complaints. The results are affected by complex cases that may require investigative periods extending well beyond the 100-day timeframe.

Validation, verification, improvement of measure. The data system entries will be verified by random checks of physical case files and documentation of case closures.

D.1.2: Increase the percentage of Fair Housing Assistance Program complaints closed in 100 days to 53 percent, excluding recommended cause and systemic complaints.

Indicator background and context. HUD provides funding to state and local government agencies that enforce laws that are "substantially equivalent" to the federal Fair Housing Act through the Fair Housing Assistance Program. The ability to provide a fair, effective and efficient complaint process is an important aspect of the fair housing performance of HUD and of agencies deemed substantially equivalent to the federal Fair Housing Act. Increasing the number of Fair Housing Assistance Program complaints closed within 100 days by substantially equivalent fair housing agencies boosts the visibility of fair housing laws, forces potential violators to stop discriminating, and reduces HUD's enforcement workload. This indicator tracks the efficiency of Fair Housing Assistance Program grantees as they increase enforcement activities. The FY 2007 goal is to increase the percentage of complaints closed in 100 days to 53 percent. This indicator is calculated by dividing the number of complaints closed within 100 days by the total number of complaints closed during the reporting period. Complaints open at the end of the fiscal year are reported in the next fiscal year. In FY 2005, 48 percent of the Fair Housing Assistance Program complaints were closed within 100 days.

Data source. Data are tracked and maintained through the Office of Fair Housing and Equal Opportunity's Title VIII Automated Paperless Office and Tracking System.

Limitations/advantage of the data. The data are self-reported by Fair Housing Assistance Program agencies as part of case processing. The system incorporates controls for quality assurance.

Validation, verification, improvement of measure. The data system entries will be verified by random checks of physical case files and documentation of case closures.

D.1.3: In order to increase the nation's capacity to provide coordinated enforcement of fair housing laws, certify two new substantially equivalent agencies under the Fair Housing Act.

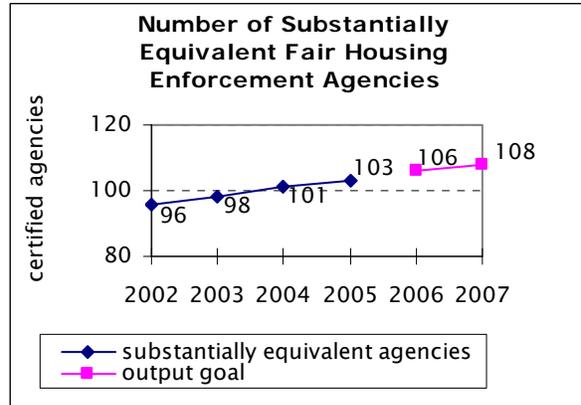
Indicator background and context. HUD provides Fair Housing Assistance Program grants to "substantially equivalent" fair housing agencies to support fair housing enforcement. Expansion of the number of Fair Housing Assistance Program agencies will provide coverage to the new areas and support the outcome of ending housing discrimination and expanding housing opportunities for all Americans. Substantially equivalent agencies are those agencies 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 during the fiscal year. The FY 2007 goal is to increase the number of agencies by two from the FY 2006 level. At the end of FY 2005, there were 103 agencies certified as substantially equivalent to the federal Fair Housing Act.

Data source. The program's administrative data are contained in the Office of Fair Housing and Equal Opportunity's Title VIII Automated Paperless Office and Tracking System.

Limitations/advantages of the data. This indicator uses a straightforward and easily verifiable count of Fair Housing Assistance Program 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.



D.1.4: By the end of FY 2007, provide full certification to 200 fair housing professionals to ensure consistent, efficient, and effective investigations.

Indicator background and context. Beginning in FY 2004, HUD requested and received funds to oversee the establishment of a National Fair Housing Training Academy to provide continuing fair housing education to current professional staff of fair housing enforcement agencies. The academy improves individual, as well as organizational performance, to more efficiently and effectively respond to complaints of housing discrimination. During FY 2006, HUD anticipates providing training to at least 400 fair housing professionals through the Training Academy. At least 200 fair housing professionals will receive full certification in FY 2007. The efforts of the Fair Housing Academy and certification process will have an important outcome of increasing the efficiency of fair housing and related personnel and reducing housing discrimination.

Data source. Staff tracking and recordation of online registrations and certificates awarded.

Limitations/advantages of the data. The online registration will allow for an accurate enrollment census. Certificates awarded for successful completion of all phases of training will provide data that measure the performance of registrants. Enrollment data and certification data will be used to measure graduation rates and provide verification of improved investigative skills.

Validation, verification, improvement of measure. The Office of Fair Housing and Equal Opportunity headquarters staff; regional program directors, and academy administrator will monitor training sessions to evaluate course effectiveness. The academy administrator will also measure completion/graduation rates.

Objective D.2: Improve public awareness of rights and responsibilities under fair housing laws.

D.2.1: Recipients of FHIP education and outreach grants will hold at least 300 public events, to include outreach to faith-based and grassroots organizations, reaching at least 180,000 people.

Indicator background and context. Many communities do not have strong state or local legal protections from housing discrimination. HUD's Fair Housing Initiatives Program addresses this shortfall. HUD intends to build fair housing linkages to communities by promoting partnerships among existing fair housing organizations funded through the Fair Housing Initiatives Program and community organizations and faith-based organizations.

The Fair Housing Initiatives Program provides grants to public, private, and nonprofit organizations to conduct fair housing education and outreach activities in particular communities in order to increase public awareness of housing discrimination and the Fair Housing Act. The activities may be seminars, public service announcements on radio or TV, symposia, conferences, or other education and outreach activities designed to increase fair housing awareness. This strategy supports the Administration's faith-based outreach as well as HUD's fair housing mission. The long-term impact of the education and outreach events is measured by HUD in periodic national surveys on public knowledge of fair housing laws. In FY 2005, Fair Housing Initiatives Program grantees conducted 405 education and outreach events that reached approximately 519,317 people. The FY 2007 education and outreach initiative will further support the outcome of increasing the public's knowledge on housing discrimination and will open up further housing opportunities for all Americans.

Data source. The data are provided by Fair Housing Initiatives Program applicants on HUD Form 96010, and are entered into a database for tabulation and analysis.

Limitations/advantages of the data. HUD Form 96010 ties each applicant's outputs and outcomes to HUD's Strategic Goals and Policy Priorities. The form was first used during FY 2003. In FY 2005, a Fair Housing Initiatives Program database was developed and maintained to ensure the collection of useful information.

Validation, verification, improvement of measure. Form 96010 is based on a logic model that defines and helps validate the linkages between program activities, such as the events measured under this indicator, and the outcomes such activities are designed to support. The logic model establishes accountability for the results projected by applicants, and applicants refine their logic models, program activities, and performance goals from year to year

Objective D.3: Improve housing accessibility for persons with disabilities.

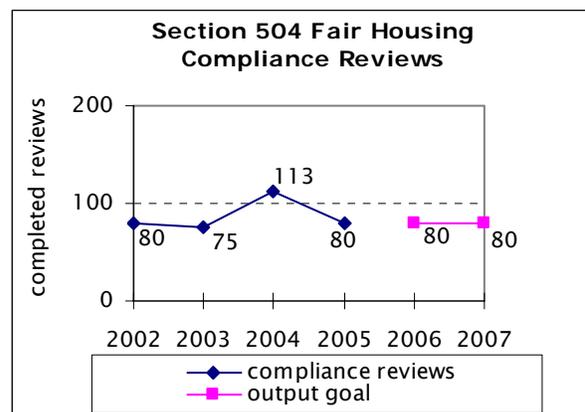
D.3.1: HUD will conduct 80 Section 504 disability compliance reviews or formal Voluntary Compliance Agreement monitoring reviews of HUD recipients and take appropriate corrective action.

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 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 2007 goal is to complete at least 80 Section 504 reviews of recipients of HUD financial assistance, or formal monitoring reviews of voluntary compliance agreements based on initial findings of non-compliance. This goal addresses the need for greater monitoring of voluntary compliance agreements to remedy discrimination found in completed reviews.

Data source. The compliance reviews are recorded in the Title VIII Automated Paperless Office and Tracking System.

Limitations/advantages of the data. The database counts the various compliance reviews and formal Voluntary Compliance Agreement monitoring 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.



D.3.2: HUD will verify that HUD-assisted units are made accessible as a result of Voluntary Compliance Agreements. Beginning in FY 2007, develop and maintain a database of the accessible units.

Indicator background and context. HUD’s 2005 study “Discrimination Against Persons with Disabilities: Barriers at Every Step” revealed high levels of discrimination against persons with disabilities. The study revealed that at least one-third of the advertised rental properties in the Chicago area was not accessible to persons in wheelchairs. HUD is making a concentrated effort to reduce the barriers that limit housing options for persons with disabilities. The Department anticipates a continued increase in the number of accessible housing units as a result of enforcement efforts in tandem with ongoing education and outreach activities. In FY 2007, HUD will develop and maintain a database of the accessible housing units made available as a result of fair housing enforcement efforts.

Data source. New database system under development for the Office of Fair Housing and Equal Opportunity.

Limitations/advantages of the data. The database will show tangible outcomes resulting from enforcement efforts.

Validation, verification, improvement of measure. Managers provide quality assurance by reviewing the results of fair housing enforcement efforts. Accessible housing units are verified through onsite inspections conducted by field staff to ensure compliance with applicable fair housing laws and regulations.

Objective D.4: Ensure that HUD-funded entities comply with fair housing and other civil rights laws.

D.4.1: HUD program offices will conduct limited civil rights monitoring reviews of HUD-funded entities and make referrals to FHEO for review and appropriate action.

Indicator background and context. This cross-cutting indicator focuses on ensuring all HUD-funded programs provide equal opportunity in housing. HUD program offices will conduct limited civil rights monitoring reviews of HUD-funded entities during their regular program monitoring reviews utilizing a checklist developed by the Office of Fair Housing and Equal Opportunity. The program offices will then refer the checklists to headquarters for review and appropriate action as necessary. The information will be used to reach out to entities to ensure full compliance with applicable fair housing laws.

Data source. Manual data count entered in the HUD Integrated Performance Reporting System.

Limitations/advantages of the data. The system will track quantitative data, but does not provide qualitative information.

Validation, verification, improvement of measure. Managers provide quality assurance by reviewing the results of checklists.

D.4.2: Conduct 57 compliance reviews or formal monitoring reviews of Voluntary Compliance Agreements, either exclusively or concurrently under Title VI and Section 109, and take appropriate corrective action.

Indicator background and context. FHEO reviews the activities of all recipients of federal financial assistance from HUD—including public housing agencies, private providers of HUD-assisted housing, and state and local jurisdictions—to ensure that their developments comply with the nondiscrimination 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. These laws prohibit 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. In FY 2007, HUD plans to conduct 57 Title VI and/or Section 109 compliance reviews or formal VCA monitoring reviews. In

FY 2005, HUD issued letters of finding in 11 Section 109 compliance reviews and 58 Title VI compliance reviews.

Data source. HUD staff compiles the number of completed reviews through the use of manual and automated (Title VIII Automated Paperless Office and Tracking system) tracking systems and enter the information into the HUD Integrated Performance Reporting System.

Limitations/advantages of the data. The database documents the various compliance and monitoring 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.

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

Strategic Objectives:

- E.1 Strategically manage HUD's human capital to increase employee satisfaction and improve HUD performance.*
- E.2 Improve HUD's management and internal controls to ensure program compliance and resolve audit issues.*
- E.3 Improve accountability, service delivery, and customer service of HUD and its partners.*
- E.4 Capitalize on modernized technology to improve the delivery of HUD's core business functions.*

Objective E.1: Strategically manage HUD's human capital to increase employee satisfaction and improve HUD performance.

E.1.1: Resource Estimation and Allocation Process, the Total Estimation and Allocation Mechanism, and the Corrective Action Plan System will complete five milestones in support of strategic human capital management.

Indicator background and context. The Resource Estimation and Allocation Process, the Total Estimation and Allocation Mechanism, and the Corrective Action Plan System support the Department's effort to estimate, allocate, and validate resources for effective and efficient program administration and management. They are key tools for managing staff resources and workload, and provide a foundation for HUD's long-term human capital strategies, including succession planning.

The National Academy of Public Administration helped develop the Resource Estimation and Allocation Process and 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. A refresh of the Resource Estimation and Allocation Process baseline was begun in 2003 and completed in 2004.

Along with the Resource Estimation and Allocation Process, HUD developed the Total Estimation and Allocation Mechanism, an intranet application that enables ongoing resource allocation and validation. The Total Estimation and Allocation Mechanism collects actual workload accomplishments and employee time usage on a sampling basis. Employees in Headquarters and field offices record the

amount of 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 Resource Estimation and Allocation Process standards or requires their re-evaluation.

The Corrective Action Plan System enables managers to control their Full Time Equivalent and personal services expenditures or “manage to the payroll.” The Corrective Action Plan System is an intranet application that brings together personal services and full time equivalent data from different systems in one location and allow managers to do “what if” analyses.

Together, the Resource Estimation and Allocation Process, the Total Estimation and Allocation Mechanism, and the Corrective Action Plan System 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 2007, the Department will accomplish five milestones:

- Use the Resource Estimation and Allocation Process/Total Estimation and Allocation Mechanism data to support the FY 2008 Budget request.
- Pilot the Total Estimation and Allocation Mechanism Allocation Module in one program area. This module will provide a better connection of work completed under the Management Plan objectives and provide greater efficiency and effectiveness of staff usage.
- Use the Total Estimation and Allocation Mechanism/Corrective Action Plan System to assist in assessing human resource needs and making hiring decisions during FY 2007.
- Begin a refresh of the Resource Estimation and Allocation Process baseline covering approximately one-third to one-half of the Full Time Equivalent positions in the Department in FY 2007.
- Incorporate the CFO’s Full Time Equivalent Projection Model into the Corrective Action Plan System. This model simplifies the process of estimating year end staff usage.

Data source. Resource Estimation and Allocation Process, the Total Estimation and Allocation Mechanism, and the Corrective Action Plan System data are maintained by CFO’s Office of Budget. Data are maintained by fiscal year.

Limitations/advantages of the data. The Total Estimation and Allocation Mechanism 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. The Total Estimation and Allocation Mechanism is not designed to assess the quality of work products. This will be accomplished through independent quality management reviews.

Validation, verification, improvement of measure. The Total Estimation and Allocation Mechanism data help validate the Resource Estimation and Allocation Process estimates. Annual replication of Total Estimation and Allocation Mechanism 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.

E.1.2: HUD will reduce mission critical general skill gaps by 15 percent in its four core business program offices: Public and Indian Housing; Housing; Community Planning and Development; and Fair Housing and Equal Opportunity.

Indicator background and context. As part of HUD's Strategic Plan and its Strategic Human Capital Management Plan, the Department has been developing a workforce plan for each program office to address mission critical skill gaps to ensure the necessary support of HUD's program delivery. In FY 2007, HUD will reduce, by an additional 15 percent from the targeted 10 percent reduction in FY 2006, its identified general skill gaps through the use of various training and development approaches including but not limited to: instructor lead training, e-Learning and computer based learning, coaching, mentoring, shadowing, detail assignments, job-aids, forums, workshops, seminars, and best practice reviews.

Data source. The input and feedback on progress will occur through the HUD Executive Steering Committee for Human Capital Management (chaired by the Assistant Secretary for Administration and Chief Human Capital Officer). The Office of Administration's Office of Training Services will work closely with the program offices to continue implementing this process across the Department. Skill gap closure data will be gathered by the Office of Training Services from each of the Program Offices; quarterly action plan progress reports on general skills training will be delivered by the program offices at the Human Capital Steering Committee meetings; Resource Estimation Allocation Process/Total Estimation and Allocation Mechanism reports; personnel data from the National Finance Center system; and internal staffing/hiring reports.

Limitations/advantages of the data. The primary limitation affecting this indicator is that skill gaps are difficult to measure consistently and objectively because they are based on manager assessments of their staff. Manual data collection processes slightly increase the risk of introducing errors.

Validation, verification, improvement of measure. Data are assessed and verified by the Office of Training Services.

E.1.3: HUD will reduce mission critical skill gaps by 25 percent in the leadership and management competency.

Indicator background and context. As HUD continues to implement both the Department's Strategic Plan and its Strategic Human Capital Management Plan, HUD remains committed to having a high quality workforce. In response to the President's Management Agenda in FY 2005, HUD developed a department-wide Management Competency Plan to ensure that HUD maintains a highly trained and effective corps of supervisors, managers, and executives to lead the Department in accomplishing its current and future mission, goals, and objectives. By the end of FY 2006, HUD will have trained all current supervisors, managers, and executives in the identified leadership and management competency, conflict management or alternative dispute resolution. In FY 2007, HUD will identify a targeted competency from the plan and then implement an action plan for closing the identified leadership and management competency skill gap by at least 25 percent.

Data source. Skill gap closure data will be gathered by the Office of Training Services from each of the Department's program offices; quarterly action plan progress reports on leadership training will be delivered by the program offices at the Human Capital Steering Committee meetings; Resource Estimation Allocation Process/Total Estimation and Allocation Mechanism reports; personnel data from the National Finance Center system; and internal staffing/hiring reports.

Limitations/advantages of the data. The primary limitation affecting this indicator is that skill gaps are difficult to measure consistently and objectively because they are based on manager assessments of their staff. Manual data collection processes slightly increase the risk of introducing errors.

Validation, verification, improvement of measure. Data are assessed and verified by the Office of Training Services.

E.1.4: Eighty percent of HUD interns are retained and targeted for mission-critical positions in HUD offices.

Indicator background and context. This indicator is directly linked to both the Department's Strategic Plan and its Strategic Human Capital Management Plan, and is tied to the President's Management Agenda. This indicator is a key component of an outcome measure of effective succession planning, which will ensure that the Department's employees have the skills and knowledge they need to achieve HUD's mission and that institutional knowledge is sustained. The HUD Intern Program is used to recruit and develop highly qualified people for mission-critical positions, and to meet future workforce needs. The Intern Program offers interns valuable work experiences and training opportunities and provides the training necessary to fill mission-critical skill gaps as employees retire. Key programs to be used in the succession planning efforts include: a) the Presidential Management Fellow, b) the Federal Career Intern, and c) the Legal Honors Intern.

During FY 2006, HUD will recruit new interns by making selections under the Presidential Management Fellow, the Federal Career Intern, and the Legal Honors Intern programs. HUD will identify target positions for intern hires through workforce analysis data, areas affected by skill gaps, Full Time Equivalency gaps, and losses from retirement projections.

In FY 2007, HUD expects to retain 80 percent of its highly qualified interns that were hired in 2006. HUD will continue to prioritize critical occupations for intern placements. The emphasis will be on closing skill gaps and addressing projected losses from retirements.

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

Limitations/advantages of the data. The Training Office administers the Intern Program. Program offices manually provide status reports on intern performance and successful completion of requirements.

Validation, verification, improvement of measure. The Training Office is responsible for monitoring and measuring performance against Intern Program performance goals.

E.1.5: HUD employees continue to become increasingly satisfied with the Department's performance and work environment.

Indicator background and context. This indicator is directly linked to both the Department's Strategic Plan and its Strategic Human Capital Management Plan, and is tied to the President's Management Agenda. A satisfied workforce translates to a strong workforce and helps to support two of the Department's human capital goals, which are to become a mission-focused agency and to maintain a high-quality workforce. The most recent Organizational Assessment was conducted in FY 2005.

In FY 2006, HUD will develop a 2006 Organizational Assessment Survey Action Plan, which will focus on improving employee satisfaction by five percent in (1) Training and Career Development and (2) Leadership and Quality. An Organizational Assessment Survey Project Team, which includes representatives from program offices and field training consultants, will focus on developing recommendations to improving employee satisfaction for the Training and Career Development dimension. Another team comprising managers will develop recommendations to improve employee satisfaction for the Leadership and Quality dimension. These recommendations will be presented to HUD's Human Capital Steering Committee for approval and implementation.

In FY 2007, HUD will implement the recommendations approved by the Human Capital Steering Committee, with preliminary assessment of these implementation activities and results to be used in planning and administering the next Organizational Assessment Survey.

Data source. Although the Personnel Resources and Development Center, Office of Personnel Management (OPM), administered the FY 2002 Organizational Assessment Survey, the FY 2005 survey was conducted by the Office of Personnel Management under the leadership of HUD's Human Capital Steering Committee.

Limitations/advantages of the data. The survey and results are representative and are considered reliable because all HUD employees will receive the survey.

Validation, verification, improvement of measure. The HUD Human Capital Steering Committee guided development of the survey administration, framework, and survey design to ensure valid and useful results.

Objective E.2: Improve HUD's management and internal controls to ensure program compliance and resolve audit issues.

E.2.1: Sustain progress in eliminating non-compliant financial management systems.

Indicator background and context. The Federal Financial Management Improvement Act of 1996 requires federal agencies to implement and maintain financial management systems that comply with federal reporting requirements and accounting standards, and support the U.S. Government Standard General Ledger at the transaction level. At the end of FY 2000, HUD had 67 financial management systems, of which 17 did not fully comply with federal requirements. By the end of FY 2004, the total

number of financial management systems dropped to 46, and the Department had reduced the number of non-compliant financial systems from 17 to 4.

At the end of FY 2005, HUD had a total of 44 financial management systems. HUD successfully reduced the number of non-compliant systems to 2 – the Office of the CFO’s Loan Accounting System and the Office of Administration’s Facilities Integrated Resources Management System. The Office of the CFO is currently in the process of replacing the Loan Accounting System with a commercial-off-the-shelf replacement system, which has been classified as compliant pending review.

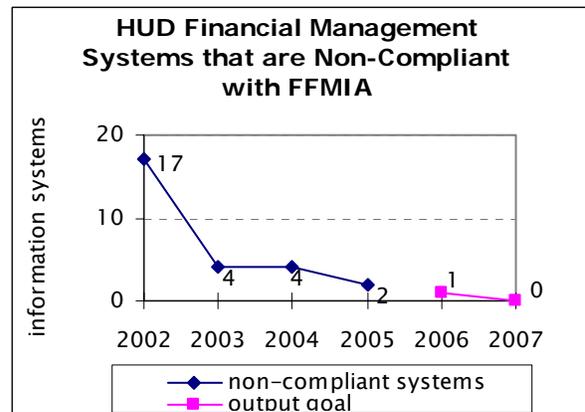
Implementation began during the second quarter of FY 2006. The Facilities Integrated Resources Management System was subsequently determined to be compliant.

HUD’s overall financial management systems environment is now deemed substantially compliant with the Federal Financial Management Improvement Act and OMB Circular A-127. In the FY 2005 audit of HUD’s financial statements, the long-standing material systems non-conformance was downgraded to a reportable condition.

Data source. The Office of the CFO maintains the financial management systems inventory, with input from systems sponsors and cyclical compliance reviews of systems.

Limitations/advantages of the data. The data are reliable for this measure.

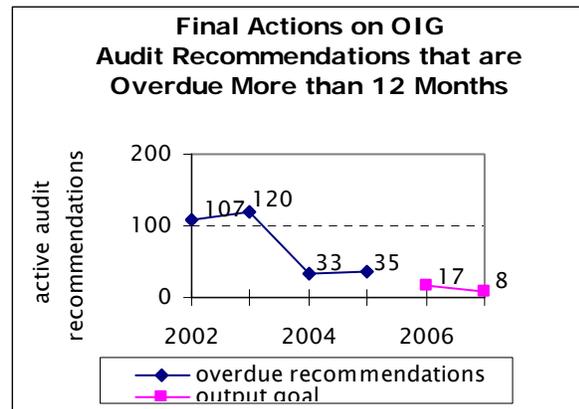
Validation, verification, improvement of measure. HUD performs financial management systems compliance reviews on a three-year cycle, or in conjunction with major systems changes, and the Office of Inspector General verifies compliance of HUD financial systems through annual audits.



E.2.2: 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. The Department’s goal is for all agency managers to reach acceptable management decisions on OIG audit recommendations within six months of the release of the audit report.

For the year ended September 30, 2005, HUD made timely management decisions on 790 recommendations. However, during this time period, sound management decisions could not be made on four recommendations. The Department's first goal for FY 2007 is to achieve 99 percent of its total management decisions timely. This change is intended to ensure that all management decisions reached are sound and represent the best courses of action within realistic timeframes.



HUD ended the FY 2005 reporting period with 35 recommendations with final actions that were more than 12 months overdue, representing an increase of two over the FY 2004 ending balance of 33. For FY 2006, HUD set a goal to end the fiscal year with not more than 17 recommendations more than 12 months overdue at the end of the fiscal year. HUD is currently on track to achieve this closing balance goal of 17 or fewer significantly overdue recommendations. The ensuing second FY 2007 goal will be to reduce the FY 2006 ending balance by 50 percent.

Data source. Audit Resolution and Corrective Action Tracking System for significantly overdue recommendations and table A of the Inspector General's Semiannual Report to Congress for timeliness of management decisions.

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.

E.2.3: HUD financial statements receive an unqualified audit opinion.

Indicator background and context. The Department introduced this indicator into its Annual Performance Plan goal structure to maintain a focus on improving and enhancing HUD's financial stewardship. HUD has received an unqualified audit opinion on its annual consolidated financial statements for six consecutive fiscal years, 2000–2005, a strong indicator of HUD's accountability and the success of efforts to stabilize its financial management systems and operating environment.

HUD is working with the OIG auditors to improve the plans and timeline for the FY 2006 financial audit and expects an unqualified opinion for FY 2006. HUD will also reduce the number of material internal control weaknesses and reportable conditions disclosed in the Office of the Inspector General's annual financial statement audit. HUD plans to eliminate at least 5 of the 8 existing internal control deficiency issues in FY 2006 (2 material weaknesses and 3 reportable conditions), and is making progress on plans to eliminate all of the remaining issues by the end of FY 2007.

HUD also continues to provide timely information for program decision-makers in Congress and the Executive Branch. In FY 2004, HUD began issuance of quarterly financial statements within 21 days after the end of each quarter. HUD will continue issuing its annual audited financial statements within 45 days after the end of each fiscal year.

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 internal control weaknesses and reportable conditions still associated with HUD's underlying financial management systems and operations.

Data source. HUD financial statement audits are performed by the OIG and contracted resources directed by the OIG.

Limitations/advantages of the data. Financial statement audits review the accuracy of the financial statements, the adequacy of the underlying data systems and internal controls, and compliance with applicable laws and regulations. In addition to providing an opinion on the financial information presented in HUD's financial statements, the auditors also identify internal control weaknesses that could have a material impact on that presentation, with recommendations for needed improvements.

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.

E.2.4: HUD will conduct training and exercise the Continuity of Operations Program.

Indicator background and context. Federal policy requires federal agencies to have a Continuity of Operations plan in place to continue essential functions during a natural disaster or severe emergency situation that renders headquarters building(s) unusable (e.g., hurricanes, bomb threats, acts of terrorism).⁶ Continuity of Operations planning is a "good business practice" and part of HUD's fundamental mission as a responsible and reliable public institution.

In FY 2007, HUD will (1) Perform quarterly testing of all headquarters offices of Continuity of Operations Program notification procedures, and achieve a 95 percent success rate; and (2) Conduct annual training of at least 80 percent of the HUD Continuity of Operations Program's Program Office Coordinators.

Data source. The Office of Security and Emergency Planning maintains a database to document the mandatory reporting of the results of testing and relocation activations. These activities are conducted in accordance with the HUD Continuity of Operations Program Test, Training, and Exercise Plan.

Limitations/advantages of the data. The data are reliable for this measure. However, the quality of training cannot be judged from the quantitative data.

Validation, verification, improvement of measure. The Office of Security and Emergency Planning will perform an initial evaluation of data quality. GAO and/or the Office of Inspector General will perform independent assessments and validation.

⁶ See Presidential Decision Directive (PDD) 67, dated October 21, 1998, and Federal Preparedness Circular (FPC) 65.

E.2.5: The Accelerated Claim and Asset Disposition demonstration program (Section 601) will exceed the rate of net recovery received through the conveyance program on the sale of single family assets.

Indicator background and context. Section 601 of the FY 1999 HUD Appropriations Act amended Section 204 of the National Housing Act (12 U.S.C. 1710) to provide HUD with greater flexibility for modifying the single-family claim and asset disposition process. HUD is conducting a demonstration program to reform the single-family claims and asset disposition process, maximize recoveries on claims paid, and support the Department's outcome goal of homeownership retention. FHA has the opportunity to execute various asset disposition strategies as a part of the Accelerated Claim and Asset Disposition demonstration, including special servicing, securitizations, whole loan sales, and a combination of whole loan/pipeline sales. Currently, FHA is utilizing 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 and Asset Disposition demonstration 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. Three subsequent auctions were held September 2003, June 2004, and May 2005. This indicator tracks the rate of recovery on FHA claims between FY 2006 and FY 2007. The benchmark or target for this performance indicator, which is the final rate of net recovery received on the sale of Single Family assets through the conveyance program, will be determined when fiscal year end data is available.

Data source. The Single Family Insurance System – Claims subsystem provides the acquisition cost data for this indicator. FHA's Single Family Acquired Asset Management System provides the expense detail for the conveyance program (Claims subsystem "type 1" transfer claims) rate of net recovery. FHA's Subsidiary Ledger provides the Accelerated Claim and Asset Disposition recovery rate on sale of assets (Claims subsystem "type 2" claims) through its PeopleSoft financial program. For convenience, all data are reported from FHA's Single Family Housing Enterprise Data Warehouse.

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. Data for FHA claims and recovery are audited by the Inspector General.

E.2.6: Use the structure established by Vision 2010 to modernize HUD's information technology systems, maintain well-managed information technology investments, and promote collaboration between business functions.

Indicator background and context. Vision 2010 is a five-year plan to modernize HUD's business processes and information technology environment, and it represents a significant change in the way HUD designs, invests in, and implements information technology in support of its business. Better information technology can improve service delivery and more effectively carry out HUD's mission. This plan presents a methodology for designing and implementing its information technology systems

modernization by promoting collaboration of business functions, or “Segments,” and “Core IT Services.” Modernization includes the introduction of shared tools to enhance HUD’s current applications and the disposition of redundant or obsolete systems, which will decrease costs associated with these systems. Vision 2010 also will increase access to relevant business information through simple, self-service utilities and improve the effectiveness of interactions between HUD employees, business partners, and citizens. This can result in the significant outcomes of improving data and performance.

Not only does it guide the modernization process, this structure also provides a blueprint for HUD to direct its Development, Modernization, and Enhancement investments so that no investment allocation is changed without first considering how it affects the whole system. Ultimately, a department-wide system that encourages coordination in this way can provide cost savings for HUD. Redirected investment allocations will also result in a more optimized information technology portfolio.

Specific accomplishments for FY 2007 will include:

- Continue significant progress in business system modernization in the areas of single-family housing, multifamily housing, rental housing assistance, financial management, and grants management. Specific criteria to meet this accomplishment will be developed and will directly align with the President’s Management Agenda.
- 80 percent of Development, Modernization, and Enhancement (non-infrastructure) spending will be coordinated through Segment Architectures and Core IT Services.
- 100 percent of major information technology development investments will be reviewed for progress in meeting cost, schedule, risk, and benefit expectations. Corrective actions will be taken when expectations are not being met.
- To ensure optimal information technology investment with manageable risks and returns, 100 percent of information technology investments will be evaluated against HUD’s investment performance indicators.

Data source. The Office of the Chief Information Officer administrative database, consisting of system performance metadata reported by program owners of data systems.

Limitations/advantages of the data. HUD’s information technology portfolio, and specifically the OMB Exhibit 53, will identify Development, Modernization, and Enhancement spending.

Validation, verification, improvement of measure. The Chief Information Officer is an independent reviewer of system performance reported by program offices. The Office of the Chief Information Officer and Program Areas have oversight in the development of system performance goals. Implementation will be verified by an independent audit by a third party and/or the Office of Inspector General.

E.2.7: HUD will meet specified information technology-related security requirements.

Indicator background and context. The Federal Information Security Management Act of 2002 establishes 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 the Federal Information Security Management Act. The FY 2007 budget request of \$1.1 million is needed to support the Information Technology Security Program at HUD. There are currently 14 full-time equivalent resources allocated to support this program.

In FY 2007, the Information Technology 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 meeting the following three requirements:

(1) Continue the Certification and Accreditation effort to ensure that 100 percent of major applications documented in the Inventory of Automated Systems have been certified and accredited. This requirement includes:

- Integrating information technology security tasks and milestones into HUD's software development lifecycle model to ensure that security controls requirements are identified and addressed in a timely and cost effective manner, and that all information technology systems are certified and accredited prior to their operation.
- Monitoring the status and effectiveness of annual system-level contingency plan testing.
- Reviewing annually all system security plans for currency and completeness, and include deficiencies on Plans of Action and Milestones.

(2) Prioritize and remedy high priority risks. This requirement includes:

- Performing a review of 100 percent of Plans of Action and Milestones, with emphasis on remediation of all weaknesses categorized as high risk.
- Ensuring that independent penetration testing of HUD's information technology infrastructure is conducted annually.

(3) Ensure that 90 percent of HUD employees and contractors will have completed information technology Security and Awareness Training. This requirement includes:

- Promoting enterprise-wide security awareness through provision of computer-based training for all HUD users; specialized information technology security training for personnel assigned significant security responsibilities; and training of personnel serving as primary or alternate Information Systems Security Officers in the roles and responsibilities of that position.

Data source. HUD will collect applicable data through the performance of independent audits of information technology security controls and procedures, risk assessments, security tests and evaluations, self-assessments, penetration tests, operational reviews by the Office of Information Technology Security staff, and from program office staffs in response to Office of Information Technology Security data calls.

Limitations/advantages of the data. The quality of data from program offices (through self-assessments and data calls) is likely to be inconsistent. The quality of security certification activities will be dependent on the quality of the analysis used, the documentation provided, and the extent and rigor of testing of implemented information technology security controls.

Validation, verification, improvement of measure. Program managers, with the assistance of the Office of Information Technology Security, regularly review Plans of Action and Milestones to ensure that planned corrective actions take place.

E.2.8: The share of completed CDBG activities for which grantees satisfactorily report accomplishments increases to 94 percent.

Indicator background and context. This indicator tracks the level of reporting of CDBG grant activities into the Integrated Disbursement and Information System, which collects data for HUD’s block grant and formula grant programs that serve local jurisdictions—CDBG, HOME Investment Partnerships, Emergency Shelter Grants and Housing Opportunities for Persons With AIDS.

Reporting for CDBG is measured by the proportion of completed activities for which grantees have reported accomplishments data, based on activities that meet one of the CDBG program’s three national objectives. In order to meet the threshold for satisfactory reporting, grantees must report accomplishments for at least 94 percent of activities completed during the fiscal year.

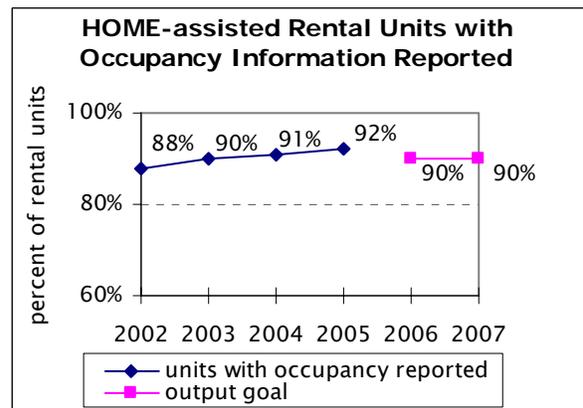
Data source. Integrated Disbursement and Information System.

Limitations/advantages of the data. HUD relies on grantees to enter data into the Integrated Disbursement and Information System. Completeness of reporting is only one criterion of data quality.

Validation, verification, improvement of measure. CPD field staff will monitor grantees.

E.2.9: The share of HOME-assisted rental units for which occupancy information is reported shall be at least 90 percent.

Indicator background and context. This indicator tracks the level of reporting by participating jurisdictions into the Integrated Disbursement and Information System of household occupancy data for the Home Investment Partnerships program rental units. The Integrated Disbursement and Information System is the data collection system for HUD’s block grant and formula grant programs that serve local jurisdictions—Community Development Block Grant (CDBG), HOME Investment Partnerships, Emergency Shelter Grants, and Housing Opportunities for Persons With AIDS. Reporting rates for the HOME Investment Partnerships program are based on reporting of its rental household data at project completion for those households moving into completed HOME rental developments. The FY 2007 goal is to maintain a reporting rate of at least 90 percent.



Data source. The data come from the Integrated Disbursement and Information System – HOME module.

Limitations/advantages of the data. HUD relies on grantees to enter data into the Integrated Disbursement and Information System. Completeness of reporting is only one criterion of data quality.

Validation, verification, improvement of measure. Office of Community Planning and Development field staff will monitor grantees on a random-sample basis.

E.2.10: A minimum of 20 percent of active CPD program grantees will be monitored for compliance with statutory and regulatory requirements.

Indicator background and context. CPD grantees are recipients of formula and competitive grants designed to assist communities to build viable neighborhoods, expand homeownership and affordable housing, and provide economic opportunities. Specific goals and beneficiaries are identified for consolidated plans and competitive grant applications.

This indicator measures the extent of monitoring activity by HUD field staff to ensure that grantees are appropriately carrying out CPD programs, helping low- and moderate-income families and developing distressed neighborhoods. HUD monitors both active formula and competitive CPD program grantees for compliance. The goal is being maintained at the FY 2006 level.

Data source. The data are entered by CPD staff into the Department's internal tracking system, HUD Integrated Performance Reporting System.

Limitations/advantages of the data. Administrative data do not support assessments of the quality of review. All monitoring of grantees is conducted in compliance with guidelines established in HUD Community Planning and Development Monitoring Handbook, 6509.2 REV-5.

Validation, verification, improvement of measure. CPD Field Offices report how many grantees were reviewed in the HUD Integrated Performance Reporting System. 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. In addition, the Office of Departmental Operations and Coordination performs Quality Assurance Reviews of HUD field offices, which validate the results of the monitoring of grantees.

E.2.11: The Chief Information Officer will perform quality assessments of data used by HUD's major systems to report on 15 Annual Performance Plan performance indicators not previously assessed.

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 are ultimately responsible for the quality of their data, including data provided by business partners. The Office of the Chief Information Officer oversees information technology investments and ensures that information systems support core business processes and achieve mission-critical goals.

The Office of the Chief Information Officer partnered with the Office of the Chief Financial Officer and program offices in FY 2000 to launch the Data Quality Improvement Program, 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. This 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 2005, all 24 systems supporting the FY 2005 Annual Performance Plan had been assessed and certification ratings issued.

HUD employs a three-step process to ensure the quality of Annual Performance Plan performance indicator data in its Information Technology systems: independent assessment, data quality cleanup (scrap and rework) or data quality improvement (defect prevention), and certification. All HUD systems used to support Annual Performance Plan reporting are included in the independent assessment process performed by the Office of the Chief Information Officer. Clean up recommendations are made to systems owners who are accountable for the data quality cleanup and improvement efforts necessary 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 Office of the Chief Information Officer. The certification process repeats the analyses employed in the assessment to verify that intended improvements have been made and are working as expected.

In the past, the Data Quality Improvement Program has been system-focused with 3 sigma (66,807 errors per million) as the data quality standard and 6 sigma (3.4 errors per million) as the long-range target. The program this year changes from a series of system-focused assessment efforts to a “performance indicator-focused” program, with 4 sigma (6,210 errors per million) as the single, unified data quality standard. Seven different conditions or “triggers” can be met to initiate a data quality assessment of the data underlying the performance indicator, which can include a single HUD system or a number of systems (databases of origin). Using these triggers, the analysis of the FY 2006 Annual Performance Plan revealed 28 performance indicators that have not yet been assessed, as well as two performance indicators that had been assessed but are below 4 sigma and need to be reevaluated. The Data Quality Improvement Program’s two-year plan going forward is to assess all 30 of these performance indicators, achieving six in FY 2006 and half (15) of these during FY 2007.

Data source. Results of the data quality assessment and certification efforts are maintained in a CIO administrative repository under configuration control. The data source for this performance indicator is classified as a “manual record-keeping” or paper-based system.

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 Office of Inspector General audits.

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

E.3.1: HUD partners become more satisfied with the Department’s performance, operations, and programs.

Indicator background and context. HUD partners are critical for the Department’s success in achieving desired outcomes. Partners, including both governmental and private entities, are the primary service deliverers for most HUD programs. Increasing partners’ satisfaction with the Department makes them more willing to support HUD in achieving common objectives.

HUD surveyed eight partner groups during FY 2001 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, PHA directors, Fair Housing Assistance Program directors, mayors, multifamily owners, and nonprofit providers. Overall satisfaction by partners varied greatly, with FHAP directors and mayors highly satisfied and PHA directors and multifamily owners less satisfied. The Department's goal is to see a significant increase in the satisfaction of partner groups when the survey is replicated. Researchers completed data collection for a second stakeholder survey during FY 2005 and results will be released during FY 2006.

Data source. Partner satisfaction is assessed through stakeholder surveys conducted approximately every three years. The 2001 baseline report, "How's HUD Doing? Agency Performance as Judged by Its Partners," is available at www.huduser.org.

Limitations/advantages of the data. The overall response rate for the FY 2005 survey effort was 73 percent, substantially higher than typical levels for comparable surveys. Sources of satisfaction or dissatisfaction may be difficult to identify, and a single policy or event may satisfy some partners and dissatisfy others. HUD modifies the survey methodology and instrument to focus on pertinent management topics and improve validity of results. As a result, responses may not be strictly comparable from year to year.

Validation, verification, improvement of measure. The survey instruments used in FY 2001 and FY 2005 each were pretested to validate the data collection. The surveys differ slightly in focus because the management environment has changed, although a core set of questions are retained to ensure comparability. In related research, focus groups were conducted in 2000 to assess partner needs and opinions as they relate to reporting program results. Survey results are substantially verified in a qualitative way on an ongoing basis as the Department solicits views of partner groups in program activities and negotiated rulemaking.

E.3.2: At least 85 percent of key users (including researchers, state and local governments, and private industry) will be satisfied with the quality and usefulness of the Office of Policy Development and Research work products.

Indicator background and context. The Office of Policy Development and Research helps support HUD's outcome goals of accountability, service delivery, and customer service in numerous ways. One way to assess this contribution is to periodically survey key stakeholders to determine whether they view the Office of Policy Development and Research's work products to be valuable and to obtain feedback on how they can be improved. For the purposes of this survey, the Office of Policy Development and Research's "products" are defined as research publications, data files, and internal work products in support of program disciplines.

Overall satisfaction with the HUD USER website and Office of Policy Development and Research products is very high. Most respondents to the FY 2005 survey were very satisfied with the content of the website, the quality and adequacy of research, and the adequacy of the data sets. Among FY 2005 respondents, 87 percent were highly satisfied or moderately satisfied with the quality of the information available on HUD USER, exceeding the 81 percent finding the information "valuable" in the FY 2001 baseline study. The new, enhanced instrument revealed that satisfaction with the quality of information

was even higher among the key users of the listserv groups, reaching 94 percent. Regarding the HUD USER website itself, 84 percent of respondents expressed satisfaction. Sixty percent of these users typically use the information for research. Overall website satisfaction is higher among the key users, reaching 92 percent among News and American Housing Survey listserv respondents and 93 percent among Regulatory Barriers Clearinghouse respondents.

HUD’s goal is to ensure that in followup customer satisfaction surveys, at least 85 percent of key users express satisfaction with the quality, usefulness, and availability of the Office of Policy Development and Research products. This goal will be pursued by seeking measurable improvements in areas that respondents have identified as needing improvement, such as stronger search capabilities on the website.

Data source. The results of the 2004 survey are presented in full in the final report, “Assessment of the Office of Policy Development and Research Website.” Performance during FY 2007 and future years will be measured by conducting new surveys periodically. Funding will be sought in FY 2007 for a survey of listserv and web users to be conducted in FY 2008.

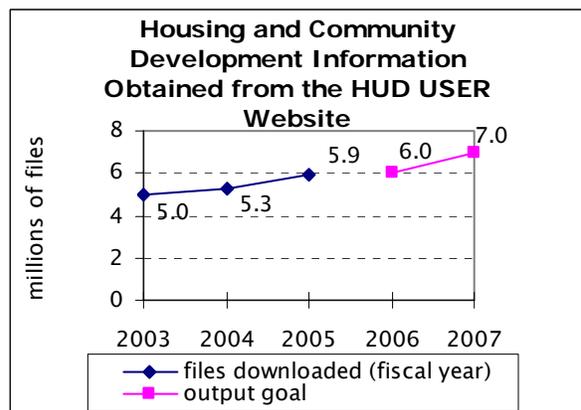
Limitations/advantages of the data. The survey research is designed and pilot-tested to produce valid results that are representative of the Office of Policy Development and Research key users. Followup telephone interviews of a convenience sample of respondents are anticipated to produce more in-depth information and better understanding of the results from the listserv and web user surveys.

Validation, verification, improvement of measure. Successive survey efforts incorporate improvements over previous instruments and methods. The 2004 web-based survey included features designed to boost response rates.

E.3.3: More than 7.0 million files related to housing and community development topics will be downloaded from the Office of Policy Development and Research’s website.

Indicator background and context. In 1978, the Office of Policy Development and Research established HUD USER, an information source for housing and community development researchers and policymakers to strengthen policy and ultimately improve community outcomes. 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, helps stakeholders share information about ways to remove regulatory barriers to affordable housing. Substantial HUD USER activity is an indication of the value of the Office of Policy Development and Research’s work, and of HUD USER’s



coordination function on behalf of HUD's customers. During FY 2005, users downloaded 5.9 million files from the HUD USER research clearinghouse at www.huduser.org. The FY 2007 goal is to achieve a new record of at least 7.0 million downloads, representing a 19 percent increase in volume.

Data source. Usage data are provided in monthly reports from Sage Computing, HUD's web hosting and content-management provider for HUD USER. The number of downloads varies from month to month, reflecting the timing and popularity of new reports and information.

Limitations/advantages of the data. The data are generated with WebTrends software, a standard analytical application in the web-hosting industry. No counting errors are expected. Users may download multiple files while obtaining the information they were seeking, and a single user may download the same product more than once. An effort has been made to exclude partial downloads, but a small proportion of partial downloads are known to remain.

Validation, verification, improvement of measure. Frequent reporting and summary statistics in monthly usage reports allow managers to verify usage patterns. A survey of HUD USER customers during FY 2005 provided independent qualitative and quantitative information for validating usage patterns from automated data.

E.3.4: One hundred percent of HUD's competitive grant packages will be available electronically through Grants.gov/Apply for those programs the Grants.gov system can accommodate.

Indicator background and context. HUD has over 63 active grant programs administered by six program areas that obligate and monitor approximately \$28 billion of HUD's \$31 billion budget each year. The Department's goal is to ensure effective management and deliveries of these grant programs to clients and residents of the communities that are receiving HUD assistance. In FY 2005 HUD had at least 25 percent of its competitive programs that were able to use Grants.gov, available on Grants.gov/Apply for electronic application submission. In FY 2006 HUD had at least 75 percent of its competitive programs that are able to use Grants.gov, available on Grants.gov/Apply. In FY 2007, HUD will have 100 percent of its competitive grant applications able to use Grants.gov available on Grants.gov/Apply. This milestone directly responds to the goal of the President's Management Agenda for eGrants to expand E-Government by making grant applications available electronically through the Internet.

Data source. Office of Departmental Grants Management and Oversight for number of applications made available on Grants.gov/Apply.

Limitations/advantages of the data. With electronic applications, HUD will be able to have a single point for online entry of all grant applications, a common data structure, and alignment with efforts under Public Law 106-107 to streamline and simplify the grant application process for applicants through the use of Grants.gov.

Validation, verification, improvement of measure. With the transfer of grant applications from Grants.gov, HUD will be able to have a central database for the receipt of grant applications and a single source to obtain data on the number of applications received electronically.

E.3.5: Ensure appropriate use of funds among 100 percent of Fair Housing Initiatives Program and the Fair Housing Assistance Program grantees in compliance with cooperative and grant agreements.

Indicator background and context. The Fair Housing Initiatives Program and the Fair Housing Assistance Program provide services for all segments of society to ensure equal opportunity in housing. These are the Office of Fair Housing and Equal Opportunity’s only grant programs, and must be appropriately monitored as they will be allocated approximately \$44.55 million in FY 2007. The Office of Fair Housing and Equal Opportunity will monitor program compliance for all grants and conduct in-depth agency-specific monitoring for high-risk grantees.

In FY 2005, HUD conducted monitoring reviews of 100 percent of the agencies funded through the Fair Housing Initiatives Program and the Fair Housing Assistance Program. In some instances, agencies were monitored numerous times throughout the fiscal year to ensure compliance with applicable regulations. HUD completed a total of 225 Fair Housing Initiatives Program reviews and 131 Fair Housing Assistance Program reviews. In FY 2006, HUD will conduct 169 monitoring reviews of Fair Housing Initiatives Program grant recipients and 102 reviews of Fair Housing Assistance Program recipients. The total number of reviews is based on the number of open grant awards and the number of agencies with laws deemed substantially equivalent to the Fair Housing Act. To the extent there are significant issues, concerns, or findings identified during monitoring and technical assistance, corrective action(s) for the grantee(s) will be developed and the grantee’s participation will be required.

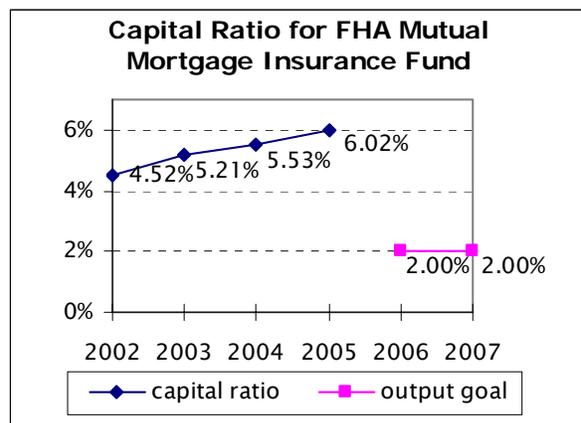
Data source. The Office of Fair Housing and Equal Opportunity field offices report the number of reviews conducted in the HUD Integrated Performance Reporting System.

Limitations/advantages of the data. The system captures quantitative information, but does not provide any qualitative information regarding outcomes of the reviews.

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.

E.3.6: The FHA Mutual Mortgage Insurance fund meets congressionally mandated capital reserve targets.

Indicator background and context. FHA’s Mutual Mortgage Insurance fund covers all expenses, including insurance claims, incurred under FHA’s basic single-family mortgage insurance program. Congress intended and designed the insurance program and fund to be entirely self-financing through up-front and annual insurance premiums paid by borrowers obtaining FHA mortgage loans and through 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 Mutual Mortgage Insurance fund'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 Mutual Mortgage Insurance fund.

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.

Objective E.4: Capitalize on modernized technology to improve the delivery of HUD's core business functions.

E.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 Vouchers, and project-based assistance programs) constitute HUD's largest appropriated activity, with over \$26 billion in annual expenditures. There are three major sources of error in these complex programs:

- Program administrator error: the program administrator's failure to properly apply income exclusions and deductions and correctly determine income, rent, and subsidy levels;
- Tenant income reporting: the tenant beneficiary's failure to properly disclose all income sources; and
- Billing error: errors in the billing and payment of subsidies between third party program administrators and HUD.

In 2000, a HUD Quality Control Study estimated that 60 percent of all subsidized rent calculations were done in error, and that there were approximately \$3.2 billion in gross improper payments and \$2 billion in net annual subsidy overpayments attributed to the combination of program administrator errors and tenant income reporting errors. (The baseline studies for the third component, billing error, were completed later.) HUD's Office of Inspector General had identified rental assistance payment errors as a material weakness in past audits of the Department's financial statements (the issue was downgraded to a less serious reportable condition in FY 2005). In response, HUD has committed to specific and aggressive corrective actions as part of the Eliminate Improper Payments initiative of the President's Management Agenda. HUD established a goal for a 50 percent reduction in both the frequency of errors,

and the \$2 billion in net annual 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 FY 2004 program activity, HUD significantly exceeded all interim reduction goals with an estimated 43 percent reduction in the frequency of program administrator errors and a 67 percent reduction in the estimated \$2 billion in net annual rental assistance overpayments, as follows:

Reduction in Improper Payments Due to Subsidy Determination and Income Reporting Errors				
Errors*	Over Payments	Under Payments	Net Over-Payments	Gross Improper Payments
2000	\$2.594	\$0.622	\$1.972	\$3.216
2004	0.947	0.306	0.641	1.253
Reduction, 2000-2004	1.647	0.316	1.331	1.963
Percentage reduction	63%	51%	67%	61%

*Dollar amounts shown are in billions

HUD initiated the Rental Housing Integrity Improvement Project in the spring of 2001 to address this improper payment issue and the associated high program risks and material internal control weaknesses identified by the GAO and HUD Inspector General. An initial focus of this project was to reach out and communicate the nature and significance of the improper payment problem to HUD's program partners, housing industry groups, and tenant advocacy groups, and to solicit their support in developing and implementing corrective actions to reduce improper payments. Early efforts also focused on providing better program guidance and training to program administrators, tenant beneficiaries, and HUD monitoring staff. HUD's outreach, guidance and training activities were significant contributing factors to the improper payment reductions realized to date. Other contributing factors included increased monitoring by Performance-Based Contract Administrators in the Section 8 Project-Based Assistance Program; early impacts of the Rental Integrity Monitoring efforts in the public housing and Housing Choice Voucher programs; promotion and initiation of improved computer matching efforts for tenant income verification; and improvements to the process for measuring the impacts of undisclosed tenant income sources.

With enactment of the Improper Payments Information Act of 2002, and issuance of OMB's implementation guidance for the Act, HUD is now required to annually set goals and report on its progress in reducing gross improper payment levels as a percentage of total program payments. HUD has set aggressive goals as follows:

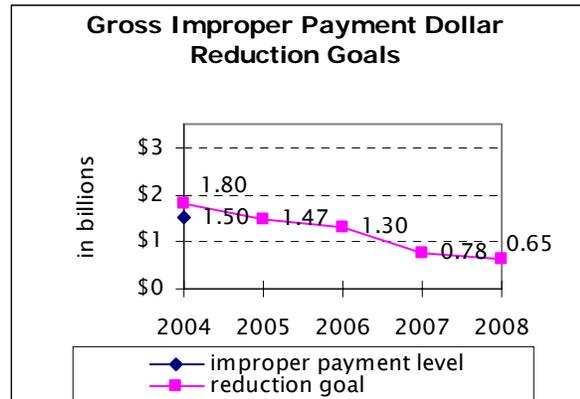
Rental Assistance Improper Payment (IP) Reduction Outlook						
FY 2004–FY 2008 (Dollars shown in billions)						
FY 2004 Payments	FY 2004 IP \$	FY 2004 IP % Goal/Actual	FY 2005 IP % Goal	FY 2006 IP % Goal	FY 2007 IP % Goal	FY 2008 IP % Goal

Rental Assistance	\$26.069	\$1.467	6.9	5.6	5.6	5.0	3.0	2.5
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As an alternative to expressing HUD’s improper payment reduction goals as a percentage of total payments, the chart below demonstrates corresponding goals for the reduction of gross improper payment dollar levels, based on the FY 2004 payment base of \$26.069 billion.

HUD’s aggressive improper payment reduction goals are contingent on the expansion of computer matching processes to verify tenant beneficiary income, and on HUD’s ability to sustain an adequate level of monitoring of program administrator performance.

In FY 2004, HUD developed and began implementation of the Enterprise Income Verification System (formerly known as the Upfront Income Verification System) to share state wage and unemployment information with



PHAs for use in verifying tenant income. In January 2004, HUD received statutory authority to work with the Department of Health and Human Services to pursue enhanced computer matching capability using the National Directory of New Hires database, which is a central source of wage, unemployment benefit, and new hires information for most employed individuals in the United States. In October 2005, HUD made the National Directory of New Hires data available to PHAs through the Enterprise Income Verification System.

In FY 2006, HUD plans to expand access to the Enterprise Income Verification System to all private owners and to contract administrators of multifamily properties by the end of FY 2006. This increased computer matching capability has the potential to eliminate the majority of the remaining estimated improper payments related to program administrator errors and tenant underreporting of income.

Data source. Periodic error measurement studies overseen by the Office of Policy Development and Research and supported by the PIH and Housing program organizations.

Limitations/advantages of the data. The data are reliable for this measure, assuming availability of funding to cover the cost of the studies.

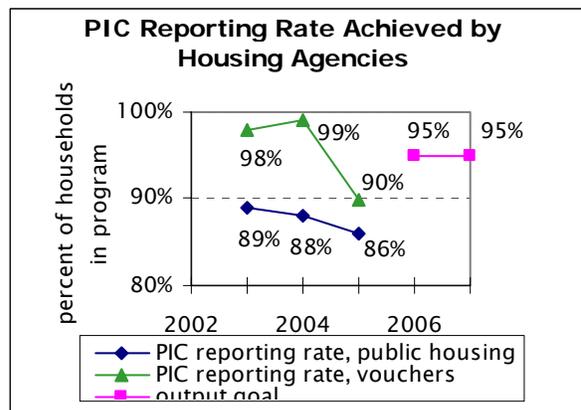
Validation, verification, improvement of measure. The independent HUD OIG reviews the error measurement methodology and support, as well as management controls over the related program activity, as part of its audit of HUD’s annual financial statements. GAO also oversees HUD’s progress in addressing this issue, which GAO has designated as a high-risk program area. HUD’s goal is to eliminate this high-risk program designation by 2007.

E.4.2: PHAs will submit accurate tenant characteristics data on 95 percent of the households in accordance with established time frames and 95 percent of the required financial statements on a timely basis.

Indicator background and context. Accurate and timely information about the households participating in HUD’s housing programs are 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 the Annual Performance Plan use data about public housing or voucher households that housing agencies submit to the PIH Information Center system electronically through the Form 50058 module. PIH Information Center provides the primary source of data on participation in these programs, and field staff uses the data to monitor housing agencies. The level of Form 50058 reporting is a criterion for various program policies for public housing, housing, and voucher initiatives, including the Section Eight Management Assessment Program.

PIH will carefully track this measure and will achieve the 95 percent reporting requirement for public housing and maintain the 95 percent reporting requirement for the voucher programs in FY 2007.

Similarly, the timely submission of required financial information is instrumental in the Department providing the required oversight of PHA operations. For FY 2007, PIH’s goal is to ensure that 95 percent of required financial statements are submitted on a timely basis.



Data source. Reporting rates are determined from the standard reports that use the Form 50058 data in the PIH Information Center system. Late reporting is identified by automated PIH Information Center system 50058 module reports that specify late re-certifications for each housing agency and flag poor reporters.

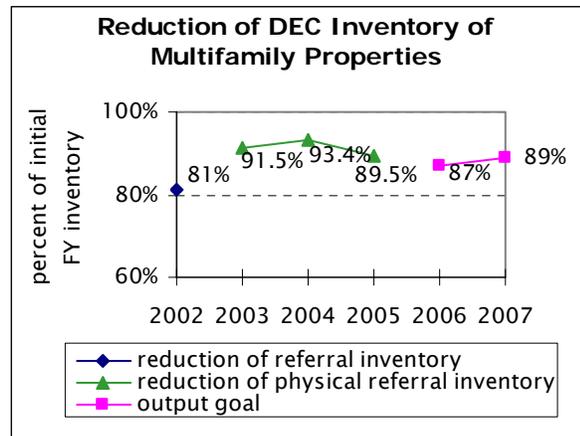
Limitations/advantages of the data. The identification of housing agencies that report poorly is straightforward and easily verifiable.

Validation, verification, improvement of measure. The Form 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.

E.4.3: By taking aggressive civil or administrative enforcement actions, the Departmental Enforcement Center will maintain the percentage of insured and/or assisted multifamily housing properties that are physically acceptable to 95 percent or higher, as determined by the Real Estate Assessment Center physical inspections. This will be accomplished by closing 89 percent of the physical referral cases in the Departmental Enforcement Center as of October 1, 2006, by September 30, 2007.

Indicator background and context. The Office of General Counsel’s Departmental Enforcement Center has central responsibility for ensuring that troubled multifamily properties return to sound operation. Both the Office of Multifamily Housing and the Real Estate Assessment Center refer troubled properties to the Departmental Enforcement Center. The Real Estate Assessment Center 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. The Real Estate Assessment Center refers properties scored as “high risk” directly to the Departmental Enforcement Center.

The Departmental Enforcement Center 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, or suspension. The Departmental Enforcement Center also refers some cases to the Department of Justice and Office of the Inspector General for criminal and civil proceedings. The FY 2007 goal is to maintain the percentage of assisted or insured properties that pass the Real Estate Assessment Center physical inspections at 95 percent and that 89 percent of the physical referral cases in the Departmental Enforcement Center as of October 1, 2006, will be closed by September 30, 2007.



Data source. The data come from the Real Estate Assessment Center’s Public Housing Assessment System – Physical Assessment Subsystem and the Office of Housing’s Real Estate Management System.

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

Validation, verification, improvement of measure. See the discussion of the Real Estate Assessment Center’s data in Appendix C.

Strategic Goal F: Promote Participation of Faith-Based and Community Organizations

Strategic Objectives:

- F.1 Reduce barriers to faith-based and community organizations' participation in HUD-sponsored programs.*
- F.2 Conduct outreach and provide technical assistance to strengthen the capacity of faith-based and community organizations to attract partners and secure resources.*
- F.3 Encourage partnerships between faith-based/community organizations and HUD grantees and subgrantees.*

Objective F.1: Reduce barriers to faith-based and community organizations' participation in HUD-sponsored programs.

F.1.1: The Center for Faith-Based and Community Initiatives will measure the participation of faith-based and community organizations, through new and past relationships with public-private partners and through the Department's FY 2007 SuperNOFA process compared to FY 2006.

Indicator background and context. This indicator measures HUD's progress toward the important outcome of expanding both the number and type of organizations participating in the Notice of Funding Availability process and HUD's programs. This effort, with its focus on participation of faith-based and community organizations, increases and improves the local resources and effective strategies used to improve neighborhoods and people's lives. Over the course of fiscal years 2003 and 2004, HUD published a series of rules requiring equal treatment of faith-based organizations in HUD programs. In September 2004, the Center for Faith-Based and Community Initiatives and the Office of Community Planning and Development published a policy directive that provides detailed guidance for implementing the rule relating to CPD programs in light of the specific requirements of the affected programs. In addition to this directive, all CPD program offices reviewed their non-regulatory guidance documents, such as handbooks and funding notices, to ensure that all were compliant with Executive Order 13279 and the new final rules. The offices reported that, in most instances, the language on the equal treatment of faith-based organizations in the program Notice of Funding Availability's sufficed to bring their programs into compliance. In several instances, handbooks were modified to ensure that references to faith-based organizations were consistent with HUD's new policy.

Data source. Reports provided by HUD program offices and data from the Center.

Limitations/advantages of the data. Faith-Based and Community Organizations self-identify in the Notice of Funding Availability. The data are judged to be reliable for this measure.

Validation, verification, and improvement of measure. Accomplishments will be assessed and documented by HUD's Center for Faith-Based and Community Initiatives.

Objective F.2: Conduct outreach and provide technical assistance to strengthen the capacity of faith-based and community organizations to attract partners and secure resources.

F.2.1: The Center will conduct comprehensive outreach to faith-based and community organizations by attending and participating in at least 50 conferences and workshops, as well as updating and maintaining a database.

Indicator background and context. The Center for Faith-Based and Community Initiatives is executing a comprehensive outreach plan that uses the internet, blast faxes, emails, list serve, web casts and mass mailings, to inform Faith-Based and Community Organizations about relevant HUD programs. In 2004 and 2005, liaisons from the Center for Faith-Based and Community Initiatives completed compilation of a database of more than 10,000 Faith-Based and Community Organizations.

Additionally, faith-based and community liaisons in each of HUD's 10 regional and 81 field offices conduct training and outreach on behalf of the President's Faith-Based and Community Initiative and serve as the point-of-contact for faith-based and community groups in their region. The Center will facilitate or oversee faith-based and community liaison participation in at least 50 national, regional, and state conferences across the country, resulting in outreach to many of the nation's grassroots and large faith-based and community social service providers.

Data source. Accomplishments and outcomes will be assessed and documented by the HUD Center for Faith-Based and Community Initiatives.

Limitations/advantages of the data. The regularity of communications, the number of entries into the database, and the exact numbers of conferences all vary according to Center priorities and requirements. The qualitative milestones used for elements of this indicator do not require numerical databases. Assessing performance of some measures may be necessarily limited by subjective judgments.

Validation, verification, and improvement of measure. Milestone performance indicators will be supplemented or replaced by qualifying measures as initiatives and pilot projects are implemented and evaluated and data capabilities are enhanced.

F.2.2: In order to ensure that faith-based and community organizations have equal access to HUD and private funding opportunities, the Center for Faith-Based and Community Initiatives will conduct at least 50 resource training sessions across the country that provide participants with approaches to obtaining funding and strategies for developing coalitions.

Indicator background and context. The Center for Faith-Based and Community Initiatives initiated the “Art & Science of Grant Writing” in FY 2003 as a pilot project. Based on the project’s success, in 2004 this training in grant writing was adopted as an on-going program of the initiative. This intensive, two-day training session equips faith-based and community organizations with the comprehensive knowledge needed to connect with opportunities, resources, support, and partners. The Center will work to offer the training beyond its minimum commitment as additional demand for the training arises.

Data source. Accomplishments will be assessed and documented by the HUD Center for Faith-Based and Community Initiatives.

Limitation/advantages of the data. The total number of grant-writing training sessions is scheduled and tracked by the Center.

Validation, verification, and improvement of measure. Verification will be made by Center staff.

Objective F.3: Encourage partnerships between faith-based/community organizations and HUD grantees and subgrantees.

F.3.1: The Center will work with HUD program offices to implement pilot projects to strengthen partnerships between faith-based and community organizations and HUD program offices and traditional grantees.

Indicator background and context. In FY 2005, the Center established an initiative highlighting and promoting successful local strategies for involving faith-based and community organizations in developing affordable housing plans and promoting homeownership. Based on the success of this program, the Center has expanded this pilot to include 11 U.S. cities for 2006 and 2007. The first round of the “Unlocking Doors Affordable Housing Initiative” included roundtable discussions with key faith-based and community organization leaders, mayors’ office officials and public-private partners in seven designated cities. These cities were chosen based on their existing relationships with faith-based and community organizations, and their experiences promoting and developing housing strategies to develop homeownership for those in need. The roundtable discussions identify methods, lessons learned and practices used that have improved community housing efforts in the city. A final report was completed to highlight the successes in the first seven cities. The report, entitled “Key to Successful City Hall, Faith-based and Community Partnerships,” was distributed to mayors across the nation to show effective ways to replicate leading strategies in their cities. A culminating event was hosted by Harvard University’s Kennedy School of Government to address the issue of affordable housing with selected mayors. The Center will disseminate the outcomes of that event. The Center will conduct follow-up analysis and reporting on the next 11 cities that is similar to that completed for the first seven cities.

In addition, in FY 2006, the Center for Faith-Based and Community Initiatives and the Office of Public and Indian Housing launched a pilot project, releasing a Notice of Funding Availability aimed at encouraging PHAs to enlist area faith-based and community organizations in supplying mentors for public housing residents moving toward self-sufficiency. This pilot will test a fee-for-service model in which the faith-based and community organizations are remunerated for the service they provide, according to stipulated self-sufficiency benchmarks. Three awards were made, and the Center for Faith-Based and Community Initiatives and PIH will analyze the implementation of the grants in 2007 and report on the preliminary findings of results.

Data source. Analysis of the lessons learned and promising practices within the “Unlocking Doors” cities and results from the three cities awarded PIH mentoring grants.

Limitations/advantages of the data. Assessing performance of such measures may be necessarily limited by subjective judgments.

Validation, verification and improvement of measure. As the two pilot initiatives are implemented and evaluated, Center staff will verify and improve measurements as necessary.

APPENDICES

APPENDIX A: Amendments to the Fiscal Year 2006 Annual Performance Plan

This Appendix is divided into two parts. The first part consists of amendments to indicators contained in the FY 2006 Annual Performance Plan. The second part consists of those performance indicators that will now be added to the FY 2006 Annual Performance Plan.

Part I - Indicators Amended in the FY 2006 APP

Goal H: Increase Homeownership Opportunities

H.1.7: The number of homebuyers who have been assisted with HOME is maximized.

The American Dream Downpayment Initiative target for FY 2006 has been revised to 7,500. The target is revised downward from 10,000 to reflect a lower than expected FY 2006 appropriation and to more closely track actual program results.

H.1.12: The number of households receiving homeownership assistance and homeowners receiving housing rehabilitation assistance from the Community Development Block Grant, the Indian Housing Block Grant, and the Native Hawaiian Housing Block Grant.

The number of households assisted through the Indian Housing Block Grant program, tribes or tribally-designated housing entities has been reduced from 6,240 to 5,350 families to reflect an average of actual accomplishments from the past three years and relatively flat funding.

The number of households assisted through the Native Hawaiian Housing Block Grant program has been reduced from 188 to 90 families to reflect recent conversations with officials from the Department of Hawaiian Homelands, current activity, and the Native Hawaiian Housing Plan for FY 2006.

H.2.4: The share of first-time minority homebuyers among FHA home purchase endorsements is 35 percent.

This indicator has been revised from a tracking indicator to include a target of 35 percent to be consistent with HUD's Strategic Plan for FY 2006–2011.

H.2.7: Section 184A mortgage financing of \$6 million is guaranteed for Native Hawaiian homeowners.

This indicator has been reworded to change the program accomplishments counted from housing units to dollars guaranteed.

H.2.8: Section 184 mortgage financing of \$120 million is guaranteed for Native American homeowners.

This indicator has been revised so that it is based on guaranteeing 1,000 loans at an estimated unit cost of \$120,000.

H.4.1: FHA increases the percentage of at-risk loans that substantively comply with FHA program requirements.

This indicator has been revised to better measure the incidence of lender non-compliance with FHA program requirements.

Goal A: Promote Decent Affordable Housing

A.1.2: The net number of years of affordability remaining for all HOME-assisted units is maximized.

The FY 2006 target has been revised to one million net unit-years of affordability. The target is been revised upward from 780,000 to reflect the higher-than-anticipated number of HOME-assisted units produced in FY 2005.

A.1.3: The number of rental households and rental housing units assisted with CDBG, HOME, HOPWA, IHBG, and NHHBG.

The number of rental households and rental housing units assisted with Housing Opportunities for Persons With AIDS has been revised upward to 71,526 units to reflect a higher-than-expected FY 2006 appropriation.

The number of rental households and rental housing units assisted with the Indian Housing Block Grant program has been reduced from 2,415 to 1,420 families to reflect the average accomplishment of the past three years and relatively flat funding.

A.1.4: The number of public housing agencies (PHAs) that are determined to be over-leased in July 2006 decreases by 50 percent from the number of PHAs that were over-leased in July 2004.

This indicator has been deleted because the methodology for allocating funds has been changed and so over-leasing no longer exists as an issue.

A.2.1: The share of public housing units that meet HUD established physical inspection standards will be 85.1 percent.

This indicator has been revised to reflect actual performance in FY 2005 and cognizance of the level of available limited resources.

A.2.3: The unit-weighted average Public Housing Assessment System (PHAS) score is maintained at the FY 2005 level of 85.8 percent.

The Department has set the goals for FY 2006 and FY 2007 at the same level of performance as FY 2005 since the FY 2005 average should account for most, if not all, of the methodology changes. Since it is not certain that the entire impact of these changes was affected in FY 2005, the Department will carefully review the results for FY 2006 and adjust goals for future periods if required.

A.2.4: 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 98 percent.

This goal for this indicator has been revised upward to reflect achievement levels from the past two fiscal years.

A.2.5: The HOPE VI Revitalization program for public housing relocates 1,400 households, demolishes 2,600 units, completes 6,500 new and rehabilitated units, occupies 6,300 units, and completes 15 projects in FY 2006.

The number of projects to be completed during FY 2006 has been reduced from 20 to 15 projects to reflect changed circumstances, including increased construction costs and delays resulting from recent hurricanes.

A.2.7: The proportion of Flexible Voucher Program (formerly Housing Choice Voucher Program) funding managed by troubled housing agencies decreases annually by ten percent.

This indicator has been revised so that by the end of calendar year 2006, a baseline will be established contingent upon passage of the State and Local Housing Flexibility Act.

A.4.1: By FY 2008, increase the proportion of those who transition from HUD's public housing and Housing Choice Voucher programs by 20 percent and decrease the proportion of active participants who have been in HUD's housing assistance programs for 10 years or more by 10 percent.

The transition rate has been revised upward from 5 percent to 20 percent to reflect much better performance than forecasted in the first year of monitoring the indicator. Also, the term "transition" has been inserted in lieu of "graduate".

Goal C: Strengthen Communities

C.1.2: Renewal Communities and Urban Empowerment Zones expand economic opportunity in communities characterized by pervasive poverty, unemployment, and general distress.

This revised indicator replaces three measures with five new measures that are more closely tied to the use of tax incentives and outcomes in terms of economic conditions in the community. The new measures (and targets) for 2006 are: the amount of Renewal Community (RCs) and Empowerment Zone (EZ) employment credits claimed by sole proprietors (2006 target is \$90 million); the amount of Commercial Revitalization Deductions allocated in RCs (2006 target is \$211 million); the number of businesses in RC/EZs per capita vs. the national average (2006 target is 95 percent); the number of addresses that are vacant 90 days per capita in RC/EZs vs. the national average (2006 target is 280 percent); and, the number of earned income tax credit claims in RC/EZs per capita vs. the national average (2006 target is 158 percent). These indicators include both point in time and calendar year data, reported by the fiscal year in which the calendar year ends or the data are collected.

C.3.2: The percentage of formerly homeless individuals who remain housed in HUD permanent housing projects for at least six months will be 70.5 percent.

This indicator has been revised to reflect actual performance in FY 2005, the gradual nature of improvement among this population, and constraints on funding to help more participants achieve this goal.

C.3.4: The employment rate of persons exiting HUD homeless assistance projects will be at least 17 percent.

The wording of this indicator has been changed because HUD found that although the percentage of persons finding employment while in these projects was not increasing toward the goal, more people were entering the program with employment income and sustaining it. Thus, measuring the total with employment income upon exit, instead of just the percentage that find employment while in the program, presents a more accurate picture of employment achieved among this population.

C.3.5: The number of overcrowded households in Indian Country shall be reduced by an additional one percent of the FY 2003 baseline during FY 2006.

This indicator has been revised to reflect that the one percent reduction for FY 2006 will be measured from the baseline established in FY 2003 instead of one percent from the FY 2005 result. The number of overcrowded households in Indian country shall be reduced by an additional one percent of the FY 2003 baseline during FY 2007.

C.4.3: The number of children under the age of 6 who have elevated blood levels will be less than 270,000 in 2006, according to the Centers for Disease Control and Prevention's most recent published report.

This indicator has been adjusted to reflect a shift in the tracking method to using the estimate of elevated blood lead levels to be published by the Centers for Disease Control and Prevention this year.

C.4.4: As part of a ten year effort to eradicate lead hazards, the Lead Hazard Control Grant program will make 9,250 units lead safe in FY 2006.

The target for this indicator has been revised downward from 10,336 to 9,250 units to reflect the 31 percent decrease in the number of grant applications.

C.4.5: At least 600 housing units will have a reduction in allergen levels in FY 2006 through interventions using Healthy Homes principles.

This indicator has been revised from the output (production) measure of housing units in which interventions occur to the outcome measure of reducing levels of allergy inducing substances (allergens) in homes.

Goal FH: Ensure Equal Opportunity in Housing

FH.1.1: Increase the percentage of fair housing complaints closed in 100 days to 60 percent, excluding recommended cause, pattern and practice, and systemic complaints.

This indicator has been revised to exclude complex complaints that will take well beyond the 100-day statutory timeframe to complete.

FH.1.2: Increase the percentage of Fair Housing Assistance Program complaints closed in 100 days to 50 percent, excluding recommended cause and systemic complaints.

This indicator has been revised to exclude complex complaints that will take well beyond the 100-day statutory timeframe to complete.

FH.1.4: By the end of FY 2006, at least 400 investigators will receive training in fair housing investigative techniques through the National Fair Housing Training Academy.

This indicator has been revised to capture the number of investigators trained instead of receiving full certification. HUD will begin capturing data on the number of individuals receiving full certification in FY 2007.

FH.3.1: HUD will conduct 80 Section 504 disability compliance reviews or formal VCA monitoring reviews of HUD recipients and take appropriate corrective action.

This indicator has been reworded to place emphasis on HUD's monitoring of voluntary compliance agreements to ensure remedy of any discriminatory acts found during completed reviews.

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

EM.1.1: The Resource Estimation and Allocation Process/Total Estimation and Allocation Mechanism/Corrective Action Plan System will complete four milestones in support of strategic human capital management.

This indicator has been revised to identify that Resource Estimation and Allocation Process and Total Estimation and Allocation Mechanism data supported the FY 2007 Budget request; that the Corrective Action Plan system Internet application that marries personal service and Full Time Equivalency data was used in hiring decisions, and that the Corrective Action Plan system was interpreted into the Total Estimation and Allocation Mechanism reporting, adding a fourth milestone.

EM.1.3: Eighty percent of HUD interns are retained in mission-critical skill positions.

In FY 2006, HUD will recruit a substantial number of interns to fill mission critical positions and provide succession planning for the future of the department. The measurement of intern retention is delayed until FY 2007.

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

The FY 2006 goal was to reduce the number of non-compliant systems to three. However, because the Department reduced the number of non-compliant system to two in FY 2005, the FY 2006 goal has been revised to one non-compliant financial management system.

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

Although the language of the indicator remains unchanged, the standard for timely management decisions is revised. HUD's goal will be for agency managers to reach acceptable management decisions on 99 percent of OIG audit recommendations within six months of the release of the audit report, compared to the previous goal of 100 percent. This change is intended to ensure that all management decisions reached are sound and represent the best course of action within realistic timeframes.

Additionally, the FY 2006 goal for OIG audit recommendations more than 12 months overdue is changed to 17, based on a 50 percent reduction from the ending balance of 35 such recommendations at the end of FY 2005.

EM.2.6: The Accelerated Claim and Asset Disposition demonstration program (Section 601) will exceed the rate of net recovery received through the conveyance program on the sale of Single Family assets.

This performance indicator has been reworded to capture the program's focus on flexible disposition alternatives.

EM.3.3: More than 6 million files related to housing and community development topics will be downloaded from the Office of Policy Development and Research's website.

The target for this indicator has been increased from 4.8 million files, reflecting better-than-anticipated performance during FY 2005 and early FY 2006.

EM.3.5: The share of FHA mortgage insurance applications initially rejected for improper use of Social Security Numbers is limited to 0.5 percent of submitted applications.

This performance indicator has been deleted due to FHA's inability to control the number of attempts to use a false Social Security Number for mortgage insurance applications. The Social Security Number validation measures adopted by FHA were designed to reduce identity theft and Social Security Number fraud on mortgage loans that FHA actually endorses rather than reducing or limiting the number of attempts to use false Social Security Numbers.

EM.4.2: PHAs will submit accurate tenant characteristics data on 95 percent of the households in accordance with established time frames and 95 percent of the required financial statements on a timely basis.

The target of for this goal remains the same, however, its wording has been slightly modified.

EM.4.6: Conduct 57 compliance reviews or formal Voluntary Compliance Agreement monitoring reviews exclusively and concurrently under Title VI and Section 109 and take appropriate corrective action.

This indicator is reworded to place emphasis on HUD's monitoring of voluntary compliance agreements to ensure remedy of any discriminatory acts found during completed reviews.

EM.4.8: HUD will close 75 percent of Section 3 complaints received within 100 days.

This goal has been deleted from the Annual Performance Plan due to the low volume of complaints in the open inventory.

Part II - Indicators added to the FY 2006 APP

Goal C: Strengthen Communities

C.1.3: Assist disaster recovery in the Gulf Coast Region.

Substantial Community Development Block Grant supplemental funding has been appropriated and the legislation provides for quality reports. HUD will develop the means of measuring disaster recovery performance so that results can be reported in the Performance and Accountability Report.

C.1.4: A total of 1,200 jobs will be created through the Rural Housing and Economic Development program.

HUD did not originally include an indicator for this program because no funding was requested for FY 2006. The Congress did appropriate funding for the program and therefore HUD is amending the FY 2006 Annual Performance Plan to reflect this action.

C.1.5: The Brownfields Development program will support the creation of 3,750 jobs.

HUD did not originally include an indicator for this program because no funding was requested for FY 2006. The Congress did appropriate funding for the program and therefore HUD is amending the FY 2006 Annual Performance Plan to reflect this action.

C.1.6: A total of 4,000 youths will be trained in the construction trades through the Youthbuild program.

HUD did not originally include an indicator for this program because no funding was requested for FY 2006. The Congress did appropriate funding for the program and therefore HUD is amending the FY 2006 Annual Performance Plan to reflect this action.

In addition to an overall goal for the number of youths trained, HUD has performance goals for the number and percent of participants earning their high school diploma or equivalency (FY 2006 targets are 1,200 and 42 percent of participants that need a diploma); the number and percent of Youthbuild program graduates placed in employment or education (FY 2006 targets are 1,100 and 78.7 percent of program graduates), and the number and percentage of participants who made literacy and numeracy gains (FY 2006 targets are 3,500 and 87.5 percent of participants).

There are also goals for the number of new units constructed (FY 2006 target is 800 units) and rehabilitated (FY 2006 target is 950 units) because of the importance of these units—which are affordable to low- and very low-income households—to their communities.

C.2.9: The share of CDBG entitlement funds that benefit low- and moderate-income persons remains at or exceeds 92 percent.

HUD did not originally include an indicator for this program because no funding was requested for FY 2006. The Congress did appropriate funding for the program and therefore HUD is amending the FY 2006 Annual Performance Plan to reflect this action.

C.2.10: The share of State CDBG funds that benefit low- and moderate-income persons remains at or exceeds 96 percent.

HUD did not originally include an indicator for this program because no funding was requested for FY 2006. The Congress did appropriate funding for the program and therefore HUD is amending the FY 2006 Annual Performance Plan to reflect this action.

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

EM.2.11: The share of completed CDBG activities for which grantees satisfactorily report accomplishments increases to 94 percent.

HUD did not originally include an indicator for this program because no funding was requested for FY 2006. The Congress did appropriate funding for the program and therefore HUD is amending the FY 2006 Annual Performance Plan to reflect this action.

EM.2.12: The Chief Information Officer will perform data quality assessments of data used by HUD's major systems to report on six Annual Performance Plan performance indicators not previously assessed.

This indicator is being added to fully capture the Department's efforts and accomplishments in the data quality arena. This indicator directly supports the reliability of the full Annual Performance Plan.

APPENDIX B: Brief Description of Selected HUD Programs

American Dream Downpayment Initiative

American Dream Downpayment Initiative is part of a presidential initiative that increases and accelerates first-time homeownership by low-income families. The American Dream Downpayment Act established a formula under which funds are provided and administered by the Home Investment Partnerships program (HOME) participating jurisdictions.

Brownfields Economic Development Initiative

The Brownfields Economic Development Initiative is a competitive grant program that HUD administers to stimulate and promote economic and community development. The grants go to CDBG recipients for redevelopment of industrial or commercial sites known as brownfields due to the presence or potential presence of environmental contamination. These funds are used to enhance the security or to improve the viability of a project financed with a new Section 108 guaranteed loan commitment.

Capacity Building for Community Development and Affordable Housing

This program provides assistance through the National Community Development Initiative, Local Initiatives Support Corporation, the Enterprise Foundation, Habitat for Humanity, and YouthBuild USA to develop the capacity and ability of community development corporations and community housing development organizations to undertake community development and affordable housing projects and programs.

Community Development Block Grant Program

Community Development Block Grant (CDBG) is a formula program that allocates 70 percent of grant funds 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.

Empowerment Zones/Enterprise Communities (EZ/EC)

Launched in 1993, the EZ/EC Initiative is an interagency effort focused on creating 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 nonprofit entities in each community. In Empowerment Zones, communities have received wage tax credits and other incentives. Enterprise Communities receive smaller levels of grant funds from HUD.

There are three rounds of 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. Congress extended Round I EZ designations to the end of 2009.

Fair Housing Assistance Program (FHAP)

The FHAP provides assistance to state and local government entities that administer fair housing laws certified by the Department as “substantially equivalent” to the Fair Housing Act (Title VIII of the Civil Rights Act of 1968). This assistance includes support for complaint processing, training, technical assistance, data and information systems, and other fair housing activities. 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)

This program provides funding to Qualified Fair Housing Enforcement Organizations, Fair Housing Enforcement Organizations, public and private for-profit and nonprofit entities, and state or local governments formulating or carrying out programs to prevent or eliminate discriminatory housing practices. Funds enable the recipients to carry out activities designed to inform the public about rights and obligations under federal, state, or local laws prohibiting housing discrimination and to enforce those rights. There are four distinct categories of funding under FHIP: (1) the Administrative Enforcement Initiative; (2) the Education and Outreach Initiative; (3) the Private Enforcement Initiative; and (4) the Fair Housing Organizations Initiative.

Federal Housing Administration (FHA)

The Federal Housing Administration provides approved mortgagees with 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, achieve homeownership. By insuring mortgages, FHA makes it much easier for homeowners to borrow the funds they need. Mortgage lenders are more willing to provide mortgage loans because they know that, in the case

of a mortgagor default, the federal government will protect them from losses. Most FHA mortgage loans for homeownership are insured through the Mutual Mortgage Insurance Fund. Other loans for purchasing homes, such as manufactured housing, rehabilitation and acquisition mortgages, and condominiums, are insured through the General Insurance/Special Risk Insurance (GI/SRI) Fund, as are home equity conversion mortgages for homeowners ages 62 and older.

FHA, through its GI/SRI fund, also insures loans for the development, rehabilitation, and refinancing 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 to provide project-based Section 8 rental assistance for families in many FHA-insured multifamily properties.

Ginnie Mae Mortgage-Backed Securities Program

The Government National Mortgage Association (Ginnie Mae), a wholly owned government corporation within HUD, was established to support federal housing initiatives by providing market liquidity for federally insured or guaranteed 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 federal government. The securitization of Federal Housing Administration, Rural Housing Service, and Veterans Affairs mortgages increases the availability of funds for lenders making these loans and thereby decreases the costs associated with making and servicing loans. This decrease in costs helps lower mortgage interest rates for homebuyers using federal government housing credit.

Ginnie Mae's multiclass securities program guarantees Real Estate Mortgage Investment Conduits (REMICs) and Platinum securities. REMICs are multiple-class securities with different maturities, typically between two and 20 years, or with payments based on fractions of the MBS income stream. The Platinum security consolidates Ginnie Mae MBS pools with the same interest rate into larger pools, which are then sold to investors.

Ginnie Mae's Targeted Lending Initiative reduces the fees charged to lenders by up to 50 percent for making mortgage loans in any of the Nation's Empowerment Zones or Enterprise Communities and adjacent eligible central city areas. The initiative is consistent with Ginnie Mae's statutory purpose to promote access to mortgage credit in the central cities by increasing the liquidity of mortgage investments.

Healthy Homes Initiative

The Healthy Homes Initiative builds upon the Department's existing activities in housing-related environmental health and safety issues—including lead hazard control, building structural safety, electrical safety, and fire protection—to address multiple childhood diseases and injuries in the home. The Initiative takes a holistic approach to these activities by addressing housing-related hazards in a coordinated fashion, rather than addressing a single hazard at a time. 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.

HOME Investment Partnerships Program

The HOME program helps to increase the supply of standard, affordable housing, with primary attention to rental housing, for low- and very-low-income families, by providing grants to states, units of general local government, and consortia of units of general local governments that are Participating Jurisdictions. HOME funds may be used for a wide range of eligible housing activities including 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.

Housing Counseling Assistance Program

HUD's Housing Counseling Assistance program offers the counseling services authorized by Section 106 through counseling agencies approved by HUD. Housing counseling services offered under HUD's program may include: assisting eligible homebuyers to find and purchase homes; helping renters locate and qualify for assisted rental units; helping eligible homebuyers obtain affordable housing; assisting homeowners to avoid foreclosures; assisting renters to avoid evictions; helping the homeless find temporary or permanent shelter; reporting fair housing and discrimination complaints; and addressing housing problems.

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 authorize the use of capital advances and rental assistance to eligible nonprofit (private nonprofits under Section 202) sponsors to finance the development of rental housing with supportive services for the elderly or persons with disabilities. In addition, 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. This program provides funding for service coordinators who assist elderly individuals and persons with disabilities, living in federally assisted multifamily housing, to obtain needed supportive services from community agencies. Services provided include meals, supportive services, housekeeping and chore assistance, personal care, laundry assistance, transportation services, and health-related services.

Assisted Living Conversion. This program provides funding for the physical costs of converting some or all units in an eligible development into an assisted-living facility.

Housing Opportunities for Persons With AIDS

The Housing Opportunities for Persons With AIDS program gives states and localities resources and incentives to devise long term comprehensive strategies for meeting the housing needs of low-income persons living with HIV/AIDS and their families. Assistance enables these special needs households to establish or maintain stable housing, reduce their risks of homelessness, and improve their access to healthcare and other support. Grants may be used to provide a variety of forms of housing assistance, including emergency housing, shared housing arrangements, apartments, community residences, and single-room occupancy dwellings. Appropriate supportive services must be provided as part of any assisted housing.

HUD awards program funds through a formula allocation and a competitive grant process. Of funds appropriated in any given year, 90 percent are awarded by formula allocation to eligible states and populous cities in each Metropolitan Statistical Area that qualifies and follows HUD's Consolidated Plan process. Ten percent of the appropriated funding is awarded through a competitive selection process for model demonstration projects and projects in areas that do not receive formula funds. Eligible applicants for competitive grants are states, units of general local government, and nonprofit organizations.

Indian Community Development Block Grants

This program offers grants on a competitive basis to eligible Indian tribes and Alaska Native villages to improve the housing stock, provide community facilities, make infrastructure improvements, fund microenterprises, and expand job opportunities.

Lead-Based Paint Hazard Reduction Program

The primary purpose of this program is to reduce the exposure of young children to lead-based paint hazards in their homes. 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. Additionally, the technical studies component of the program permits activities such as technical assistance, quality control of evaluations, the development of standards, technical guidance materials, and regulations to provide for cost-effective hazard evaluation and control procedures, and technical studies and evaluation to develop streamlined methods of testing, hazard control, cleanup, clearance, and public education.

Manufactured Home Construction and Safety, and Installation Standards

This program establishes standards and safety requirements for all manufactured homes. Under the National Manufactured Housing Construction and Safety Standards Act, the Secretary, working with the Manufactured Housing Consensus Committee, establishes appropriate federal manufactured home standards that meet the needs of the public, including quality, durability, and safety for the construction and installation of manufactured homes.

Indian Housing Block Grants (also known as Native American Housing Block Grants)

This program authorizes housing assistance under a single block grant to eligible Indian tribes or tribally designated housing entities. The allocation is made under a needs-based formula. Eligible activities for providing affordable housing (or related housing services) include development of additional affordable housing; Indian Housing Assistance (modernization or operating assistance for housing previously developed or operated pursuant to a contract between HUD and an Indian housing authority); housing-related services for affordable housing; management services for affordable housing; safety, security, and law enforcement measures and activities; and 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).

Native Hawaiian Housing Block Grant

This program authorizes HUD to make grants 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. The program provides housing services through five eligible activities and provides training and technical assistance. These activities are development of additional affordable housing, housing-related services for affordable housing, management services for affordable housing, safety, security, and law enforcement measures and activities, and housing activities under model programs that are designed to develop and support affordable housing.

Public Housing Capital Fund

This program provides funds to PHAs 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 is 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 PHAs 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. States and local governments in which a renewal community is located are required to take actions relating to specified activities, such as reducing taxes or fees, making services more efficient, and implementing crime reduction strategies. Businesses in Renewal Communities are eligible for various federal tax incentives.

Research and Technology

Office of Policy Development and Research funds are used for research, program evaluation and policy analysis. There are seven categories of activities undertaken with Research and Technology 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

Under the Resident Opportunity and Supportive Services program, the Secretary may make grants to the following groups: PHAs; recipients under the Native American Housing Assistance and Self Determination Act; resident management corporations, resident councils or resident organizations; and qualified nonprofit organizations. These grants may be used to fund supportive services, job training, and resident empowerment activities.

Rural Housing and Economic Development Program

The Rural Housing and Economic Development Program is a competitive grant program that provides for two types of activities: (1) capacity building at the state and local level for rural housing and economic development and (2) to support innovative housing and economic development activities in rural areas.

Samaritan Housing Initiative

The Samaritan Housing Initiative is a set-aside within a reformulated Homeless Assistance grant account. The Samaritan Housing set aside will provide targeted resources to assist chronically homeless persons to attain permanent housing, with resources 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 non-entitlement 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 Loan Guarantees for Indian Housing

Section 184 provides guarantees for loans that are used to construct, acquire, refinance, or rehabilitate single-family homes located on Indian trust or restricted land and in designated Indian areas.

Section 8 Rental Assistance

Through the Section 8 program, HUD provides rental and self-sufficiency assistance to preserve and expand affordable housing opportunities for extremely low-, very low-, low-, and moderate-income families. Beginning in FY 2005, the activities previously funded under the Housing Certificate Fund are now funded under the Tenant-Based Rental Assistance and Project-Based Rental Assistance programs:

Tenant-Based Rental Assistance. The tenant-based component of Section 8 is the Housing Choice Voucher program. Housing Choice Vouchers are administered by public housing agencies and other state and local designated entities. With a voucher, an eligible family can seek housing in the private market, and in a neighborhood of its choice. The family pays 30 percent of its adjusted income toward the rent while the voucher subsidizes the remaining cost up to a PHA-determined cap.

Project-Based Rental Assistance. Project-based section 8 assistance differs from the Housing Choice Voucher program in that the assistance is linked to a specific unit in a multifamily housing property. This ensures that these properties remain affordable to low-income families. Funding in this account renews and amends expiring project-based Section 8 rental assistance contracts covering moderate rehabilitation, loan management, new construction/substantial rehabilitation, property disposition, and preservation.

Self-help Homeownership Opportunity Program

The Self-help Homeownership Opportunity Program provides competitive grants to national and regional nonprofit organizations and consortia 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 Indian Housing Block Grant funds as collateral.

University Partnerships

HUD provides funding opportunities to colleges and universities to implement community activities, revitalize neighborhoods, address economic development and housing issues, and encourage partnerships. These collaborations and partnerships play a crucial role in addressing local problems and revitalizing our nation’s communities. Additionally, colleges and universities are making future generations aware of these issues by integrating partnership activities into their academic studies and student activities. HUD provides grants for four university partnership programs: the Historically Black Colleges and Universities program, the Tribal Colleges and Universities program, the Hispanic-Serving Institutions Assisting Communities program, and the Alaska Native/Native Hawaiian Institutions Assisting Communities program. A fifth program, the Community Outreach Partnership Center program was funded from FY 1994 through FY 2005 and was open to all institutions of higher learning.

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.

APPENDIX C: Validation and Verification of Selected Data Sources

The performance indicators in this Annual Performance Plan have value in portraying HUD's programs only to the extent that the Department can demonstrate their reliability. To do this, HUD engages in a number of efforts to verify and validate the performance data. The General Accountability Office defined validation and verification in a 1999 report as follows:⁷

“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 in order to provide greater specificity and detail without undue repetition.

Data Quality Improvement Program (DQIP)

In 2000, HUD launched the Data Quality Improvement Program to ensure that the quality of Annual Performance Plan performance indicator data in HUD IT systems is enhanced. This program includes a three-step process: 1) independent assessment; 2) data quality cleanup and improvement; and 3) certification that critical data elements meet HUD's 4-sigma standard, reflecting fewer than 6,210 errors per million. The initial emphasis of the program is assessing and certifying information systems and data elements used to report on program performance under the Government Performance and Results Act.

Early in FY 2005, analysis of the 2005 APP revealed 27 in-scope systems supporting Annual Performance Plan data. Eight of these systems had not yet been assessed by the Data Quality Improvement Program, and these were targeted for FY 2005 assessments. During the course of the year, three of these systems were determined to be manual record-keeping programs and declared “out of scope.” All of the information groups comprising the remaining five systems were assessed and certified by the program, for a grand total of 24 systems assessed by the end of the fiscal year. The status of the Data Quality Improvement Program assessments at the end of FY 2005 is shown in the following table.

⁷ “Performance Plans: Selected Approaches for Verification and Validation of Agency Performance Information,” page 12. GAO/GGD-99-139.

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 ^a	Certified 2002
HUDCAPS	HUD Central Accounting Payment System	Certified 2003
REMS	Real Estate Management System	Certified 2003
TRACS	Tenant Rental Assistance Certification System ^b	Certified 2004
RASS	Residential Assessment Subsystem	Certified 2003
NASS	Integrated Assessment Subsystem	Certified 2003
PASS	Physical Assessment Subsystem	Certified 2003
FASS	Financial Assessment Subsystem	Certified 2003
MFIS	Multifamily Insurance System	Certified 2003
IDIS-HOME	Integrated Disbursement and Information System (HOME)	Certified 2003
IDIS-CDBG	Integrated Disbursement and Information System (CDBG)	Assessed 2003
CHUMS	Computerized Home Underwriting Management System	Assessed 2003
PIC-SEMAP	SEMAP Module of the PIH Information Center	Certified 2004
PIC-50058	50058 Module of the PIH Information Center ^{a/}	Certified 2004
DAP	Development Application Processing System	Certified 2004
TEAPOTS	Title VIII Automated Paperless Office Tracking System	Certified 2004
CPD/APR	CPD Administrative Database (APR)	Certified 2004
CSFSS	Consolidated Single Family Statistical System	Certified 2004
CLAIMS	Single Family Insurance System-Claims Subsystem	Certified 2004
TRACS	Tenant Rental Assistance Certification System ^{b/}	Certified 2004
PERMS	EZ/EC Performance Measurement System	Certified 2005
HCS	Housing Counseling System	Certified 2005
ARCATS	Audit Resolution and Corrective Actions Tracking System	Certified 2005
ARRTS	Approval, Review & Recertification Tracking System	Certified 2005
HOPE VI	PIH's HOPE VI Information System	Assessed 2005

^{a/} MTCS was re-platformed creating a new data management environment (PIC-50058). Therefore, a new assessment was completed in FY 2004.

^{b/} TRACS was reassessed in FY 2004 in order to focus on data that supports Annual Performance Plan reporting.

Data quality assessments ensure that HUD's Annual Performance Plan data meet the Department's data quality standards. HUD uses findings from system data quality assessments to assess the current

enterprise architecture and to develop the target architecture. Systems with deficient architecture in comparison to HUD's current information requirements become priorities for modification or replacement.

American Housing Survey (AHS)

FY 2007 indicators using this data source: A.1.2, B.1.1

The Census Bureau 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 (SIPP), Current Population Survey, decennial Census data, and the American Community Survey. One such study used SIPP data to verify the AHS-based estimates of the incidence of severe rent burdens in 2001, which constitute the primary component of worst case needs as measured by indicator B.1.1. The study also included exploratory analysis intended to validate the measure regarding the year-to-year duration of such burdens. (See Chapter 3 of "Affordable Housing Needs: A Report to Congress on the Significant Need for Housing," HUD-PD&R, 2005.)⁸

AHS estimates of the number of households with worst case needs that contain persons with disabilities (see indicator B.1.1) are based on non-elderly adults without children who report receiving Supplemental Security Income (SSI). In previous years, HUD compared such estimates with households known to receive SSI through administrative data from the Social Security Administration. Although the SSI comparison suggested that unadjusted AHS estimates of this group are low by a factor of two or more, the SIPP study cited above produced an estimate within about 2 percent of the AHS-based estimate of this measure. HUD continues to investigate this discrepancy arising from independent data sources.

Other 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"⁹ 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.

Current Population Survey (CPS)

FY 2007 indicators using this data source: A.1.1, A.2.1, A.2.2, A.2.3

The Census Bureau has rigorous data quality standards and conducts extensive verification studies. 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 for the

⁸ Available at <http://www.huduser.org/publications/affhsg/affhsgneed.html>.

⁹ Available at <http://www.huduser.org/publications/polleg/AHSAnalysis.html>.

CPS: 1) switched from 1990 Census-based weights to 2000 Census-based weights; 2) introduced housing unit controls for the Housing and Vacancy Survey to supplement the population control totals used previously; and 3) 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 greatest change affecting HUD's performance measures was for homeownership among Hispanic households, for which revised rates are about 1.2 percentage 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. For more information, see "First Quarter 2003—Source and Accuracy of Estimates," at

<http://www.census.gov/hhes/www/housing/hvs/prevqtrs.html>.

Government-Sponsored Enterprises (GSE) database

FY 2007 indicators using this data source: A.1.11, A.2.6, B.1.7, C.3.3

HUD is the mission regulator of two Government-Sponsored Enterprises (GSEs), Fannie Mae and Freddie Mac. The GSEs provide annual loan-level data to HUD on their mortgage purchases, which the Department uses to measure their performance relative to affordable housing goals and subgoals that are specified in laws and regulations. These goals and subgoals are the indicators that HUD uses to report on the GSEs' performance in its annual Performance and Accountability Reports. The GSEs apply quality control measures to the data elements they provide to HUD. The GSEs are also required to provide certification from a senior officer that their data and reports are true, correct, and complete. The Department verifies the data through replication of GSE goal performance reports, independent reviews of the GSEs' data quality control procedures, direct evaluations of data integrity, and comparison with independent data sources. The Office of Federal Housing Enterprise Oversight (OFHEO), which is an independent office within HUD, receives financial data from the GSEs and enforces statutorily-established minimum and risk-based capital standards to ensure their financial safety and soundness. The GSEs' financial statements are verified by independent audits.

Public and Indian Housing Information Center (PIC)

FY 2007 indicators using this data source: A.5.1, A.5.2, B.4.1, B.5.1, E.4.2.

PIC 50058. 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.

An Internet-based Resident Characteristics Report makes 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.

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 E.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 (REAC)

FY 2007 indicators using this data source: B.2.1, B.2.2, B.2.3, B.2.4, B.2.5, B.2.6, B.5.1, B.5.2, C.5.1, E.4.3.

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 (QARs) 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 a 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 Chief Information Officer'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 DQIP 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 NASS exceeded the HUD standard 3-sigma rating, reflecting fewer than 66,807 errors per million.

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

If you have any questions or comments, please call the Office of
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Kenneth Leventhal at (202) 708-3286, ext. 6849 or

Mary Didier at (202) 708-0614, ext. 6834.

Written comments or suggestions for improving this report may be
submitted by mail to:

U.S. Department of Housing and Urban Development

Attention: James Martin, Deputy Chief Financial Officer

451 7th St. SW

Washington, DC 20410

For additional copies of this report, please call the Office of Budget:

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