

**U.S. DEPARTMENT OF
HOUSING AND URBAN DEVELOPMENT**

**FINAL FY 2003
ANNUAL PERFORMANCE PLAN**

APRIL 2002

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MESSAGE FROM THE DEPUTY SECRETARY

As the Deputy Secretary and Chief Operating Officer for the U. S. Department of Housing and Urban Development, I am pleased to present the Department's Fiscal Year (FY) 2003 Annual Performance Plan (APP). This APP, which was prepared in accordance with the Government Performance and Results Act and Office of Management and Budget guidance, serves as the roadmap for HUD's initiatives and priorities during the upcoming fiscal year.

President Bush, Secretary Martinez and I are proud of what HUD plans to accomplish in FY 2003. Helping more Americans reach the dream of homeownership, ensuring affordable housing opportunities, strengthening and renewing our communities, and offering a compassionate hand to those in need are the principles that guide our daily work.

HUD's FY 2003 APP includes an "interim" adjustment to the Department's Strategic Plan framework – to provide an even tighter alignment of our policy priorities, budgetary resources, program delivery structure and performance goals – in furtherance of our housing and community development mission. During the spring and fall of this year, we will consult with the Congress, HUD's partners, and other stakeholders, for the purpose of formally revising and issuing a new Strategic Plan in conjunction with the submission of the FY 2004 Budget.

We also strongly embrace the President's Management Agenda. This APP reflects HUD's significant progress in responding to the major management and performance challenges facing the Department, by providing a needed focus on the strategic management of human capital, improved financial performance, expanded electronic government, and increased budget and performance integration.

Working together with the President, Congress and our many program partners – including State and local governments and for-profit and non-profit organizations – HUD looks forward to improved performance results in FY 2003 and beyond.

Alphonso Jackson
Deputy Secretary

Organization of this document

Interim Adjustment. Following this introduction is an Interim Adjustment to HUD's FY 2000-2006 Strategic Plan. This adjustment outlines the eight strategic goals and 20 strategic objectives that HUD is establishing to guide performance in FY 2003. This interim framework informs and lends structure to the performance indicators, targets and discussions in this APP.

Goals, objectives and performance measures. The main body of the Annual Performance Plan comprises separate sections that address each of the Department's eight goals. These sections describe how the goals relate to the Department's overall mission. The budget resources and staff resources that will be devoted to achieving each strategic goal during FY 2003 are also shown.

For each goal, the strategic objectives that must be achieved to realize it are explained in detail in separate subsections. Each subsection includes performance indicators and associated performance goals that will be used to assess results and progress toward the Objectives.

The discussion of each Strategic Objective is organized as follows:

- *Overview* of the Objective's relationship to the Strategic Goal and of HUD's programmatic contribution to the objective.
- *Means and strategies* that HUD employs to achieve the Objective, including the programs and policies that support it.
- *External factors* likely to affect the achievement of performance goals.
- *Coordination* with other Federal agencies.
- A table of performance indicators and performance goals that will be used to measure progress.
- *Detailed discussion* of each performance indicator including background information, the source of data, past performance, targets set for FY 2003,¹ a summary of data validation and verification issues, and actions being taken to improve data quality.

FY 2002 revisions. This year the APP also incorporates "Revisions to the FY 2002 Annual Performance Plan" as Appendix A. These revisions consist of modifications to FY 2002 performance goals to reflect final appropriations, significant external factors, or unique circumstances that have arisen since the FY 2002 APP was submitted to Congress in May 2001.

¹ Unless otherwise noted, all targets identified in the detailed discussions of performance indicators are for progress to be achieved by the end of FY 2003. Exceptions typically occur when the data do not specifically cover the fiscal year performance period or are not available to report on a fiscal year in timely fashion.

Helpful appendices. Appendix B consists of several features that will help orient the reader. The strategic goals, objectives and performance indicators are listed sequentially to provide an overview of how HUD is measuring performance toward our goals. Brief descriptions of HUD programs follow as a handy reference. An index is included to allow readers to locate discussions of specific programs, issues or organizations—internal or external.

This Annual Performance Plan is intended to provide a useful overview of how HUD is delivering its programs and accounting for the dollars entrusted to us by taxpayers. The format of the APP is designed to provide a broad overview of Departmental policies and programs while supplying sufficient detail to accurately track progress within the Department's areas of responsibility.

INTERIM ADJUSTMENT TO HUD'S FY 2000-2006 STRATEGIC PLAN

In accordance with OMB Circular A-11, the Department of Housing and Urban Development has prepared this interim adjustment to its FY 2000-2006 Strategic Plan. This adjustment updates the existing Strategic Plan framework to reflect HUD's current policy priorities.

This interim adjustment to the Strategic Plan will form the basis for consultations with Congress and other HUD stakeholders in the coming months as HUD develops a fully revised Strategic Plan. HUD looks forward to receiving feedback on this interim adjustment that can be incorporated into the new Strategic Plan.

HUD's Mission

The new Strategic Plan framework maintains the current mission statement and summarizes HUD's mission as follows:

Promote adequate and affordable housing, economic opportunity, and a suitable living environment free from discrimination.

This mission statement focuses on HUD's core statutory mission.

Eight Strategic Goals

An outline of HUD's new Strategic Plan framework is provided in the table on the opposite page. As indicated in that table, the new framework has the following eight Strategic Goals:

- | | |
|---|---|
| 1. Make the home-buying process less complicated, the paperwork less demanding and the mortgage process less expensive. | 5. Effectively address the challenge of homelessness. |
| 2. Help families move from rental housing to homeownership. | 6. Embrace high standards of ethics, management and accountability. |
| 3. Improve the quality of public and assisted housing and provide more choices for its residents. | 7. Ensure equal opportunity and access to housing. |
| 4. Strengthen and expand faith-based and community partnerships that enhance communities. | 8. Support community and economic development efforts. |

In contrast with the prior Strategic Plan framework, the new framework:

- Emphasizes HUD's role in helping to expand the homeownership opportunities of minorities and persons with disabilities;
- Adds a new Strategic Goal related to simplifying the homebuying process and countering predatory lending;
- Focuses on helping families in public and assisted housing make progress towards self-sufficiency and become homeowners;
- Adds a new Strategic Goal related to strengthening and expanding faith-based and community partnerships;
- Adds a new Strategic Goal for homelessness, with an emphasis on ending chronic homelessness;
- Emphasizes the importance of maintaining high standards of ethics and accountability.

Descriptions of the new Strategic Goals are provided below.

Strategic Goal 1: Make the home-buying process less complicated, the paperwork less demanding and the mortgage process less expensive.

This is a new Strategic Goal that will help to focus the Department's work with regards to the Real Estate Settlement Procedures Act and countering predatory lending. HUD's activities under this Strategic Goal will help to make homeownership more accessible and less expensive for millions of families and help protect them from predatory lending.

Objective 1.1: Reform Real Estate Settlements Procedures Act (RESPA) rules.

RESPA is a consumer protection statute, first passed in 1974, intended to help consumers become better shoppers for settlement services and to eliminate kickbacks and referral fees that unnecessarily increase the costs of certain settlement services.

Although HUD has issued rules implementing RESPA, there continues to be confusion regarding the nature and extent of settlement costs. As Secretary Martinez has stated:

At closing, too many American families sit down at the settlement table and discover unexpected fees that can add thousands of dollars to the cost of their loan.... They are not told who is getting their money, or what services they are receiving in return. Because this is thrust upon the buyers at the last moment, they have no opportunity to determine whether these extra costs are at all reasonable.

To empower homebuyers to shop for the best mortgage and make the best decision for their families, HUD plans to modify the RESPA rules to require full, upfront disclosure of all costs associated with obtaining a home loan in understandable terms prior to the

payment of non-refundable fees. HUD also plans to clarify the policies regarding yield spread premiums and certain mark-up fees and to expand RESPA enforcement efforts.

By ensuring that customers have the information necessary to conduct a meaningful comparison of competing mortgage products and are not charged unreasonable or excessive fees, HUD's activities under this Objective will help to simplify the mortgage process and reduce homeownership costs for millions of households.

Objective 1.2: Eliminate practices that permit predatory lending.

Recognizing the harm to low-income families and neighborhoods that flows from predatory lending practices, HUD's revised Strategic Plan framework includes a new Strategic Objective specifically devoted to eliminating the practices that permit predatory lending. Predatory lending, whether undertaken by creditors, brokers, or even home improvement contractors, involves engaging in deception or fraud, manipulating the borrower through aggressive sales tactics, or taking unfair advantage of a borrower's lack of understanding about loan terms.

HUD is taking a number of steps to eliminate the practices that permit predatory lending. These include: strengthening Federal Housing Administration (FHA) loan endorsement policies and procedures; enhancing FHA's ability to identify and discipline perpetrators of fraud and predatory lending practices; prohibiting certain practices within specific "hot zones" of potential predatory lending activity; and stepped up enforcement of RESPA.

Strategic Goal 2: Help families move from rental housing to homeownership.

HUD's second Strategic Goal focuses on HUD's activities to expand homeownership opportunities for minorities, persons with disabilities, and other Americans, and to help families that rent afford the costs of rental housing. Helping families find affordable housing is an important part of HUD's core mission.

Objective 2.1: Expand national homeownership opportunities.

Homeownership plays a vital role in creating strong communities by giving families a stake in their neighborhoods and helping them to build wealth. Although a period of sustained economic growth has helped to raise the overall homeownership rate to a record level, the homeownership rates of minorities and low-income families lag far behind those of other families.

HUD plans to work aggressively to help more families know the joy, the financial security, and the sense of community that comes with owning their own home. Many of HUD's core programs, including FHA mortgage insurance, the HOME Investment Partnerships Program, and the Community Development Block Grant (CDBG) program, help low-income families to achieve the goal of homeownership. HUD also works to expand homeownership opportunities through the efforts of Ginnie Mae, programs for

Native American Communities, the Self-Help Opportunities Program (SHOP), Housing Counseling and oversight of the Government-Sponsored Enterprises (GSEs) – Fannie Mae and Freddie Mac.

In addition to continuing to fund and improve these programs, the Administration plans to expand its efforts to promote homeownership by expanding funding for the American Dream Downpayment Fund, SHOP, and Housing Counseling; by enacting a tax credit for developers of affordable single-family housing; and by expanding participation in the Section 8 Homeownership program.

Objective 2.2: Expand homeownership opportunities for minorities and persons with disabilities.

HUD programs play a particularly important role in expanding homeownership opportunities for minorities and persons with disabilities. While the minority homeownership rate has increased in recent years, it remains far below that of non-minorities. As of the third quarter of 2001, the minority homeownership rate was 49.2 percent, some 25.4 percentage points below the 74.6 percent homeownership rate of non-minority households. HUD is committed to helping close this gap.

Among the HUD policies that help to expand homeownership opportunities for minorities and persons with disabilities are FHA insurance, the American Dream Downpayment Fund, Housing Counseling, Section 8 homeownership, Fair Housing enforcement, and HUD's activities to eliminate the practices that permit predatory lending. The tax credit for developers of affordable single-family housing will also play an important role in expanding homeownership opportunities for minorities in low-income communities.

Objective 2.3: Increase the availability of affordable rental housing.

While seeking to expand homeownership opportunities, HUD recognizes that homeownership may not be practical for all families, especially those with limited or unstable incomes. To help low-income families afford the high costs of rental housing, HUD provides rental assistance to more than four million households through its public and assisted housing programs.

A number of HUD's programs and initiatives help to increase the availability of affordable rental housing. These include incremental housing vouchers, the HOME Investment Partnerships program, the Supportive Housing for the Elderly (Section 202) program, the Supportive Housing for the Disabled (Section 811) program, the Housing Opportunities for Persons With AIDS program, the Native American Housing Block Grant program, the Community Development Block Grant program, and FHA multifamily insurance. Within the constraints of its budget, HUD seeks to provide affordable housing opportunities to as many families as possible.

Strategic Goal 3: Improve the quality of public and assisted housing and provide more choices for its residents.

HUD's goals for its public and assisted housing programs go beyond simply providing affordable housing. HUD also strives to improve the *quality* of the housing opportunities provided to families in public and assisted housing. This Goal focuses on improving the management accountability and physical conditions of public and assisted housing and on maximizing the potential of these programs to help families make progress towards self-sufficiency and become homeowners.

Objective 3.1: Help families in public and assisted housing make progress towards self-sufficiency and become homeowners.

HUD plans to expand its efforts to help families in public and assisted housing make progress towards self-sufficiency and become homeowners. These efforts serve four core objectives:

- By helping to increase families' earnings, they improve the quality of life for families in subsidized housing;
- They help families in subsidized housing build enough assets and high enough incomes to buy a home.
- By helping families in subsidized housing become homeowners or afford the costs of unsubsidized rental housing, they free up space for other needy families; and
- They help to achieve a mix of incomes in public housing and project-based assisted housing.

Objective 3.2: Improve the management accountability for public and assisted housing.

The public and assisted housing programs have suffered from a number of serious management weaknesses. These include underutilization of Section 8 vouchers; the failure to accurately calculate tenant incomes and rents, leading to subsidy overpayments; the failure to maintain subsidized developments in adequate condition; and, in extreme cases, severe mismanagement or even fraud.

This Objective reflects HUD's intent to better address these problems and improve the management accountability of public and assisted housing.

Objective 3.3: Improve physical and related conditions in public and assisted housing.

HUD is committed to improving the quality of HUD-assisted housing, with the goal of ensuring that all subsidized families live in units that meet basic quality standards. Among the key tools for achieving this Objective are the HOPE VI program, the Public Housing Assessment System (PHAS) and the Section 8 Management Assessment System

(SEMAP). HUD also plans to focus on helping PHAs address the backlog of capital needs in public housing through a new tool designed to help PHAs obtain private financing to modernize public housing developments.

Strategic Goal 4: Strengthen and expand faith-based and community partnerships that enhance communities.

HUD has a long and rich history of cooperating with faith-based and community organizations to address the needs of those Americans for whom homelessness, the lack of affordable housing, and limited alternatives for special needs housing lead to despair and hopelessness. Building on this history, HUD plans to strengthen and expand its partnerships with faith-based and community groups to take further advantage of their capacity to provide quality services to communities and families.

Objective 4.1: Ensure equal access to HUD resources for faith-based and grassroots non-profits.

Although HUD enjoys a long history of partnering with faith- and community-based groups, many have been at a disadvantage. Some have been required to strip themselves of their religious identity and to separate their faith from their good works. In some instances, other impediments have either prohibited or discouraged participation by faith-based and community organizations. Additionally, some smaller grassroots and faith-based institutions have lacked access to information, critical networking contacts, and complete capacity to be successfully eligible to receive Federal funding.

HUD's activities under this Objective will help to maximize full participation by faith-based and community-based organizations. Led by HUD's Center for Faith-Based and Community Initiatives, the Department will reach out to groups, especially the smaller grassroots organizations that tend to be excluded, and help them with educational seminars, technical assistance and other services.

Objective 4.2: Improve HUD's programs by increasing the involvement of faith-based and community organizations.

Faith- and community-based organizations, large and small, can play a significant role in helping HUD to achieve its core mission. Among other assets, many of these organizations have a detailed knowledge of the needs of low-income communities and the trust of low-income residents. By increasing the involvement of faith-based and community organizations in HUD's programs, HUD hopes to improve the quality of services it provides.

Strategic Goal 5: Effectively address the challenge of homelessness.

HUD is the primary agency responsible for providing housing and related resources to prevent homelessness and help homeless families and individuals move to permanent housing. HUD has a number of objectives with respect to its homelessness work, including that of ending chronic homelessness in 10 years.

Objective 5.1: End chronic homelessness in ten years.

Chronic homelessness usually involves single adults who have severe disabilities and have been homeless for several months or years. Identifying and serving chronically homeless individuals is challenging because they often sleep on the streets or other places not meant for habitation. Even when housing is available, their disabilities sometimes make it difficult for them to remain in that housing for long periods unless they also have supportive services such as counseling, case management, and regular health care. Although there are no reliable counts, Congress has estimated that there are roughly 150,000 chronically homeless people in the U.S.

HUD has committed to ending chronic homelessness in 10 years. The primary tool for achieving this goal will be to provide permanent supportive housing—housing combined with services. In recent years, the Department has set aside at least 30 percent of homeless funds for permanent housing. Homeless assistance providers combine HUD funding with other resources to provide a full spectrum of housing and services.

Objective 5.2: Help homeless individuals and families move to permanent housing.

While the chronically homeless are often the most visible of the homeless population, there is a substantial and growing problem of families and individuals who have experienced temporary crises and become homeless. The factors that lead to their homelessness include an inability to afford the cost of housing, high unemployment and low wages, and the presence of domestic violence, substance abuse, or health problems. HUD will combine an array of resources and tools with a growing understanding of the nature of the homeless problem to help homeless individuals and families move to permanent housing.

Objective 5.3: Expand efforts to prevent households from becoming homeless.

The best way to negate the effects of homelessness is to prevent it altogether. HUD's affordable housing programs are useful in keeping families from becoming homeless. In addition, communities can use funding from a variety of HUD sources to provide emergency rent or utilities payments to prevent eviction. The ultimate achievement of this objective will require substantial cooperation across state and federal agencies to

address the problems that cause families to fall through the cracks of the various supportive services systems and become homeless.

Strategic Goal 6: Embrace high standards of ethics, management and accountability.

In order to be effective in meeting HUD's other Strategic Goals, it is essential that HUD and HUD's partners embrace high standards of ethics, management, and accountability. The Secretary has established improved ethics and accountability of HUD staff and HUD's partners as "perhaps the most important" of HUD's priorities. This Goal cuts across all of HUD's programs and applies to each HUD employee and to each organization that partners with HUD to help HUD accomplish its mission.

Objective 6.1: Improve HUD's management and internal controls, including FHA financial management, and resolve audit issues.

As a large organization with multiple responsibilities, HUD must maintain strong internal controls to ensure that it effectively meets its responsibilities. This involves actions as diverse as monitoring the soundness of FHA's Mutual Mortgage Insurance Fund, improving the quality of HUD's financial management systems, and developing a plan for effectively allocating staff resources. This Objective articulates the Department's continued long-term efforts to address its management challenges and to make HUD a high-performing agency. The findings of the General Accounting Office and HUD's Inspector General provide a roadmap for the management challenges HUD intends to address under this Objective.

Objective 6.2: Improve accountability, service delivery and customer service of HUD and our partners.

In addition to improving its internal controls, HUD plans to focus on efforts to improve the accountability of programs and partners and to improve the overall quality of program service delivery and customer service. Among other activities that support this Objective are the devolution of greater responsibility to HUD's field offices, the use of Management Plans to operationalize the goals in the Annual Performance Plans, and a strong research program focused on program evaluations designed to assess the effectiveness of HUD programs and develop recommendations for program improvements. Progress in meeting this objective will be measured through periodic surveys of HUD's customers and monitoring of the level of compliance with certain program requirements.

Strategic Goal 7: Ensure equal opportunity and access to housing.

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

HUD is committed to ending the practice of discrimination through enforcement of fair housing laws as well as through educating lenders, landlords and tenants in complying with the laws.

Objective 7.1: Reduce housing discrimination.

The Department has two primary grant programs that help to reduce the incidence of housing discrimination, the Fair Housing Assistance Program (FHAP) and the Fair Housing Initiatives Program (FHIP). FHAP provides grants to State and local agencies to enforce laws that are substantially equivalent to the federal Fair Housing Act. FHIP provides funds to public and private fair housing groups, as well as to State and local agencies that educate the public and housing industry about fair housing laws; investigate allegations of discrimination, and help combat predatory lending practices.

In addition, the Department devotes substantial staff resources to direct enforcement of the Fair Housing Act.

Objective 7.2: Improve the accessibility of housing to persons with disabilities.

The Department has a series of programs that help to improve the accessibility of housing to persons with disabilities. These include the Section 811 program, the Housing Opportunities for People With AIDS (HOPWA) program, the pilot Section 8 Homeownership Assistance for Disabled Families program, as well as Fair Housing enforcement activities. HUD also engages in educational efforts to help acquaint the public and building community with the rules regarding accessibility.

Objective 7.3: Improve housing options for the elderly.

This new strategic Objective reflects the Department's continued emphasis on the needs of the growing population of elderly Americans and a clear commitment to support their ability to live independently. Through funding for the Section 202 program, assisted living conversions, and service coordinators to help the elderly in assisted housing remain independent, the Department helps to improve the housing options for the elderly.

Strategic Goal 8: Support community and economic development efforts.

HUD funds a variety of programs that help to support the community and economic development efforts of state and local communities. The largest of these programs is the Community Development Block Grant program. Other programs include Section 108 loan guarantees, the Brownfields Economic Development Initiative, the Lead-Based Paint Hazard Reduction and the Healthy Homes Program, HOPE VI, the University Partnership Programs, the Indian Community Block Grant and the Native eDGE programs, and Renewal Communities, Empowerment Zones and Enterprise Communities.

Objective 8.1: Provide capital to create and retain jobs and improve economic conditions in distressed communities.

One key objective of HUD's community and economic development programs is to help improve economic conditions in distressed communities. Economic development is one category of eligible activities under the CDBG program and the primary activity of the Section 108 loan guarantee program. The Renewal Communities, Empowerment Zones, and Enterprise Communities programs are likewise designed to help improve economic conditions within distressed communities. The Department is also proposing the Colonias Gateway Initiative (CGI), a regional initiative focusing on the rural communities and neighborhoods located along the 1,500-mile stretch of border in the southwestern U.S. Decisions on how to spend or target these resources are made by local communities with the input of local citizens.

One area of focus for the Department is on efforts to expand the range of institutions participating in community and economic development activities. Through the University Programs, HUD has begun to engage colleges and Universities in active community development collaborations with local communities. Through Native eDGE, HUD provides a clearinghouse to help Native American groups identify economic development resources and collaborate on projects. HUD's Center for Faith-Based and Community Initiatives will likewise help to expand participation in community and economic development activities to include more faith-based and grassroots nonprofits, who can bring new assets to bear to help strengthen communities.

Objective 8.2: Help communities more readily access revitalization resources to become more livable.

Many communities use HUD resources for projects designed to improve livability. For example, CDBG funds are often used for physical development projects, such as roads, sewers, and other infrastructure investments. CDBG funds are also used to develop community centers, parks and other assets that help to strengthen and revitalize communities. Yet another use of the flexible CDBG block grant is for education, job-training, and other services that help to strengthen the workforce. Other programs, such

as Youthbuild and Neighborhood Networks, help to strengthen communities through investments in the people who live there.

One way in which HUD contributes to local efforts to improve the livability of cities is through the Brownfields Economic Development Initiative (BEDI). The Administration has made a major commitment to helping to clean up brownfields nationwide. HUD's BEDI program contributes to these efforts by providing local communities with funds to help develop the areas that have been cleaned up and restored to productive use. The HOPE VI program also contributes to local revitalization efforts by funding the demolition and revitalization of distressed public housing. HOPE VI developments can become anchors for neighborhood revitalization and turnaround.

STRATEGIC FRAMEWORK

| <i>HUD's Mission: Promote adequate and affordable housing, economic opportunity and a suitable living environment free from discrimination.</i> | | | | | | | |
|--|--|--|--|---|---|--|---|
| Strategic Goal 1 | Strategic Goal 2 | Strategic Goal 3 | Strategic Goal 4 | Strategic Goal 5 | Strategic Goal 6 | Strategic Goal 7 | Strategic Goal 8 |
| Make the home-buying process less complicated, the paperwork less demanding and the mortgage process less expensive. | Help families move from rental housing to homeownership. | Improve the quality of public and assisted housing and provide more choices for its residents. | Strengthen and expand faith-based and community partnerships that enhance communities. | Effectively address the challenge of homelessness. | Embrace high standards of ethics, management and accountability. | Ensure equal opportunity and access to housing. | Support community and economic development efforts. |
| Strategic Objectives | Strategic Objectives | Strategic Objectives | Strategic Objectives | Strategic Objectives | Strategic Objectives | Strategic Objectives | Strategic Objectives |
| 1.1 Reform Real Estate Settlements Procedures Act (RESPA) rules. | 2.1 Expand national homeownership opportunities. | 3.1 Help families in public and assisted housing make progress towards self-sufficiency and become homeowners. | 4.1 Ensure equal access to HUD resources for faith-based and grassroots non-profits. | 5.1 End chronic homelessness in ten years. | 6.1 Improve HUD's management and internal controls, including FHA's financial management, and resolve audit issues. | 7.1 Reduce housing discrimination. | 8.1 Provide capital to create and retain jobs to improve economic conditions in distressed communities. |
| 1.2 Eliminate practices that permit predatory lending. | 2.2 Expand homeownership opportunities for minorities and persons with disabilities. | 3.2 Improve the management accountability for public and assisted housing. | 4.2 Improve HUD's programs by increasing the involvement of faith-based and community organizations. | 5.2 Help homeless individuals and families move to permanent housing. | 6.2 Improve accountability, service delivery and customer service of HUD and our partners. | 7.2 Improve the accessibility of housing to persons with disabilities. | 8.2 Help communities more readily access revitalization resources to become more livable. |
| | 2.3 Increase the availability of affordable rental housing. | 3.3 Improve physical and related conditions in public and assisted housing. | | 5.3 Expand efforts to prevent households from becoming homeless. | | 7.3 Improve housing options for the elderly. | |

**GOAL 1:
MAKE THE HOMEBUYING PROCESS LESS COMPLICATED,
THE PAPERWORK LESS DEMANDING AND THE
MORTGAGE PROCESS LESS EXPENSIVE**

Strategic Objectives:

1.1 Reform Real Estate Settlements Procedures Act (RESPA) rules.

1.2 Eliminate practices that permit predatory lending.

The homebuying process is one of the largest and most complicated credit transactions an American family is likely to enter into. As such, it is also one fraught with opportunities for homebuyer misinformation. The volume of paperwork required to complete the process make it no less exasperating. However, owning one's home is still identified as the American dream—and that dream should not be deferred because the homebuying process is prohibitive in its implementation.

American families should not have to pay charges for mortgage services not received or premiums that solely add profit to the mortgagees' bottom line. In response to these concerns, HUD is increasing its funding of enforcement activities to ensure that consumers are not being charged for services that were not rendered or for kickbacks.

HUD is dedicating additional resources to support enforcement of the Real Estate Settlement Procedures Act (RESPA) through the acquisition of contract resources to investigate RESPA complaints and additional personnel to handle cases. The Department also will enhance RESPA enforcement coordination between itself and the major banking regulators—the Federal Deposit Insurance Corporation (FDIC), Comptroller of the Currency (OCC), National Credit Union Administration (NCUA), Office of Thrift Supervision (OTS) and the Federal Reserve (FED).

The Department will also address another outgrowth of the complex homebuying process – predatory lending practices. These practices, while not clearly defined by state or federal regulatory authorities, involve engaging in deception or fraud, manipulating the borrower through aggressive sales tactics, or taking unfair advantage of a borrower's lack of understanding about loan terms. There is increased evidence that families are falling victim to predatory lending. There also has been a dramatic increase in "subprime" lending during the past decade, where studies have shown more abusive practices exist.

In 2000, HUD and the Department of Treasury formed a joint task force to define the problem and identify solutions. As a result, FHA implemented a predatory lending pilot, which was designed to provide relief to borrowers already in distress and to strengthen FHA endorsement and fraud detection procedures to prevent these practices from occurring.

Resources Supporting Strategic Goal 1: Make the homebuying process less complicated, the paperwork less demanding and the mortgage process less expensive.

| Budget Authority (BA) and Staffing Levels (BA is \$ in thousands) | | | | | | | | | |
|--|-------------------------|----------------|----------------|--|-----------|----------------|-----------|----------------|-----------|
| Program | Budget Authority | | | Headquarters (HQ) and Field (F) Staff | | | | | |
| | FY 2001 | FY 2002 | FY 2003 | FY 2001 | | FY 2002 | | FY 2003 | |
| | | | | HQ | F | HQ | F | HQ | F |
| Office of Housing | | | | | | | | | |
| FHA-MMI/CHMI | \$22,200 | \$22,300 | \$19,500 | 0 | 44 | 0 | 45 | 0 | 45 |
| FHA GI/SRI | 1,900 | 1,400 | 1,300 | 0 | 5 | 0 | 5 | 0 | 5 |
| Interstate Land Sales | 0 | 0 | 0 | 13 | 0 | 23 | 0 | 23 | 0 |
| Total | 24,100 | 23,700 | 20,800 | 13 | 49 | 23 | 50 | 23 | 50 |

Objective 1.1: Reform Real Estate Settlement Procedures Act (RESPA) rules.

Overview

The Real Estate Settlement Procedures Act (RESPA) is the Federal law that regulates most real estate transactions in which a mortgage loan is involved. The acquisition of a mortgage loan to purchase a home is usually the largest single credit transaction in which most households will be involved. Unfortunately, many households have difficulties managing the loan search process because of the complexity of the transaction and its infrequent occurrence for each household. As a result, these would-be homebuyers are often charged unnecessarily high settlement charges caused by abusive practices. The most frequent category of inappropriate charges are prohibited fees often hidden by the real estate professionals by not making a full disclosure of the true costs. Congress felt consumers needed protection from these unfair practices and enacted RESPA.

RESPA requires that borrowers receive disclosures at various times during the loan process. These disclosures spell out the costs associated with settlement, outline lender servicing and escrow account practices, and describe the relationships between settlement service providers. Nonetheless, homebuyers are finding themselves paying illegal mortgage fees.

The Department, therefore, is undertaking efforts to reform and simplify the homebuying process. HUD expects to accomplish this objective by issuing a rule requiring full, upfront disclosure and explanation of all fees that buyers pay at settlement, issuing policy statements to clarify and provide guidance on home buying fees, and dedicating additional resources to the enforcement of RESPA rules.

Means and strategies

HUD will issue new RESPA regulations to reform the mortgage disclosure process. Additionally, while reforming the rules governing settlement disclosure and simplifying the settlement process for the homebuyer, the Department also will increase its monitoring of RESPA to stop illegal referral fees and unearned fees that ultimately raise the price that uninformed homebuyers pay for their homes. During FY 2003:

- HUD will hire additional staff for the Office of Consumer and Regulatory Affairs to develop policy and monitor and enforce RESPA rules.
- The Department will develop regulations to clarify settlement disclosure and the Good Faith Estimate.

External factors

The homebuying process requires a number of disclosures at settlement, but most of them are not covered by RESPA. The majority of settlement disclosures, certifications, affidavits, etc. are controlled by various agencies and organizations outside of the Department, including: the Internal Revenue Service, entities of state and local governments, and mortgage lenders. As a result, the reform of RESPA rules requires coordination with these organizations.

Coordination with other Federal agencies

The Department will enhance RESPA enforcement coordination between itself and the major banking regulators including **FDIC, Comptroller of the Currency, NCUA, OTS** and the **Federal Reserve Board**.

Performance goals

The following crosswalk summarizes the performance indicators, including measures of outcomes and program outputs, that will be used to gauge performance during FY 2003. A detailed discussion of each indicator follows the crosswalk.

| FY 2003 Performance Goals |
|---|
| Objective 1.1: Reform Real Estate Settlement Procedures Act (RESPA) rules. |
| 1.1.1: The Department will implement regulations to simplify disclosure of settlement charges, and thus allow consumers to shop effectively for mortgage loans. |
| 1.1.2: Average closing costs for FHA loans goes down from FY 2001 – FY 2006. |

Performance goals are for FY 2003 unless otherwise noted.

1.1.1: The Department will implement regulations to simplify disclosure of settlement charges, and thus allow consumers to shop effectively for mortgage loans.

Indicator background and context. Buying a home is often the most expensive transaction a consumer will enter into, and the current disclosure requirements under the Real Estate Settlement Procedures Act may not provide information to consumers early enough in the settlement process to enable them to shop effectively and make meaningful comparisons between loan products. These concerns are exacerbated by the fact that home purchases are infrequent transactions, so consumers have little or no experience in shopping and obtaining a loan with the lowest settlement costs.

The Good Faith Estimate required under RESPA is usually mailed too late in the mortgage process for the consumer to compare settlement costs, because often the consumer pays a nonrefundable fee at application. In addition, the Estimate is not binding on the lender; actual closing costs may vary by any amount. Thus, the consumer may be surprised at settlement with charges that are higher than previously disclosed, and in some cases, not disclosed at all.

HUD's Office of Consumer and Regulatory Affairs tracks consumer complaints about fees charged at settlement. In approximately 15 percent of the complaints the Division receives, consumers complain about fees they were charged at settlement, often stating they were given a Good Faith Estimate of costs that underestimated the closing costs that they were ultimately charged. Simplifying the required disclosure process will allow consumers to compare settlement costs and as a result, the mortgage process should become less expensive.

The FY 2003 performance goal is, by the end of FY 2003, to publish revised RESPA regulations to simplify disclosure of settlement charges.

Data source. Publication in the Federal Register.

Limitations/advantages of the data. The Department has no statistical data on the frequency and range of deviation of settlement costs from what was disclosed to consumers on the Good Faith Estimate. In addition to complaints filed, the ILS/RESPA Division has received complaints about higher settlement costs than initially disclosed through phone calls and email that was not captured in the RESPA data. Therefore, although this type of complaint should decrease, it will be difficult to measure savings to consumers.

Validation, verification, improvement of measure.² The Division will compare the percentage of complaints received during past two years regarding settlement costs, with the percentage of complaints received in the fiscal year following implementation of the new measures.

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

1.1.2: Average closing costs for FHA loans goes down from FY 2001 – FY 2006.

Indicator background and context. The Department has a specific goal to reduce closing costs to home purchasers nationwide through RESPA reform, thereby making homeownership more affordable to all Americans. The Department currently is undertaking a project to produce a closing cost database. The database will be comprised of closing costs reported on HUD-1 forms from FHA loans. HUD-1 forms, which are required by RESPA for all residential mortgages, list closing costs associated with loans, title insurance, attorneys, settlement agents, taxes, escrow accounts, and other payments in the transaction. This database will facilitate statistical analysis of closing costs. The Department will replicate this study in five years (FY 2006). This indicator will track changes in total closing costs for FHA loans. The Department's goal is to significantly reduce closing costs during this period, as a result of RESPA reform and increased enforcement.

Data source. PD&R Closing Cost Study Database. Baseline data will be from FY 2001 data and available in FY 2002. This study will be replicated in FY 2006 to assess changes in closing costs and determine if costs were reduced.

Limitations/advantages of the data. The Closing Cost Database uses a representative sample of HUD-1 forms on 10,000 FHA loans. A limitation of this data is that it covers only FHA loans; RESPA, however, applies to all home mortgage transactions. There are a variety of classification errors that may make it difficult to compare costs of similar services a borrower pays at closing, but this should not affect the total sum of closing costs, which will be used for this measure.

Validation, verification, improvement of measure. Once the initial database is complete, HUD's Office of Policy Development and Research will review and analyze for consistency and inputting errors.

Objective 1.2: Eliminate practices that permit predatory lending.

Overview

Although state and federal authorities regulate home mortgage lending, none of the statutes and regulations governing mortgage transactions provides a formal definition of predatory lending. Predatory lending, whether undertaken by creditors, brokers, or even home improvement contractors, involves engaging in deception or fraud, manipulating the borrower through aggressive sales tactics, or taking unfair advantage of a borrower's lack of understanding about loan terms.

Alerted to the growing problem of Predatory Lending, in early 2000 HUD joined forces with the Department of Treasury to form a Joint Task Force on Predatory Lending. The Task Force was made up of representatives of consumer, civil rights, community and industry groups and state and local officials. In each of five public forums (held in Atlanta, Baltimore, Chicago, Los Angeles and New York), the focus was on a different aspect of predatory lending. From these public forums, HUD developed new strategies to combat predatory lending. These measures included initiatives designed to: 1) strengthen FHA loan endorsement policies and procedures; and 2) enhance FHA's ability to identify and discipline perpetrators of fraud and predatory lending practices.

FHA's predatory lending pilot was designed to address FHA's overall goals of providing relief to borrowers already in distress and strengthening FHA endorsement and fraud detection procedures to prevent predatory practices from occurring in the first place. HUD also designated certain zip codes within larger metropolitan areas as "hot zones." The hot zones were located in parts of metropolitan Atlanta, GA; Baltimore, MD, Chicago, IL; Los Angeles, CA; and New York, NY.

These five hot zones represented areas where claim and default rates are higher than average and where there was a possible incidence of predatory lending. In these hot zones, various actions were undertaken to avoid foreclosure and to prevent other aspects of predatory lending.

FHA is now building on the information obtained through the pilot to address additional aspects of predatory lending.

Means and strategies

From lessons learned in the Predatory Lending Pilot and other ongoing work, FHA completed (or is in the process of completing) the following national actions designed to reduce the incidence of predatory lending.

Published Predatory Lending Directives:

- Mortgagee Letter on August 7, 2000 that announced revised procedures for verifying the transfer of gift funds from private individual donors to homebuyers, as well as the required content of the gift letter itself.
- Proposed rule dated September 5, 2001 to prohibit property flipping in HUD’s Single Family Mortgage Insurance Program.
- Proposed rule dated September 17, 2001 to establish regulatory placement and removal procedures for HUD’s Nonprofit Organization Roster.
- Proposed rule dated October 24, 2001 to establish regulatory placement and removal procedures for HUD’s list of qualified consultants under the Section 203(k) Rehabilitation Loan Insurance Program.
- Proposed rule on November 30, 2001 to make several regulatory changes designed to strengthen the licensing and certification requirements for placement on the FHA Appraiser Roster.

Pre-Publication Predatory Lending Directives:

- Proposed rule to restrict loan fees and charges.
- Proposed rule to increase lender accountability for appraisals.
- Mortgagee Letter to provide due diligence guidelines to FHA servicers.

External factors

As stated previously, there is no official “definition” of predatory lending and thus it is difficult to quantify the scope of the predatory lending practices, both market-wide and specific to FHA.

The predatory lending problem in many situations has more to do with combinations of adverse circumstances in communities. The regulatory changes and Mortgagee Letters are designed to combat many aspects of Predatory Lending.

Coordination with other Federal agencies

HUD has worked with other Federal agencies such as the **Department of Treasury** in a joint forum to address Predatory Lending. As needed, HUD will coordinate with other Federal agencies in efforts to address predatory lending.

Performance goals

The following crosswalk summarizes the performance indicators, including measures of outcomes and program outputs, that will be used to gauge performance during FY 2003. A detailed discussion of each indicator follows the crosswalk.

| FY 2003 Performance Goals |
|---|
| Objective 1.2: Eliminate practices that permit predatory lending. |
| 1.2.1: By the end of FY 2003, FHA will prevent the issuance of FHA mortgage insurance on properties that have been transferred within six months. |
| 1.2.2 : FHA will restrict excessive points and fees on FHA loans. |

Performance goals are for FY 2003 unless otherwise noted.

1.2.1: By the end of FY 2003, FHA will prevent the issuance of FHA mortgage insurance on properties that have been transferred within six months.

Indicator background and context. The Department has published a proposed rule that will address the predatory lending practice of property “flipping”—the practice, often abetted by collusion with the appraiser, whereby a recently acquired property is resold for a considerable profit at an artificially inflated value. Specifically, the proposed rule will establish certain new requirements regarding the eligibility of properties for FHA mortgage insurance. The proposed regulatory amendments include a requirement that any property sold within six months after acquisition, with some exceptions, is not eligible for FHA financing and that only those properties purchased from the owner of record are eligible for FHA mortgage insurance. These proposed amendments will protect FHA borrowers from becoming unwitting victims of property flipping. Further, the proposed changes comply with Congressional mandates to maintain the FHA insurance Fund in a sound actuarial manner.

FHA collects data on the mortgage transaction through the Computerized Homes Underwriting Management System (CHUMS), accessed through the FHA Connection. During FY 2003, FHA will modify CHUMS to perform an automated check to prevent FHA insurance for any property being sold within six months after acquisition. For the circumstances considered exceptions to the six-month rule, the Homeownership Center will have to perform a manual override. FHA plans to begin systems development work on this indicator within the second quarter of FY 2002.

Data source. Computerized Homes Underwriting Management System.

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

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

1.2.2 : FHA will restrict excessive points and fees on FHA loans.

Indicator background and context. The Department will issue a proposed rule that will limit the fees that may be charged on FHA-insured single family mortgages. FHA collects data on the mortgage transactions through the Computerized Homes Underwriting Management System (CHUMS), accessed by lenders via the FHA Connection. In general, any fees or charges exceeding 5 percent of the loan amount would make the loan ineligible for FHA insurance. FHA's goal for FY 2003 is to publish the final rule and begin discussions with FHA's data contractor to make modifications to CHUMS that will prevent FHA insurance on loans with excessive fees and charges.

Data source. Publication of the final rule in the Federal Register will mark completion of this milestone.

Limitations/advantages of the data. Reporting rates are 100 percent because lenders must enter data about the mortgage transaction into the computer system. FHA will mandate the new fields once the system is modified. The limitations to the data include lender errors and or misrepresentation.

Validation, verification, improvement of measure. Following publication of the final rule, FHA will work to modify the CHUMS to account for fees and charges exceeding 5 percent of the loan amount. The system will not allow FHA insurance on loans with excessive fees and charges. The longer-term plan is for FHA to compare the results of pre- and post- endorsement reviews and the monitoring reviews, to assure that the automated tool is performing as intended. Any failure of the automated tool to perform in the function intended will be noted and corrected.

GOAL 2: HELP FAMILIES MOVE FROM RENTAL HOUSING TO HOMEOWNERSHIP

Strategic Objectives:

- 2.1 Expand national homeownership opportunities.**
- 2.2 Expand homeownership opportunities for minorities and persons with disabilities.**
- 2.3 Increase the availability of affordable rental housing.**

Helping American families find safe, decent housing in a suitable living environment has been a central part of HUD's statutory mission for decades. HUD plays a major role in helping low- and moderate-income renter families become homeowners. HUD's activities are particularly important for expanding the homeownership opportunities of minorities and persons with disabilities. Since homeownership is not practical for all families, HUD also helps low-income families afford the costs of rental housing.

There are many advantages to homeownership. Homeownership helps families establish strong roots, which in turn gives them incentives to build up and strengthen their communities. Homeownership can also help families build assets and wealth. No Federal agency does more than HUD, through the Federal Housing Administration (FHA), to create homeownership opportunities. FHA provides mortgage insurance for over a million households in an average year. FHA insurance allows private lenders to provide loans at lower interest rates because their risk is minimized. Ginnie Mae,³ a wholly owned corporation within HUD, also expands affordable housing by helping create an efficient secondary market for mortgage finance. Ginnie Mae links the capital markets with Federal housing markets through an efficient government-guaranteed secondary market vehicle. HUD also establishes performance goals for the government-sponsored enterprises, Fannie Mae and Freddie Mac, to ensure that they fulfill the public-service missions for which they were chartered.

A number of HUD's grant programs also help thousands of families become homeowners each year. HUD's block grant programs, Community Development Block Grants, HOME Investment Partnerships, and Native American Housing Block Grants provide communities with flexible funding that can support homeownership needs. One new initiative, the American Dream Downpayment Fund, will help people overcome the single greatest hurdle to homeownership, accumulating a downpayment. The Self-Help Homeownership Opportunities Program (SHOP) also helps hardworking families become homeowners by working with non-profit organizations.

HUD plays a particularly important role with respect to expanding homeownership opportunities for minorities and persons with disabilities. A much greater share of

³ Ginnie Mae is the Government National Mortgage Association.

minorities than non-minorities relies on FHA insurance to become homeowners. Other HUD programs that help to expand homeownership opportunities for minorities and persons with disabilities include the American Dream Downpayment Fund, Housing Counseling, Section 8 homeownership, Fair Housing enforcement, and HUD's activities to eliminate the practices that permit predatory lending. The tax credit for developers of affordable single-family housing will also play an important role in expanding homeownership opportunities for minorities in low-income communities. Through these and other efforts, HUD hopes to help narrow the gap between the homeownership rates of minority and non-minority households.

While seeking to expand homeownership opportunities, HUD recognizes that homeownership may not be practical for all families, especially those with limited or unstable incomes. To help low-income families afford the high costs of rental housing, HUD provides rental assistance to more than four million households through its public and assisted housing programs.

A number of HUD's programs and initiatives help to increase the number of families that can afford the costs of rental housing. These include incremental housing vouchers, the HOME Investment Partnerships program, the Supportive Housing for the Elderly (Section 202) program, the Supportive Housing for the Disabled (Section 811) program, the Housing Opportunities for Persons With AIDS program, the Native American Housing Block Grant program, the Community Development Block Grant program, and FHA multifamily insurance. Within the constraints of its budget, HUD seeks to provide affordable housing opportunities to as many families as possible.

This strategic goal comprises a large share of the Department's resources. An estimated 16 percent of HUD's staff work on programs or portions of programs that promote homeownership or rental housing. Roughly 16 percent of HUD's budget resources can be attributed to this goal. The budget resources shown for FHA in the following table do not fully reflect the large Federal commitment for FHA programs, because there is a very large volume of outstanding loans that represent Federal liabilities should mortgagors default on their loans.

Resources supporting Strategic Goal 2: Help Families Move from Rental Housing to Homeownership

| Budget Authority (BA) and Staffing Levels (BA is \$ in thousands) | | | | | | | | | |
|--|-------------------------|------------------|------------------|--|--------------|----------------|--------------|----------------|--------------|
| Program | Budget Authority | | | Headquarters (HQ) and Field (F) Staff | | | | | |
| | FY 2001 | FY 2002 | FY 2003 | FY 2001 | | FY 2002 | | FY 2003 | |
| | | | | HQ | F | HQ | F | HQ | F |
| Office of Community Planning & Development | | | | | | | | | |
| Community Development Block Grants Fund ¹ | \$1,584,861 | \$2,170,000 | \$1,466,765 | 33 | 114 | 34 | 118 | 34 | 118 |
| HOME | 1,616,436 | 1,661,436 | 1,875,690 | 30 | 65 | 31 | 66 | 31 | 66 |
| HOPWA | 241,729 | 260,509 | 274,188 | 10 | 9 | 10 | 9 | 10 | 9 |
| Rural Housing and Economic Development | 24,945 | 25,000 | 0 | 2 | 1 | 2 | 1 | 2 | 1 |
| Office of Public & Indian Housing | | | | | | | | | |
| Indian Housing Loan Guarantee Fund | 5,987 | 5,987 | 5,000 | 5 | 0 | 4 | 0 | 4 | 0 |
| Indian Housing Block Grants | 648,570 | 648,570 | 646,600 | 20 | 134 | 26 | 134 | 26 | 134 |
| Native Hawaiian Housing Block Grants | 0 | 0 | 10,000 | 0 | 0 | 3 | 0 | 3 | 0 |
| Native Hawaiian Loan Guarantee Fund (Section 184A) | 0 | 1,000 | 1,000 | 0 | 0 | 1 | 0 | 1 | 0 |
| Housing Certificate Fund ² | 736,551 | 785,018 | 909,341 | 13 | 8 | 14 | 8 | 14 | 8 |
| Revitalization of Severely Distressed Public Housing | 143,434 | 143,434 | 143,500 | 14 | 26 | 15 | 29 | 15 | 29 |
| Office of Housing | | | | | | | | | |
| FHA-MMI/CHMI | 311,800 | 315,800 | 276,900 | 101 | 519 | 112 | 527 | 112 | 527 |
| FHA GI/SRI | 224,700 | 169,200 | 152,200 | 40 | 554 | 46 | 562 | 46 | 562 |
| Manufactured Home Inspection and Monitor Program | 5,000 | 11,566 | 11,000 | 2 | 0 | 4 | 0 | 4 | 0 |
| Housing Counseling Assistance | 19,956 | 20,000 | 22,000 | 0 | 69 | 0 | 70 | 0 | 70 |
| Ginnie Mae | 4,681 | 4,692 | 5,381 | 33 | 0 | 34 | 0 | 34 | 0 |
| Total | 5,568,650 | 6,222,212 | 5,799,565 | 303 | 1,499 | 336 | 1,524 | 336 | 1,524 |

¹ The amount of Budget Authority for Community Development Block Grants Fund is significantly higher in FY 2002 because it includes a share of the supplemental funding of \$2 billion for New York.

² Resources for the Housing Certificate Fund include budget authority and staff from both the Office of Public and Indian Housing and the Office of Housing.

Objective 2.1: Expand national homeownership opportunities.

Overview

Through homeownership, an individual or family makes an investment in the future. A home is an asset that can grow in value and provide capital to finance future needs of a family, such as college for children or retirement. Homeownership helps stabilize neighborhoods, strengthen communities, and stimulate economic growth. From the early days of the Federal Housing Administration in the 1930s to the present, Congress and the President have repeatedly charged HUD with opening doors to homeownership for more Americans.

The national homeownership rate reached a record high rate of 68.1 percent in the third quarter of 2001. This was up 0.4 percentage point from the third quarter of the previous year. There are now nearly 72.8 million families and individuals who own their own homes, the largest population in history.

In contrast, the homeownership rate for families with incomes less than median family income, the homeownership rate was just 52.6 percent, compared to 82.2 percent for families with incomes greater than or equal to median family income. HUD is committed to helping more low-income families attain homeownership.

Means and strategies

HUD brings a wide variety of tools to bear on the objective of increasing homeownership. 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.

FHA's Mutual Mortgage Insurance (MMI) Fund insured new mortgages for 806,956 households, including 643,748 first-time homebuyers, in FY 2001. FHA also provided mortgage insurance for 1,479 manufactured homes or sites, under Title I, through the General Insurance fund.

Ginnie Mae helps reduce mortgage interest rates by guaranteeing securities backed by pools of mortgages. These Mortgage-Backed Securities are issued by Ginnie Mae-approved private institutions. The mortgages are insured by FHA or the Rural Housing Service, or are guaranteed by the Department of Veterans Affairs. Ginnie Mae's guaranty assures investors of timely payments of scheduled principal and interest due on the pooled mortgages that back their securities. The payments also include any prepayments and early recoveries of principal on the pooled mortgages. These payments are guaranteed even if borrowers or issuers default on their obligation.

In FY 2003, continued funding for HUD's core homeownership programs will work together with a number of new or expanded initiatives designed to improve homeownership rates, especially among minority and low-income families and in central cities. These efforts include:

- The American Dream Downpayment Fund, which will provide \$200 million—a four-fold increase—within the HOME program to leverage downpayment and other assistance provided by third parties for first-time homebuyers. The Downpayment Assistance Program is a Presidential initiative. Total HOME funding is significantly increased by \$238 million compared with the FY 2002 funding level.
- Expanded use of Section 8 vouchers for homeownership. Low-income voucher-holders will have the option of using up to one year’s worth of Section 8 assistance for a downpayment on a home or using the voucher to subsidize ongoing homeownership costs.
- A tax credit for developers of affordable single-family housing, which will stimulate the construction and rehabilitation of thousands of single-family homes in low-income areas for purchase by low-income families.
- Expanded funding for the Self-Help Opportunities Program (SHOP), which supports self-help programs using the “sweat equity” concept, such as Habitat for Humanity. For FY 2003, the request for SHOP funding is tripled from \$20 million to \$65 million.
- Expanded funding for Housing Counseling. To help minority and other underserved groups move into homeownership, HUD will expand funding for Housing Counseling from \$20 million to \$35 million. These funds will be used to help educate prospective homebuyers on how to shop for a mortgage, build good credit and meet their new responsibilities as homeowners. Recent research by Freddie Mac demonstrates that housing counseling can be effective in reducing the delinquencies that lead to defaults. The study finds that borrowers who receive pre-purchase homeownership counseling are, on average, 19 percent less likely to become 90-day delinquent on their mortgages than borrowers with equivalent observable characteristics who do not undergo counseling.

In addition to these initiatives, HUD plans to continue its existing efforts to increase homeownership through programs and policies that:

- Increase the share of first-time homebuyers assisted through FHA programs by working more closely with private housing and housing finance partners.
- Reduce homebuying risk for prospective home owners by improving the quality of FHA appraisals.
- Maintain liquidity in the market for mortgage credit. The liquidity created by Ginnie Mae as well as by Freddie Mac and Fannie Mae, the two housing GSEs that HUD regulates, assures that mortgage funds are available for home loans at the lowest rates possible across the nation. HUD sets regulatory goals for the GSEs to expand opportunities for low- and moderate-income homebuyers and homebuyers living in underserved areas.
- Encourage homeownership in lower income neighborhoods through initiatives such as Ginnie Mae’s on-going Targeted Lending Initiative, which reduces the securitization fee paid by lenders to Ginnie Mae for loans in targeted low-income areas.

- Continue to support low-income homeownership activities, including rehabilitation and downpayment assistance, through the HOME program.
- Work with partners in the mortgage lending industry to reduce predatory lending. FHA is sharing the Neighborhood Watch/Early Warning system with lenders so that they, as well as FHA staff, can monitor mortgage default rates.
- Encourage public housing agencies to include homeownership opportunities under HOPE VI public housing revitalization grants.
- When grantees and participating jurisdictions choose to use CDBG funds for homeownership, provide technical assistance to encourage good program design and targeting to those who would otherwise be unable to become homeowners.

External factors

National and regional economic conditions have a strong impact on the homeownership rate and on several performance measures related to HUD homeownership programs. For example, higher interest rates can reduce the number of first-time homebuyers. The National Association of Home Builders has estimated that an increase in the mortgage interest rate of 0.5 percentage points would make a \$150,000 home affordable to 1.9 million fewer potential homebuyers. This volatility affects performance indicators such as the number of FHA mortgage endorsements. Similarly, if the economy weakens and unemployment rises, FHA may experience a higher-than-expected loan default rate.

The homeownership rate is also affected by the actions of many private and public players. State and local grantees under the CDBG program have discretion about whether to use funds for homeownership, rental housing, or other community development activities. Programs of other Federal agencies, particularly the Departments of Agriculture and Veterans Affairs, and choices made by State and local governments, such as use of authority for State mortgage revenue bonds, also influence the success of homeownership objectives.

In light of the considerable uncertainty surrounding future economic conditions and the dominant effect of economic and other external factors on homeownership rates, a number of measures of homeownership have been moved from performance measures to tracking indicators.

Coordination with other Federal agencies

- On an ongoing basis, Ginnie Mae guarantees Mortgage-Backed Securities backed by pools of mortgages that are insured by the Federal Housing Administration, the Department of **Agriculture**'s Rural Housing Service or guaranteed by the Department of **Veterans Affairs**.
- HUD works cooperatively with five other regulatory agencies that are required to collect data under the Home Mortgage Disclosure Act (HMDA). These agencies include the **Office of Thrift Supervision**, the **Comptroller of the Currency (OCC)**, the **Federal Reserve**, the **Federal Deposit Insurance Corporation** and the **National Credit Union Administration**. The **Federal Financial Institutions Examination**

Council (FFIEC) is the governing board that is responsible for collecting and disseminating this information. HMDA data show how mortgage credit is provided across the country and are invaluable in assessing disparities in lending practices among mortgage lenders that affect underserved groups. HUD collects data on all FHA lenders that are not regulated by other government agencies and all other unregulated lenders. HUD works closely with FFIEC and other agencies on quality control and on joint research—for example, on a data and policy analysis project with the OCC on mortgage denial rates.

Performance goals

The following crosswalk summarizes the performance indicators, including measures of outcomes and program outputs, that will be used to gauge performance during FY 2003. A detailed discussion of each indicator follows the crosswalk.

FY 2003 Performance Goals

Objective 2.1: Expand national homeownership opportunities.

- 2.1.1: Improve National homeownership opportunities.*
- 2.1.2: Ginnie Mae securitizes at least 85 percent of single-family FHA and VA loans.
- 2.1.3: Loss mitigation claims are at least 40 percent of total claims on FHA-insured single-family mortgages.
- 2.1.4: The share of all homebuyers who are first-time homebuyers.*
- 2.1.5: The number of FHA single-family mortgage insurance endorsements nationwide.*
- 2.1.6: First-time homebuyers will account for at least 80 percent of FHA-insured home-purchase mortgages.
- 2.1.7: Housing Counseling is provided to 40 percent more homebuyers or homeowners in FY 2004 than in FY 2003.
- 2.1.8: The homeownership rate among households with incomes less than median family income.
- 2.1.9: Fannie Mae and Freddie Mac meet or surpass HUD-defined targets for low-and moderate-income mortgage purchases.
- 2.1.10: Fannie Mae and Freddie Mac meet or surpass HUD-defined targets for special affordable mortgage purchases.
- 2.1.11: The number of homeowners who have been assisted with HOME is maximized.
- 2.1.12: The homeownership Downpayment Assistance Initiative will be fully implemented and assist 10,000 new homebuyers.
- 2.1.13: The number of homeowners who have used sweat equity to earn assistance with SHOP funding is maximized.
- 2.1.14: The homeownership rate in central cities.*

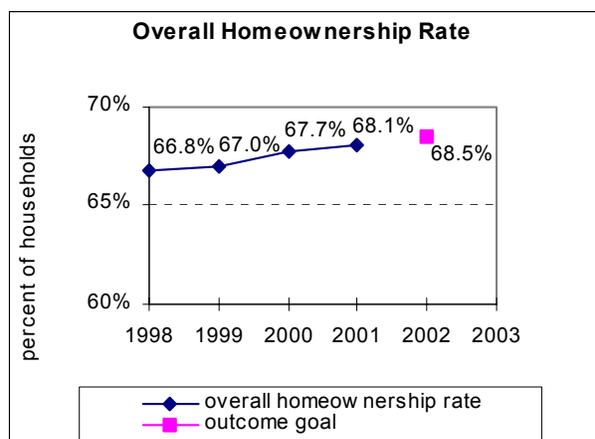
* Asterisks denote tracking indicators, which are important to HUD's mission but are influenced significantly by external factors. HUD does not set a specific target for these indicators. Performance goals are for FY 2003 unless otherwise noted.

2.1.1: Improve National homeownership opportunities.

Indicator background and context. This is a tracking indicator. There is no numeric target because of the current dominant impact of the macro-economy. The overall homeownership rate indicates the share of households that have achieved the “American dream” of homeownership. Homeownership is widely believed to encourage commitment to communities and good citizenship. The homeownership rate has reached record levels in recent years, but is resistant to increases above an undetermined level because homeownership is not practical or desirable for all households. HUD programs helped families take advantage of strong economic conditions to increase homeownership in recent years, contributing to a 68.1 percent homeownership rate in the third quarter of 2001. A review of the continued validity of the homeownership goal determined that continued growth of homeownership is desirable and achievable by increasing homeownership among subgroups with greater barriers to homeownership, including minority and low-income families, as well as families in central cities. A slackening in economic activity suggests the goal of 70 percent homeownership by 2006, established in HUD’s *Strategic Plan*, needs to be reexamined.

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

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



Data are based on calendar years.

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

2.1.2: Ginnie Mae securitizes at least 85 percent of single-family FHA and VA loans.

Indicator background and context. Ginnie Mae creates a secondary market for residential mortgages. Securitizing a high share of FHA and VA loans increases the liquidity of funds in the market for mortgage credit, and the presence of government-backed securities lowers market interest rates, creating homeownership incentives. This indicator tracks the ratio between the reported value of FHA single-family loan

endorsements and VA guarantees and the total value of Ginnie Mae single-family program securities issued. Other players in the secondary market, including Fannie Mae, Freddie Mac and the Federal Home Loan Bank System, have increased the level of competition for FHA and VA loans in recent years.

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

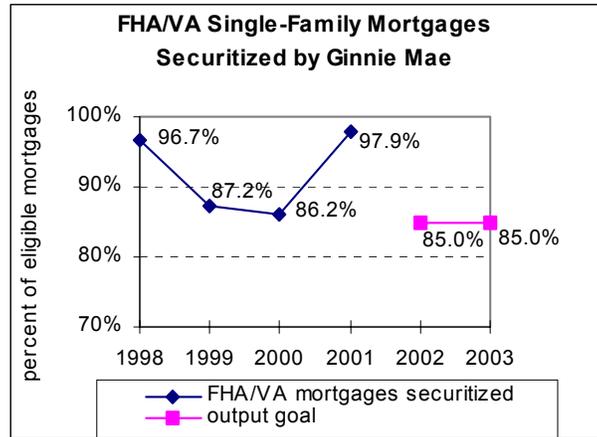
Limitations/advantages of the data. No data limitations are known to affect this indicator.

Validation, verification,

improvement of measure. Both Ginnie Mae and FHA numbers are subject to annual financial audits

because they represent an obligation

on the part of the United States. FHA data are entered by the loan servicers with monitoring by FHA. HUD will not verify Ginnie Mae data independently.



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

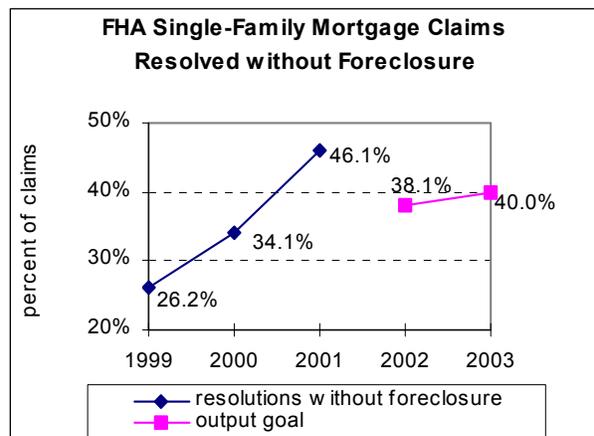
Indicator background and context. This indicator measures the success of FHA loan servicers in implementing statutorily required loss-mitigation techniques when borrowers default on their FHA mortgages. A borrower can resolve a default (90-day delinquency) in several ways short of foreclosure: for example,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

The use of loss mitigation as a share of total claims increased from 34.1 percent in FY 2000 to 46.1 percent in FY 2001. The FY 2003 goal is to ensure that at least 40 percent of the total number of claims are resolved through loss mitigation.

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

to increase the ultimate success rate of loss mitigation in helping borrowers avoid foreclosure.

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



Limitations/advantages of the data.

No data limitations are known to affect this indicator.

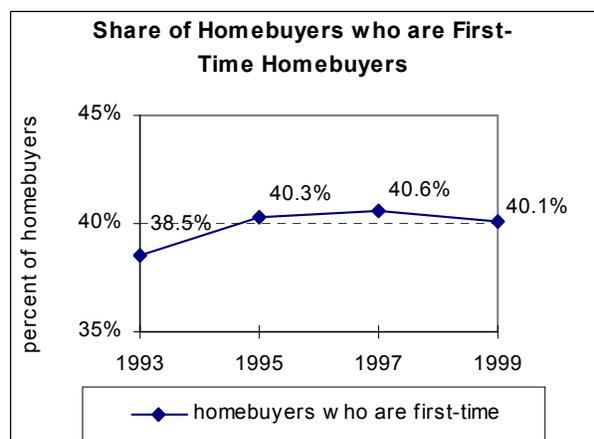
Validation, verification, improvement of measure. FHA data are entered by the loan servicers with monitoring by FHA.

2.1.4: The share of all homebuyers who are first-time homebuyers.

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

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

Limitations/advantages of the data. AHS data are available only biennially with a time lag. Calendar year 2001 data will become available during FY 2002. AHS data are based on a more comprehensive and representative sample than the Chicago Title Insurance Company data that HUD used until reporting ceased.



Data are based on calendar years.

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

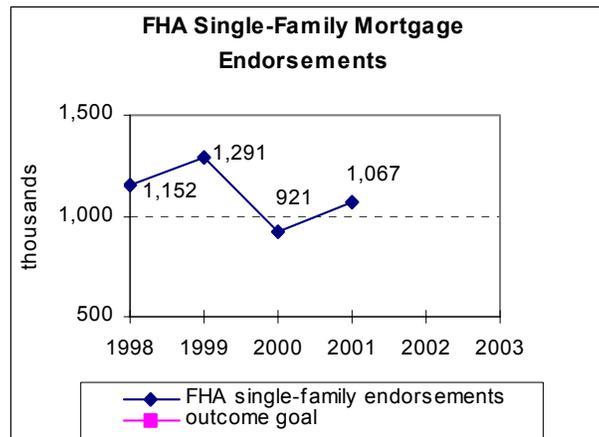
2.1.5: The number of FHA single-family mortgage insurance endorsements nationwide.

Indicator background and context. This is a tracking indicator. FHA insures mortgages issued by private lenders, increasing access to mortgage capital so homeownership opportunities increase. This indicator tracks FHA's contribution to the homeownership rate through the annual volume of FHA-insured loans. While the number of FHA mortgage endorsements is a key measure of HUD's contribution to homeownership, the actual rate achieved during FY 2003 will be dramatically affected by market forces outside of HUD's control, especially interest rates. Balancing the importance of reporting this key measure of HUD activity with an appreciation of the huge effect the market plays in the final result, the Department has decided to track this measure, but not establish a numeric goal for FY 2003.

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

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

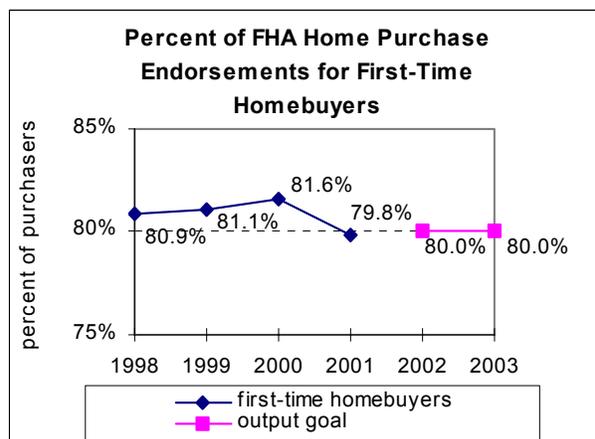
Validation, verification, improvement of measure. FHA data are entered by direct-endorsement lenders with monitoring by FHA.



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

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

This indicator tracks the share of first-time homebuyers among FHA endorsements for home purchases—thus excluding loans made for home improvements. The FY 2003 performance goal of 80 percent is intended to establish a new benchmark that reflects high performance achieved since FY 1998 as well as the vulnerability of this measure to variations in macroeconomic conditions.



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

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

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

2.1.7: Housing Counseling is provided to 40 percent more homebuyers or homeowners in FY 2004 than in FY 2003.

Indicator background and context. The Department is placing more emphasis on housing counseling, and counseling is a requirement for several programs such as Section 8 homeownership. Clients tracked through this indicator include those receiving housing counseling for homebuyer education, prepurchase and loss mitigation default and are either preparing to purchase a home, purchasing a home or working to remain in their home. An increase in Housing Counseling funding in FY 2003 will not only increase the number of homebuyers and homeowners counseled, but allow the Department to provide technical assistance to improve the capacity of its Housing Counseling agencies. Due to the spend-out rate of new counseling funds, the increase in funding will not become evident programmatically until FY 2004, with more substantial increases accruing in following years. This indicator, therefore, will measure the percentage increase in the number of homebuyers or homeowners counseled between FY 2003 and FY 2004.

While total funding for Housing Counseling is proposed to increase by 70 percent, the amount to be competed through the FY 2003 NOFA would increase by only approximately 55 percent. The Office of Single Family Housing does not compete the entire Housing Counseling appropriation, but reserves some funding for training, monitoring, operating the housing counseling clearinghouse, etc. Single Family proposes competing \$29 million of the \$35 million. Additionally, the NOFA process is a factor in the expenditure of funds and the achievement of the counseling goal. Funds are awarded late in the fiscal year, with the counseling occurring well into the next fiscal year.

It should also be pointed out that the indicator specifically addresses homebuyers and homeowners. Depending on the state of the economy and the housing market, the

demand for the various types of counseling rises and falls. For example, in bad times, the demand for default counseling rises and the proportions receiving rental counseling and homeless counseling may also vary for reasons outside HUD's control. Because HUD cannot predict what the economy will be like in FY 2004 when most of the FY 2003-funded counseling will be provided, HUD cannot predict with any confidence what the specific demand will be for the various types of counseling.

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

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

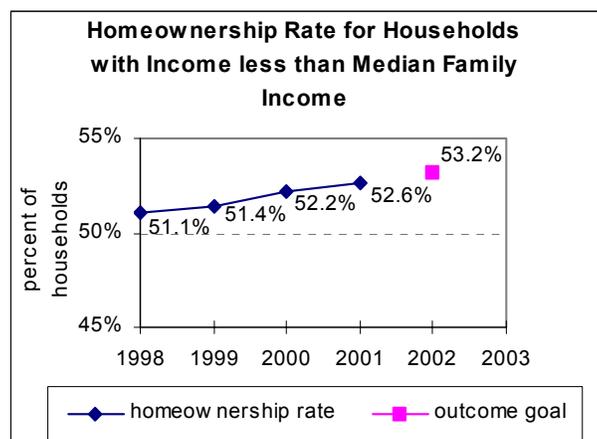
Validation, verification, improvement of measure. While FHA does not verify the counseling counts, it does monitor agencies through site visits to assure quality counseling practices. To better assess outcomes resulting from Housing Counseling efforts, the Department is exploring the use of client-level data to track outcomes and is analyzing FHA loan-level data to assess the impact of Housing Counseling efforts.

2.1.8: The homeownership rate among households with incomes less than median family income.

Indicator background and context. This is a tracking indicator. There is no numeric target because of the current dominant impact of the macro-economy. Homeownership is advantageous because of its contributions to asset development, better neighborhoods and schools, stability of tenure, and wider choice of housing types. Holding other factors equal, homeownership improves outcomes for children on a number of dimensions, including school achievement and dropout rates. Through this indicator, HUD will track national progress in increasing homeownership among households earning less than the national median family income through improved partnering, marketing, and outreach, as well as the higher loan limits recently approved for FHA.

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

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



Data are based on calendar years.

significant with 90 percent confidence.

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

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

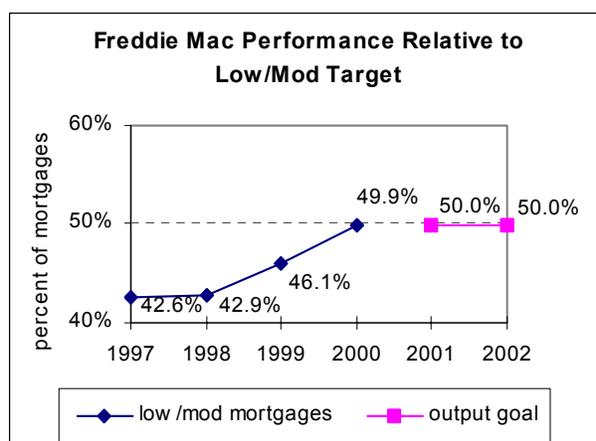
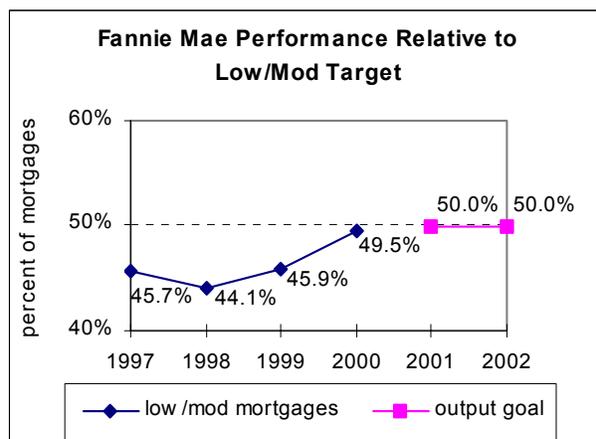
Indicator background and context. Fannie Mae and Freddie Mac, two housing GSEs, facilitate homeownership by providing a secondary market for home mortgages, thereby increasing available capital and reducing mortgage interest rates. In return for their quasi-governmental status, Fannie Mae and Freddie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

Beginning in 2001, HUD increased the affordable housing goals for the GSEs. Under the new GSE rule, the share of all eligible units that each enterprise finances that must be affordable to low- and moderate-income families increases from 42 percent to 50 percent. As part of the new rule, several changes were made to the counting rules to encourage specific types of lending. For example, to encourage more small project lending, the new rules assign double weight to multifamily units in properties with 5 to 50 units, as well as to certain owner-occupied 2 to 4 unit properties. These charts reflect GSE past performance had the new rule been in effect.

Data source. HUD's GSE database.

Limitations/advantages of the data.

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



Data are based on calendar years.

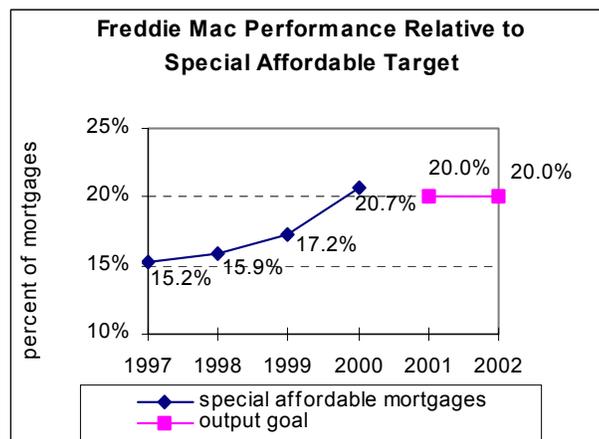
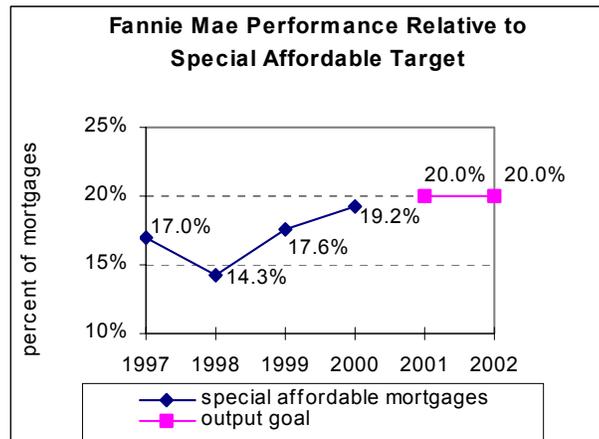
Validation, verification, improvement of measure. GSEs apply quality control measures to data elements provided to HUD. The Department verifies the data through comparison with independent data sources, replication of GSE goal performance reports, and independent reviews of GSE data quality procedures. GSE financial activities are verified by independent audits.

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

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

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

Beginning in 2001, HUD increased the affordable housing goals for the GSEs. The special affordable goal was increased to 20 percent. As part of the new GSE rule, several changes were made to the counting rules to encourage specific types of lending. For example, to encourage more small project lending, the new rules assign double weight to multifamily units in properties with 5 to 50 units, as well as to certain owner-occupied 2 to 4 unit properties. These charts reflect GSE past performance had the new rule been in effect.



Data are based on calendar years.

Data source. HUD’s GSE database.

Limitations/advantages of the data. The data are compiled directly from GSE records on single-family and multifamily loan purchases. The data are based on calendar year

rather than fiscal year lending, and data are presented for GPRA purposes on a one-year lagged basis.

Validation, verification, improvement of measure. GSEs apply appropriate quality control measures to data elements provided to HUD. HUD verifies the data through comparison with independent data sources, replication of GSE goal performance reports, and independent reviews of GSE data quality procedures.

2.1.11: The number of homeowners who have been assisted with HOME is maximized.

Indicator background and context. HOME Investment Partnership block grants give communities flexibility to meet their housing needs in a variety of ways. Many Participating Jurisdictions (PJs) choose to use HOME funds to rehabilitate owner-occupied units and to help renters become homeowners for the first time. This indicator tracks the number of homeowners assisted with HOME funds. The homeownership assistance figures represent projections based on past experience, recognizing that PJs have discretion as to what housing activities they choose to fund. The HOME homeownership data are presented with other affordable housing funded by grants under indicator 2.3.4: “The number of households receiving housing assistance with CDBG, HOME, HOPWA, NAHBG and NHHBG increases.”

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

Indicator background and context. In FY 2003, the Downpayment Assistance Initiative will continue to provide funds within the HOME program to provide downpayment assistance to new homebuyers. The inability to afford a downpayment on a home is the biggest single obstacle to homeownership, especially during periods of low interest rates and for households who have only recently become financially self-sufficient. Recipients must have sufficient income to meet ongoing mortgage payments, taxes and home maintenance costs. At a \$5,000 average per assisted household, a total of 40,000 households will be assisted over the life of the \$200 million fund. During FY 2003, an estimated 10,000 will be assisted, half of these from the \$50 million appropriated in FY 2002 (assuming that required legislation is passed by June 30, 2002).

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

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

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

2.1.13: The number of homeowners who have used sweat equity to earn assistance with SHOP funding is maximized.

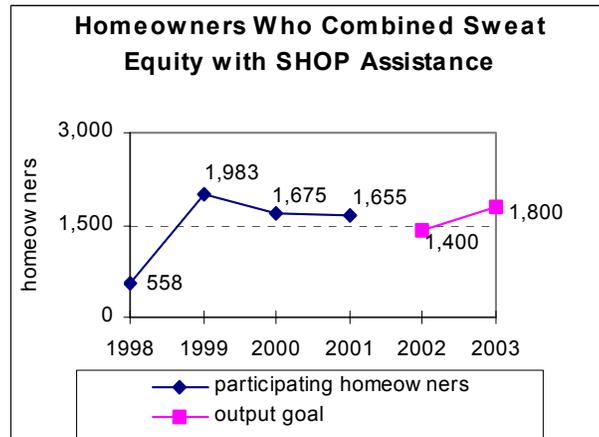
Indicator background and context. This indicator tracks the number of homeowners assisted with funding from the Self-Help Homeownership Opportunities Program (SHOP). Under SHOP, grant funds are combined with local funding and donated materials, and prospective homeowners perform construction-related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

In FY 2003, HUD has proposed significantly increased funding for SHOP, which would significantly increase performance beginning in FY 2004. Given the nature of the competitive process, FY 2003 funds will only be made available to successful SHOP applicants in the third quarter of FY 2003, at the earliest. In addition, existing SHOP grantees would still have FY 2001 and FY 2002 funds available at that time which must be used first, and these grantees would require additional time in any event to mobilize their affiliates to identify, negotiate and close on additional parcels of buildable land while at the same time identifying, qualifying and training prospective homebuyers who will contribute their sweat equity to the construction of the new homes. The construction itself faces the same lengthy development schedule private construction requires. For these reasons, the full effect of the increase in FY 2003 SHOP funds will not be felt until FY 2004.

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

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

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



2.1.14: The homeownership rate in central cities.

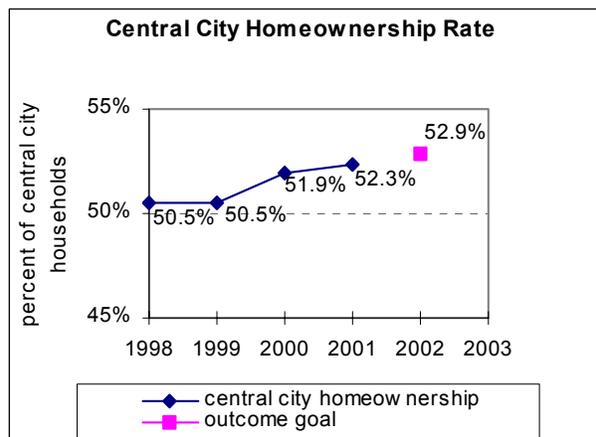
Indicator background and context. This is a tracking indicator. There is no numeric target because of the current dominant impact of the macro-economy. Central cities have below-average rates of homeownership—in part because of higher density development and multifamily housing—but also because of losses of middle-class families in past decades. Low homeownership can contribute to neighborhood decline because absentee landlords and their tenants put forth less maintenance effort than homeowners. In such cases, low homeownership often leads to a shrinking municipal tax base. HUD is increasing marketing and outreach efforts to promote central city homeownership, including targeted sales of HUD-owned properties. The Department’s geographically-

targeted goals for the housing GSEs include central city criteria to help ensure that mortgage capital is available. Cities also are making efforts to increase homeownership rates, as grantees increasingly use HOME funds to promote homeownership. This indicator tracks the progress in reestablishing central cities as desirable places for long-term individual investment.

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

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

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



Objective 2.2: Expand homeownership opportunities for minorities and persons with disabilities.

Overview

America's best prospect for increasing homeownership rates lies in increasing opportunities for groups that currently are more often renters. Racial and ethnic minorities and families with disabilities are two large groups that lag behind. Helping them become homeowners increases their ability to participate in the Nation's primary means of building assets, securing family futures and providing stable neighborhoods for youth. The Administration has made expanded homeownership opportunities one of the central priorities.

Although a period of sustained economic growth has helped to raise the overall homeownership rate to a record level, the homeownership rates for minority households lag far behind those of other families. The homeownership rate for minorities in the third quarter of 2001 was 49.2 percent—a record high, yet some 25.4 percentage points below the homeownership rate of 74.6 percent for non-minority households. Households with disabilities also have lagging rates of homeownership. Although the Americans with Disabilities Act is reshaping the employment landscape, disabilities can limit earning power and increase cost of living. These factors make accumulating a downpayment difficult. Disability-related medical needs also may interrupt steady earnings streams, increasing the risk of losing a home through default.

HUD intends to address these problems to make homeownership opportunities available to more minority and disabled households.

Means and strategies

A number of the programs that increase homeownership opportunities overall, as discussed for Objective 2.1, have particularly strong benefits for minority and disabled households. The strong association of low incomes and central city locations with minority and disability status means that HUD programs that focus on lower income groups and distressed communities have specially beneficial consequences for minority and disabled homeownership.

The FY 2003 budget continues a variety of initiatives that support this Strategic Objective through efforts to increase low-income homeownership. These initiatives include the American Dream Downpayment Fund, Section 8 Homeownership vouchers, the tax credit for developers of affordable single-family housing, and increased funding for the SHOP program. Several programs, initiatives and policies that have special impacts on minorities are worthy of special mention:

- Increase funding for Housing Counseling to help minority and other underserved groups move into homeownership and meet ongoing homeownership responsibilities.

- Promote the use of FHA’s new mortgage scorecard, Technology Open To All Lenders “TOTAL” Scorecard, by mortgage lenders. When used in an automated underwriting system, the scoring system will ensure that mortgage applications are evaluated fairly and uniformly.
- Work with partners in the mortgage lending industry to reduce predatory lending, which has been most troublesome in predominantly minority neighborhoods. FHA is sharing the Neighborhood Watch/Early Warning system with lenders so that they, as well as FHA staff, can monitor mortgage default rates.
- Enforce fair housing laws to reduce the number of minority families denied mortgage credit and homeownership opportunities. Through the Fair Housing Assistance Program and the Fair Housing Initiatives Program, HUD will continue to provide funds to state and local partner organizations to educate the public about fair housing law, help victims report violations, and enforce substantially equivalent state and local fair housing laws.

Other ongoing activities will support continued increases in homeownership rates for minority and disabled households:

- Continue outreach nationally to lenders, real estate brokers, and builders, including signing agreements, in support of fair housing.
- Ensure equal treatment of minorities by HUD grantees.
- Establish regulatory goals for housing GSEs to expand opportunities for low- and moderate-income homebuyers and in underserved areas, including areas with a higher proportion of racial minorities.
- Increase Ginnie Mae activities that increase capital available for targeted efforts to underserved areas.
- Expand homeownership units available nationally and in targeted distressed communities through the Section 8 homeownership and HOME programs.
- Increase FHA endorsements for minority and disabled homebuyers through marketing, outreach and education. Provide valuable information for first-time home buyers, through its award winning website and reach out with other means, such as homeownership fairs, to explain the homebuying process to minority and disability groups—providing bilingual materials where appropriate.
- Continue comprehensive research on fair lending discrimination.
- Work with local communities to promote and encourage Fair Housing and related issues.

External factors

Historical patterns of discrimination and differences in schooling and income levels make it more difficult for minorities to secure the income and credit history needed to become homeowners. Also, many private lenders need to continue developing credit assessment tools and loan products for traditionally underserved groups to better reach these markets.

Ongoing constraints on employment opportunities of some disabled households will continue to limit their success at long-term homeownership.

Coordination with other Federal agencies

- HUD cooperates with the Department of **Justice** to enforce fair housing laws that prohibit discrimination on the basis of minority status or disability.
- HUD works cooperatively with five other regulatory agencies that are required to collect data under the Home Mortgage Disclosure Act (HMDA). These agencies include the **Office of Thrift Supervision**, the **Comptroller of the Currency (OCC)**, the **Federal Reserve**, the **Federal Deposit Insurance Corporation** and the **National Credit Union Administration**. The **Federal Financial Institutions Examination Council (FFIEC)** is the governing board that is responsible for collecting and disseminating this information. HMDA data show how mortgage credit is provided across the country and are invaluable in assessing disparities in lending practices among mortgage lenders that affect underserved groups. HUD collects data on all FHA lenders that are not regulated by other government agencies and all other unregulated lenders. HUD works closely with FFIEC and other agencies on quality control and on joint research—for example, on a data and policy analysis project with the OCC on mortgage denial rates.
- Under a plan approved by the **Federal Housing Finance Board**, HUD formed a new partnership with the **Federal Home Loan Bank** of Seattle to buy up to \$100 million in loans guaranteed by HUD under Title VI of NAHASDA. The borrower pledged their current and future Native American Housing Block Grant funds as collateral. HUD's action will help create an incentive for other financial institutions to extend financing to Native American communities. HUD will guarantee 95 percent of the principal and interest due in the event of default. The guarantees will encourage the participation of banks that do not customarily serve reservations and other Native American or Native Alaskan areas, broadening the secondary market and generating further investment in affordable housing and community development in these underserved communities.
- HUD serves on the Interagency Task Force on Fair Lending, whose members include the Departments of **Justice** and **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
- The Interagency Task Force on Predatory Lending consists of Federal law enforcement and banking supervisory agencies jointly seeking solutions to the problem of predatory lending. The Task Force seeks also to address the allegations that many predatory lending practices violate fair housing laws. Anecdotal evidence indicates that some predatory lenders target neighborhoods and persons because of race, national origin, and gender for loans that contain abusive terms and conditions.

A particular concern is possible predatory lending to older, African-American women with significant amounts of equity in their homes.

Performance goals

The following crosswalk summarizes the performance indicators, including measures of outcomes and program outputs, that will be used to gauge performance during FY 2003. A detailed discussion of each indicator follows the crosswalk.

| FY 2003 Performance Goals |
|--|
| Objective 2.2: Expand homeownership opportunities for minorities and persons with disabilities. |
| 2.2.1: The minority homeownership rate will increase to 50 percent. |
| 2.2.2: The ratio of homeownership rates of minority and nonminority low and moderate-income families with children increases by 0.4 percentage points to 76.0 percent by 2003. |
| 2.2.3: The ratio of homeownership rates of persons with disabilities and other households increases by 0.2 percentage points. |
| 2.2.4: The ratio of home purchase mortgage disapproval rates between minority and other applicants.* |
| 2.2.5: The share of minority homebuyers among FHA home purchase-endorsements increases by 1 percentage point. |
| 2.2.6: More than 62 percent of total mortgagors receiving default counseling will successfully avoid foreclosure. |
| 2.2.7: The share of Housing Counseling clients who are minorities will increase to 58.5 percent to support minority homeownership. |
| 2.2.8: The share of minority endorsements processed by the FHA Technology Open To All Lenders (TOTAL) Scorecard increases by 1 percentage point. |
| 2.2.9: Endorse at least 421,000 FHA single-family mortgages in underserved communities. |
| 2.2.10: Section 184 mortgage financing is guaranteed for 200 Native American homeowners during FY 2003. |

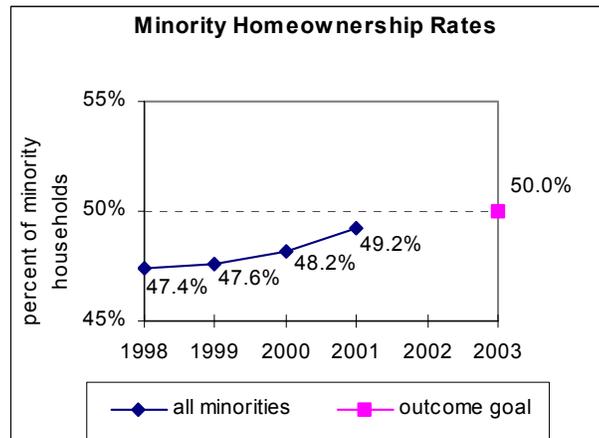
* Asterisks denote tracking indicators, which are important to HUD's mission but are influenced significantly by external factors. HUD does not set a specific target for these indicators. Performance goals are for FY 2003 unless otherwise noted.

2.2.1: The minority homeownership rate will increase to 50 percent.

Indicator background and context. Many of HUD's programs improve homeownership by targeting underserved populations including minorities. Strategies to increase minority homeownership include increased outreach and continued enforcement of equal opportunity in housing. The Department also is requesting increased funding for the Housing Counseling program. New counseling resources will help more members of minority and other underserved groups to build the knowledge to become homeowners and to sustain their new tenure by meeting the ongoing responsibilities of homeownership. The FY 2003 performance goal is to increase the overall minority homeownership rate to 50.0 percent in the third quarter of 2003, up from a baseline of 49.2 percent in the third quarter of 2001.

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

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



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

2.2.2: The ratio of homeownership rates of minority and nonminority low and moderate-income families with children increases by 0.4 percentage points to 76.0 percent by 2003.

Indicator background and context. One of HUD's central objectives is to remove homeownership barriers and increase homeownership among minorities. Homeownership rates are most susceptible to policy intervention among renters who are marginally creditworthy, discouraged by discrimination, or unaware of the economic benefits of homeownership. This indicator tracks progress in reducing these barriers to homeownership among racial and ethnic minorities, as measured by the ratio of minority homeownership rates to homeownership of non-Hispanic whites. The effects of income and household type are controlled by comparing homeownership rates for low- and moderate-income families with children (those with incomes of 51 to 120 percent of area median income). The FY 2003 goal is to increase the ratio by 0.4 percentage points from calendar year 2001 levels by calendar year 2003, building on a similar goal for FY 2001.

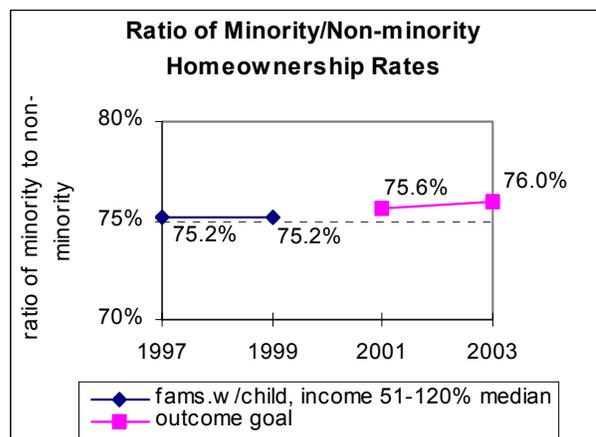
Data source. American Housing Survey, conducted for HUD by the Bureau of Census.

Limitations/advantages of the data.

AHS data are published only biennially with a time lag. AHS data for calendar year 2001 will become available during FY 2002. Sample sizes do not support detailed income and ethnicity breaks for this measure.

Validation, verification, improvement of measure.

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



Data are based on calendar years.

2.2.3: The ratio of homeownership rates of persons with disabilities and other households increases by 0.2 percentage points.

Indicator background and context. Like other American households, persons with disabilities often seek the stability and financial benefits of homeownership. A variety of economic barriers limit their ability to achieve their housing goals, including lower disposable income related to their disability, a thinner housing market for accessible homes, and extra costs of adapting existing homes. As a result, the rate of homeownership by persons with disabilities has been estimated to be as low as 5 percent, or only 7 percent of the national homeownership rate. Based on feedback used in preparing the *FY 2000-2006 Strategic Plan*, HUD will seek to determine a reliable baseline for this indicator and develop appropriate policies to remedy this large discrepancy. For purposes of this measure, persons with disabilities means households in which the head or spouse has a disability that prevents or limits work.

Data source. The Current Population Survey, conducted monthly by the Bureau of Census, collects data about whether respondents have health problems or disabilities that prevent working or limit the kind or amount of work.

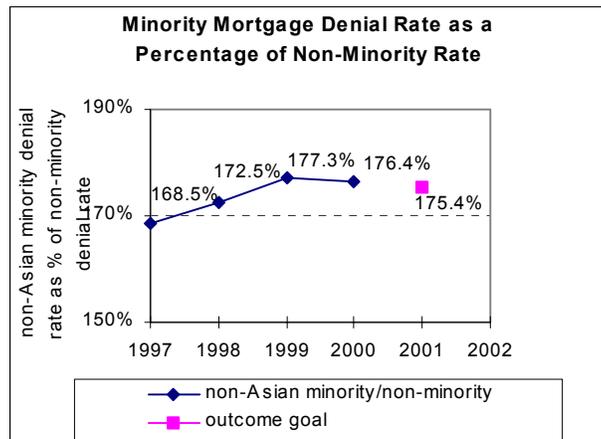
Limitations/advantages of the data. CPS sample sizes are adequate to produce reliable quarterly estimates of this ratio. The definition of disability in terms of ability to work may differ somewhat from evolving definitions of disability. The Bureau of Census reports that 26 percent of those with severe disabilities and 77 percent of those with non-severe disabilities have jobs. The data also do not show whether persons became disabled before or after becoming homeowners.

Validation, verification, improvement of measure. The validity of the measure will be reviewed after baseline estimates are generated. The Bureau of Census has rigorous data quality standards, and it is not feasible for HUD to verify Census data independently. Income maintenance programs for persons with disabilities may provide external verification of disability status.

2.2.4: The ratio of home purchase mortgage disapproval rates between minority and other applicants.

Indicator background and context. This is a tracking indicator for which no FY 2003 performance target has been established (see data limitations). Equal access to home loans is critical for decreasing disparities in homeownership rates. Mortgage disapproval rates for minorities are an early indicator of trends in minority homeownership rates. The primary cause of differences in mortgage disapprovals between ethnic groups is differences in average disposable income and creditworthiness. However, in some cases lenders have been shown to discriminate against minority applicants for mortgages by disapproving their mortgages while approving nonminorities who were less creditworthy or had less income. The goals that HUD has established for the two largest secondary mortgage market lenders, Fannie Mae and Freddie Mac, encourage increased lending to minorities. In addition, FHA can increase minority lending through targeted marketing and counseling to potential minority home purchasers.

This indicator tracks home purchase mortgage disapproval rates of minorities that traditionally have had limited access to traditional housing markets—African Americans, Hispanics, Native Americans, and other minorities except Asians—and compares them to disapproval rates of non-Hispanic white applicants. In 1999, the mortgage disapproval rate for minority applicants was 77.3 percent higher than the disapproval rate for non-minority white applicants. (The Asian-American/Pacific Islander population is excluded from “minorities” for this measure because their disapproval rate of 9.9 percent in 1999 does not substantially exceed the 9.1 percent rate of the non-Hispanic white population.) The mortgage applications counted are conforming loans or loans insured by FHA, VA or the Rural Housing Service (RHS), and are limited to owner-occupied single-family home purchases from metropolitan areas.



Data are based on calendar years.

Data source. Home Mortgage Disclosure Act (HMDA) database, consisting of calendar-year data submitted by lenders to the Federal Financial Institutions Examination Council (FFIEC) and HUD. This measure excludes refinance mortgages, which have a higher proportion of subprime lenders, and manufactured home mortgages, because a recent increase of reporting by manufactured home lenders in HMDA causes difficulties in interpreting the overall data. The measure also excludes loans made by lenders specializing in manufactured home loans because the large number of mortgage denials from these lenders would skew the overall data.

Limitations/advantages of the data. Data are available with a one-year lag. The data are not able to fully demonstrate discriminatory practices because minority status is correlated with other factors that affect creditworthiness, and because lender outreach to

minorities sometimes increases the denial rates even as it increases the number of minority homeowners. There is no reliable way to identify loans from subprime lenders in HMDA data, and the effect of subprime loan applications on home purchase denial rates is unclear. The limit for “conforming loans” has increased each year over the reported period, to \$252,700 in 2000, which could have the effect of reducing the relative denial rates of non-minority households if higher incomes place more of them near the conforming loan limit.

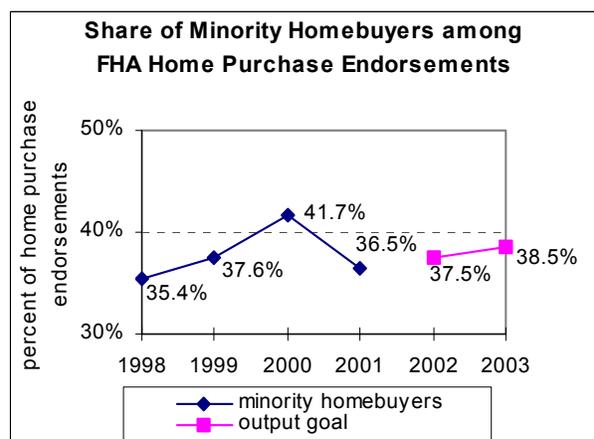
Validation, verification, improvement of measure. The FFIEC and HUD use automated data quality procedures to verify that data submissions are reasonable and accurate.

2.2.5: The share of minority homebuyers among FHA home purchase-endorsements increases by 1 percentage point.

Indicator background and context. FHA is a major source of mortgage financing for minority as well as lower income buyers. Increasing the number of FHA endorsements for minority homebuyers will help reduce the homeownership gap between whites and minorities as well as increase the overall homeownership rate. The FY 2003 goal is to increase the proportion of minority (non-white non-Hispanic) homebuyers by one percentage point from the FY 2002 level, building on an equivalent improvement presumed for FY 2002.

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

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



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

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

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

increasingly important during periods of economic downturn, when job losses and low wages make it more difficult for families to meet their financial obligations, and default rates rise. Possible outcomes that are captured by the data include 'Reinstated,' 'Paid-in-Full,' 'Foreclosed,' and 'Other Claim.' Analysis of the last five years suggests that approximately 38 percent of loans in default result in foreclosure.

Data source. FHA collects data on default outcomes through the Single Family Data Warehouse (SFDW), a system that compiles data on FHA-insured loans from various single family housing data sources. Housing counseling data are collected from grantees through the form HUD-9902.

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

Validation, verification, improvement of measure. HUD collects Housing Counseling data through the form HUD-9902. The current form HUD-9902 has some major limitations that prevent the Office of Housing from establishing a baseline from this data source. For example, default counseling is not designated specifically as a separate counseling type. Instead, there is a broad group termed 'mortgagors' in which default counseling is a sub-set. Consequently, calculations regarding default counseling are imprecise. To improve the quality of the counseling data and make it useful for this type of performance measure, FHA has significantly revised the form HUD-9902 to facilitate the improved tracking of outcomes. After publishing a draft revision in the Federal Register, FHA is incorporating comments and preparing to submit the overhauled form to OMB for approval. Single Family intends to have the new form operational in time to coincide with the FY 2002 grant cycle.

2.2.7: The share of Housing Counseling clients who are minorities will increase to 58.5 percent to support minority homeownership.

Indicator background and context. The Department is placing more emphasis on Housing Counseling and counseling is a requirement for several programs such as Section 8 homeownership. The Housing Counseling NOFA encourages counseling agencies to use their funding awards to increase minority homeownership; the NOFA scoring mechanism favors applicants that provide these services. Clients tracked through this indicator include those receiving various forms of housing counseling – from homebuyer education, pre-purchase, and loss mitigation/default counseling to rental, fair housing, and homeless counseling. The use of counseling funds to assist minorities seeking to become homeowners or retain homeownership should increase the minority homeownership rate. In FY 2000, the latest for which data are available, 58.0 percent of Housing Counseling clients were minorities. The FY 2003 performance goal is to increase the proportion of minority clients served to 58.5 percent.

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

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

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

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

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

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

A major difference between the FHA TOTAL Scorecard and the conventional market is that no borrower is rejected on the determination of the automated scorecard and FHA requires the mortgagee to provide referred borrowers with borrower education information as a condition of using the TOTAL Scorecard. Under the conditions of use for the TOTAL Scorecard, minority applicants receiving a refer decision must be

manually underwritten by the lender and cannot be denied a loan solely on the basis of the TOTAL Scorecard decision. The FY 2003 performance goal is to increase minority endorsements processed by the TOTAL scorecard by 1 percentage point from the expected FY 2002 level of 36 percent.

Data source. FHA's Computerized Homes Underwriting Management System.

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

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

2.2.9: Endorse at least 421,000 FHA single-family mortgages in underserved communities.

Indicator background and context. FHA's role in the mortgage market is to extend homeownership to families that otherwise might not achieve homeownership. There is substantial evidence that lower income and minority neighborhoods are less well served by the conventional mortgage market than are more affluent and nonminority neighborhoods. FHA lending in disadvantaged neighborhoods increases the homeownership rate.

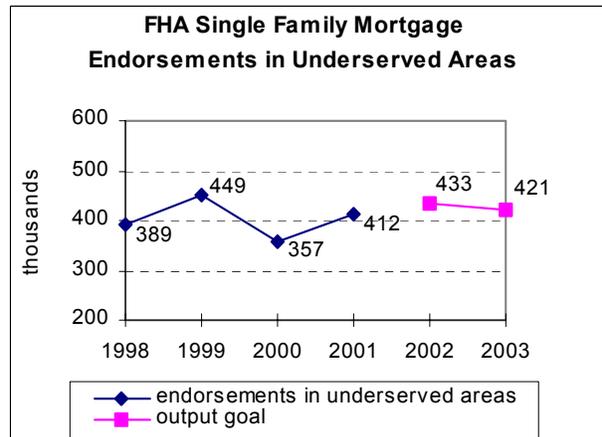
While it is extremely important that FHA loans be available in underserved communities for those who otherwise might not become homeowners, it is also important that FHA be a complement to, and not a substitute for, conventional lending. A healthy housing market requires the availability of conventional mortgages as well. A goal for increasing FHA lending in such neighborhoods should not involve an increased FHA share of the total mortgage market in these communities, but should be accompanied by increased conventional lending as well. During FY 2001, 412,192 FHA single family endorsements were for homes in underserved areas. The FY 2002 goal was to increase the tally by 5 percent, or to approximately 433,000. Given economic uncertainties, the FY 2003 goal is to insure 421,000 mortgages in underserved areas. The achievement of this goal is strongly influenced by National economic conditions.

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

Limitations/advantages of the data.

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

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



2.2.10: Section 184 mortgage financing is guaranteed for 200 Native American homeowners during FY 2003.

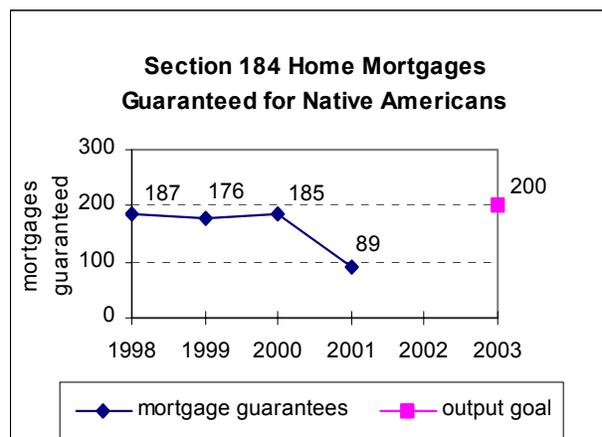
Indicator background and context. Homeownership rates on reservations are low and housing needs are great. The Native American Housing Loan Guarantee fund provides credit subsidies that support loan guarantees to meet this need. The guaranteed loans can be used to purchase, construct and/or rehabilitate single-family homes on Indian trust or restricted land and in designated Indian areas. Because of the unique legal status of these lands, lenders previously had been hesitant to assume the risk of providing mortgage financing where legal title to the property could not be used as collateral. Other important constraints that limit the ability of Tribes to take advantage of guaranteed loans include weak local economies, a lack of infrastructure, high building costs in rural areas, and a shortage of service providers such as appraisers and Realtors. This indicator tracks the annual number of homeownership loans for Native Americans guaranteed under Section 184. The FY 2003 goal is to offer at least 200 new loan guarantees.

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

Limitations/advantages of the data.

The indicator uses a straight-forward and easily verifiable count of administrative records.

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



Objective 2.3: Increase the availability of affordable rental housing.

While seeking to expand homeownership opportunities, HUD recognizes that homeownership may not be practical for all families, especially those with limited or unstable incomes. Accordingly, HUD funds a range of programs to help low-income families afford the costs of rental housing.

Means and strategies

HUD has three major rental assistance programs that collectively provide rental subsidies to more than four million households nationwide: the Housing Choice Voucher program (also known as the tenant-based Section 8 or Section 8 voucher program), the project-based Section 8 program, and public housing. A substantial share of HUD's budget is devoted to renewals of Housing Choice Voucher and project-based Section 8 contracts, as well as the Operating, Capital and HOPE VI Funds that support public housing.

HUD also funds a number of programs that help to increase the availability of affordable rental housing.

- Incremental housing vouchers. Incremental housing vouchers are new Housing Choice Vouchers that are distributed by a Fair Share allocation process to housing agencies nationwide. Provided they comply with certain basic income targeting requirements, housing agencies have broad discretion to decide which households should receive priority for the new housing vouchers. Housing Choice Vouchers can be used to subsidize the rents of private market rental units located by families or to subsidize the costs of homeownership. A certain share of each agency's vouchers can be attached to developments as project-based assistance.
- The HOME Investment Partnerships program. HOME is a flexible block grant that provides support for local affordable housing efforts. Funds are allocated directly to large cities, counties or consortia of smaller areas (known as "participating jurisdictions") and to States for distribution to other cities and towns. Recipients of HOME funds have substantial discretion to determine how the funds are spent. To date, approximately 45 percent of HOME funds have been spent on assistance to existing, as well as to new homebuyers, with the balance going to activities that help make rental housing affordable. Among other eligible uses, HOME funds can be used for the production or rehabilitation of rental housing, or for tenant-based rental assistance.
- Community Development Block Grant (CDBG) funds can also be used, at the discretion of grantee communities, for certain activities to help make rental housing affordable.
- The Supportive Housing for the Elderly (Section 202), Supportive Housing for the Disabled (Section 811), Housing Opportunities for Persons With AIDS and Homeless Assistance Grants programs.

- The Native American Housing Block Grant and Native Hawaiian Housing Block Grant programs.
- FHA multifamily mortgage insurance. HUD has implemented the increased FHA Multifamily Loan Limits passed by Congress. In recognition of the increased cost of residential construction, HUD proposed, and Congress authorized, that the limits for FHA multifamily insurance be increased by 25 percent. The increased limits have already generated multifamily loans in higher cost areas such as Philadelphia, Hartford, and Seattle. In the first five months of FY 2002, the new limits have contributed to FHA multifamily loans totaling over \$1.25 billion, significantly more than the total lending for FY 2001. The new limits will continue to help to spur the availability of private financing for new production and substantial rehabilitation of affordable rental housing in high cost areas.
- Title VI Native American Housing Loan Guarantee program, which helps Indian tribes or Tribally Designated Housing Entities to obtain financing for affordable housing activities.

In addition, to help maintain or increase the availability of affordable rental housing, HUD is working to:

- Improve the utilization of Housing Choice Vouchers. By helping to ensure that housing agencies use a greater share of allocated funding for Housing Choice Vouchers, these efforts will expand the number of households that receive HUD rental assistance. The specifics of these efforts are described under Objective 3.2.
- Improve the utilization of public housing capital funds by local PHAs. PHAs currently have large amounts of unobligated and unspent capital funds.
- Revitalize and transform public housing projects to retain them as affordable housing in decent neighborhoods.
- Implement more effective approaches for assessing PHAs in order to identify troubled agencies, to turn around troubled agencies, and to prevent PHAs from reaching the troubled stage.
- Retain the supply of subsidized FHA-insured projects as affordable housing in tight markets and attractive locations through a variety of efforts, including marking contracts up to market levels.
- Restructure mortgages of FHA projects with above-market rents and address their physical, financial, and management needs, reducing costs of renewing Section 8 project-based subsidies and reducing future FHA insurance claims while promoting the continued viability and availability of this stock.
- Issue Ginnie Mae Mortgage-Backed Securities to increase the capital available for multifamily mortgages, including those restructured under the Mark-to-Market program.
- Ensure that, as a result of changes in the stock of assisted housing, all eligible low-income tenants receive enhanced vouchers protecting them from rent increases and all project-based assisted units lost are replaced with housing vouchers or new units.

- Ensure that capital is available for rental housing by monitoring the increased special affordable multifamily goals for Fannie Mae and Freddie Mac.

Although not funded by HUD, the recent 40 percent increase to the Low-Income Housing Tax Credit and on increased cap on tax-exempt rental revenue bonds are generating additional capital for these two important resources for the production or substantial rehabilitation of affordable rental housing.

External factors

Many external factors affect the supply of affordable rental housing, including tax policy, local rental markets, building codes and land use regulations, State and local program decisions, and the actions of HUD's many other partners. Local rental markets vary in the availability of housing with rents below metropolitan fair market rents (FMRs), and many large metropolitan areas have severe shortages of units that would be affordable to extremely-low-income renters without Section 8 vouchers. Under regulations from the Department of the Treasury, moreover, States administer two important federally funded programs which produce affordable rental housing: the Low Income Housing Tax Credit and tax-exempt rental revenue bonds. States and localities also decide, with citizen input, how they will use funds from CDBG, HOME, and HOPWA. In a similar vein, the sovereign status of Indian tribes complicates efforts to provide Federal housing assistance.

HUD's ability to provide access to affordable housing depends to a great extent on the state of the broader economy. Rises in unemployment, increases in the cost of developing and operating housing, or changes in personal income—factors over which HUD has little control—all affect housing affordability. Market factors like gentrification, as well as physical loss of housing stock through deterioration or costly lead-based paint hazards, also can tighten the supply of affordable housing. Because tenant-paid rents are established as a percent of income in HUD's rental assistance programs, lower incomes necessitate greater subsidies. With the number of renters with worst case needs far exceeding the number of deep subsidies available and with the pressure of welfare reform, the success of HUD's efforts in this area will be highly dependent on the economy, and in particular upon the income levels of low income families.

Coordination with other Federal agencies

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

- HUD recently signed an Memorandum of Understanding (MOU) with the **Rural Housing Service (RHS)** of the **Department of Agriculture**. The purpose of this MOU is to ensure an ongoing working relationship between HUD and the RHS in preserving affordable rental housing in rural America. The MOU will facilitate the processing of Multifamily Housing Assistance Payment contract renewals for RHS-financed projects. HUD and the RHS will coordinate their respective roles related to budget approval, determination of rents, and dissemination of information to project owners and other affected parties.
- HUD and the **Federal Housing Finance Board** signed a MOU in 1999 that sets forth the policy for approving the use of Federal Home Loan Bank (FHLB) Affordable Housing Program (AHP) funds for subordinate financing of Section 202 and Section 811 projects. The need for a policy was prompted because sponsors of these properties were increasingly approaching FHLBs for AHP subordinate financing, for a variety of reasons. The MOU streamlined the approval process and decreased the time it takes for financing to become available for these projects, which house elderly and disabled persons.

Performance goals

The following crosswalk summarizes the performance indicators, including measures of outcomes and program outputs, that will be used to gauge performance during FY 2003. A detailed discussion of each indicator follows the crosswalk.

FY 2003 Performance Goals

Objective 2.3: Increase the availability of affordable rental housing.

- 2.3.1: The number of households with worst case housing needs decreases by 3 percent between 2001 and 2003 among families with children, the elderly, and person with disabilities.
- 2.3.2: Among extremely low-income renters, the ratio of assisted households to households with worst case needs or already assisted.*
- 2.3.3: The share of units of low-rent public housing and Section 8 programs that are occupied by families with children, elderly, and persons with disabilities.*
- 2.3.4: The number of households receiving housing assistance with CDBG, HOME, HOPWA, NAHBG and NHHBG increases.
- 2.3.5: The number of HOME production units that are completed within the fiscal year will be maximized.
- 2.3.6: Among households living in HOME rental developments, the share with incomes below 30 percent of area median at initial occupancy.*
- 2.3.7: FHA endorses at least 800 multifamily mortgages.
- 2.3.8: Ginnie Mae securitizes at least 90 percent of eligible FHA multifamily mortgages.
- 2.3.9: Ginnie Mae credit enhancements on multi-class securities increase to \$80.9 billion in FY 2003.

* Asterisks denote tracking indicators, which are important to HUD's mission but are influenced significantly by external factors. HUD does not set a specific target for these indicators. Performance goals are for FY 2003 unless otherwise noted.

2.3.1: The number of households with worst case housing needs decreases by 3 percent between 2001 and 2003 among families with children, the elderly, and person with disabilities.

Indicator background and context. As part of its ongoing data collection and analysis efforts, HUD regularly measures the number of renter households with "worst case needs." For more than a decade, households with "worst case needs" have been defined as unassisted very-low-income renters who pay more than half of their income for housing or live in severely substandard housing. Despite robust economic growth between 1991 and 1999, some 4.9 million households containing almost 10.9 million people had worst case needs in 1999. Although the Department has little influence over the *number* of renter households with very low incomes, HUD devotes a substantial

portion of its budget to helping them afford housing through such programs as the Housing Choice Voucher Program, the project-based Section 8 program, public housing, HOME, CDBG, multifamily insurance, and Sections 202 and 811. Reducing the number of families with worst case needs among all household types is a key HUD priority.

To help reduce the large unmet need for affordable rental housing, the FY 2003 budget includes \$204 million for 34,000 additional housing vouchers. Among other HUD activities that will help to reduce worst case needs are efforts to improve the utilization of Housing Choice Vouchers, and funding for HOME, CDBG, HOPWA, and Sections 202 and 811.

Through such initiatives, HUD aims to reduce worst case needs among families with children by 3 percent between 2001 and 2003. The goal was stated as 4 percent in the 2002 APP, but has been reduced to 3 percent to reflect weakened macroeconomic conditions. Lacking 2001 data, worst case needs among families with children are still projected at 1.74 million in 2001, although the 2001 recession is likely to make this projection optimistic. A corresponding 3 percent reduction in elderly

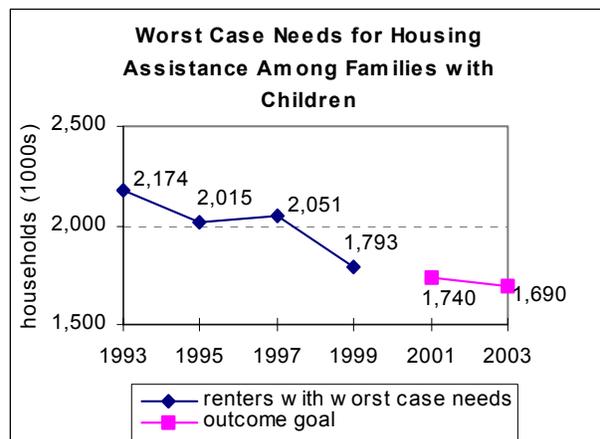
households with worst-case needs would put elderly households with worst case needs at 970 million in 2003. If the 2001 baseline for worst case needs among persons with disabilities remained at the 1999 level of 1.1 million, then a 3 percent decline would leave 1.07 million in 2003.

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

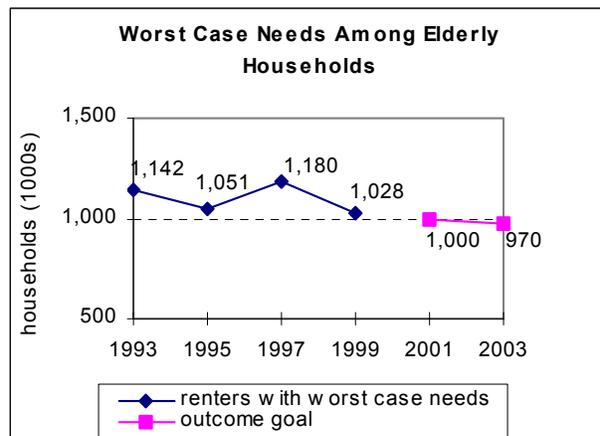
Limitations/advantages of the data.

AHS data are available for the Nation and regions only biennially, and for 47 metropolitan areas once every four to six years. Calendar year 2001 data will become available during FY 2002 and 2003 data will be available during FY 2004. The new questionnaire required in 1997, along with changes in the questions on receipt of housing assistance, means that earlier estimates of worst case needs differ.

Changes in estimated worst case needs of families with children are



Data are based on calendar years.

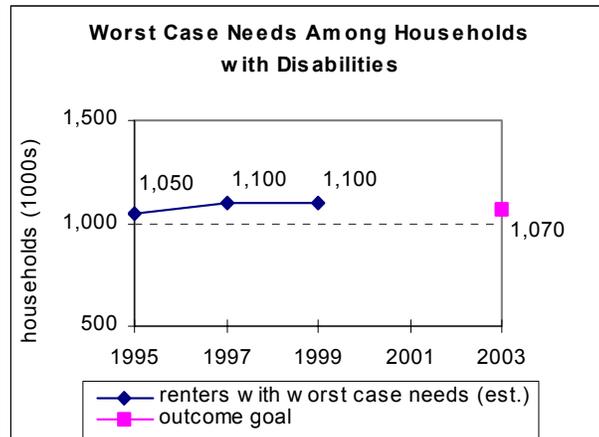


Data are based on calendar years.

statistically significant (with 90 percent confidence) when the difference from year to year exceeds 160,000 households. Changes for elderly households are statistically significant when they exceed 120,000 households. AHS estimates of the number of disabled adults with worst case needs are based on non-elderly adults without children who report welfare or Social Security income. The adjusted estimates shown here are based on comparison with Supplemental Security Income (SSI) data, which imply that the AHS estimates are low by a factor of 2 or more (the SSI data themselves are likely to be low because SSI income ceilings fall well below HUD’s very-low-income cutoffs.)

Validation, verification,

improvement of measure. The Bureau of Census has quality control procedures in place for the AHS, including reinterviews of small subsamples for quality assurance. HUD verifies AHS estimates by comparison with earlier surveys and by intermittent structured comparisons with SIPP, CPS, or Census data. In order to improve validity, the FY 2003 targets have been revised from those published in the FY 2002 APP by rounding, reflecting the actual



Data are based on calendar years.

statistical precision of these measures. HUD is in the process of reviewing the worst case needs measure to determine whether it can or should be strengthened. HUD will seek input on this subject in the upcoming Strategic Plan consultations.

2.3.2: Among extremely low-income renters, the ratio of assisted households to households with worst case needs or already assisted.

Indicator background and context. This is a tracking indicator. HUD’s public housing and Section 8 programs, along with USDA’s similar rental assistance programs, provide the most direct way of meeting and solving worst case needs for households unable to afford market-rate housing. Because renters with incomes below 30 percent of area median are most likely to have worst case needs, Congress, in the Quality Housing and Work Responsibility Act of 1998, directed at least 75 percent of Section 8 vouchers and 40 percent of newly available public housing and project-based Section 8 units to this income group.

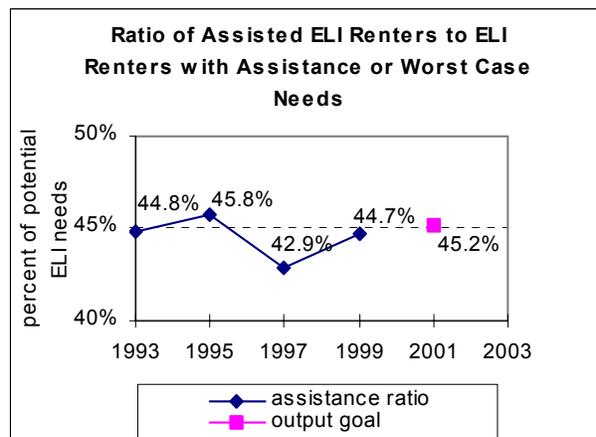
This indicator tracks the ratio of federally assisted households to one measure of potential needs—those already assisted plus those with worst case needs—to determine how well assistance is meeting needs. In 1999, there were 3.75 million extremely-low-income renters with worst case needs and 3.03 million extremely-low-income renters with housing assistance, so the ratio was 44.7 percent. The next available measure will be from the 2001 American Housing Survey. Assisted households are determined by self-reporting by respondents to the American Housing Survey. Because this measure counts

only extremely-low-income households, the number of assisted households is lower than the total number of households assisted by HUD.

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

Limitations/advantages of the data.

National and regional AHS data are available only biennially. Calendar year 2001 data will become available during FY 2002 and 2003 data will be available during FY 2004. Counts of assisted households in the AHS are known to be imperfect because survey respondents may be unsure of the source of assistance. To improve this limitation, different questions about assistance were asked beginning in 1997, making the pre-1997 ratios shown not directly comparable to the 1997 data.



Data are based on calendar years.

Validation, verification, improvement of measure. Estimates of assisted households from the AHS will be compared with program data. The Bureau of Census has quality control procedures in place for the AHS, including reinterviews of small subsamples for quality assurance. HUD is conducting cognitive and ethnographic research to improve survey methods for correctly identifying housing subsidy status of respondents in large-scale surveys like the AHS.

2.3.3: The share of units of low-rent public housing and Section 8 programs that are occupied by families with children, elderly, and persons with disabilities.

Indicator background and context. This is a tracking indicator that measures the share of households with various characteristics that receive rental assistance through the public housing operating fund, Housing Choice Vouchers, or project-based Section 8 assistance in privately-owned multifamily developments. No goals are established for this indicator because housing providers have discretion regarding admissions policies. HUD includes these data in its Annual Performance Plan to inform policy decisions by Congress and HUD.

Because the supply of affordable housing for very-low-income households is so limited, the affordable rents they pay under these programs in most cases keep them from falling into worst case housing needs. The number of households in each group is unlikely to change dramatically from year to year because families leave the program and turn over their units at a rather low rate compared with unassisted rental housing.

Data source. Data about households served by public housing and tenant-based Section 8 are from the PIH Information Center (PIC) 50058 system. Data about households receiving project-based Section 8 assistance are from the Tenant Rental Assistance Certification System (TRACS).

| Units in Program Occupied by Families of Various Attributes | | | | |
|---|--|--|-----------------------------------|-------------------------------------|
| | Families with no children, no disabilities | Elderly, no children (possible disabilities) | Non-Elderly Disabled, no children | Non-Elderly Disabled, with children |
| Public Housing | 55.8% | 15.8% | 11.0% | 4.5% |
| Housing Choice Vouchers | 62.7% | 9.4% | 13.1% | 7.4% |
| Project-based Section 8 | 29.1% | 47.5% | 12.5% | 1.7% |

Source: Tabulations of April 2000 extracts of MTCS and TRACS, 10 percent sample.

Limitations/advantages of the data.

Household attributes reported in PIC 50058 are believed to be reliable for this measure. Potential reporting problems in TRACS have been addressed by using performance-based contracts when contracting out program administration.

Validation, verification, improvement of measure. PIC 50058 and TRACS verify the accuracy of tenant data by performing automated checks on data ranges and internal consistency. The Department is developing a web-based Resident Characteristics Report that will make monthly PIC 50058 data and summary statistics available to housing agencies and field offices for verification, validation, data analysis and monitoring purposes.

2.3.4: The number of households receiving housing assistance with CDBG, HOME, HOPWA, NAHBG and NHHBG increases.

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

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

| Households Assisted | 1996 act. | 1997 act. | 1998 act. | 1999 act. | 2000 act. | 2001 act. | 2002 goal | 2003 goal |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| CDBG households ^a | 204,900 | 202,100 | 157,417 | 158,300 | 182,700 | 172,445 | 178,391 | 180,260 |
| HOME tenant-based assistance ^b | 9,118 | 7,792 | 8,246 | 8,246 | 6,899 | 11,756 | 8,439 | 9,932 |
| HOME rental units committed ^b | 23,918 | 23,041 | 24,148 | 25,114 | 33,487 | 27,456 | 27,799 | 29,784 |
| HOME new homebuyers committed ^b | 26,098 | 28,403 | 29,514 | 30,695 | 30,748 | 29,690 | 33,976 | 34,746 |
| HOME existing homeowners committed ^b | 12,086 | 13,053 | 13,415 | 13,952 | 14,731 | 12,566 | 15,444 | 13,140 |
| HOME total households | 71,220 | 72,289 | 75,323 | 78,006 | 85,865 | 81,468 | 85,658 | 87,602 |
| HOPWA households | 32,200 | 35,845 | 43,798 | 41,670 | 43,902 | 49,515 | 49,400 | 53,100 |
| Native American Housing Block Grant units constructed or rehabilitated | | | | | | tbd | tbd | tbd |
| Title VI Federal Guarantees program (number of loans) | | | | | | | | 15 |
| Native Hawaiians assisted with NHHBG | | | | | | tbd | tbd | tbd |

^a CDBG values for 1998-2001 reflect a reduction in the share of funds that grantees use for housing activities from 30 percent to 24 percent.

^b Trend analysis was used to estimate the number of units produced by HOME in FY 1998 and 1999 during the conversion to the new data system (IDIS).

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

HOME units produced in FY 2000 and 2001 reflect data reported in IDIS. A major IDIS data clean-up effort to remove duplicative and inaccurate data was undertaken in FY 2001. This effort largely accounts for the apparent reduction in units produced in FY 2001. The *share* of homebuyer units increased to thirty-seven percent in FY 2001, reflecting the Department's priority to increase affordable homeownership for underserved groups. The FY 2002 and FY 2003 total HOME goals are based on a trend analysis of actual fiscal year accomplishments. They are not the same as estimates in the budget that project production over the life of the requested appropriation. Subgoals for specific activities are provided for information only, as grantees have discretion about which housing activities to fund.

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

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

Validation, verification, improvement of measure. CPD and ONAP field staff verify program data when monitoring grantees.

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

Indicator background and context. Historically the HOME program has reported on “committed units,” units for which HOME Participating Jurisdictions (PJs) had contractual obligations committing HOME funds. This indicator tracks the number of “units completed,” or HOME-assisted units that have been put into service. The FY 2003 goal shows only a slight increase because grantees are now performing at capacity, costs have increased and the levels of annual funding have stabilized.

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

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

Validation, verification, improvement of measure.

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

| HOME Units Completed | Total through FY 1999 | FY 2000 act. | FY 2001 act. | FY 2002 goal | FY 2003 goal |
|--------------------------------|-----------------------|--------------|--------------|--------------|--------------|
| HOME rental units produced | 91,275 | 29,309 | 20,453 | * | * |
| HOME new homebuyers | 102,371 | 34,126 | 24,757 | * | * |
| HOME existing homeowners | 72,307 | 13,174 | 9,938 | * | * |
| HOME total households assisted | 265,953 | 76,609 | 55,148 | 60,643 | 62,019 |

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

2.3.6: Among households living in HOME rental developments, the share with incomes below 30 percent of area median at initial occupancy.

Indicator background and context. This is a tracking indicator. The HOME program contributes a sizable number of new affordable rental units to the housing stock each year. Regulations allow HOME-assisted rental developments to admit households with incomes up to 80 percent of area median, but 90 percent of residents must have income below 60 percent of median. HOME currently exceeds these statutory targeting requirements, with 97.4 percent of residents meeting the 60 percent of median threshold in FY 2001.

Although HOME rental developments are not required to serve families with incomes below 30 percent of the area median, HUD believes it important to track this usage as such families have the greatest incidence of worst case housing needs. During FY 2001, 41 percent of households living in HOME rental developments had incomes below 30 percent of area median income, down slightly from 42 percent in FY 2000. The percentage of households with extremely low incomes has been declining slightly, while the percent of households with incomes from 51 percent to 60 percent of area median income has increased.

Because the number of such households served by HOME rental developments varies based on the discretionary decisions of HUD grantees, HUD has not established a specific performance goal for this indicator. However, HUD will be tracking and reporting on the proportion of households in HOME rental developments with incomes below 30 percent of area median at initial occupancy through this monitoring indicator.

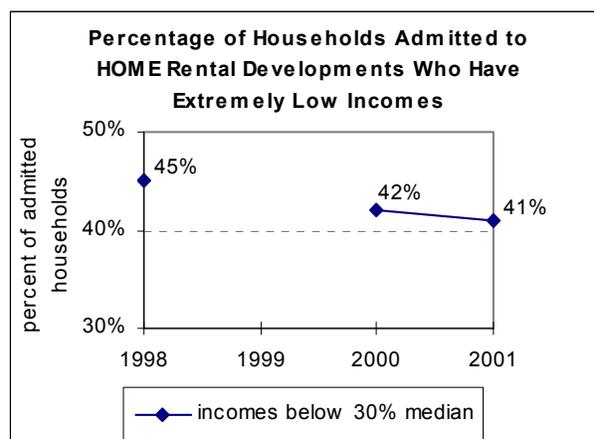
Data source. Integrated Disbursement Information System (IDIS).

Limitations/advantages of the data.

HOME data concerning household characteristics are reported by PJs when the development is initially occupied. The income distribution of tenants at occupancy may not reflect incomes at later periods because of income changes and tenant turnover.

Validation, verification,

improvement of measure. HUD is currently working to increase the accuracy and completeness of IDIS data.



2.3.7: FHA endorses at least 800 multifamily mortgages.

Indicator background and context. FHA multifamily mortgage insurance plays an important role in the mortgage market, especially for a number of higher risk segments in the housing industry. These include small builders, buyers or owners of aging inner-city

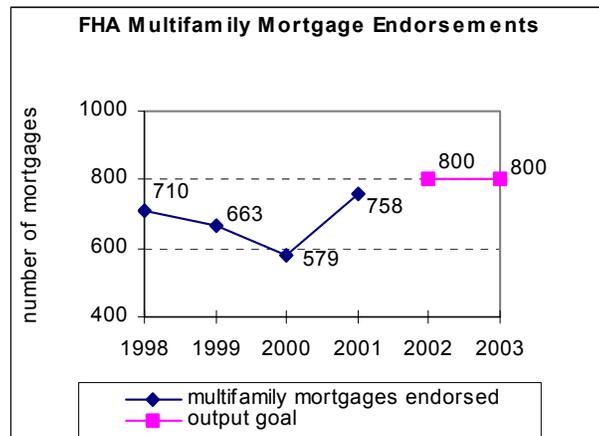
properties, and nonprofit sponsors. FHA's unique and valuable products include insurance that covers both the construction financing and long-term permanent financing of modest-cost rental housing, insurance for assisted living facilities, and a vehicle whereby lenders (including many with public purpose missions such as housing finance agencies) can gain access to the AAA rating of Ginnie Mae securities.

FHA brings stability to the market; many conventional multifamily loans that otherwise would have gone into default as they reached maturity during the credit crunch of the early 1990s were successfully refinanced with FHA. FHA also retains a leadership position in the market for high loan-to-value and long-term fully-amortizing multifamily loans, which can help in the provision of affordable rental housing. Maintaining FHA multifamily volume will help make more decent rental housing available to consumers at modest cost. This indicator tracks FHA's annual output of initial multifamily endorsements. FHA's FY 2001 performance on this indicator was stalled by a lack of credit subsidy. The FY 2003 goal of 800 endorsements is premised on an increased use of FHA's Development Applications Processing system for automated underwriting of multifamily mortgages.

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

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

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



2.3.8: Ginnie Mae securitizes at least 90 percent of eligible FHA multifamily mortgages.

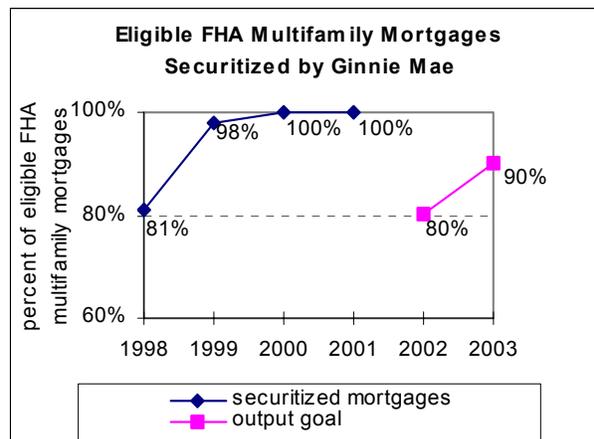
Indicator background and context. Ginnie Mae makes the multifamily mortgage market more liquid by helping lenders package FHA-insured loans into securities for investors to purchase on the secondary market. Ginnie Mae-guaranteed securities increase the availability of capital for multifamily mortgages,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

funds often do not require the Ginnie Mae guaranty to purchase an FHA-insured multifamily mortgage). The goal of 90 percent, an increase from the FY 2002 target, reflects a meaningful and sustainable level of performance in a changeable competitive market.

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

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

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



2.3.9: Ginnie Mae credit enhancements on multi-class securities increase to \$80.9 billion in FY 2003.

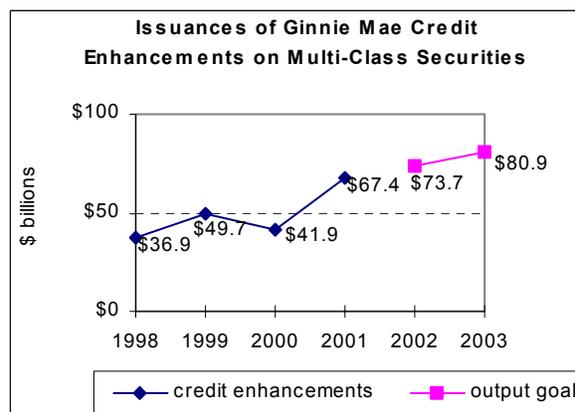
Indicator background and context. Ginnie Mae’s multi-class products include Real Estate Mortgage Investment Conduits (REMIC) and Ginnie Mae Platinum securities. REMIC securities pool mortgages or mortgage-backed securities for sale as multiple-class securities. By spreading investor risk among the various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

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

Data source. Ginnie Mae database of REMIC issuances.

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

Validation, verification, improvement of measure. Ginnie Mae data are subject to annual financial audits because they represent an obligation on the part of the United States. HUD will not verify the data further.



**GOAL 3:
IMPROVE THE QUALITY OF PUBLIC AND ASSISTED
HOUSING AND PROVIDE MORE CHOICES FOR ITS
RESIDENTS**

Strategic Objectives:

- 3.1 Help families in public and assisted housing make progress toward self-sufficiency and become homeowners.**
- 3.2 Improve the management accountability for public and assisted housing.**
- 3.3 Improve physical and related conditions in public and assisted housing.**

HUD's goals for its public and assisted housing programs go beyond simply providing affordable housing. HUD also strives to improve the *quality* of the housing opportunities provided to families in public and assisted housing. This Goal focuses on improving the management accountability and physical conditions of public and assisted housing and on maximizing the potential of these programs to help families make progress towards self-sufficiency and become homeowners.

Resources Supporting Strategic Goal 3: Improve the quality of public and assisted housing and provide more choices for its residents.

| Budget Authority (BA) and Staffing Levels (BA is \$ in thousands) | | | | | | | | | |
|--|-------------------------|----------------|----------------|--|----------|----------------|----------|----------------|----------|
| Program | Budget Authority | | | Headquarters (HQ) and Field (F) Staff | | | | | |
| | FY 2001 | FY 2002 | FY 2003 | FY 2001 | | FY 2002 | | FY 2003 | |
| | | | | HQ | F | HQ | F | HQ | F |
| Office of Public & Indian Housing | | | | | | | | | |
| Housing Certificate Fund ¹ | \$12,649,720 | \$14,210,342 | \$15,910,354 | 217 | 373 | 244 | 381 | 244 | 381 |
| Public Housing Operating Fund | 3,233,868 | 3,493,868 | 3,529,000 | 93 | 140 | 130 | 120 | 130 | 120 |
| Public Housing Capital Fund | 2,993,400 | 2,843,400 | 2,370,900 | 390 | 183 | 368 | 268 | 360 | 262 |
| Revitalization of Severely Distressed Public Housing | 430,301 | 430,301 | 430,500 | 42 | 77 | 46 | 86 | 46 | 86 |
| Office of Housing | | | | | | | | | |
| Housing for Special Populations | 371,000 | 380,300 | 380,200 | 9 | 150 | 11 | 152 | 11 | 152 |
| FHA GI/SRI | 136,800 | 105,700 | 92,900 | 26 | 335 | 31 | 340 | 31 | 340 |
| Flexible Subsidy Fund | 0 | 0 | 0 | 0 | 13 | 0 | 13 | 0 | 13 |
| Rent Supplement Program | 0 | 0 | 0 | 1 | 2 | 1 | 2 | 1 | 2 |
| Rental Housing Assistance Program (Section 236) | 0 | 0 | 0 | 1 | 2 | 1 | 2 | 1 | 2 |
| Housing Counseling Assistance | 0 | 0 | 7,900 | 0 | 25 | 0 | 25 | 0 | 25 |
| Ginnie Mae | 4,681 | 4,691 | 5,380 | 33 | 0 | 34 | 0 | 34 | 0 |
| General Counsel | N/A | N/A | N/A | 103 | 0 | 106 | 0 | 106 | 0 |
| Total | 19,819,770 | 21,468,602 | 22,727,134 | 915 | 1,300 | 972 | 1,389 | 964 | 1,383 |

¹Resources for the Housing Certificate Fund include budget authority and staff from both the Office of Public and Indian Housing and the Office of Housing.

Objective 3.1: Help families in public and assisted housing make progress toward self-sufficiency and become homeowners.

Overview

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

- By helping to increase families' earnings, they improve the quality of life for families in subsidized housing;
- They help families in subsidized housing build enough assets and high enough incomes to buy a home.
- By helping families in subsidized housing become homeowners or afford the costs of unsubsidized rental housing, they free up space for other needy families; and
- They help to achieve a mix of incomes in public housing and project-based assisted housing.

For FY 2003, HUD plans to expand its efforts to help families in public and assisted housing make progress towards self-sufficiency and become homeowners. To this end, HUD will focus in particular on expanding participation in the Family Self-Sufficiency Program and the Section 8 homeownership program. These and other programs that advance this Strategic Objective are described below.

Means and strategies

The Family Self-Sufficiency Program. Established in 1990 as part of the Cranston-Gonzalez National Affordable Housing Act, the Family Self-Sufficiency Program (FSS) is designed to help families in the Housing Choice Voucher and public housing programs build assets and increase their incomes. FSS has two components:

- *Service coordination.* Families that participate in FSS work with a service coordinator to develop a five-year plan for making progress towards self-sufficiency. To help families achieve their goals, the service coordinator provides referrals for appropriate supportive services in the community, such as child care, transportation, education, or job training.
- *Escrow accounts.* As families' earnings increase, the amount they are expected to contribute towards the rent of HUD-assisted housing increases as well. To incentivize greater work effort among FSS participants, however, an amount equal to the increase in earnings is deposited into an escrow account that families can access

upon successful completion of their-five year plans. Receipt of the escrow account is conditioned upon achievement of the participant's goals and the participant becoming free of welfare cash assistance for at least 12 months. Participants can use their escrow accounts to purchase a home, obtain higher education, or achieve other personal goals.

Currently, approximately 48,000 families in the Housing Choice Voucher program and 7,000 families in the public housing program participate in FSS. Approximately 46 percent of individuals enrolled in FSS for more than one year have accumulated savings in their escrow accounts. Average account balances for this group are \$2,230, with an average monthly credit to the account of \$235. Nearly 60 percent of individuals enrolled in the program for more than four years have escrow balances; the average escrow account balance for this group is \$3,576.

Although FSS is currently one of the largest and most effective asset-building programs for extremely low-income families in the country, it has the potential to help many more families make progress towards self-sufficiency and become homeowners. For FY 2003, HUD plans to work to significantly expand participation in the FSS program. These steps will include outreach and technical assistance efforts, implementation of the Section 8 Management Assessment Program (SEMAP) performance measurement system which rates housing authorities with mandates to operate Family Self-Sufficiency programs on their compliance with their mandates, and the use of incentives through HUD's funding competitions. HUD also plans to examine program rules to determine if additional changes are needed to increase participation.

Section 8 homeownership. Under recently-enacted rules and legislation, Housing Choice Vouchers can now be used to help families purchase homes. Under existing regulations, families can use vouchers to cover the ongoing costs of a mortgage. Alternatively, under recent legislation, families can use up to one year's worth of Section 8 assistance for the downpayment on a home.

The Section 8 homeownership program has great potential to help low-income families in public and assisted housing to become homeowners. In fiscal years 2002 and 2003, HUD plans to take steps to substantially increase participation in the program. These steps will include publication of a handbook for the Section 8 homeownership program, a study on early implementation of the program, the use of incentives through HUD's funding competitions, and a legislative proposal to eliminate the requirement that the use of Housing Choice Vouchers for downpayment assistance be contingent on advance approval in annual appropriations acts. HUD is also exploring additional strategies for helping housing agencies obtain the resources they may need to launch these programs and provide the necessary homeownership counseling.

Other Programs. HUD has a number of additional programs that help families in public and assisted housing make progress towards self-sufficiency and become homeowners. These include:

- HUD's HOPE VI public housing revitalization program currently supports an array of services to help families become self-sufficient. PHAs use these funds, as determined by local needs, to partner with residents, service providers, local governments and

employers to offer comprehensive services such as case management, vocational training, employment, childcare, health care and other services critical to reaching and maintaining self-sufficiency. PHAs must begin resident training activities promptly after the grant is awarded and must track and measure the progress of participants. Congressional appropriations limit the use of funds for CSS to 15% of the grant amount.

- HUD’s American Dream Downpayment Fund—a Presidential initiative—will provide grants to help make homeownership affordable to low-income families, including families in public and assisted housing.
- Neighborhood Networks (NN) centers and other computer centers in assisted multifamily and public housing developments are multiservice community technology centers that bring digital opportunity and lifelong learning to low- and moderate-income residents. NN helps residents to gain knowledge and skills through the use of computer learning to prepare themselves for the job market and attain self-sufficiency. NN helps residents gain access to 21st century technology, tools and resources. HUD supports the voluntary efforts of private project owners to establish Neighborhood Networks centers by allowing the owners to borrow funds from their “Reserve for Replacement Account” or use their “Residual Receipts Account” for up to three years. Multifamily partners established 201 new Neighborhood Networks centers during FY 2001. For FY 2003, HUD is providing \$20 million in new funding (\$15 million from the Public Housing Capital Fund and \$5 million under the HOPE VI program) to create NN centers in or near public housing facilities.
- The Resident Opportunity and Self-Sufficiency (ROSS) program provides public housing agencies, resident organizations and non-profit organizations acting on behalf of residents with funds for job and business development training and support services such as child care, transportation and family counseling.
- Section 3 of the HUD Act of 1968 ensures that HUD-funded construction, rehabilitation, or other public construction expands employment and training opportunities for low-income residents. For FY 2003, HUD plans to expand enforcement of this provision. Current sanctions that may be imposed on recipients that fail to comply with the regulations include debarment, suspension, and limited denial of participation in HUD programs. HUD is considering proposing the awarding of back pay to Section 3 resident or businesses, changes to a recipient’s Section 3 plan, or monetary penalties as additional sanctions.
- The Jobs Plus and Moving to Work demonstration programs are helping to identify successful practices and replicable models for increasing the employment and earnings potential of public housing residents.

External Factors

A healthy economy with an increase of jobs in the service sector made it easier for many low-skilled or inexperienced workers to enter the workforce in the late 1990s. If the economy continues to slow, however, it may become more difficult for families to make this transition or to retain current employment. Opportunities for better paying jobs

continue to be concentrated in technical fields for which many recipients of HUD assistance are not prepared. Jobs continue to grow faster in suburban areas, while families making the transition from welfare are more likely to live in inner-city or rural areas. Many of the educational, training, and service programs available to help families make the transition to self-sufficiency are operated by local recipients of Federal funds from agencies other than HUD, and these agencies traditionally have not made special efforts to serve residents of public and assisted housing.

Coordination with other Federal agencies

The Department works closely with a number of Federal agencies including the Departments of **Labor** and **Health and Human Services** to ensure the successful implementation of welfare reform policies designed to help low-income families make progress towards self-sufficiency.

- HUD is a member of OMB's Interagency Workforce Investment Act Committee and DOL's WIA Interagency Coordinating Committee. HUD encourages HUD-funded employment and training programs as well as subsidized housing providers to coordinate and partner with DOL's national system of One-Stop Employment Centers.
- HUD served on the DOL One-Stop work group in 2001 that made recommendations to DOL concerning the implementation of One-Stop Career Centers.
- HUD has worked with HHS to develop guidance and a model cooperative agreement for Public Housing Agencies and local welfare agencies. This model will help PHAs comply with public housing reform legislation, which requires such an agreement. 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.
- In support of HHS welfare efforts, HUD serves on the Interagency Committee on Supports for Low-Income Workers, promotes the HHS Assets for Independence competitive grant program through HUD's communications mechanisms, and assists HHS in its technical assistance program for state welfare agencies, including through technical assistance conferences and broadcasts.
- HUD collaborates with HHS and DOL in educating HUD customers, community organizations, and state and local agencies about the Workforce Investment Act and federal welfare regulations through interagency broadcasts on HUD's satellite broadcast system.
- HUD has an interagency agreement with HHS to study the impact of HUD housing assistance on families leaving welfare. The study tracks the differences in the areas of housing quality, employment, and return to work between families who receive HUD housing assistance and those who do not. Two of the three final reports have been completed to date.

Performance goals

The following crosswalk summarizes the performance indicators, including measures of outcomes and program outputs, that will be used to gauge performance during FY 2003. A detailed discussion of each indicator follows the crosswalk.

| FY 2003 Performance Goals |
|--|
| Objective 3.1: Help families in public and assisted housing make progress toward self-sufficiency and become homeowners. |
| 3.1.1: The number of households who have used Housing Choice Vouchers to become homeowners increases by 20 percent. |
| 3.1.2: Average earnings increase by 5 percent from year to year among non-elderly non-disabled households in the public housing, Housing Choice Voucher and project-based Section 8 programs. |
| 3.1.3: Among non-elderly, non-disabled public housing households with dependents, the share that derive more than 50 percent of their income from work increases by 1 percentage point. |
| 3.1.4: The number of public housing and Housing Choice Voucher households that have accumulated assets through the Family Self-Sufficiency program increases by 5 percent and the average escrow amount for FSS graduates increases. |
| 3.1.5: The share of housing agencies scoring at least 8 points under the SEMAP indicator for FSS increases by 5 percentage points. |

Performance goals are for FY 2003 unless otherwise noted.

3.1.1: The number of households who have used Housing Choice Vouchers to become homeowners increases by 20 percent.

Indicator background and context. The Housing Choice Voucher program gives PHAs the authority to use voucher assistance for monthly homeownership expenses for first time homebuyers. This indicator tracks the number of homeowners assisted with voucher funds. The actual increase achieved in FY 2003 will be affected by PHA capacity, availability of financing for first time low- and moderate-income homebuyers, market forces and interest rates. The FY 2003 goal is to increase the number of households who initially use vouchers for homeownership by 20 percent from the FY 2002 baseline.

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

Limitations/advantages of the data. The status of a household as receiving homeownership vouchers is a relatively straightforward and easily verifiable statistic.

Long-term success of households in remaining homeowners cannot be captured by this measure.

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

3.1.2: Average earnings increase by 5 percent from year to year among non-elderly non-disabled households in the public housing, Housing Choice Voucher and project-based Section 8 programs.

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

This indicator tracks how earnings change among assisted households from year to year. Elderly and disabled households are excluded, as are those who enter the programs during the fiscal year. The FY 2003 goal is to achieve increases in earnings of 5 percent above the FY 2002 baseline for public housing and voucher programs collectively. For Section 8 project-based housing, this will be a tracking indicator, rather than a performance goal, as private owners of multifamily projects have few tools to increase their tenants' earning capacity.

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

Limitations/advantages of the data. The data are judged to be reliable for this measure. Although PIC 50058 experienced a delay in full reporting during FY 2001, the data generally should be free of sampling error because they represent a near-census of assisted households, and high reporting rates limit nonresponse error. Estimates of earned income are expected to be biased downward by measurement error associated with inadequate interviews governing sources of income, failure of housing providers to use verified income amounts, and failure of tenants to report all sources of earned income. On the other hand, improvements in the accuracy of income determinations may lead to apparent growth in tenants' earnings that reflects the share of actual earnings ascertained by housing providers, rather than any real earnings growth.

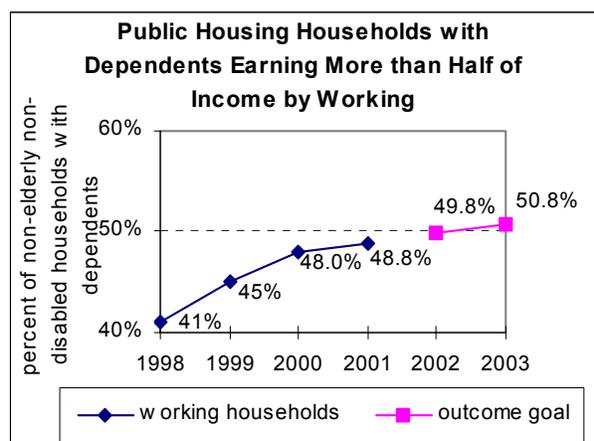
Validation, verification, improvement of measure. PIC 50058 has automated edits to prevent input errors, and HUD performs quality control studies to verify the accuracy of tenant income data. HUD is working to substantially reduce unreported income and other sources of measurement error.

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

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

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

This indicator tracks the success of housing agencies in attracting working families and in promoting work participation among existing residents. Preliminary data show that by May 2001, 48.8 percent of non-elderly non-disabled families with dependents in public housing received a majority of their income from earnings, up from a revised baseline of 48.0 percent in 2000. The FY 2003 performance goal is to increase the percentage of working families in public housing by 1 percentage point above FY 2002 levels.



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

Limitations/advantages of the data. PIC 50058 data are judged to be reliable for this measure. Although a delay in full reporting was experienced during FY 2001, the data generally should be free of sampling error because of the universal reporting requirement, and nonresponse error does not significantly affect reliability of this

measure. The number of working households is expected to be biased downward by measurement error associated with inadequate PHA interviews governing sources of income, failure of PHAs to use verified income amounts, and failure of tenants to report all sources of earned income.

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

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

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

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

This indicator tracks the number of public housing and housing choice voucher-assisted households who participate in FSS and have positive escrow balances, and the average escrow amount for graduates during the fiscal year. The FY 2003 goal is to increase the number of households with positive escrow balances by 5 percent in both the public housing and voucher programs.

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

Limitations/advantages of the data. Many PHAs have reported difficulty getting their FSS data into PIC 50058, with the result that PIC 50058 does not always accurately reflect FSS program enrollment and

escrow activities. Reporting accuracy and completeness is expected to improve with the new HUD-50058 FSS addendum that was implemented in September 2001. A full year of reporting on the new form will be necessary to assure the PIC 50058 data for the FSS program is more accurate.

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

| Households with FSS Escrow Balances | | |
|--|-----------------------------|-------------------------|
| | Feb. 2001 actual | FY 2002 goal |
| Public Housing households | | |
| FSS Participants | 7,092 | 7,801 |
| Number with Escrow Assets | 2,735 | 2,872 |
| Avg. Escrow Amount for Graduates | not avail. | tbd |
| Tenant Based Section 8 households | | |
| FSS Participants | 47,755 | 52,531 |
| Number with Escrow Assets | 15,603 | 16,383 |
| Avg. Escrow Amount for Graduates | not avail. | tbd |

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

Indicator background and context. PHAs that received additional Section 8 rental certificates or housing choice voucher funding from FY 1993 through October 1998 are required to implement FSS programs, under which participating tenants sign self-sufficiency progress contracts. The number of mandatory FSS slots was determined by the amount of new funding received by the PHA. FSS helps participating families build assets by funding escrow accounts based on increased rental payments resulting from increased earnings. This indicator, which applies only to mandatory FSS programs, uses one component of the SEMAP system to track PHA compliance with FSS obligations for the housing choice voucher program. To score eight points out of a possible 10, at least 60 percent of mandatory housing choice voucher FSS slots must be filled and at least 30 percent of housing choice voucher FSS families must have escrow account balances.

Data source. PIH Information Center Section Eight Management Assessment Program (PIC SEMAP), based on data reported by PHAs to PIC 50058. The baseline cannot be determined until late FY 2002 or early FY 2003 because the full year of SEMAP ratings needed to establish the baseline will not be available before that time.

Limitations/advantages of the data. Many PHAs have reported difficulty submitting their FSS data into PIC 50058, with the result that PIC 50058 does not always accurately

reflect their FSS program enrollment and escrow activities. Reporting accuracy and completeness should improve as a result of the implementation of the new HUD-50058 FSS addendum in September 2001. A full year of reporting on the new form will be necessary before data can be expected to improve significantly. When evaluating the percentage of mandatory housing choice voucher FSS slots, SEMAP scores will have to be adjusted manually to correct for reduction of the mandatory program size due to graduations from FSS after October 1998.

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

Objective 3.2: Improve the management accountability for public and assisted housing.

HUD strongly believes in the importance of improving the management accountability of public and assisted housing programs. Housing agencies and multifamily project owners have an obligation to both the families they serve and the American people: to provide quality housing, at reasonable costs, to as many households as possible within available funding.

The public and assisted housing programs have suffered from a number of serious management weaknesses. These include underutilization of Section 8 vouchers; the failure to accurately calculate tenant incomes and rents, leading to subsidy overpayments; the failure to maintain subsidized developments in adequate condition; and, in extreme cases, severe mismanagement or even fraud.

For FY 2003, HUD plans to focus on improving management performance and accountability in the public and assisted housing programs. Progress toward achieving this objective will be assessed with a number of performance measures and goals that focus on the reliability of financial record-keeping, the quality and responsiveness of management, and the results experienced by the customers—the residents.

Means and Strategies

PHAS. The Department began development of an assessment system for public housing in October 1997. While regulations were published in 2000, the Public Housing Assessment System (PHAS) has not been fully implemented until now.

PHAs with a September 30, 2001, fiscal year end date will be the first PHAs to be assessed under the full PHAS according to the interim scoring notices published on November 26, 2001. These scores, however, will not be released until the interim scoring notices are published in final form in the Federal Register. These PHAs were required to submit data to the Real Estate Assessment Center (REAC) by November 30, 2001.

A preliminary analysis utilizing data from PHAs with a June 30, 2001, fiscal year end date, and applying the interim scoring procedures, indicates that there will be 297 troubled PHAs. However, a new analysis is being conducted utilizing data from December 31, 2001, PHAs, and it is estimated that the number of anticipated troubled PHAs will drop 10 – 20 percent, due to more complete data.

Procedures are in place for referring, designating and transferring PHAs to the Troubled Agency Recovery Centers (TARCs). The TARCs will play a major hands-on role in helping to turn-around the trouble housing agencies.

SEMAP. After several years of rulemaking (proposed rule in 1996 and final rule in 1998), planning and testing, the Department is finally positioned to implement the Section 8 Management Assessment Program (SEMAP), used to objectively measure PHA performance in key Section 8 tenant-based assistance program areas.

In FY 2002, PIH estimates that approximately 15 percent of PHAs operating Section 8 certificate or voucher programs, or close to 250 housing agencies, will be designated as troubled based on SEMAP scores. The identification of those agencies will allow HUD to focus resources on conducting on-site reviews and devising remedial measures for bringing the performance levels of troubled agencies up to acceptable standards.

Real Estate Assessment Center (REAC) and the Enforcement Center. REAC is responsible for assessing the physical condition of public housing and multifamily assisted housing, the financial soundness of providers of such housing, and the satisfaction of the residents. REAC data feeds into the PHAS performance system in public housing and into a separate assessment system for multifamily housing. The Enforcement Center is responsible for working with multifamily properties that have been identified as substandard in one or more areas by REAC. The Enforcement Center will also accept referrals of PHAs that have not made sufficient progress while under the TARCs.

During FY 2002, HUD is exploring a number of options and developing an enforcement strategy to achieve improvements in the approximately 15 percent of multifamily properties that consistently achieved poor ratings by REAC for three years. Many of these properties previously filed an improvement plan, yet remain below HUD standards. Inadequate financial reserves have been found to contribute frequently to ongoing problems, which often involve well-intentioned local non-profit groups or other small owners.

Rental Housing Integrity Improvement Project (RHIIP). HUD overpays hundreds of millions of dollars in low-income rent subsidies due to the incomplete reporting of tenant income, the improper calculation of tenant rent contributions, and the failure to fully collect all outstanding rent. During FY 2003, HUD will implement a number of measures to resolve this problem, including the development of tools to assist housing agencies and assisted housing owners in the determination of income and calculation of rent and the introduction of a quality control program to monitor the performance of these intermediaries. HUD also plans to review the current laws and regulations regarding income and rent determinations to ascertain whether their simplification would facilitate program compliance. Finally, HUD plans to expand local efforts to match income data against state records.

Steps to improve the utilization of Housing Choice Vouchers. In order to improve the rate at which Housing Choice Vouchers are utilized by PHAs, HUD is doing the following:

- Reallocating funds from underutilizing PHAs to PHAs with high utilization rates. The first such allocations will take place in FY 2002.
- Giving substantial weight to utilization rates in determining PHAs' ratings under SEMAP.
- Allocating new incremental vouchers to PHAs with utilization rates above 97 percent.

- Implementing a new tracking system to measure current utilization rates, so that under-utilizers can be identified earlier and corrective actions taken. The system should be implemented in the first quarter of 2003.
- Providing remediation services to PHAs with troubled Section 8 programs, which generally have low rates of Section 8 utilization.

External Factors

HUD's ability to accomplish this objective will depend on the cooperation of the local public housing agencies that run the Housing Choice Voucher and public housing programs and the owners operating privately-owned assisted housing. Actions by Congress may also affect achievement of this objective, as Congress has on several occasions acted to delay implementation of PHAS. Although management performance is believed to play a significant role in the underutilization of Housing Choice Vouchers, other factors—such as the supply of multifamily housing in particular markets, rapid increases in rents, and the willingness of owners to participate—may also play a role.

Coordination with Other Agencies

The Enforcement Center makes civil referrals of multifamily development owners to the Department of Justice as well as criminal referrals to HUD's Inspector General.

Performance goals

The following crosswalk summarizes the performance indicators, including measures of outcomes and program outputs, that will be used to gauge performance during FY 2003. A detailed discussion of each indicator follows the crosswalk.

FY 2003 Performance Goals

Objective 3.2: Improve the management accountability for public and assisted housing.

- 3.2.1: The unit-weighted average PHAS score increases by 5 percent.
- 3.2.2: The household-weighted average SEMAP score increases.
- 3.2.3: The high incidence of program errors and improper payments in HUD's rental housing assistance programs will be reduced.
- 3.2.4: The share of Housing Choice Voucher units managed by housing agencies that score highly for income verification increases.
- 3.2.5: The share of Housing Choice Voucher units managed by housing agencies that score highly for determination of rent reasonableness increases.
- 3.2.6: Among households living in public housing and subsidized multifamily properties, the share living in developments that have substandard financial management decreases by 2.5 percentage points.
- 3.2.7: The utilization of Housing Choice Vouchers increases by 1 percentage point from the FY 2002 level.
- 3.2.8: The share of the Housing Choice Voucher program administered by housing agencies with substandard lease-up rates decreases by 10 percent.
- 3.2.9: The number of public housing units managed by troubled housing agencies that are assigned to TARC as of October 1, 2002 decreases by 15 percent by September 30, 2003.
- 3.2.10: The share of public housing residents who feel that housing agency managers take action when residents in the development break rules increases by 5 percentage points.
- 3.2.11: The share of Housing Choice Voucher units managed by troubled housing agencies decreases by 5 percentage points.

Performance goals are for FY 2003 unless otherwise noted.

3.2.1: The unit-weighted average PHAS score increases by 5 percent.

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

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

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

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

3.2.2: The household-weighted average SEMAP score increases.

Indicator background and context. The Section 8 Management Assessment Program (SEMAP) provides HUD with an essential tool for measuring the quality of housing agency administration of the Housing Choice Voucher program. SEMAP tracks housing agency performance on a broad range of indicators of program administration, including voucher utilization, compliance with housing quality standards, and correct calculation of rental subsidy. This indicator uses SEMAP scores to track HUD progress toward increasing the capability and accountability of housing agency partners and increasing the satisfaction of voucher recipients. Under this indicator, SEMAP scores are multiplied by the number of households in the housing agency and then averaged across all households. The first PHAs required to report SEMAP scores were those with fiscal year ends of September 2000. Accordingly, a full year's worth of SEMAP scores will be available in FY 2002, at which time a baseline and goal will be determined.

Data source. Public and Indian Housing Information Center Section Eight Management Assessment Program (PIC SEMAP), based on data reported by PHAs to MTCS. The baseline will be determined in FY 2002 from SEMAP ratings.

Limitations/advantages of the data. SEMAP does not capture some important indicators of good management, such as timeliness of payments to landlords and

timeliness of inspections. However, performance on such unmeasured dimensions is expected to be correlated with SEMAP scores.

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

3.2.3: 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 \$21 billion in annual expenditures (including funding for the Housing Certificate Fund and Public Housing Operating Fund). HUD estimates that 60 percent of all subsidized rent calculations are done in error, and that there are approximately \$2 billion in net annual subsidy overpayments attributed to the combination of these errors and tenant underreporting of income upon which the subsidy is based. HUD's prior corrective action focus has been on developing and implementing an after-the-fact use of a large-scale computer matching program with federal tax data bases to address the unreported tenant income issue. While this computer matching initiative is still being considered, a multi-organizational HUD Working Group has developed a more comprehensive corrective action plan that provides for: 1) Statutory and regulatory simplification of the program; 2) Structured forms, training, and automated tools needed to determine rents and subsidies correctly; 3) Tenant education on program processes and benefits; 4) Increased use of automated sources of tenant income data during rent and subsidy determinations; 5) Increased monitoring of program processing by HUD's intermediaries, using risk-based targeting indicators; 6) Automated billing verifications; 7) Stronger performance incentives and sanctions for HUD's intermediaries and tenants; and 8) An on-going quality control program.

In conjunction with OMB, HUD has established a goal for a 50 percent reduction in both the frequency of subsidy component and processing errors, and the corresponding portion of the \$2 billion in estimated net annual subsidy overpayments, by 2005. HUD has set interim error reduction goals of 15 percent for fiscal year 2003 and 30 percent for fiscal year 2004. However, the reduction of errors and improper payments is not expected to have a significant impact on budget outlays, as HUD's experience has been that its efforts will cause many higher income tenants and tenants who have been underreporting their incomes to leave subsidized housing and be replaced with lower income tenants requiring increased rent subsidies. To the extent there are any significant outlay savings resulting from HUD's program integrity improvement efforts, HUD plans to work with OMB and the Congress to explore mechanisms for recapture and use of the funds to assist additional households in need.

Data source. Periodic error measurement studies by the Office of Policy Development and Research.

Limitations/advantages of the data. The data are reliable for this measure, assuming availability of funding to cover the cost of the study.

Validation, verification, improvement of measure. The independent HUD Inspector General reviews the error measurement methodology and support, as well as management controls over the related program activity, as part of its audit of HUD's annual financial statements.

3.2.4: The share of Housing Choice Voucher units managed by housing agencies that score highly for income verification increases.

Indicator background and context. Tenant income verification is a critical tool that housing agencies have to control the costs of providing tenant-based assistance by preventing tenant fraud. One tool that HUD has implemented to create incentives for improved performance in this area is the SEMAP system, which awards a high score of 20 points when incomes of 90 percent of households have been verified by third parties and income allowances are calculated correctly. Through the Rental Housing Integrity Improvement Project, HUD is in the process of developing additional tools to improve tenant rent calculations. For example, HUD is developing an automated "rent calculator" to guide housing agencies in compiling comprehensive information on tenant income and to automatically calculate rents based on that information. The FY 2003 performance goal will be determined following analysis of baseline data.

Data source. Public and Indian Housing Information Center Section Eight Management Assessment Program (PIC SEMAP), based on data reported by PHAs to MTCS. The baseline will be determined in FY 2002 from SEMAP ratings.

Limitations/advantages of the data. Ratings for this SEMAP indicator are based on the PHA's certification, which is subject to verification by independent audit.

Validation, verification, improvement of measure. HUD undertakes periodic quality control surveys to verify income calculations, and these samples can be used as a measure of validity. SEMAP data are reviewed by independent auditors.

3.2.5: The share of Housing Choice Voucher units managed by housing agencies that score highly for determination of rent reasonableness increases.

Indicator background and context. Determination of whether rents are reasonable (i.e., not greater than the market value of the housing unit) is another tool that housing agencies have to control costs in the Housing Choice Voucher program by ensuring that landlords do not charge excessive rents. HUD awards housing agencies a high score of 20 points for the rent reasonableness component of SEMAP when 98 percent of randomly-sampled tenant files have documented determinations that the rent for the unit is reasonable in accordance with the housing agency's written method. The FY 2003 target will be determined following analysis of FY 2002 baseline data.

Data source. Public and Indian Housing Information Center Section Eight Management Assessment Program (PIC SEMAP), based on data reported by PHAs to MTCS. The baseline will be determined in FY 2002 from SEMAP ratings.

Limitations/advantages of the data. Ratings for this SEMAP indicator are based on the PHA's certification, which is subject to verification by independent audit.

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

3.2.6: Among households living in public housing and subsidized multifamily properties, the share living in developments that have substandard financial management decreases by 2.5 percentage points.

Indicator background and context. REAC is evaluating the financial management of both public housing agencies and privately owned multifamily properties based on generally accepted accounting principles. REAC plans a similar assessment of tribal properties. The REAC Financial Assessment Subsystem (FASS) involves Internet-based submission of audited financial information in a standardized format. Data are validated, reviewed, and scored, resulting in standard and substandard designations. 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 subsidized development—meaning properties that have Section 8 contracts, outstanding mortgages with interest subsidies, or both.

This indicator tracks the share of public housing and the share of multifamily tenants who live in developments with financial management rated as substandard by the REAC assessment. For the reporting period in 2000, the share of households living in subsidized multifamily properties that had substandard financial management was 28.6 percent, and the share for public housing was 11.3 percent.

Data source. REAC Financial Assessment Subsystem.

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

Validation, verification, improvement of measure. REAC performs Quality Assurance Reviews of the audited financial statements submitted by Independent Public Accountants of PHAs and multifamily property owners. 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.

3.2.7: The utilization of Housing Choice Vouchers increases by 1 percentage point from the FY 2002 level.

Indicator background and context. The Housing Choice Voucher program is one of HUD's best tools for providing affordable housing to renters with very low or extremely low incomes, including those with worst case housing needs. While most Housing Choice Vouchers are currently being used to assist low-income families, some PHAs are

not fully utilizing all allocated funds. Increasing PHA's utilization of voucher funds remains a key HUD priority for FY 2003.

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

This measure tracks the extent to which Housing Choice Vouchers units and funding are being utilized by agencies. HUD's SEMAP definition of a PHA's utilization rate is the higher of the share of budget authority spent or the share of units utilized during the PHA's fiscal years, excluding units under Annual Contributions Contracts (ACC) for less than one year or reserved for litigation. The FY 2003 goal is to improve the SEMAP utilization rate by 1 percentage point from the FY 2002 baseline.

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

Limitations/advantages of the data. The use of units rather than dollars to measure utilization prevents distortion of this measure by recaptured funds; however, Congress is also concerned about the utilization rate for voucher funding. Because of the timing of the APP and the fact that PHAs have four separate fiscal years, this measure will not capture current fiscal year-end data for every PHA. In addition, late submission of year-end statements by housing agencies may cause variation in the universe of housing agencies from year to year.

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

3.2.8: The share of the Housing Choice Voucher program administered by housing agencies with substandard utilization rates decreases by 10 percent.

Indicator background and context. Background on the important issue of Section 8 utilization is presented under Indicator 3.2.7. That indicator measures the overall proportion of Housing Choice Vouchers that are being used by PHAs to assist families. This indicator, by contrast, tracks the number of PHAs that have substandard utilization rates and the share of the program that they administer. The standard for substandard utilization rates is based on the Section 8 Management Assessment Program (SEMAP) leasing indicator.

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

The share of units administered by PHAs that did not meet the 94.5 percent SEMAP utilization rate was 793,826 units, or 43.3 percent, as of FY 2001. The percentage declined from 53.9 percent in FY 2000 and the FY 2001 goal was met.

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

Limitations/advantages of the data. Reports from PHAs with fiscal years ending September 30 are due in November, so data should be available to report for GPRA purposes by February.

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

3.2.9: The number of public housing units managed by troubled housing agencies that are assigned to TARC as of October 1, 2002 decreases by 15 percent by September 30, 2003.

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

Recovery Centers (TARCs). The baseline will be available in FY 2002. Further refinements may be necessary as the assessment process matures.

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

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

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

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

Indicator background and context. Public housing agencies provide residents with protective, maintenance and tenant services to enhance the quality of life and improve awareness of security and safety policy and issues. To maximize tenant security, it is essential that public housing managers act promptly to respond to any program violations by tenants. Management responsiveness also affects the physical condition of public areas in housing developments. This indicator uses resident survey data to track management responsiveness to program violations, measuring an element of public housing security that is fully within the control of public housing managers. During FY 2001, 71 percent of the surveyed public housing residents reported that PHA managers take action when residents break the rules. The FY 2003 goal is to improve the percentage of residents who recognize responsiveness among housing agency management by 5 percentage points from the FY 2002 baseline.

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

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

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

3.2.11: The share of Housing Choice Voucher units managed by troubled housing agencies decreases by 5 percentage points.

Indicator background and context. This is an important indicator that tracks the share of Housing Choice Voucher assistance that is vulnerable to poor management. The Section Eight Management Assessment Program designates a housing agency as troubled

if its composite SEMAP score is below 60 percent or an independent auditor is unable to provide a clear opinion of conformance with generally accepted accounting principles. SEMAP rates housing agencies based on compliance with requirements for tenant selection, rent reasonableness, income determination, housing quality inspections and enforcement, expanding housing opportunities and deconcentration, lease-up rates, FSS participation, reporting household data, and correct rent calculations.

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

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

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

Objective 3.3: Improve physical and related conditions in public and assisted housing.

HUD is committed to improving the quality of HUD-assisted housing, with the goal of ensuring that all subsidized families live in units that meet basic quality standards. HUD will utilize increase oversight, management rating systems and sanctions to substantially reduce the share of subsidized housing that is substandard.

HUD also plans to focus on helping to address the backlog of capital needs in public housing. There are a number of tools available to help public housing agencies modernize and revitalize public housing developments. These include the HOPE VI program and the public housing Capital Fund, as well as provisions in the Quality Housing and Work Responsibility Act of 1998 that facilitate borrowing by housing agencies to finance capital improvements. As described below, the FY 2003 budget adds a new tool to this arsenal.

Means and Strategies

HOPE VI program. The HOPE VI program is the primary funding source for the demolition and revitalization of severely distressed public housing. HOPE VI was launched as part of an effort to demolish 100,000 of the most distressed public housing units. As of the end of FY 2001, HUD had approved applications to demolish nearly 133,000 units and PHAs had actually demolished approximately 73,857 units. Some demolitions were funded through the Public Housing Capital Fund. Almost 35,000 of the completed demolitions were carried out in connection with HOPE VI revitalization grants. Some portion of the remainder were financed with HOPE VI demolition-only grants.

The HOPE VI program will expire in FY 2002 and must be reauthorized to continue. The Department plans to submit authorizing language to extend the program.

Public Housing Capital Fund. This fund provides formula grants to PHAs to meet the accrual of new modernization requirements and to reduce the backlog of rehabilitation and modernization requirements. The rehabilitation of existing public housing developments is important to help ensure that they do not become so obsolete that they must be demolished.

REAC Physical Inspections. Through REAC, HUD ensures that periodic inspections of physical condition of all public housing and multifamily assisted properties are completed. Inspections play a central role in the PHAS assessment system for public housing and in referrals to the Enforcement Center for multifamily properties.

New Capital Financing Program. The FY 2003 budget includes a new initiative designed to help improve physical conditions for public housing residents by attracting private capital to address the backlog in public housing capital improvement needs. This initiative will also help to put public housing developments on a sound financial footing in the future by focusing on property-based planning and management.

Under this proposal, PHAs would be permitted to convert existing public housing operating and capital subsidies to project-based vouchers on a project-by-project basis. Agencies would also be able to pledge individual properties as collateral for the loans. Credit enhancements would be provided through a loan loss reserve fund, which is established by HUD, and to which PHAs contribute, and by permitting agencies to purchase letters of credit with their Federal grant dollars.

Benefits of this approach include: substantially reducing the capital backlog; increase the number of units that meet HUD's physical quality standards; use the market to test investment decisions; introduce choice and competition in public housing; relieving PHAs of the complex rules governing the public housing program; and increasing resident choice by making vouchers portable after one year of residency by a family. In addition, developments could be structured to further the goal of providing low-income families with housing opportunities in mixed-income settings.

Addressing lead paint hazards. During FY 2002, HUD is requiring assessments of lead-based paint risk for all pre-1960 multifamily housing that receives over \$5,000 per unit in project-based Section 8 assistance. By the end of FY 2003, assisted multifamily housing constructed between 1960 and 1977 will be evaluated for lead paint hazards.

Neighborhood Networks. These computer centers focus on the improvement of job skills and the quality of life of public housing and assisted multifamily residents. NN also improves physical and related conditions of properties where it is located. The renovation or building of NN centers make properties more attractive, and thereby more marketable to prospective residents. In assisted multifamily properties with active NN centers, property managers report that property damage, graffiti, and other types of crime are often reduced. In FY 2003, HUD intends to continue funding for NN in or near public housing facilities.

External Factors

As with Objective 3.2, HUD's ability to accomplish this objective will depend on the cooperation of the local public housing agencies that run public housing and the owners operating privately-owned assisted housing.

Coordination with Other Agencies

HUD continues to work with the DOJ in prosecuting crimes related to this Objective.

Performance goals

The following crosswalk summarizes the performance indicators, including measures of outcomes and program outputs, that will be used to gauge performance during FY 2003. A detailed discussion of each indicator follows the crosswalk.

FY 2003 Performance Goals

Objective 3.3: Improve physical and related conditions in public and assisted housing.

- 3.3.1: The share of public housing and assisted multifamily units that meet HUD-established physical standards increases by 1.5 percentage points.
- 3.3.2: The share of HUD-Assisted Properties observed with Exigent Health and Safety or Fire Safety Deficiencies decreases by 1.0 percentage point for public housing and by 0.6 percentage points for assisted multifamily housing.
- 3.3.3: As part of the effort to eliminate 100,000 units of the worst public housing, demolish 13,000 units during FY 2003.
- 3.3.4: The HOPE VI Revitalization Development program for public housing relocates 3,160 families, demolishes 3,905 units, completes 6,821 new and rehabilitated units, and occupies 6,201 units.
- 3.3.5: The average satisfaction of assisted renters and public housing tenants with their overall living conditions increases by 1 percentage point.
- 3.3.6: The share of public housing residents who feel safe or very safe increases by 1 percentage point.
- 3.3.7: The share of units that have functioning smoke detectors and are in buildings with functioning smoke detectors increases by 1.2 percentage points for public housing and by 0.7 percentage points for assisted multifamily housing.

Performance goals are for FY 2003 unless otherwise noted.

3.3.1: The share of public housing and assisted multifamily units that meet HUD-established physical standards increases by 1.5 percentage points.

Indicator background and context. The President's Management Agenda commits to improving the physical quality of public and assisted housing such that, by 2005, 84 percent of public housing and 92 percent of multifamily housing will meet HUD's physical standards. The FY 2001 results shown in the charts represent the latest available inspections as of February 2002.

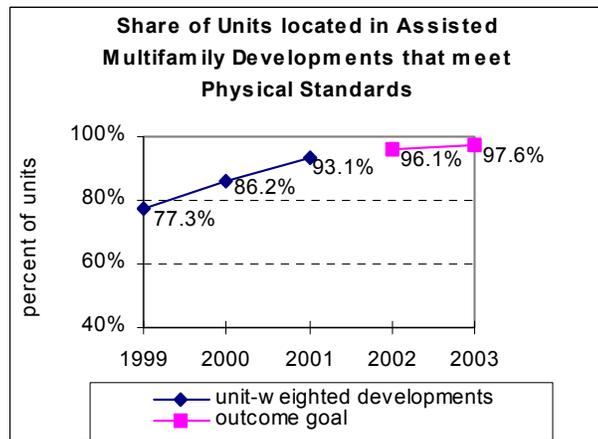
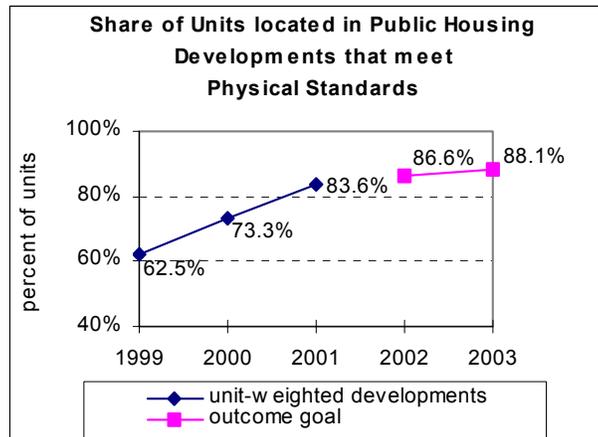
Data source. REAC Physical Assessment Subsystem (PASS), consisting of electronically coded and transmitted results of independent physical inspections of units, common areas and facilities. PASS is a component of the overall PHAS and is used separately from PHAS for private multifamily housing.

Limitations/advantages of the data.

Inspections are conducted independently and are statistically representative of public housing and private multifamily assisted housing. Because of the necessity of evaluating common areas, the number of passing units is determined by multiplying passing projects by the number of units they contain. Improvements to PASS may alter slightly the selection and weighting of individual inspection items from year to year. There were

some changes to the baseline physical condition standards used in 1999 that would account for modest project score increases of a few points in the FY 2001 results, but most of the increases in scores are attributed to actual improvements to project physical conditions. PASS scoring for public housing was revised in FY 2001 to reflect negotiations with public housing agencies. As a result, public housing and private multifamily scores are not comparable.

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



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

3.3.2: The share of HUD-Assisted Properties observed with Exigent Health and Safety or Fire Safety Deficiencies decreases by 1.0 percentage point for public housing and by 0.6 percentage points for assisted multifamily housing.

Indicator background and context. REAC conducts physical inspections that identify Exigent Health and Safety or Fire Safety Deficiencies (EHS/FS). Exigent health and safety hazards include but are not limited to 1) air quality, gas leaks; 2) electrical hazards,

exposed wires/open panels; 3) water leaks on or near electrical equipment; 4) emergency/fire exits/blocked/unusable fire escapes; 5) blocked egress/ladders; and 6) carbon monoxide hazards. Fire safety hazards include 1) window security bars preventing egress; and 2) fire extinguishers expired. (Smoke detectors are excluded from EHS/FS for this measure because they are covered in Indicator 1.3.f.)

This indicator tracks reductions in EHS/FS nationwide as HUD implements its physical inspection protocol, Uniform Property Condition Standards (UPCS). The implementation of physical inspections by REAC has promoted a reduction in exigent health and safety hazards. This trend is likely to continue.

Measures used for this indicator include the percentage of properties where EHS/FS deficiencies are observed, and the percentage of units estimated to have EHS/FS, to be in buildings with EHS/FS, or to be on a site with EHS/FS. In 2001, 47 percent of inspected public housing properties had at least one EHS/FS. Among the assisted multifamily properties, 37 percent had at least one EHS/FS.

| Exigent Health and Safety or Fire Safety Deficiencies in Public Housing | | | | |
|--|---------|---------|--------------|--------------|
| | FY 2000 | FY 2001 | FY 2002 Goal | FY 2003 Goal |
| Percentage of properties with EHS/FS (observed) | 49.3% | 46.9% | 46% | 45% |
| Percentage of units with, in building with, or on site with EHS/FS (estimated) | 22.2% | 18.4% | 17.4% | 16.4% |

Data source. REAC’s Physical Assessment Subsystem (PASS), consisting of electronically coded and transmitted results of independent physical inspections of units, common areas and facilities. Unit-level data is estimated on the basis of project-level sample observations, extrapolated to the universe of all units.

| Exigent Health and Safety or Fire Safety Deficiencies in Assisted Multifamily Housing | | | | |
|---|---------|---------|--------------|--------------|
| | FY 2000 | FY 2001 | FY 2002 Goal | FY 2003 Goal |
| Percentage of properties with EHS/FS (observed) | 40.2% | 37.3% | 36.4% | 35.6% |
| Percentage of units with, in building with, or on site with EHS/FS (estimated) | 18.7% | 15.4% | 14.8% | 14.0% |

Limitations/advantages of the data. Under the “3-2-1 Rule” that

took effect in August 2000, inspections of multifamily developments occur at longer intervals of two or three years if their scores are high enough in the first year. 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. For this reason, the incremental goal for multifamily housing is 60 percent of the incremental goal for public housing.

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

3.3.3: As part of the effort to eliminate 100,000 units of the worst public housing, demolish 13,000 units during FY 2003.

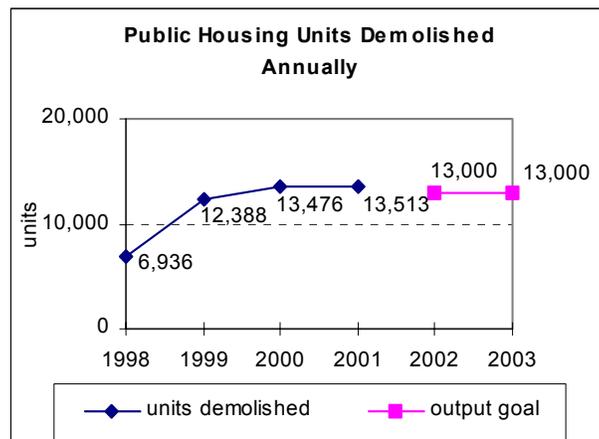
Indicator background and context. Many units of distressed high-rise public housing for families with children already have been demolished. These developments, ill-designed for family occupancy, experienced crime and social breakdown that contributed to severe maintenance problems and excessive vacancies.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

As of the end of FY 2001, HUD had approved applications to demolish nearly 133,000 units, and PHAs had actually demolished approximately 73,857. Over 47,000 of the completed demolitions were carried out in connection with HOPE VI revitalization grants. HUD intends to demolish 100,000 units of severely distressed public housing by the end of FY 2003. As reflected in Indicator 3.3.4, HOPE VI projects will account for a sizable fraction of total demolitions.

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

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

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



3.3.4: The HOPE VI Revitalization Development program for public housing relocates 3,160 families, demolishes 3,905 units, completes 6,821 new and rehabilitated units, and occupies 6,201 units.

Indicator background and context. HOPE VI is HUD’s primary program for eliminating distressed public housing by demolishing unsustainable developments and rebuilding in accordance with community-sensitive principles. Housing agencies have been slower in implementing HOPE VI redevelopment plans than was anticipated because of the extensive planning and partnering involved. This indicator tracks the share of HOPE VI redevelopment plans that are being implemented on schedule in terms of four key outputs: tenants relocated to permit redevelopment, units demolished, new and rehabilitated units completed, and units occupied. The table presents cumulative achievements through FY 2001 and the additional achievement targets for FY 2002 and

FY 2003. Goals reflect planned achievements based on HOPE VI plans submitted by PHAs.

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

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

| HOPE VI Achievements | 6/30/2001 Cum. Actual | FY 2001 Cum. est. | FY 2002 goal (revised) | FY 2003 goal |
|------------------------------------|-----------------------|-------------------|------------------------|--------------|
| Tenants relocated | 39,123 | 40,196 | 4,749 | 3,160 |
| Units demolished | 45,240 | 48,949 | 11,550 | 3,905 |
| Units constructed or rehabilitated | 13,357 | 14,436 | 5,485 | 6,821 |
| Units occupied | 12,490 | 13,124 | 4,987 | 6,201 |

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

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

Indicator background and context. The recipients of HUD housing assistance form one of the largest groups of direct customers of HUD. The Department influences resident satisfaction by demanding quality management from housing agencies and private multifamily developments. During FY 2000, REAC conducted a random sample survey of 279,470 public housing tenants. Eighty-seven percent of those surveyed were satisfied or very satisfied with their overall living conditions. REAC adapted the multifamily housing protocol in FY 2000 and began assessing this tenant group in December of 2000; therefore the baseline for multifamily assisted housing will be determined during FY 2001. During FY 2001, 71 percent of residents expressed satisfaction both in public housing and assisted multifamily programs. This indicator tracks the percentage of respondents who are satisfied or very satisfied with "overall living conditions." The goal is to increase the percent of households who express satisfaction by 1 percentage point from FY 2002 levels.

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

Limitations/advantages of the data. The RASS survey is based on statistically valid samples of households. The response rate is well above average for similar survey instruments.

Validation, verification, improvement of measure. Analysis of results of a pilot survey showed good correlation between resident satisfaction scores and physical condition scores. Annual survey samples will verify estimates and increase confidence in their statistical reliability.

3.3.6: The share of public housing residents who feel safe or very safe increases by 1 percentage point.

Indicator background and context. Public housing agencies and resident management councils conduct a variety of activities to reduce crime. This indicator tracks the level of security perceived by residents of public housing, measured as the share of those who report they feel “safe or very safe” in their units, their building, and the parking area.

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

| Residents who feel safe or very safe in: | 2000 Baseline | 2001 Expected | 2002 Goal |
|---|----------------------|----------------------|------------------|
| their units | 72.3% | 73.3% | 74.3% |
| their building | 67.7% | 68.7% | 69.7% |
| the parking area | 59.6% | 60.6% | 61.6% |

Limitations/advantages of the data. RASS data consist of a nationally-representative random sample of public housing households. Isolated incidents may create short-term distortions in long-term tenant satisfaction.

Validation, verification, improvement of measure. A PD&R study to pretest and validate resident satisfaction surveys of Section 8 households showed that responses were reliable with respect to physical conditions, supporting the validity of surveys for assessing public safety of residents.

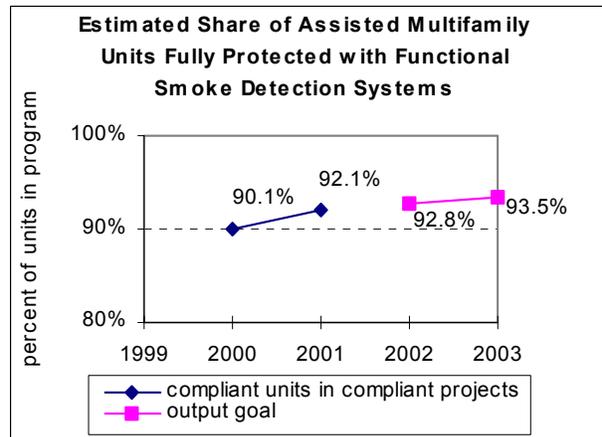
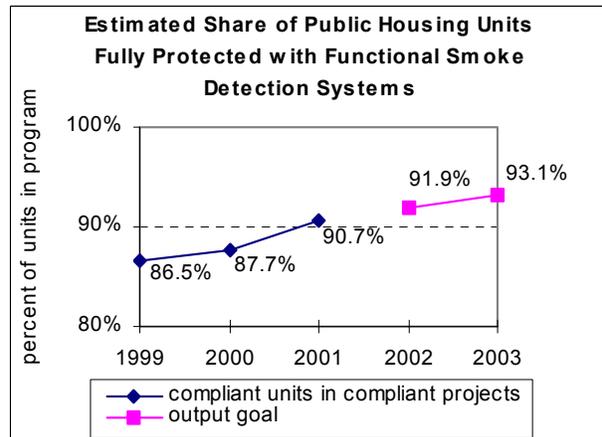
3.3.7: The share of units that have functioning smoke detectors and are in buildings with functioning smoke detectors increases by 1.2 percentage points for public housing and by 0.7 percentage points for assisted multifamily housing.

Indicator background and context. The National Fire Protection Association reports that although smoke alarms cut the chances of dying in a house fire by 40-50 percent, about one-quarter of U.S. households lack working smoke alarms. REAC’s physical inspections of public and assisted housing include checks of fire safety features including the presence of operational smoke detectors in housing units, common areas and utility areas of buildings. This indicator tracks the estimated share of units that are protected by a fully functional smoke detection system, defined as smoke detectors that are observed to be both present and operative in the unit as well as the building in which the unit is located. The FY 2003 goal is to improve from FY 2002 levels.

Data source. REAC Physical Assessment Subsystem (PASS), consisting of electronically coded and transmitted results of independent physical inspections of units, common areas and facilities.

Limitations/advantages of the data. Inspections are conducted independently and are representative of the entire HUD stock. The share of units with functional smoke detectors in each building is estimated on the basis of a randomly-selected sample. The functionality of smoke detectors is an aspect of inspections with negligible vulnerability to subjective judgment.

Validation, verification, improvement of measure. REAC reinspects units and properties on a sample basis for quality assurance. The inspection protocol is subject to modification to improve the validity. For FY 2002, the measure has been revised to balance the need to use appropriate sample-based estimates of unit compliance with the need to reflect facility compliance.



GOAL 4: STRENGTHEN AND EXPAND FAITH-BASED AND COMMUNITY PARTNERSHIPS THAT ENHANCE COMMUNITIES

Strategic Objectives

4.1 Ensure equal access to HUD resources for faith-based and grassroots nonprofits.

4.2 Improve HUD's programs by increasing the involvement of faith-based and community organizations.

Homelessness. Alcoholism. Drug addiction. These plagues afflict too many Americans in our inner cities, suburbs and rural communities. Our society has often discounted solutions presented by private, community- and faith-based organizations. HUD has a long and rich history of cooperating with faith-based and community organizations, particularly with large, national organizations to address the needs of those Americans for whom homelessness, the lack of affordable housing, and limited alternatives for special needs housing lead to despair and hopelessness.

President George W. Bush is aware of this urgency; it propels his entire Faith-Based and Community Initiative. Government must accept its limitations and partner with civilian agents of change, who are attempting to solve the problems of poverty and despair by changing one life at a time. When introducing the Faith-Based and Community Initiative, President Bush proclaimed: "Government has a solemn responsibility to help meet the needs of poor Americans and distressed neighborhoods, but it does not have a monopoly on compassion.... The indispensable and transforming work of faith-based and other charitable service groups must be encouraged."⁴

The HUD's Center for Faith-Based and Community Initiatives (CFBCI) builds upon HUD's history of success in establishing strong working partnerships with faith-based and community organizations. That experience will help HUD lead the way to increased opportunities for these grassroots groups. CFBCI efforts are designed to expand on previous approaches to help communities rise above poverty and despair. These two strategic objectives capture the key elements of the Department's goal regarding faith-based and community partnerships. Through these efforts, CFBCI and HUD will develop innovative methods to level the playing field for effective partnerships with the faith-based and community groups battling homelessness and hopelessness, and that help to heal shattered neighborhoods and communities.

⁴ 'Forward by President George W. Bush' of the "Rallying the Armies of Compassion" document, January 29, 2001.

Resources Supporting Strategic Goal 4: Strengthen and expand faith-based and community partnerships that enhance communities.

| Budget Authority (BA) and Staffing Levels (BA is \$ in thousands) | | | | | | | | | |
|--|-------------------------|----------------|----------------|--|----------|----------------|----------|----------------|----------|
| Program | Budget Authority | | | Headquarters (HQ) and Field (F) Staff | | | | | |
| | FY 2001 | FY 2002 | FY 2003 | FY 2001 | | FY 2002 | | FY 2003 | |
| | | | | HQ | F | HQ | F | HQ | F |
| Office of Housing | | | | | | | | | |
| Housing for Special Populations | \$140,000 | \$144,600 | \$144,600 | 5 | 55 | 6 | 56 | 6 | 56 |
| Office of Fair Housing & Equal Opportunity | | | | | | | | | |
| Fair Housing Assistance Program | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 3 | 0 |
| Fair Housing Initiatives Program | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 3 | 0 |
| Center for Faith-Based and Community Initiatives | N/A | N/A | N/A | 1 | 0 | 8 | 0 | 8 | 0 |
| Total | 140,000 | 144,600 | 144,600 | 6 | 55 | 14 | 56 | 20 | 56 |

Objective 4.1: Ensure equal access to HUD resources for faith-based and grassroots non-profits.

Overview

HUD has been on the forefront of efforts to make Federal resources available to nonprofit organizations, including faith-based and community groups. These entities have sought and successfully used HUD programs since the mid-1970s. The data indicate that HUD awarded approximately 15 percent of its 2000 Continuum of Care competition—which provides funds to help alleviate homelessness—to 399 faith-based organizations. And 40 percent of Section 202 Senior housing programs are provided by faith-based organizations such as Lutheran Services in America, B’Nai B’rith, Jewish Federation and Catholic Charities.

Although HUD enjoys a long history of partnering with faith- and community-based groups, many were at a disadvantage. Some were required to strip themselves of their religious identity and separate their faith from their good works. Other impediments either prohibited or discouraged participation by faith-based and community organizations. Smaller grassroots and faith-based institutions often lack the access to information, critical networking contacts, and complete capacity to be successfully eligible to receive Federal funding.

Our goal is to make recommendations for reforms, where appropriate, in an effort to maximize full participation by faith-based and community-based organizations. The Department, through the leadership of HUD's Center for Faith-Based and Community Initiatives, will reach out to groups—especially the smaller grassroots organizations that tend to be excluded—and help them with educational seminars and technical assistance among other things.

Means and strategies

In compliance with Executive Order 13198, HUD established the Center for Faith-Based and Community Initiatives. The CFBCI will develop innovative methods to level the playing field for effective partnerships with the faith-based and community groups that battle homelessness and hopelessness, and that help to heal shattered neighborhoods and communities.

The goal of the Initiative is to match some of the vast resources of the federal government with the vision, commitment and expertise of community-based religious and voluntary organizations that are on the frontlines of the real war on poverty. A number of specific strategies that offer potential have been identified:

- Eliminate regulatory language that creates unnecessary barriers for faith-based groups;
- Eliminate or modify requirements that are not mandated by statute or regulation;
- Expand technical assistance to faith-based and community groups;
- Expand outreach and field development;
- Develop a task force to review formula grant management.

External factors

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

Many members of the public expressed dissatisfaction with the relationships between the formula grantees and the faith or community-based sub-recipients. For example, when a smaller group participates in the process, it often faces discrimination because it is new, or because grant decisions are politically charged. Further study of the relationships between HUD grantees and their sub-recipient partners is warranted, in order to more accurately understand these barriers and develop solutions to alleviate the unnecessary burdens.

Coordination with other Federal agencies

HUD's CFBCI will partner with the Centers for Faith-Based and Community Initiatives at the Departments of Education, Justice, Labor, and Health and Human Services to plan and conduct inter-agency events and conferences designed to educate and train faith-based and community organizations on our findings and on partnership opportunities, launch pilot and demonstration projects, build partnerships between corporations, foundations and nonprofit organizations. The Department of Agriculture will also be invited to participate.

Performance goals

The following crosswalk summarizes the performance indicators, including measures of outcomes and program outputs, that will be used to gauge performance during FY 2003. A detailed discussion of each indicator follows the crosswalk.

| FY 2003 Performance Goals |
|---|
| Objective 4.1: Ensure equal access to HUD resources for faith-based and grassroots non-profits. |
| 4.1.1: Complete four milestones to reduce barriers to program participation by faith-based and community organizations. |
| 4.1.2: Increase the number of faith-based and community organization grant applications and successful grantees from a FY 2003 baseline by FY 2004. |

Performance goals are for FY 2003 unless otherwise noted.

4.1.1: Complete four milestones to reduce barriers to program participation by faith-based and community organizations.

Indicator background and context. HUD's Center for Faith-Based and Community Initiatives is playing a coordinating role in promoting fair access to Federal resources. The Department also needs to take steps to ensure that grassroots organizations can participate in our own programs. By the end of FY 2003, HUD plans to complete four milestones that will make HUD and other Federal programs more accessible to faith-based and community organizations.

- Provide education and training for faith-based and community organizations. Through national, regional, field and state conferences, HUD/web broadcasts, etc., our goal is to reach more than 20,000 representatives from faith-based and community organizations. Training will include, but is not limited to, the topics of capacity building, resource development strategies, the importance of generating partnerships, and strategic planning.

- Establish a resource center and inter-agency website for the Faith-Based and Community Initiative.
- Identify and eliminate requirements not contained in statutes or regulations. Faith-based and community organizations are subject to a number of requirements that are neither contained in statutes nor in HUD regulations. Often, these additional requirements are contained in handbooks, added to the Notice of Funding Availability (NOFA), extracted from HUD's Office of General Counsel (OGC) legal memoranda and opinions, or are left to the discretion of the program offices. Additionally, CFBCI will partner with HUD OGC to eliminate requirements that *are* contained in HUD regulations, but that have *no* genesis in the authorizing statute.
- Identify and eliminate bureaucratic barriers that prohibit or discourage participation by faith-based and religious organizations. CFBCI will work with HUD OGC to eliminate the "primarily religious organization" regulatory language that addresses organizational nature, type or origin, in favor of consistent regulation of activities, by selecting applicants who demonstrate the capability to deliver an authorized service in compliance with laws and regulations, regardless of its religious affiliation. This would bring HUD into compliance with the most recent case law and Department of Justice legal memoranda and opinion.

Data source. Accomplishments will be assessed and documented by HUD's Center for Faith-Based and Community Initiatives.

Limitations/advantages of the data. The qualitative milestones used for this indicator do not require numerical databases. Assessing performance of such measures may be necessarily limited by subjective judgments. Furthermore, in the case of new initiatives such as this one, qualitative standards for success may be subject to change as experience grows.

Validation, verification, improvement of measure. Milestone performance indicators will be supplemented or replaced by quantitative measures as initiatives are implemented and evaluated and data capabilities are enhanced.

4.1.2: Increase the number of faith-based and community organization grant applications and successful grantees from a FY 2003 baseline by FY 2004.

Indicator background and context. One measure of HUD's success in making programs accessible to faith-based and grassroots community organizations is the number of grant applications these groups submit to HUD. The number of grant applications submitted each year represents the effective demand for Federal resources by grassroots organizations, as well as a threshold level of capacity. The organizations that submit applications that are qualified and competitive enough to merit grant awards meet a higher threshold of capacity. During FY 2003, HUD intends to establish a baseline number of applications submitted by faith- and community-based grantees, and the number of grants awarded to such grantees and in force.

Data source. Some HUD programs currently have questions embedded in their applications regarding the religious identity of applicants. The Department is exploring alternatives for obtaining this information for other programs. HUD's data systems currently do not provide reliable tallies of the number of faith- and community-based applicants or grantees. The Center for Faith-Based and Community Initiatives will shepherd efforts to develop this capability across the Department's grant programs through either a separate database or an enterprise approach.

Limitations/advantages of the data. A program participant's status as a faith-based or community-based organization is in some cases difficult to determine, and may require manual verification. Programs that offer grants through intermediary organizations may be excluded if statutory or programmatic limitations on reporting burden prevent reliable reporting.

Validation, verification, improvement of measure. Definitions and data quality standards and controls will be developed and strengthened on an ongoing basis.

Objective 4.2: Improve HUD’s programs by increasing the involvement of faith-based and community organizations.

Overview

HUD is the Federal agency responsible for national policy and programs that address America’s housing and community development needs. To help accomplish HUD’s mission, nonprofit organizations, including those that are faith-based, have sought and successfully used HUD programs since the mid-1970s. Throughout the last twenty-five years, the number of grants and the amount of funds awarded to non-profits and faith-based organizations have increased steadily. Despite these successes, however, there have been challenges—particularly for smaller, grassroots groups. These involved citizens—spiritual leaders, business groups, and nonprofit organizations—constitute community organizations that are not widely known, but whose expertise we cannot afford to ignore.

The Center for Faith-Based and Community Initiatives plays a cross-cutting role in helping HUD accomplish its mission to “Promote adequate and affordable housing, economic opportunity, and a suitable living environment free from discrimination.” Faith- and community-based organizations, large and small, play a significant role in achieving this mission. To that end, HUD and CFBCI will build upon prior successes to expand program participation by these front-line specialists.

Means and strategies

Internal and external collaboration are essential components of any program improvement strategy. The kinds of issues faced by persons living in distressed or underserved communities require a concerted effort in order to solve their pressing needs. The following are several key factors in that approach:

- **Intra-Departmental Outreach.** CFBCI will partner with HUD program offices to establish mutual goals and identify opportunities to assist program areas in carrying out their strategic plans and objectives, with particular regard to their faith-based and community partnerships.
- **Train Grant Review Panels.** Grant review panels should gain a greater understanding of the viability of non-traditional organizations—particularly faith-based and community organizations—and their ability to compete on an equal basis for federal funds. CFBCI should offer staff to train grant review panels and to help level the playing field for non-traditional recipient organizations.
- **Develop Interagency Partnerships.** See below.

External factors

Many faith-based and community organizations participate in HUD programs through funds distributed to local governments and public housing authorities via block grants,

contract renewals and vouchers. These grants represent a significant portion of HUD's program dollars, and thus, the external factors affecting program improvement would be similar to those contained under Objective 4.1.

Coordination with other Federal agencies

Faith-based and community organizations address some of our nation's most intractable pathologies—including homelessness, substance abuse, violence, chronic unemployment. HUD's CFBCI will partner with the Centers for Faith-Based and Community Initiatives at the Departments of Education, Justice, Labor, Health and Human Services, and the Corporation for National Community Service to launch pilot and demonstration projects that bring the program and other resources of these agencies together to serve faith-based and community organizations.

Performance goals

The following crosswalk summarizes the performance indicators, including measures of outcomes and program outputs, that will be used to gauge performance during FY 2003. A detailed discussion of each indicator follows the crosswalk.

| FY 2003 Performance Goals |
|---|
| Objective 4.2: Improve HUD's programs by increasing the involvement of faith-based and community organizations. |
| 4.2.1: Develop and implement pilot and demonstration projects to increase the effectiveness of program areas and their accessibility to grassroots organizations (including faith based and community organizations). |

Performance goals are for FY 2003 unless otherwise noted.

4.2.1: Develop and implement pilot and demonstration projects to increase the effectiveness of program areas and their accessibility to grassroots organizations (including faith based and community organizations).

Indicator background and context. HUD's Center for Faith-Based and Community Initiatives is playing a coordinating role in developing intra-agency taskforces to identify programs within the Department with significant growth opportunity for faith- and community-based participation. Successful accomplishment of CFBCI's goal of helping to effectively address the myriad social problems faced by individuals and families in distressed communities will also require partnerships with other Federal agencies. The Secretary and program departments have identified several priority issues that will make HUD more effective in the way it serves its constituents. By the end of FY 2003, HUD will undertake several projects that will make HUD and other Federal programs more

accessible to grassroots organizations, which include faith-based and community organizations. They include, but are not limited to the following:

- Family Self-Sufficiency (FSS) – expand the reach of the FSS program by utilizing faith-based and community organizations.
- Colonias – Through Federal partnerships and collaboration with faith-based and community organizations in these and other rural regions, CFBCI and HUD will work to more effectively deliver HUD programs and services.
- Homelessness – CFBCI will participate in the Interagency Homeless Council and will partner with the SNAPS office to develop strategies that will increase the involvement of faith-based and community organizations in the Continuum of Care process.
- Predatory lending – CFBCI will participate on the predatory lending taskforce and serve as a resource to identify and recruit religious congregations in targeted areas to provide education and training for community members that are highly susceptible to these tactics.

Data source. Accomplishments will be assessed and documented by HUD’s Center for Faith-Based and Community Initiatives. The “HUD Policy Report: Southwest Border Region, Colonias and Migrant/Farmworker Communities” provided background and statistical information for this initiative.

Limitations/advantages of the data. The qualitative milestones used for this indicator do not require numerical databases. Assessing performance of such measures may be necessarily limited by subjective judgments. Furthermore, in the case of new initiatives such as this one, qualitative standards for success may be subject to change as experience grows.

Validation, verification, improvement of measure. Milestone performance indicators will be supplemented or replaced by quantitative measures as initiatives are implemented and evaluated and data capabilities are enhanced.

GOAL 5: EFFECTIVELY ADDRESS THE CHALLENGE OF HOMELESSNESS

Strategic Objectives:

- 5.1 End chronic homelessness in ten years.**
- 5.2 Help homeless individuals and families move to permanent housing.**
- 5.3 Expand efforts to prevent households from becoming homeless.**

HUD is the primary agency responsible for providing housing and related resources to prevent homelessness and help homeless families and individuals move to permanent housing. In addition, the Department is pursuing a goal of ending chronic homelessness in 10 years.

As economic conditions have worsened, the need for housing resources has become greater. The U.S. Conference of Mayors reports that in 2001, demand for emergency shelter increased by 13 percent overall—and 22 percent among families—in the 27 major cities that were surveyed. Furthermore, 37 percent of the overall need and 52 percent of the need among families were unmet.

A study released in December of 1999, *Homelessness: Programs and the People They Serve*, reports that most people who become homeless have suffered severe hardships—including physical and sexual abuse, childhood trauma, poverty, poor education, disability, and disease. The report also shows that when homeless people get housing assistance and needed services—such as health care, substance abuse treatment, mental health services, education and job training—76 percent of those living in families and 60 percent of those living alone end their homeless status and move to an improved living situation.

HUD's response to this crisis is to provide flexible resources to communities, and to encourage planning and coordination to maximize the effect of these resources. In FY 2003, HUD is proposing to streamline homeless assistance by consolidating the current separate McKinney Act-derived programs. The Department is also stepping up coordination with the Department of Health and Human Services and other Federal agencies to increase the availability of mainstream resources such as health care, substance abuse treatment, and job training to homeless people.

Resources Supporting Strategic Goal 5: Effectively address the challenge of homelessness.

| Budget Authority (BA) and Staffing Levels (BA is \$ in thousands) | | | | | | | | | |
|--|-------------------------|------------------|------------------|--|------------|----------------|------------|----------------|------------|
| Program | Budget Authority | | | Headquarters (HQ) and Field (F) Staff | | | | | |
| | FY 2001 | FY 2002 | FY 2003 | FY 2001 | | FY 2002 | | FY 2003 | |
| | | | | HQ | F | HQ | F | HQ | F |
| Office of Community Planning & Development | | | | | | | | | |
| Homeless Assistance Grants | \$1,006,905 | \$1,006,905 | \$1,013,162 | 30 | 118 | 30 | 122 | 28 | 122 |
| Emergency Food & Shelter Program | 0 | 0 | 153,000 | 0 | 0 | 0 | 0 | 2 | 0 |
| Office of Housing | | | | | | | | | |
| Housing Counseling Assistance | 0 | 0 | 1,900 | 6 | 0 | 6 | 0 | 6 | 0 |
| Total | 1,006,905 | 1,006,905 | 1,168,062 | 36 | 118 | 36 | 122 | 36 | 122 |

Objective 5.1: End chronic homelessness in ten years.

Overview

Chronic homelessness usually involves single adults who have severe disabilities and have been homeless for many months or years. Identifying and serving chronically homeless individuals is challenging because they often sleep on the streets or other places not meant for habitation. Even when housing is available, their disabilities sometimes make it difficult for them to remain in that housing for long periods unless they also have supportive services such as counseling, case management, and regular health care.

Chronic homelessness is very expensive to Federal, State and local governments. Research suggests that chronically homeless people represent about 10 percent of the homeless population, but use approximately half of shelter resources.⁵ Also, because they spend much of their time on the streets, chronically homeless people are susceptible to diseases such as tuberculosis that are expensive to treat, especially when not diagnosed early. Homelessness increases the likelihood that a person will require expensive treatment at a mental health facility or a hospital emergency room. Moreover, homeless people are more likely to commit minor offenses and serve jail time than if they had stable housing.

HUD is committed to the objective of ending chronic homelessness in 10 years. The primary tool for achieving this goal will be to provide permanent supportive housing—housing combined with services. In recent years, the Department has set aside at least 30 percent of homeless funds for permanent housing. Homeless assistance providers combine HUD funding with other resources to provide a full spectrum of housing and services.

Achieving such a goal will have many benefits. Ending chronic homelessness will free up the vast shelter and transitional housing network to assist people who have temporarily become homeless so they can more quickly find stable, permanent housing. Providing permanent supportive housing will significantly reduce the cost of medical, mental health, and criminal justice resources that are used for chronically homeless people. In fact, recent research has demonstrated that the cost of providing permanent supportive housing to someone is almost exactly equal to the cost of leaving that person on the streets and having him or her cycle through the various disconnected health care, correctional, mental health, and substance abuse treatment institutions.

Progress towards achieving this objective will initially be measured by tracking the number of people who move into HUD McKinney-Vento funded permanent housing (indicator 5.1.1). HUD is also promoting the development of Homeless Management Information Systems (indicator 5.2.4), which will eventually allow communities to directly track the number of chronically homeless people.

⁵ Culhane, D.P., Metraux, S. and Wachter, S.M., *Homelessness and the Provision of Public Shelter in New York City*. In M. Schill (ed.). Housing in New York City, SUNY Press, 1999.

Means and strategies

Reducing chronic homelessness requires increasing resources available to develop and support permanent supportive housing. HUD's strategy centers on two major activities. The first is to streamline HUD programs, so that communities have more flexibility to target resources.

- In FY 2003, HUD proposes to implement a consolidation of existing major homeless assistance programs to streamline the grant process and improve the flexibility and performance of the program.

The second strategy involves increasing the focus of HUD's resources on housing while working with other agencies to ensure that the service needs of homeless people are met through other mainstream programs.

- HUD will require that Communities use at least 30 percent of homeless assistance funds for permanent housing.
- The FY 2001 VA/HUD Appropriations Act reauthorized the Interagency Council on the Homeless (ICH) through FY 2005. In coordination with the planned rejuvenation of the ICH, the Secretaries of HUD and HHS have created an interagency working group to both identify the obstacles to enrollment of homeless people in HHS mainstream service programs and recommend specific changes, legislative, policy and procedural, that would explore specific ways to make Federal mainstream service programs (e.g., Medicaid, Temporary Assistance for Needy Families, Substance Abuse Block Grants, Mental Health Block Grant, Food Stamps) much more accessible to homeless people. The Department of Veterans Affairs recently joined the working group.
- The ICH will review all Federal activities and programs that assist homeless individuals improve the efficacy of homeless programs. The FY 2003 budget proposes \$1 million for the ICH.

External factors

Providing permanent supportive housing requires extensive commitments from community providers and a certain level of community support. Residents often have negative stereotypes about chronically homeless people that lead them to oppose permanent supportive housing in their neighborhoods.

States, counties, and cities typically provide many of the services that chronically homeless individuals need. As budgets become tighter because of the recent economic slowdown, they may reduce these services, even after general economic conditions improve.

Coordination with other Federal agencies

- HUD is a member of the Interagency Council on the Homeless. The other federal Departments represented on the Council include the Departments of **Health and Human Services, Agriculture, Commerce, Education, Energy, Justice, Labor,**

Defense, Interior, Transportation and Veterans Affairs, the Social Security Administration, the Federal Emergency Management Agency, the Government Services Administration, and the Postmaster General. The Council, a working group of the White House Domestic Policy Council, coordinates federal programs supporting homeless families and individuals to minimize duplication and improve overall results.

- HUD and HHS have worked on several initiatives to better integrate HUD housing and HHS service resources. HUD and HHS’s Center for Medicare and Medicaid Services (CMS) are working together to combine HUD housing resources and CMS services to integrate persons with severe disabilities into the community rather than in congregate living situations. This assistance could be combined with home-based health care, mental health counseling and other services funded through HHS.

Performance goals

The following crosswalk summarizes the performance indicators, including measures of outcomes and program outputs, that will be used to gauge performance during FY 2003. A detailed discussion of each indicator follows the crosswalk.

| FY 2003 Performance Goals |
|---|
| Objective 5.1: End chronic homelessness in ten years. |
| 5.1.1: At least 25,000 formerly homeless persons move into HUD McKinney-Vento funded permanent housing. |
| 5.1.2: The number of chronically homeless individuals declines by up to 50 percent over 5 years. |

Performance goals are for FY 2003 unless otherwise noted.

5.1.1: At least 25,000 formerly homeless persons move into HUD McKinney-Vento funded permanent housing.

Indicator background and context. 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 ensures that residents receive the housing and services they need to maintain stable permanent housing and make progress in towards self-sufficiency. Other HUD programs that provide permanent housing, including the Supportive Housing Program and the 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 SROs, which have traditionally served as the housing of last resort for homeless individuals.

This measure tracks the number of formerly homeless persons who move into permanent housing funded by HUD under the McKinney-Vento Homeless Assistance Act. For FY 2003, HUD's target is to help at least 25,000 formerly homeless persons achieve permanent housing through these programs. When reporting this indicator, HUD will also report on what happens to people who leave HUD McKinney-Vento funded permanent housing to help ensure that people are not cycling through permanent housing and then back into homelessness.

Data source. CPD administrative database, consisting of accomplishments data submitted in Annual Progress Reports by recipients of Homeless Assistance Grants.

Limitations/advantages of the data. While the measure tracks the number of persons who move into permanent housing over the course of a year, the housing units they move into may be funded with appropriations from several prior years. Data are available with a one-year lag. Efforts to increase completeness of compiled APR data are expected to reduce non-reporting and selection bias to negligible levels. Self-reporting by grantees is not known to compromise reliability of this measure.

Validation, verification, improvement of measure. Field staff will monitor grantees on a sample basis to assess quality of data in grantee reports. HUD intends to improve reliability of this measure by developing a client-based electronic APR that will eliminate transmission lags of the paper-based reporting system and increase response rates.

5.1.2: The number of chronically homeless individuals declines by up to 50 percent over 5 years.

Indicator background and context. While there is currently no way to directly measure the number of chronically homeless individuals, HUD is working with other Federal agencies and communities to develop definitions and methods for measuring the extent of chronic homelessness. Once a definition for chronic homelessness is established and the number of chronically homeless individuals estimated by Homeless Management Information Systems (HMISs), effective actions can be taken to decrease the number of chronically homeless individuals.

Data source. HUD is working with communities to develop Homeless Management Information Systems. Once a critical number of HMISs become operational, HUD will collect data from these systems to track this indicator.

Limitations/advantages of the data. The capacity to measure this indicator will have to be developed over the next several years. Preliminary analyses indicate that there will be challenges with respect to the percentage of facilities within communities that are covered by a HMIS and differences in definitions of chronic homelessness across communities.

Validation, verification, improvement of measure. HUD is currently working with other Federal Agencies to develop a definition of chronic homelessness.

Objective 5.2: Help homeless individuals and families move to permanent housing.

Overview

The chronically homeless are often the most visible of the homeless population, however, there is a substantial and growing problem of families and individuals who have experienced temporary crises and become homeless. The factors that lead to their homelessness include a lack of affordable and available housing, high unemployment and low wages, and the presence of domestic violence, substance abuse, or health problems. People who become homeless face many barriers. Employment is often contingent on having a fixed address. Moving into rental housing often requires high deposits or the first and last months' rent—and even when money is found to cover the initial cost, low wages may be inadequate to cover the regular rent.

The coordination of housing and supportive services is crucial to breaking the cycle of homelessness. Given the variety of individual needs and locally available resources, each community can best design its own strategies to help each homeless person and family achieve permanent housing and self-sufficiency. HUD's homeless assistance programs foster local initiatives by providing flexibility while requiring adequate planning and coordination.

In addition to the Homeless Assistance Grants programs, HUD's public and assisted housing programs are an important resource in helping formerly homeless people move from transitional housing into the housing mainstream. Other housing and community development programs, such as public housing, CDBG, HOME and HOPWA, also provide resources that at local discretion may be targeted to aid homeless people.

HUD will measure progress towards this objective by tracking the number of people who move into permanent housing from HUD-funded transitional housing (indicator 5.2.1) and supportive services programs (indicator 5.2.2).

Means and strategies

HUD's strategy involves providing temporary housing assistance that can be combined with needed job training, health care, or substance abuse treatment resources. In support of this strategy, HUD will:

- Continue development of a client-level reporting system to understand the extent of homelessness and the effectiveness of different programs supported by McKinney-Vento homeless assistance programs.
- Assist communities in developing Homeless Management Information Systems (HMISs) to track homeless persons moving through emergency shelter, transitional housing and into permanent housing. HMISs will also identify the characteristics of homeless persons and track milestones including access to benefits, educational opportunities and employment.

- Provide continued support for vital housing and service programs and new funding to fill housing and services gaps locally through Homeless Assistance Grants.
- Encourage HUD homeless assistance grantees that serve veterans to work with their local VA agency to link their programs with existing supportive service organizations that serve veterans.
- Provide vouchers targeted to homeless veterans through the recently enacted Homeless Veterans Comprehensive Assistance Act of 2001.
- Train and fund communities to plan and execute a comprehensive, coordinated delivery system for homeless assistance services—from outreach, intake, and assessment through emergency and transitional housing, to permanent independent or supportive housing.

HUD's other housing programs will also play a crucial role in providing permanent housing for homeless individuals and families. Public housing, Housing Choice Vouchers, and housing produced using CDBG and HOME funds provide affordable housing alternatives.

External factors

Success in aiding the homeless to achieve housing stability is affected by a variety of factors beyond HUD's control. The incidence of homelessness is driven by a number of macroeconomic forces such as unemployment levels, structural factors such as the supply of low-skilled jobs and the availability of low-cost housing. Personal factors such as domestic violence, mental illness, substance abuse, disabilities, and the extent of a person's educational or job skills also contribute to homelessness.

The Department's success in achieving this objective also depends critically on the efforts of a wide variety of community partners. Local governments and service providers retain a significant level of discretion in their use of homeless assistance and other Federal and local funding. Participation levels by partners—including State and local agencies, nonprofit organizations, service providers, housing developers, neighborhood groups, private foundations, the banking community, local businesses, and current and former homeless persons—will substantially determine the success of homeless families and individuals in becoming more self-sufficient.

Coordination with other Federal agencies

- HUD and the Department of **Health and Human Services** have formed an ad hoc working group to identify HHS resources that could provide needed supportive services that otherwise might be paid for by HUD's Supportive Housing Program (SHP). By reducing the demand for supportive service funding in SHP, more funds from this program can be dedicated to housing, particularly permanent housing. The working group, which meets regularly, is identifying and discussing the programmatic features of various HHS mainstream and other programs. The group also is identifying existing barriers in these programs to providing supportive services to homeless persons being housed in HUD's homeless assistance programs.

Medicaid, Medicare, the Substance Abuse Block Grant, the Mental Health Services Block Grant, Temporary Assistance for Needy Families, Health Care for the Homeless and Ryan White are among the HHS programs being examined. HHS recently developed a letter, in cooperation with HUD, to be sent to numerous HHS grantees which encourages them to become involved in HUD's homeless assistance planning process and to consider partnering with providers of housing for homeless persons.

- HUD and HHS are sponsoring policy academies with state agencies to improve access by homeless men and women to the services they need. These academies bring senior state and local policy makers together to discuss how to improve access to mainstream federal service programs by persons who are homeless.
- HUD recently signed an Interagency Agreement with HHS to consider replicating the National Survey of Homeless Assistance Providers and Clients. The contract will assess the options and methodology for duplicating the 2000 survey in 2006. This effort will include the possibility of the survey providing a national count of homeless persons.

Performance goals

The following crosswalk summarizes the performance indicators, including measures of outcomes and program outputs, that will be used to gauge performance during FY 2003. A detailed discussion of each indicator follows the crosswalk.

| FY 2003 Performance Goals |
|---|
| Objective 5.2: Help homeless individuals and families move to permanent housing. |
| 5.2.1: At least 29,000 homeless persons will leave HUD transitional housing and move to permanent housing. |
| 5.2.2: At least 34,000 homeless persons served by HUD-funded supportive services programs will move to permanent housing. |
| 5.2.3: At least 115,000 people move into HUD-funded transitional housing. |
| 5.2.4: The number of communities with Homeless Management Information Systems increases to 75. |
| 5.2.5: Housing Counseling is provided to 40 percent more renters and homeless clients in FY 2004 than in FY 2003. |
| 5.2.6: At least 19,000 homeless persons become employed while in HUD's homeless assistance projects. |

Performance goals are for FY 2003 unless otherwise noted.

5.2.1: At least 29,000 homeless persons will leave HUD transitional housing and move to permanent housing.

Indicator background and context. The ultimate objective of homeless assistance is to help homeless families and individuals achieve permanent housing and self-sufficiency. The needs of the homeless subpopulations within a particular community are varied. Some need extensive supportive services while in permanent housing to maintain self-sufficiency. For others, market-rate housing with minimal services is adequate.

A significant portion of HUD's homeless assistance is dedicated to transitional housing (TH). For instance, of the \$900 million awarded for HUD's competitive programs in 2000, \$396 million (44 percent) went to TH projects. Transitional housing projects provide not only housing but also an array of supportive services to help homeless individuals and families prepare for permanent housing and self-sufficiency. This measure is defined as the number of adults leaving transitional housing who are moving into permanent housing.

Data source. CPD administrative database, consisting of accomplishments data submitted in Annual Progress Reports (APRs) by recipients of Homeless Assistance Grants.

Limitations/advantages of the data. APR data are available to report with a one-year lag. Efforts to increase completeness of compiled APR data are expected to reduce non-reporting and selection bias to negligible levels. Self-reporting by grantees is not known to compromise reliability of this measure.

Validation, verification, improvement of measure. Adoption of the new APR instrument during FY 2000 improved validity by allowing children to be excluded from the measure. CPD field staff monitor grantees on a sample basis to verify APRs. HUD intends to improve reliability of this measure by developing a client-based electronic APR that will eliminate transmission lags of the paper-based reporting system and increase response rates.

5.2.2: At least 34,000 homeless persons served by HUD-funded supportive services programs will move to permanent housing.

Indicator background and context. When transitional housing is not available or appropriate for homeless people, they may participate in HUD-funded supportive-services-only programs. Over 70 percent of people served by HUD's homeless assistance programs are in supportive-services-only programs.

This measure is defined as the number of adults who receive services through supportive-services-only projects that move to permanent housing. There is some overlap between the people counted in this indicator and the people counted in the previous indicator (5.2.1). The overlap is a result of people who use HUD-funded transitional housing and also participate in supportive services programs through a separate provider. As communities implement client level reporting systems, the extent of this overlap can be more directly analyzed.

Data source. CPD administrative database, consisting of accomplishments data submitted in Annual Performance Reports by recipients of Homeless Assistance Grants.

Limitations/advantages of the data. There is some overlap between the numbers reported in this indicator and those reported in the previous indicator (5.2.1). As communities implement HMISs, the extent of this overlap will be analyzed further.

Validation, verification, improvement of measure. Adoption of the new APR instrument during FY 2000 improved validity by allowing children to be excluded from the measure. CPD field staff monitor grantees on a sample basis to verify APRs. HUD intends to improve reliability of this measure by developing a client-based electronic APR that will eliminate transmission lags of the paper-based reporting system and increase response rates.

5.2.3: At least 115,000 people move into HUD-funded transitional housing.

Indicator background and context. An important stepping stone toward permanent housing for many homeless persons is the availability of transitional housing with supportive services to stabilize their lives. Beginning in 2002, this indicator tracked the number of persons who move into transitional housing funded through HUD's Homeless Assistance Grants. The measure includes persons who move into HUD McKinney-Vento funded transitional housing during 2003. These projects are funded with several prior years' appropriations.

Data source. CPD administrative database, consisting of accomplishments data submitted in Annual Performance Reports (APRs) by recipients of Homeless Assistance Grants.

Limitations/advantages of the data. While the measure tracks the number of persons who move into transitional housing over the course of a year, the housing units they move into may be funded with appropriations from several prior years. Data are available with a one-year lag. Efforts to increase completeness of compiled APR data are expected to reduce non-reporting and selection bias to negligible levels. Self-reporting by grantees is not known to compromise reliability of this measure.

Validation, verification, improvement of measure. Field staff will monitor grantees on a sample basis to assess quality of data in grantee reports. HUD intends to improve reliability of this measure by developing a client-based electronic APR that will eliminate transmission lags of the paper-based reporting system and increase response rates.

5.2.4: The number of communities with Homeless Management Information Systems increases to 75.

Indicator background and context. Homeless Management Information Systems (HMISs) help homeless service providers improve services and planning by providing the technological capacity to track the usage of homeless services by specific individuals and families over time. This information can also help to more accurately determine the size, characteristics and needs of the community's homeless population.

Twelve communities have been participating in a technical assistance project to collect unduplicated counts of homeless service users. These communities are included in the study if at least 75 percent of emergency shelter beds in the community were reported during 1999. Another four have established HMISs with at least 50 percent reporting but not yet 75 percent reporting.

The Conference Report that accompanied the FY 2001 VA-HUD appropriations act directed HUD to take the lead in working with communities to develop an unduplicated count of homeless persons and analyze jurisdictional homeless data within three years. This indicator will measure progress in accomplishing this objective by tracking the number of communities that have implemented community-wide HMISs as well as those seeking to update or expand the coverage of their existing systems. The Department expects to establish a baseline of the number of communities with HMISs and the proportion of emergency shelter, transitional housing, and permanent supportive housing beds covered by the system during FY 2002.

Data source. New questions on the FY 2001 McKinney-Vento community homeless application ask for information about Homeless Management Information Systems.

Limitations/advantages of the data. This is the first time HUD has collected data on local HMISs. There is no penalty to a community who does not wish to submit this information as part of its homeless plan.

Validation, verification, improvement of measure. CPD field staff verify quality of data in homeless plans. Results of the initial assessment will be used to inform, develop and validate future performance measures.

5.2.5: Housing Counseling is provided to 40 percent more renters and homeless clients in FY 2004 than in FY 2003.

Indicator background and context. The Department is placing more emphasis on Housing Counseling, including counseling for homeless clients and families seeking affordable rental housing. This indicator will track the number of clients counseled to receive secure decent, safe and sanitary rental housing or temporary shelter. An increase in Housing Counseling funding in FY 2003 will not only increase the number of renters and homeless clients counseled, but also allow the Department to provide technical assistance to improve the capacity of its Housing Counseling agencies. Due to the spend-out rate of new counseling funds, the increase in funding will not become evident programmatically until FY 2004, with more substantial increases accruing in following years. This indicator, therefore, will measure the percentage increase in the number of homebuyers or homeowners counseled between FY 2003 and FY 2004.

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

Limitations/advantages of the data. Reporting rates are near 100 percent because the Department's Housing Counseling Agencies are required to submit these reports annually. A major limitation of the data collection instrument is that it does not differentiate the level of counseling given to each client. The quality and level of counseling can vary significantly. To better assess outcomes resulting from Housing Counseling efforts, the Department is exploring the use of client-level data to track outcomes.

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

5.2.6: At least 19,000 homeless persons become employed while in HUD's homeless assistance projects.

Indicator background and context. Stable employment is a critical step for homeless persons to achieve greater self-sufficiency. HUD encourages communities to provide comprehensive housing and services to homeless individuals and families. Clients receiving HUD's McKinney assistance receive support, which can include employment training and job search, to help them achieve greater self-sufficiency. This indicator tracks the number of adult clients who become employed while in HUD-funded homeless assistance projects. The measure is defined as the difference between the number of employed adults who left a HUD-assisted project during a program year and the number of those adults who were not employed when entering the project.

Data source. Annual Progress Reports submitted by Homeless Assistance grantees. The FY 2001 baseline will be available in early FY 2002.

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. This aggregate measure is a reasonably good proxy for a more complex measure based on changes in employment status of specific individuals, who would have various entry times and lengths of stay.

Validation, verification, improvement of measure. HUD Field staff verify data quality by monitoring grantees.

Objective 5.3: Expand efforts to prevent households from becoming homeless.

Overview

The best way to prevent the negative effects of homelessness is to prevent homelessness altogether. Every affordable housing, self-sufficiency, and supportive service program has an effect on prevention of homelessness. This objective, however, focuses on people who are at immediate risk and programs that prevent them from falling into homelessness by providing targeted emergency assistance. Communities can use funding from a variety of HUD sources to provide emergency rent or utilities payments to prevent eviction.

Success at achieving this objective will be measured by increasing the number of people who receive assistance that prevents their becoming homeless (indicator 5.3.1).

Means and strategies

- HUD's Emergency Shelter Grants and the Emergency Food and Shelter Program, which HUD is proposing to operate, will use a significant portion of their funding for emergency assistance to prevent homelessness.
- HUD will encourage communities to use HOME and CDBG funding to prevent homelessness.
- Through the NOFA process, HUD will encourage communities to improve discharge planning in their criminal justice and mental health programs, so that upon discharge, people move to stable permanent housing rather than becoming homeless.
- Through the Interagency Council on the Homeless, HUD will work with other Federal agencies to identify gaps in mainstream service programs including criminal justice, foster care, independent living, welfare, supplemental security, mental health, and substance abuse programs to prevent the users of those programs from becoming homeless.

External factors

The number of people that are at high risk of homelessness depends on general economic conditions, especially the supply of entry-level jobs. The supply of housing affordable to lower income households is also a critical factor.

Communities have broad statutory discretion in their use of HUD funds. While HUD can encourage the use of funding for homeless prevention, communities may ultimately decide to fund other priorities.

Many factors influence the effectiveness of mainstream safety net programs including the quality of implementation at the state and local level. The success of these mainstream programs at serving disadvantaged populations has a significant effect on the number of people who are at risk of becoming homeless.

Coordination with other Federal agencies

- The Interagency Council on the Homeless described under Objective 3.1 will also work to identify gaps in mainstream safety net programs that lead to homelessness.

Performance goals

The following crosswalk summarizes the performance indicators, including measures of outcomes and program outputs, that will be used to gauge performance during FY 2003. A detailed discussion of each indicator follows the crosswalk.

| FY 2003 Performance Goals |
|---|
| Objective 5.3: Expand efforts to prevent households from becoming homeless. |
| 5.3.1: At least 110,000 households will receive emergency rental or mortgage payment assistance through the Emergency Food and Shelter program to prevent homelessness. |

Performance goals are for FY 2003 unless otherwise noted.

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

Indicator background and context. In FY 2003, HUD is proposing to take over operation of the Emergency Food and Shelter Program previously run by the Federal Emergency Management Agency (FEMA). This program provides emergency assistance that helps prevent people from becoming homeless, by helping them meet their rent or mortgage payments while their income is disrupted. This indicator tracks the number of households benefiting from the emergency rental assistance and mortgage payment program components. The program also assists people who have already become homeless, by providing funding for emergency food and shelter to a variety of providers across the nation.

Data source. Data will come from the National Review Board, the organization responsible for distributing program funds to local review boards.

Limitations/advantages of the data. Other types of assistance provided by the Emergency Food and Shelter Program are not included in this indicator because the substantial overlap of program activities with respect to the people served would create the risk of double-counting.

Validation, verification, improvement of measure. Data are verified by National Review Board Staff.

GOAL 6: EMBRACE HIGH STANDARDS OF ETHICS, MANAGEMENT AND ACCOUNTABILITY

Strategic Objectives:

- 6.1 Improve HUD's management and internal controls, including FHA's financial management, and resolve audit issues.**
- 6.2 Improve accountability, service delivery and customer service of HUD and our partners.**

HUD is committed to continually improving performance, and to producing these improvements in a manner that reflects the highest standards of ethics, management excellence and accountability expected by the Department, Congress and taxpayers.

It is important to understand the framework in which the Department manages its \$31.5 billion budget request for FY 2003. A fundamental aspect of HUD's operation is the extensive use of a partnership model that includes other Federal agencies, State and local governments and private for-profit and not-for-profit organizations. HUD has a legal and financial relationship with 45,000 multifamily and public housing properties, through these and through 4,500 Public Housing Agencies, HUD helps provide housing for over 4 million families. There are approximately 4,000 localities and service providers who administer HUD's Community Development programs, and over a half trillion dollars each in insured mortgages and in guarantees of mortgage-backed securities. Ensuring the integrity of these programs involves all of HUD's 10,100 employees (including Inspector General staff), as well as mortgage lenders, appraisers, contractors, property owners, public housing agencies and communities who participate in and/or administer segments of HUD's programs.

The Department has been intensively improving its management and operations. The General Accounting Office's January, 2001 report, "Major Management Challenges and Program Risks: Department of Housing and Urban Development," recognized HUD's progress to date. GAO redefined and reduced the number of HUD programs deemed to be high-risk. The report indicated that the main areas of focus for continued progress were the single-family mortgage insurance and rental housing assistance programs, and the key challenges for management were in the areas of information systems, financial management systems and human capital.

The Department is fully focused on the above areas and has instituted policies and plans to address remaining issues in these areas. The Secretary personally addressed the entire HUD staff and clearly enunciated the Department's key priorities. The Secretary has defined improvements in ethics and accountability of both HUD's staff and HUD's partners as "perhaps the most important [priority]." The Department will work with our internal resources, our partners and our clients to provide excellent service and results that speak to the highest standards of ethics and accountability. These efforts will

address audit findings made by HUD's Inspector General and GAO findings in a timely manner and make corrections that actually fix management and programmatic problems. These energetic efforts will concentrate on rooting out existing and potential problems, including occasions of corruption, waste, fraud or abuse.

This Strategic goal also focuses on increased efforts in the areas of program and policy research and program evaluation in order to provide timely and relevant policy guidance. The Department is increasing its efforts and budget resources in this area to support enhanced program performance measurement and evaluation which is at the heart of the Government Performance and Results Act.

Resources Supporting Strategic Goal 6: Embrace high standards of ethics, management and accountability.

| Budget Authority (BA) and Staffing Levels (BA is \$ in thousands) | | | | | | | | | |
|--|-------------------------|----------------|----------------|--|----------|----------------|----------|----------------|----------|
| Program | Budget Authority | | | Headquarters (HQ) and Field (F) Staff | | | | | |
| | FY 2001 | FY 2002 | FY 2003 | FY 2001 | | FY 2002 | | FY 2003 | |
| | | | | HQ | F | HQ | F | HQ | F |
| Office of Community Planning & Development | | | | | | | | | |
| Community Development Block Grants Fund ¹ | \$383,434 | \$525,000 | \$354,863 | 8 | 28 | 8 | 28 | 8 | 29 |
| HOME | 179,604 | 184,604 | 208,410 | 3 | 7 | 4 | 7 | 4 | 7 |
| Homeless Assistance Grants | 115,620 | 115,620 | 116,338 | 3 | 14 | 4 | 14 | 3 | 14 |
| HOPWA | 15,703 | 16,923 | 17,812 | 1 | 1 | 1 | 1 | 1 | 1 |
| Office of Public & Indian Housing | | | | | | | | | |
| Housing Certificate Fund ² | 494,209 | 596,146 | 656,120 | 13 | 15 | 15 | 16 | 15 | 16 |
| Public Housing Operating Fund | 1,000 | 1,000 | 1,000 | 10 | 50 | 21 | 39 | 21 | 39 |
| Office of Housing | | | | | | | | | |
| Housing for Special Populations | 51,300 | 53,700 | 53,600 | 5 | 17 | 6 | 17 | 6 | 17 |
| FHA-MMI/CHMI | 168,500 | 170,600 | 149,100 | 196 | 138 | 203 | 141 | 203 | 141 |
| FHA GI/SRI | 87,900 | 65,800 | 57,800 | 194 | 38 | 193 | 38 | 193 | 38 |
| Manufactured Home Inspection and Monitor Program | 1,100 | 2,000 | 2,000 | 12 | 0 | 23 | 0 | 23 | 0 |
| Policy Development and Research | 52,882 | 47,750 | 47,000 | 112 | 40 | 115 | 37 | 115 | 37 |
| Departmental Management | N/A | N/A | N/A | 146 | 0 | 184 | 0 | 184 | 0 |
| Chief Financial Officer | N/A | N/A | N/A | 147 | 62 | 176 | 59 | 176 | 59 |
| General Counsel | N/A | N/A | N/A | 290 | 230 | 326 | 250 | 326 | 250 |
| Administration and Staff Services | N/A | N/A | N/A | 425 | 259 | 390 | 317 | 390 | 317 |
| Field Policy and Management | N/A | N/A | N/A | 0 | 857 | 23 | 493 | 23 | 493 |
| Working Capital Fund | N/A | N/A | N/A | 0 | 0 | 245 | 135 | 245 | 135 |
| Total | 1,551,252 | 1,779,143 | 1,664,043 | 1,565 | 1,756 | 1,937 | 1,592 | 1,936 | 1,593 |

¹ The amount of Budget Authority for Community Development Block Grants Fund is significantly higher in FY 2002 because it includes a share of the supplemental funding of \$2 billion for New York.

²Resources for the Housing Certificate Fund include budget authority and staff from both the Office of Public and Indian Housing and the Office of Housing.

Objective 6.1: Improve HUD's management and internal controls, including FHA's financial management, and resolve audit issues.

Overview

HUD is committed to achieving and maintaining excellence in program management and operations. This Strategic Objective ensures that HUD remains focused on the continuous improvement of the organization and functions, and is as responsive to the needs of HUD's partners as the private sector is responsive to its customers.

This objective articulates the Department's continued efforts to address its management challenges and to make HUD a high-performing agency. This includes the elimination of fraud, waste and abuse of Federal resources, as well as the prevention of corruption both internally, to the HUD organization, and by the various partners who are the stewards of HUD's financial resources.

The Department is sharply focused on addressing its management, operational and internal control issues, and is using the findings of the General Accounting Office and HUD's Inspector General as a roadmap. To this roadmap the Secretary has added specific priorities and additional force. In general, these same priorities are reflected in specific agreements made by the Department as part of the President's Management Agenda. The President's Management Agenda includes five government-wide efforts in the areas of human resources, eGovernment, competitive sourcing, financial performance, and budget and performance integration, as well as other HUD-specific goals. It is important to note that HUD was already engaged in activities in all of these areas. Substantive progress was achieved during FY 2001, and more will be forthcoming in FY 2002 and in the FY 2003 performance year. Many of these endeavors are not only critical to the operations of the Department but are quite complex. These efforts often involve investments over a multi-year period extending beyond FY 2003, with some completion dates established in fiscal years 2005 and 2006. Benefits from reforms and investments in accounting and financial systems, in data and evaluation efforts, and in new ways of doing business in public housing, rental assistance and mortgage insurance programs, will be reaped over several years.

HUD's management, operations and control improvements will entail the following goals:

- Program results that matter to the American people;
- Delivery on programs and priorities using efficient processes and electronic government;
- Accountability for program performance, including the performance of our program partners;
- Well-structured internal systems to manage our resources and operations;

- Specific and major advances in the internal arenas that are fundamental to lasting effectiveness, including strategic management of human capital, , effective information technology investments, effective and expanded risk management, and strong program controls;
- Strategically prioritized management of resources including streamlining of programs and service delivery and elimination of ineffective and duplicative efforts so that the American people get full benefit from their investment in the Department;
- Collaboration and constructive engagement with GAO and with HUD's Inspector General.

The GAO and IG have recognized the significant progress that HUD has made. The GAO removed the Department's designation as a high risk agency in their report of January 2001. That report also cited two of HUD's major program areas that remained at high risk: single-family mortgage insurance and rental housing assistance. In the single-family mortgage area the goals were, and are, to improve management and internal controls over private lenders and appraisers and to address internal control weaknesses in FHA's information and financial management systems. In the rental housing assistance area, the goals are to implement a comprehensive strategy to address the root causes of the high incidence of erroneous assistance payments.

The January 2001 GAO report clearly recognized that HUD was already addressing these issues. On the issue of FHA risk management, the Department has undertaken aggressive actions in the areas of lender approval and recertification. The number of lender monitors has increased dramatically since 1996, from fewer than 25 to more than 130. On-site lender reviewers have been increased substantially and referrals to the Mortgagee Review Board, IG and Enforcement Center have all increased. In addition, the Department has aggressively used the Neighborhood Watch Early Warning System and Credit Watch Termination program to monitor and ensure compliance by lenders. These examples of recent efforts by the Department are supported by additional ongoing efforts and further initiatives under development.

A number of the performance indicators under this Strategic Goal and Strategic Goal 1 will capture FHA's progress. There are specific indicators for monitoring and compliance efforts involving appraisers, as well as for addressing the complete development of necessary FHA financial systems.

A number of performance indicators included under Objectives 3.2 and 3.3 address improvements in our management of rental assistance. One specific performance goal is to reduce erroneous rental payments through HUD's Rental Housing Integrity Improvement Project (RHIIP) by fifty percent by FY 2005. In addition, the implementation of both SEMAP and PHAS during FY 2002 will support major improvements in our public housing and assisted housing programs in terms of financial management and physical improvements. Specific indicators in this plan address improving public and rental housing management and improving the percentage of public housing and assisted housing units meeting HUD's physical standards in both FY 2003 and FY 2005. HUD is also continuing the examination and improvement of the financial

conditions of the entire public and assisted housing inventories through the Real Estate Assessment Center, program field staff and the Departmental Enforcement Center.

Program-specific efforts are augmented by our overall Department-wide monitoring and compliance efforts. These include:

- Review of existing program monitoring policies and revision to emphasize risk-based strategies for each program;
- Development and distribution to all HUD employees of a desk guide on compliance and monitoring;
- Development of a comprehensive risk-based compliance and monitoring training program, with over 2,000 HUD employees in this training program.

Strategic Goal 6 also reflects both accomplished and projected improvements from our Financial Systems Integration Project and ongoing strategic efforts in this area. FY 2001 marked a milestone year for the Department in declaring the completion of the Financial Systems Integration Project and establishing the HUD Accounting and Program System (HUDCAPS) as the Department's core standard general ledger. The Department's efforts to implement a core accounting system and establish a single integrated financial management system began in 1991. The objectives were to implement a core accounting and financial management system that provides department-wide financial information; improve financial management and integration of financial and programmatic systems; and provide necessary management information to carry out HUD's mission.

In FY 2002, the Office of the Chief Financial Officer will initiate an independent analysis of the Department's general ledger requirements for the future. The analysis will review the Department's current accounting systems status, evolving information technology products, and federal financial systems requirements. The strategies and plans resulting from this analysis will further integrate the Department's financial management systems, replace legacy systems, and provide for improved data flow processing and reporting. The Department will also ensure that it is keeping up to date with technology, is in compliance with federal regulations, and providing the most accurate and timely information to HUD management, staff and business customers.

The Department also continues to hold improvements in data quality assurance and data integrity as an essential and top priority for the Department. This priority is reflected in maturing efforts to develop a strategic and performance-driven approach to IT investments, as well as in the continuing increase in budget resources devoted to improvements of existing IT systems and the development of streamlined and better performing systems. Department-wide efforts in this area are being made through a technology investment board and through the implementation of a data quality improvement plan led by the Office of the Chief Information Officer (OCIO) and partnered by the program offices. Throughout this Plan, data validation and verification efforts have been described in the context of performance indicators.

The Department has also dramatically improved its procurement procedures and operations through installation of a Chief Procurement Officer, who reports to the

Assistant Secretary for Administration, and through a variety of procurement reforms. The CPO is a member of the Contract Management Review Board.

In addition, the Office of Departmental Grants Management and Oversight (ODGMO) was established to develop a Department-wide perspective on grants management that strengthens internal controls by separating the duties and responsibilities of those establishing program policy from those selecting grantees. ODGMO is also responsible for improving management efficiencies by streamlining procedures, facilitating implementation of best practices from other agencies, and monitoring the grant management practices of the program offices. ODGMO operates across Departmental Programs and implements grant policies and procedures on behalf of the Secretary and the Deputy Secretary.

In the human resources area, the HUD Training Academy uses a sophisticated mix of multimedia distance learning and on-the-job training to develop new employee skills in information systems management, procurement, civil rights enforcement, asset development and management, program and real estate administration, economic development and customer service.

Another major milestone by the Department was the partial implementation of the Resource Estimation and Allocation Process (REAP) during FY 2001, and its utilization for preparation of the FY 2003 Budget and this Plan. REAP is one of the tools that will be used to allow the Department to efficiently utilize its workforce by matching the number, placement and skills of HUD employees with the needs of its proposed budget, programs and policies.

Means and strategies

Timely and effective training is an essential component of an outstanding organization. To significantly improve training at HUD, the Secretary established a HUD Training Academy (HTA) Board of Governors consisting of representatives from major organizations in the Department. The Board provides support for training and learning in the Department. The Department is engaged in the development of an encompassing strategic human capital resources plan that focuses on HUD having an effective workforce. The strategic planning addresses workforce succession, retention, recruitment, training and placement.

In 2001, the Department established the HUD Virtual University (HVU) as a source of education and training for all HUD organizations and employees. A core curriculum of courses enhances critical skills in management, leadership, team-building, communications and project management. A second major core curriculum provides information technology courses ranging from software training to systems administration and programming. The HVU also will provide a variety of performance support tools such as job aids, search capability, individual development plans, self-assessment and on-line mentoring. During FY 2002, HUD's Training Academy issued guidance in support of continuous learning for the workforce through online training. HVU provides over 1200 "e-learning" courses to HUD staff to supplement instructor-led training. Managers are encouraged to allow employees up to eight hours per month for online training—a

recommendation based on best practice criteria established by the Malcolm Baldrige National Quality Award.

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

- Support accomplishment of HUD's APP goals by helping all HUD managers shape annual management plans that achieve results for customers and local communities. The overall Management Plan used by the Department provides specific operational goals that dovetail with this Annual Performance Plan. The Management Plan (formerly referred to as the Business Operating Plan) is a major undertaking by the Department involving all of our resources in both headquarters and the field. The Management Plan reflects the incorporation of performance measurement and goals throughout the entire HUD culture as well as the top level hands-on involvement of the Secretary, Deputy Secretary, principal staff and top level program managers of the Department.
- Increase citizen access to information on HUD's programs and their local implementation, both through citizen participation and electronic government by such means as satellite broadcasts, webcasts, and HUD's award-winning Internet site.
- Examine ways to increase the authority of field offices to provide quicker decisions for partners and customers.
- Continue to implement the Resource Estimation and Allocation Process.
- Continue to train employees and improve equipment for higher productivity.
- Continue to develop a long-term staffing strategy to meet the rapid increase in retirements expected over the next several years.
- Continue to improve data quality and certify compliance of program data systems with OCIO standards.
- Continuing a performance-based appraisal process for all managers and executives that links performance objectives and standards to strategic goals and objectives.
- Through REAC assessments, rate key partners—including PHAs and private owners of assisted housing—for financial management and physical upkeep. Low performing PHAs are referred to the Troubled Agency Recovery Center and Office of Public and Indian Housing for remedial action. This process will be substantially invigorated by the full institution of the PHAS and SEMAP beginning in Fiscal Year 2002.
- FHA's Office of Single Family Housing will create new protocols for the monitoring of lender's appraisers. These new protocols will be implemented through appraisal monitoring contracts and will be fully implemented in FY 2003.
- Through REAC, rate the performance of Independent Public Accountants that perform financial audits of PHA and multifamily assisted properties. Poor performers are referred to the Enforcement Center for debarment.

- Through HUD’s Mortgage Review Board, levy fines against lending institutions and restrict their dealings with the Federal Housing Administration when they violate federal lending policies.
- Work with partners in the mortgage lending industry to reduce predatory lending. FHA is sharing the Neighborhood Watch/Early Warning system with lenders so that they, as well as FHA staff, can monitor mortgage default rates.
- Increase the management capacity of public housing partners by providing qualified PHA employees with tuition support for a Master’s degree in public policy with a concentration in public housing administration.

External factors

The large number of HUD agents and grantees implementing HUD’s programs in the field greatly complicates monitoring and performance measurement. For instance, the assumption underlying the distribution of grants by formula is that local decision-makers are best positioned to respond to local housing needs and market conditions, and that local choices of activities that should be funded produce the most cost-effective results.

Performance goals

The following crosswalk summarizes the performance indicators—including measures of outcomes and program outputs—that will be used to gauge performance during FY 2003. A detailed discussion of each indicator follows the crosswalk.

| FY 2003 Performance Goals |
|---|
| Objective 6.1: Improve HUD’s management and internal controls, including FHA’s financial management, and resolve audit issues. |
| 6.1.1: FHA will address financial management and system deficiencies through the phased implementation of an integrated financial system to support FHA functions to be completed by December 2006. |
| 6.1.2: The FHA Mutual Mortgage Insurance Fund meets Congressionally mandated capital reserve targets. |
| 6.1.3: Exceed the rate of net recovery received on the sale of property through the Accelerated Claim Program Demonstration (Section 601). |
| 6.1.4: The Resource Estimation and Allocation Process will be fully implemented and will establish a baseline for managing resource requirements and prioritizing staffing allocations by program and office. |
| 6.1.5: HUD will continue implementing its five-year plan to reduce the number of managers and supervisors and organizational layers in the Department. |

FY 2003 Performance Goals

- 6.1.6: HUD will pursue training and development and recruitment strategies designed to ensure that critical positions are filled.
- 6.1.7: HUD continues to improve the workforce to reflect the nation's diversity by increasing the representation of under-represented groups by 0.3 percentage point.
- 6.1.8: HUD financial statements receive unqualified audit opinions.
- 6.1.9: Ensure timely management decisions and final actions on audit recommendations by the HUD Office of Inspector General.
- 6.1.10: The number of non-compliant financial management systems is reduced from 17 to 14.
- 6.1.11: Ensure that contractors produce results by obligating not less than 20 percent of total eligible service contract dollars using outcome or performance-based service contracting techniques (for new contracts over \$25,000).
- 6.1.12: During FY 2003, eight additional mission-critical data systems will be certified, increasing the total number of certified systems to fifteen.
- 6.1.13: The percentage of existing automated data systems and system development projects that achieve their performance goals increases by 5 percent from the FY 2002 baseline.
- 6.1.14: During FY 2003 HUD will complete five milestones in support of its Computer Security Program.
- 6.1.15: The national average PIH Information Center (PIC) on-time reporting rates for public housing and Housing Choice Voucher households will be 90 percent or better.
- 6.1.16: The Departmental Enforcement Center will complete three enforcement milestones to improve management practices of multifamily housing partners and reduce fraud, waste and abuse.
- 6.1.17: The share of REO properties that are sold to owner-occupants will increase by 5 percent.

Performance goals are for FY 2003 unless otherwise noted.

6.1.1: FHA will address financial management and system deficiencies through the phased implementation of an integrated financial system to support FHA functions to be completed by December 2006.

Indicator background and context. The FHA Comptroller has developed a Blueprint for Financial Management that will implement an integrated Core Financial Management System to address financial management and system deficiencies documented by HUD's Inspector General, FHA and HUD financial statement auditors, OMB examiners and GAO auditors.

The new Core Financial Management System will support the President's Management Agenda for HUD in strengthening program controls through improved information systems. Implementing this new system is one of the Secretary's strategic actions to address material weaknesses and reportable conditions identified in FHA's most recent audited financial statement, reported to Congress in "Building the Public Trust." The Blueprint for Financial Management also provides corrective action for 16 different FHA systems that are currently non-compliant with the requirements of OMB Circular A-127.

The plan for the development of an integrated Financial Management System that will address financial management and system deficiencies has the following key objectives:

- Implement U.S. Standard General Ledger and credit reform accounts in the FHA general ledger;
- Implement automated funds control processes using the FHA general ledger;
- Automate FHA's interface with HUD's departmental general ledger;
- Produce FHA financial statements and regulatory reports directly from the FHA general ledger;
- Enhance FHA cash accounting and Treasury reconciliation with automated support from the integrated financial management system;
- Enhance FHA contract accounting with automated support from the integrated financial management system; and
- Eliminate manual accounting processes and improve integration of FHA financial and program systems.

This systems project has a phased implementation. In Phase I, FHA identified the sources of accounting information within approximately 20 insurance systems; defined pro-forma accounting transactions to support Federal Generally Accepted Accounting Principles; and acquired a commercial-off-the-shelf product that is compliant with the Joint Financial Management Improvement Program (JFMIP) to serve as the new core financial system.

In Phase II, FHA will implement the new JFMIP-compliant core financial software, beginning with the general ledger in October 2002. FHA will implement additional JFMIP-compliant modules of the core financial software to complete support for accounting operations by December 2004. During this same period, FHA will also

upgrade the software for Web operation to improve critical accounting processes such as funds control.

In Phase III, FHA will complete the integration of its insurance systems with the new core financial system. Phase III of the project is expected to be completed by December, 2006.

Data source. Successful performance will be measured by HUD’s Inspector General and reported in the annual audit of FHA’s financial statements.

Limitations/advantages of the data. The various phases of implementing this long-term project do not lend themselves to identifying discrete milestones for annual reporting on a fiscal year basis.

Validation, verification, improvement of measure. Annual milestone goals may be identified as supported by timing of project activities.

6.1.2: The FHA Mutual Mortgage Insurance Fund meets Congressionally mandated capital reserve targets.

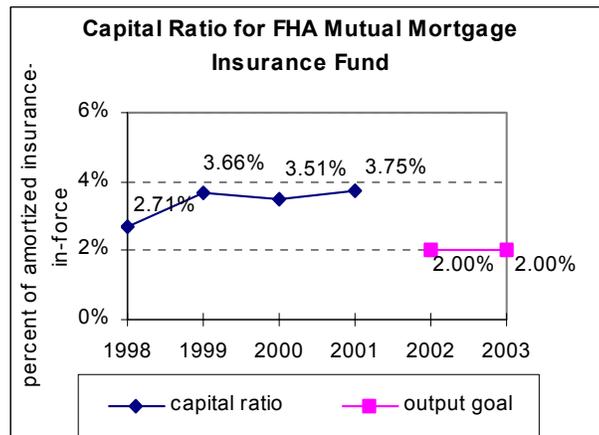
Indicator background and context. FHA’s Mutual Mortgage Insurance Fund (MMIF) covers all expenses, including insurance claims, incurred under FHA’s basic single-family mortgage insurance program. The insurance program and fund are expected to be entirely self-financing from up-front and annual insurance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

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

Data source. Annual independent actuarial review of the MMIF.

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

Validation, verification, improvement of measure. The annual



independent actuarial review of FHA's MMIF includes an estimate of the current and projected capital ratio.

6.1.3: Exceed the rate of net recovery received on the sale of property through the Accelerated Claim Program Demonstration (Section 601).

Indicator background and context. Under authority from Section 601 of the National Housing Act in 1999, HUD is implementing a demonstration program to reform the single family claims and property disposition process and maximize recoveries on claims paid. Under the demonstration, FHA will take assignment of notes and transfer them to private parties for servicing, foreclosure avoidance, property management and asset disposition. FHA will utilize a structured financing, retain an equity interest in the property, but will not take ownership of property. The overall goal of the Accelerated Claims Disposition (ACD) program is to ensure that FHA's public policy issues are addressed while expediting the disposition of defaulted FHA single-family assets and maximizing the return to the FHA Insurance Funds. This demonstration will be fully implemented during FY 2002. This indicator tracks the rate of recovery on FHA claims between FY 2002 and FY 2003.

Data source. The progress of the ACD program will be monitored through the Single Family Insurance System – Claims Subsystem, which provides on-line update and inquiry capability to Single Family Insurance and Claims databases and to cumulative history files.

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

Validation, verification, improvement of measure. Data for FHA claims and recovery are audited by the Inspector General.

6.1.4: The Resource Estimation and Allocation Process will be fully implemented and will establish a baseline for managing resource requirements and prioritizing staffing allocations by program and office.

Indicator background and context. During FY 2001, HUD implemented a resource management tool called Resource Estimation and Allocation Process/Total Estimation and Allocation Mechanism (REAP/TEAM). The REAP/TEAM approach will support the Department's effort to estimate, allocate and validate resources for effective and efficient program administration and management. It is a key tool for managing staff resources and workload, and will provide a foundation for HUD's long-term human capital strategies, including succession planning.

The National Academy of Public Administration helped develop the process. NAPA recommended that it include the three components of resource estimation, resource allocation, and resource validation. Resource estimation studies were begun in FY 2000 to provide baseline data and standards for estimating the amount of time and resources

required to perform the Department's work. The studies covering the entire Department were completed on schedule during the first quarter of FY 2002. Concurrently, the development of TEAM was begun. TEAM is an intranet application that will enable ongoing resource allocation and validation. TEAM will collect actual workload accomplishments and employee time usage on a sampling basis. Employees in Headquarters and the Field will record how much time they spend working on the different activities and processes of their jobs during a randomly selected two-week period every quarter. Time and workload reporting will enable the validation of the REAP standards or require their re-evaluation. A pilot test of TEAM was done early in FY 2002. The pilot tested the system's operation to determine adjustments necessary prior to Department-wide implementation during FY 2002.

Data source. REAP/TEAM data is maintained by CFO's Office of Budget. The baseline is expected to consist of data collected over a 12-month period beginning with full implementation during the second quarter of FY 2002.

Limitations/advantages of the data. The TEAM system will provide a comprehensive database for estimating and allocating staff resources. Random sampling of work activities will ensure that the data are representative of overall workload, but the first full year of data may not align with the fiscal year. The reporting process for employee time usage will introduce unavoidable measurement error that is anticipated to be within acceptable levels of confidence and precision. TEAM is not designed to assess the quality of work products. This will be accomplished through independent quality management reviews.

Validation, verification, improvement of measure. TEAM data will validate REAP estimates. Annual replication of TEAM sampling will serve as a means of verification and may identify the need for additional resource estimation studies.

6.1.5: HUD will continue implementing its five-year plan to reduce the number of managers and supervisors and organizational layers in the Department.

Indicator background and context. In response to OMB Bulletin No. 01-07, the Department will continue implementing its five-year plan to reduce the total number of managers and supervisors, eliminate unnecessary layers of organization, increase the span of control of management, place positions closer to the customer and delegate authority to the lowest possible level. By eliminating unnecessary layers of management and redirecting the focus on service delivery, it is anticipated that a net decrease in the average salary costs will be achieved.

Data source. National Finance Center's personnel database. A special internal report will need to be developed in order to generate data arrayed in this manner.

Limitations/advantages of the data. NFC data are reliable for this measure.

Validation, verification, improvement of measure. As the plan is implemented, the Department will assess progress and consider opportunities for enhanced measures of organizational structure.

6.1.6: HUD will pursue training and development and recruitment strategies designed to ensure that critical positions are filled.

Indicator background and context. The GAO has identified the area of succession planning as a “weakness” throughout the Government. Consequently, the Department will implement training and development strategies and rely on a range of recruitment programs, including Executive Development, HUD Intern program and Presidential Management Intern program, in preparation for anticipated vacancies. Additionally, guidelines and procedures will be developed to help offices utilize the various recruitment programs.

Data source. Internal Training and Human Resource reports will need to be developed by the Office of Administration to track this activity.

Limitations/advantages of the data. Data have not yet been developed to support quantitative measures of strategic recruitment.

Validation, verification, improvement of measure. As plans are implemented, the Department will assess progress and consider opportunities for enhanced human capital measures.

6.1.7: HUD continues to improve the workforce to reflect the nation’s diversity by increasing the representation of under-represented groups by 0.3 percentage point.

Indicator background and context. It is the policy of HUD to prohibit discrimination in employment because of race, color, religion, sex, national origin, age, and disability, and to promote the full realization of equal employment opportunity through a continuing Affirmative Employment Program. This program involves increasing the diversity of the applicant pool for job openings. When an opening is posted, the Department also sends notices to organizations that represent women and minorities and educational institutions with a high rate of women and minority enrollment. HUD’s affirmative employment efforts do not include any hiring preference based on race or gender. HUD’s Hispanic representation of 7.0 percent has consistently remained below the Hispanic Civilian Labor Force (CLF) representation of 8.1 percent for the past several years. HUD’s first diversity goal is to increase the share of Hispanics to 7.3 percent of employees by FY 2003. Similarly, HUD hopes to reverse the decline in the representation of white females by reaching 26.9 percent, in order to close the gap with the CLF representation of 35.5 percent.

Data source. HUD employment data tabulated in the Department’s Equal Employment Opportunity Management Analysis System (EEOMAS).

| | FY 1998 act. | FY 1999 act. | FY 2000 act. | FY 2001 act. | FY 2002 goal | FY 2003 goal |
|-----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Hispanic representation | 6.6% | 6.8% | 7.0% | 7.0% | 7.3% | 7.3% |
| White female representation | 28.0% | 27.7% | 27.0% | 26.6% | 26.9% | 26.9% |

Limitations/advantages of the data. EEOMAS data are

believed to be accurate and reliable.

Validation, verification, improvement of measure. EEOMAS data are reviewed by the U.S. Equal Employment Opportunity Commission.

6.1.8: HUD financial statements receive unqualified audit opinions.

Indicator background and context. The Department introduced this indicator into its APP goal structure to maintain a focus on improving and enhancing HUD's financial systems. During FY 2002, the Inspector General issued an unqualified audit opinion on HUD's FY 2001 financial statements. This is the third time the Department received a clean opinion, and the first time a clean opinion was received for two consecutive years.

The progress is a result of HUD actions to complete the reconciliation of the FY 1999 funds balance with Treasury accounts; enhance the conversion of transactions to HUD's new standard general ledger system (HUDCAPS), including substantially improving the acceptance of transactions and the performance of account reconciliation efforts; improve the year-end closing process to assure that all adjustments are made through the general ledger, with adequate supporting documentation; and continue corrective actions on previously identified material weaknesses and reportable conditions.

The receipt of an unqualified audit opinion for HUD's consolidated financial statements is important in restoring confidence in the Department's financial statements for OMB, Congressional and public users. However, HUD is very mindful of the financial management discipline and vigilance required to maintain that confidence, and of the need for continued progress in resolving remaining material management control weaknesses and reportable conditions still associated with HUD's underlying financial management systems and operations.

Data source. HUD financial statement audits are performed by the Office of Inspector General (OIG) and contracted resources directed by the OIG.

Limitations/advantages of the data. Financial statement audits review the adequacy of data systems and internal controls, as well as compliance with laws and regulations, and identify weaknesses that are material to the presentation of HUD's financial statements. An unqualified audit opinion does not mean that the audit has identified no material weaknesses.

Validation, verification, improvement of measure. OIG audits are independent of HUD management, are performed in accordance with GAO auditing standards, and adhere to OMB and other guidelines and standards governing the preparation and audit of agency financial statements.

6.1.9: 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 (OIG) results in a significant volume of recommendations involving recovery of disallowed and questioned costs, opportunities to put funds to better use, and improvements to management controls to

reduce the risk of fraud, waste and abuse, and improve program performance. The Inspector General Act of 1978, as amended, establishes requirements for the timely resolution and reporting on OIG audit recommendations by agency managers. By statute, agency managers have six months from the date of issuance of an audit report to reach acceptable management decisions on OIG audit recommendations. For the semiannual reporting period ending September 30, 2001, HUD made timely management decisions on 363 OIG audit recommendations and—for only the second time since the passage of the Inspector General Act—had “no” overdue management decisions to report. HUD’s goal is to have “no” overdue management decisions every six-month reporting period. Furthermore, HUD ended the September 30, 2001 reporting period with 122 final actions on audit recommendations that were more than 12 months overdue. HUD’s goal is to reduce this number of final actions more than 12 months overdue by 50 percent by the end of FY 2003.

Data source. HUD’s Departmental Automated Audits Management System (DAAMS), which is scheduled to be replaced by the Audit Resolution and Corrective Action Tracking System (ARCATS) in FY 2002.

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.

6.1.10: The number of non-compliant financial management systems is reduced from 17 to 14.

Indicator background and context. The Federal Financial Management Improvement Act of 1996 (FFMIA) requires Federal agencies to implement and maintain financial management systems that comply with federal accounting standards and support the U.S. Government Standard General Ledger at the transaction level. Although HUD earned a clean audit opinion for FY 2000, the General Accounting Office has asked the Department to establish clearer goals for improving the data systems that ensure financial accountability. At the end of FY 2000, HUD had 67 financial management systems, of which 17 failed criteria for compliance with Federal standards. This performance indicator establishes a goal to achieve substantial progress on FFMIA requirements by reducing the number of non-compliant financial systems to eight by the end of FY 2003.

The non-compliant systems at the end of FY 2000 were: Chief Financial Officer’s A21, A65A; Office of Housing’s A56, A80N, A80S, F05, F47, F75, F87, R25; Office of Public and Indian Housing’s N07.

Data source. CFO administrative data document the FFMIA compliance of financial systems.

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

Validation, verification, improvement of measure. The Inspector General verifies compliance of HUD financial system through audits.

6.1.11: Ensure that contractors produce results by obligating not less than 20 percent of total eligible service contract dollars using outcome or performance-based service contracting techniques (for new contracts over \$25,000).

Indicator background and context. The procurement of contract services is essential to the accomplishment of HUD's mission. As recommended by the Inspector General and the General Accounting Office, HUD has made improvements to its contracting procedures to ensure that contracts for services are timely, cost-effective and produce specified results and that they place a financial incentive on the achievement of desired outcomes. These objectives are at the heart of performance-based contracting (PBC), an initiative sponsored by OMB's Office of Federal Procurement Policy for application throughout the Executive branch. PBC is designed to ensure that contractors are given the freedom to determine how to meet the Government's performance objectives, that appropriate levels of quality are achieved, and that payment is made only for services that meet these levels. During FY 2001, HUD increased obligations for contracts with performance-based features by nearly 55 percent, to \$75.3 million. For FY 2003, the goal is to ensure that at least 20 percent of eligible funds for service contracts are obligated using PBC. This measure excludes small contracts under \$25,000.

Data source. The HUD Procurement System (HPS), an automated database containing information about all procurement contracts awarded by the Department.

Limitations/advantages of the data. Contracting staff enter data into HPS as they complete each contract action. The system has a data field to identify whether a contract has performance-based features.

Validation, verification, improvement of measure. Analysts will verify that contracts identified as performance-based in HPS in fact contain required features and are accurately recorded.

6.1.12: During FY 2003, eight additional mission-critical data systems will be certified, increasing the total number of certified systems to fifteen.

Indicator background and context. Over the years HUD's program offices have developed a large number of data systems for a variety of business purposes such as controlling financial resources, tracking administrative procedures and recording program impacts. Program offices ultimately are responsible for the quality of their data, including data provided by business partners.

The Office of the Chief Information Officer (OCIO) oversees information technology investments and ensures that information systems support core business processes and achieve mission critical goals. In 2000, OCIO launched an enterprise-wide initiative, the Data Quality Improvement Program (DQIP). The CIO has partnered with the CFO and the program offices to use DQIP to provide accurate, complete, consistent, timely, and valid data to achieve Departmental data quality improvement.

During FY 2001, data quality assessments were completed for seven mission critical systems: HUD Central Accounting System (HUDCAPS), Real Estate Management System (REMS), Line of Credit Control System (LOCCS), Multifamily Tenant Characteristics System (MTCS), Program Accounting System (PAS), Single Family Acquired Asset Management System (SAMS) and Tenant Rental Assistance Certification System (TRACS). The data quality deficiencies identified from the assessments will be corrected and all seven systems will be certified by the end of FY 2002.

During FY 2002, critical data from eight additional mission-critical information systems will be assessed, and those systems will be cleaned and certified by the end of FY 2003, increasing the total number of certified systems to fifteen. In FY 2003 critical data from eight more information systems will be assessed.

Data source. OCIO administrative database.

Limitations/advantages of the data. System certification is based on verified conformance of critical data elements with business rules of the relevant program.

Validation, verification, improvement of measure. The OCIO database identifies the objective criteria for evaluating data quality and the results of the assessment. Some data systems are independently validated by GAO and IG audits.

6.1.13: The percentage of existing automated data systems and system development projects that achieve their performance goals increases by 5 percent from the FY 2002 baseline.

Indicator background and context. The Department seeks to assess the usability, usefulness, and life-cycle costs of HUD data systems. The Chief Information Officer (CIO) has worked with program offices to develop performance measures for a number of existing data systems and for nearly all system development projects in the Information Technology Investment Portfolio System (I-TIPS), HUD's strategic capital planning tool for information systems. This results-based approach to IT management ensures that HUD complies with the Clinger-Cohen Act, OMB guidance for capital asset planning, and GAO recommendations. It also enables HUD management to be assured that the systems are producing reliable data that will meet user needs and help HUD manage its business.

The numerous systems goals tracked by this indicator include measures of system availability, response time, number of trouble calls, incidents of lost or damaged data, security compliance, and workload reductions for users. The performance goal for FY 2003 is to increase the percentage of system performance goals that are achieved by 5 percent above the FY 2002 baseline.

Data source. CIO administrative database, consisting of system performance metadata reported by program owners of data systems. The FY 2002 baseline will be developed after the fiscal year ends.

Limitations/advantages of the data. The performance management and reporting methodology for data systems remains at a developmental stage.

Validation, verification, improvement of measure. The CIO is an independent reviewer of system performance reported by program offices. CIO and OMB have oversight in the development of system performance goals.

6.1.14: During FY 2003 HUD will complete five milestones in support of its Computer Security Program.

Indicator background and context. During FY 2001, GAO identified the need to improve information security as a continuing challenge across government. HUD has detailed work plans that support its Computer Security Program. These work plans, when executed, result in orderly monitoring, deficiency detection, and deficiency correction. The work plans provide information on the schedule of activities designed to ensure that a secure environment exists to protect HUD's information infrastructure. The five activities scheduled throughout FY 2003 are:

- Prepare the Department's annual Government Information Security Reform Act (GISRA) report;
- Verify the list of sensitive systems in the Department;
- Complete a review of access rights to sensitive data and systems to identify individuals who need background investigations;
- Conduct an external penetration test;
- Provide Enterprise Security Awareness training to all employees, covering GISRA requirements and all four Critical Infrastructure Protection areas—data, people, facilities and systems.

Data source. HUD five-year Security Plan Status Reports developed by the CIO. Data on the training program will come from CIO administrative data, consisting of attendance reports provided by program offices.

Limitations/advantages of the data. The status reports provide accurate tracking information on planned activities.

Validation, verification, improvement of measure. Program managers regularly review the status reports to ensure that planned actions occur. Training materials will be improved as training progresses. Testing of attendees will indicate depth of training and attendance records will be compared against employee rolls.

6.1.15: The national average PIH information Center (PIC) on-time reporting rates for public housing and Housing Choice Voucher households will be 90 percent or better.

Indicator background and context. Accurate and timely information about the households participating in HUD housing programs is necessary to allow HUD to monitor the effectiveness of the programs, assess agency compliance with regulations, and analyze the impacts of proposed program changes. Several outcome indicators in this APP use data about public housing or voucher households that housing agencies submit to the PIC system through electronic Form-50058 submissions. PIC provides the

primary source of data on participation in these programs, and field staff use the data to monitor housing agencies. The level of Form-50058 reporting is a criterion in both PHAS and the SEMAP assessment systems for housing agencies.

Between January 1999 and May 2001, PIH increased Form-50058 reporting rates from 83 percent to 105 percent for Section 8 and from 72 percent to 95 percent for public housing.⁶ In 2001, PIH integrated the former MTCS system into PIC as the 50058 module. Continued tracking of the tenant data collection is critical during this transition period. PIH will carefully track this measure and will achieve a 90 percent on-time reporting rate or better in 2003.

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

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

Validation, verification, improvement of measure. The PIC 50058 module verifies the quality of tenant data by performing checks on data ranges and internal consistency. The tenant data and summary statistics are electronically available to housing agencies and field offices for verification, validation, analysis and monitoring purposes. HUD will review options for dealing with missing end-of-participation records to improve the validity of the measure.

6.1.16: The Departmental Enforcement Center will complete three enforcement milestones to improve management practices of multifamily housing partners and reduce fraud, waste and abuse.

Indicator background and context. The Departmental Enforcement Center (DEC or EC) has central responsibility for ensuring that troubled multifamily properties return to sound operation. Troubled properties are referred to DEC by both the Office of Multifamily Housing and the Real Estate Assessment Center. REAC assesses the management risk of multifamily projects based on physical and financial factors. Physical trouble typically consists of high capital needs backlogs and deferred and inadequate maintenance. Financial trouble can involve mortgage defaults, high vacancy rates, inadequate rent roll, or fraud in the form of equity skimming. REAC refers properties scored as “high risk” directly to DEC.

The DEC works closely with the Office of Housing to determine appropriate remedies for referred properties. For fact-based cases, remedies can include recommendations (sanction notices) for debarment, suspension, or Limited Denials of Participation. Fact-based cases include cases triggered by audits, the single-family monitoring review program and investigative reports. The DEC also refers some cases to the Department of Justice and Office of the Inspector General for criminal and civil proceedings.

⁶ Reporting rates may exceed 100 percent if housing agencies issue vouchers or units to new families before they submit end-of-participation records for families who left the program.

For FY 2003, HUD is establishing three complementary performance measures and goals to cover the processing of cases by DEC satellite offices.

- Reduce the number of multifamily cases in the DEC as of September 30, 2002 by 80 percent.
- Issue sanction notices for suspension and/or proposed debarment for 75 percent of cases referred for indictment, civil judgment or conviction and for fact-based cases.
- Close 75 percent of all Mortgagee Review Board cases that have reached the “dispatch of 30-day letter” stage that are pending in DEC on October 1, 2002.

Data sources. REMS, Departmental Tracking System and DEC’s Management System (DECMS).

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

Validation, verification, improvement of measure. A second year of data collection will permit DEC to validate the measures and goals under varying business conditions. DEC satellite offices will verify data and ensure that documentation is adequate before entering data into REMS. DEC conducts regular quality management reviews of each satellite office that include reviewing files and documentation supporting data submissions. Monthly analysis of DECMS data uncovers unusual data occurrences for Enforcement and Financial Analysts to clarify and/or correct.

6.1.17: The share of REO properties that are sold to owner-occupants will increase by 5 percent.

Indicator background and context. This indicator tracks one measure of the Department’s success in reducing the risk of predatory lending linked to property flipping. HUD intends to increase sales of HUD’s real estate owned homes directly to families who will occupy them rather than to investors. In FY 2001, 54.2 percent of REO properties were sold to owner occupants. The FY 2003 goal is to increase the percentage of REO properties that are sold to owner-occupants by 5 percent (not percentage points) from the FY 2002 percentage. This goal reflects a projected decline in total REO sales during FY 2003 resulting from the Section 601 program, which will result in more single-family insurance claims being sold as notes before HUD takes ownership of the properties.

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

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

Validation, verification, improvement of measure. REO data are covered by the IG audit.

Objective 6.2: Improve accountability, service delivery and customer service of HUD and our partners.

Overview

The Department entered the 21st century with overall staffing resources that are far below the levels of past decades. Program delivery systems have been reorganized along business lines, reflecting modern business practices as well as greater reliance on a partnership model with others who ultimately administer our programs. This partnership model predominates in our public housing and assisted housing program areas. Most of our grant programs also rely on partnerships, including our community development grants, a significant portion of our Fair Housing programs, Lead Hazard Reduction and various other smaller HUD programs. Improving the performance of our programs must reflect improvement by both HUD management and HUD employees and improvement on the part of our partners.

As discussed in Strategic Objective 6.1, the Department is already engaged in improving accountability, service delivery and customer satisfaction by addressing the issues raised in key GAO and IG reports. HUD has established goals with numeric targets for key indicators under the President's Management Agenda. The Department is also about to embark upon major efforts in the area of public and assisted housing that have been subject to delay. These major efforts are the first-time implementation of the PHAS and SEMAP performance assessment systems, which cover, respectively, the financial and physical aspects of public housing and assisted housing management and operations. These measurements will be of great significance in opening the door to potential improvements in the way in which HUD and our partners conduct our business. In addition, the commitment in the President's Management Agenda to streamline the Consolidated Plan process will present an opportunity for HUD and our community development partners to improve program management, operations and performance measurement.

The Department has already conducted a survey of our major partners in the various program areas as to their view on how our business model functions. While this survey has shown a great deal of positive reaction, it is proving to be very valuable in terms of pointing the direction to ways in which we can improve our services. The Department in like fashion is engaged in surveying our employees to assess their views and we believe that these responses will also help us significantly improve our business operations and HUD's stewardship of program funding.

The Department has already produced two Strategic Plans, two Performance and Accountability Reports, and this is HUD's fifth Annual Performance Plan. Through all of these efforts it has become clear that program and policy research and evaluation efforts are fundamental to understanding and shaping the efforts of the Department and subsequently producing the desired results.

Policy research and program evaluation is a key tool for ensuring improved management and accountability, as well as customer satisfaction. HUD continues to pay close

attention to the research suggestions and directives of Congress. The Department has also reinvigorated our own internal efforts to examine our research agenda and in particular has increased the participation of our program managers in helping establish the specific research agenda.

Strategic Objective 6.2 cannot be separated completely from Strategic Objective 6.1, but for purposes of presentation and focus, this Objective highlights the requirements that emphasize improved performance by our partners. The GAO and IG have emphasized that HUD's FHA single-family and rental assistance programs continue to be "high-risk", but this Strategic Objective encompasses all of HUD's programs. Indicators related to monitoring, compliance or data improvement efforts involve all programs; other programmatic indicators involve our major programs and their program partners.

We reiterate that the Department is, and will continue to engage with our partners to improve performance results and to specifically reduce and endeavor to eliminate fraud, waste and abuse. We are committed to rooting out any potential or real corruption that exists or may exist.

Means and Strategies:

The key to our means and strategies for this objective is to develop a well-trained, strategically placed staff. HUD's principal management and senior managers will work closely with our partners to jointly improve management operation and controls and to effectively employ HUD's technical assistance and expertise.

- Provide technical assistance to improve voucher utilization and distribute vouchers to high performers.
- Consult with community development partners to streamline the Consolidated Plan development process.
- Provide technical assistance to grantees to improve timeliness of their utilization of CDBG funds, and bring untimely grantees into compliance during FY 2003 and FY 2004 by potentially reducing their grants by the amount of funds in excess of the 1.5 drawdown timeliness standard (see indicator 6.2.15).
- Support accomplishment of HUD's APP by helping all HUD managers shape annual management plans that achieve results for customers and local communities. The overall Management Plan used by the Department provides specific operational goals that dovetail with this Annual Performance Plan. The Management Plan (formerly referred to as the Business Operating Plan) is a major undertaking by the Department involving all of our resources in both headquarters and the field. The Management Plan reflects the incorporation of performance measurement and goals throughout HUD as well as hands-on involvement of the Secretary, Deputy Secretary, principal staff and top level program managers of the Department.
- Conduct regular surveys of employees, partners, and customers and use results to identify management challenges and focus program enhancements.
- Increase citizen access to information on HUD programs and their local implementation, both through citizen participation in the Consolidated Plan process

and through electronic means such as Community 2020 mapping software and HUD's World Wide Web home page.

- Examine ways to increase the authority of field offices to provide quicker decisions for partners and customers.
- Continue to train employees and improve equipment for higher productivity.
- Through REAC assessments, rate key partners, including PHAs and private owners of assisted housing, for financial management and physical upkeep. Low performing PHAs are referred to the Troubled Agency Recovery Center and Office of Public and Indian Housing for remedial action. The institution of the PHAS and SEMAP beginning in FY 2002 will substantially invigorate this process.
- FHA's Office of Single Family Housing will create new protocols for the monitoring of lender's appraisers. These new protocols will be implemented through appraisal monitoring contracts and will be fully implemented in FY 2003.
- Through REAC, rate the performance of Independent Public Accountants that perform financial audits of PHA and multifamily assisted properties. Poor performers are referred to the Enforcement Center for debarment.
- Review the following programs to determine how to increase the rates of obligation and expenditure of funds: Section 8 vouchers, Section 202 grant funds, Community Development Block Grant funds, and the Public Housing Capital Fund.
- Increase the effectiveness of Consolidated Plans in promoting high performance.
- Work with partners in the mortgage lending industry to reduce predatory lending. FHA is sharing the Neighborhood Watch/Early Warning system with lenders so that they, as well as FHA staff, can monitor mortgage default rates.
- Increase the management capacity of public housing partners by providing qualified PHA employees with tuition support for a Master's degree in public policy with a concentration in public housing administration.

Office of Policy Development and Research

The activities of HUD's Office of Policy Development and Research (PD&R) play an important role in helping to advance the Objective of improving accountability, service delivery and customer service.⁷ PD&R strives to provide reliable facts and analysis to inform the policy decisions of HUD, Congress, and State and local governments. PD&R fulfills this mission by maintaining and expanding information on housing needs and market conditions, evaluating current HUD programs and proposed policy changes, and conducting research on a wide range of housing and community and economic development issues, including advances in housing technology.

During FY 2003, PD&R will conduct or initiate work in a number of key areas, including the following:

⁷ The Office of Healthy Homes and Lead Hazard Control also maintains a research and evaluation program. The work of this Office is discussed under Objective 8.2

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- Analyses of the impact of 2000 Census data on HUD programs.
- Expanded program evaluation activities, including evaluations of HUD homeownership programs and research on ways to strengthen the Section 8 Voucher Program. PD&R will also study ways to expand homeownership among low-income and minority households.
- Continue a research program to improve HUD's ability to measure the direct effects of HUD's programs.
- Housing Finance, FHA, and the GSEs. PD&R will continue to conduct analysis of housing finance, FHA, and GSE (Fannie Mae and Freddie Mac) issues, examining topics such as the role that FHA and the GSEs play in affordable lending; the role of credit history in mortgage defaults; and the potential for mortgage scoring and risk-based pricing in FHA.
- Energy Efficiency, Building Technology and Growth Management.

PD&R will also continue its other core research and technology functions, which include activities to:

- Monitor national and local economic, housing, and demographic trends affecting housing and urban policies and programs and help disseminate this information to the public. This includes the funding and direction of the American Housing Survey, conducted for HUD by the Census Bureau.
- Provide annual estimates of critical program parameters such as fair market rents and median family incomes for all local areas in the U.S.
- Provide research and analysis in support of ongoing program operations and new policy initiatives of FHA, as well as the Department's regulation of Fannie Mae and Freddie Mac.
- Monitor and improve program databases.
- Design, conduct or oversee research to promote new technologies in housing including the areas of planning, design, construction, operation, maintenance, repair and replacement.
- Continue to sponsor a grant program to Ph.D. candidates to help them complete doctoral dissertations on HUD-related topics.
- Improve dissemination of relevant research to all interested audiences.

International Exchanges. PD&R also has responsibility for the Department's international exchange programs. The Housing Act of 1957 gives broad latitude to the Secretary to "...exchange data relating to housing and urban planning and development with other nations and assemble such data from other nations, through participation in international conferences and other means, where such exchange or assembly is deemed by him to be beneficial."

In coordination with the White House and the Department of State, PD&R's Office of International Affairs supports the diverse international interests of the Secretary, implements cooperative exchange programs with foreign governments and international

organizations, and promotes research collaboration between governments in housing finance, building technology, community planning and development, and national urban policy.

An example of a HUD bilateral program is one that brings together American and Mexican officials to work on housing and planning issues along their 2000 mile border. In the period 1999-2001, the Office of International Affairs, using funds and the statutory authority of the US Agency for International Development (USAID), designed and managed a \$10 million technical assistance and training program for post-disaster reconstruction in Central America and the Caribbean. One consequence of that program is that the Department is planning to enter into a new cooperative working relationship with the Inter-American Development Bank to share policy research studies in housing and urban development across all the countries in the western hemisphere. Over the next few years, it is likely that the Department will enter into other bilateral and multilateral cooperative programs as it identifies common urban policy research interests with foreign governments and international organizations.

Coordination with other Federal entities

HUD runs cross-cutting research projects jointly with a variety of federal agencies. Examples include:

- HUD works cooperatively with five other regulatory agencies that are required to collect data under the Home Mortgage Disclosure Act (HMDA). These agencies include the **Office of Thrift Supervision**, the **Comptroller of the Currency (OCC)**, the **Federal Reserve**, the **Federal Deposit Insurance Corporation** and the **National Credit Union Administration**. The **Federal Financial Institutions Examination Council (FFIEC)** is the governing board that is responsible for collecting and disseminating this information. HMDA provides information about how mortgage credit is provided across the country and is invaluable in assessing disparities in lending practices among mortgage lenders that affect underserved groups. HUD collects data on all FHA lenders that are not regulated by other government agencies and all other unregulated lenders. HUD works closely with FFIEC and other agencies on quality control and on joint research.
- HUD led the National Survey of Homeless Assistance Providers and Clients, which was co-directed by the **Department of Health and Human Services**. Participating agencies were the Departments of **Veterans Affairs**, **Agriculture**, **Commerce**, **Education**, **Energy**, **Justice**, **Labor**, and **Transportation**, plus the **Social Security Administration** and the **Federal Emergency Management Agency**. This national survey provided updated information about the providers of homeless assistance and the characteristics of homeless persons who use services.
- HUD has an Interagency Agreement with the **Department of Justice's National Institute of Justice** to evaluate drug elimination strategies.
- HUD coordinated with the **Department of State** to enter into MOUs to facilitate information exchange with counterpart housing officials from other countries.

- HUD is part of a federal interagency working group working on housing and community development issues for the **United Nations Committee on Human Settlement**.
- HUD is a member of the interagency working group chaired by the **State Department** to prepare for U.S. Government involvement in the World Summit on Sustainable Development. This U.N. conference, which is to be held in Johannesburg, South Africa in September 2002, will assess progress on a number of international development and environmental issues since the Earth Summit in Rio de Janeiro in June 1992.
- HUD participated in a State Department and **U.S. AID** working group on geographic information systems, advancing the use of GIS science to analyze international urban conditions.
- 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.

Performance goals

The following crosswalk summarizes the performance indicators, including measures of outcomes and program outputs, that will be used to gauge performance during FY 2003. A detailed discussion of each indicator follows the crosswalk.

| FY 2003 Performance Goals |
|---|
| Objective 6.2: Improve accountability, service delivery and customer service of HUD and our partners. |
| 6.2.1: HUD employees become more satisfied with the Department's performance and work environment. |
| 6.2.2: HUD partners become more satisfied with the Department's performance, operations and programs. |
| 6.2.3: HUD will implement procedures to hold lenders accountable for the selection and performance of appraisers for FHA-insured mortgages. |
| 6.2.4: The share of FHA loan applications processed through Automated Underwriting Systems increases by 10 percentage points. |
| 6.2.5: At least 80 percent of key users (including researchers, State and local governments, and private industry) rate PD&R's work products as valuable. |

| FY 2003 Performance Goals |
|--|
| 6.2.6: Policy Development and Research will produce and facilitate the dissemination of more than 40 publications through its distribution clearinghouse, HUD USER. |
| 6.2.7: More than 3.2 million downloadable files will be accessed from PD&R's website. |
| 6.2.8: Support timely expenditure of Federal resources by allocating 100 percent of incremental Housing Choice Voucher funds within four months of appropriation. |
| 6.2.9: Under the M2M program, HUD will reduce the rents and where appropriate, complete a mortgage restructuring on 500 deals. |
| 6.2.10: HUD will advance the goals of the E-Government initiative to be reflected in more efficient, useful and transparent grant and other program processes. |
| 6.2.11: Streamline the Consolidated Plan. |
| 6.2.12: The share of Consolidated Plans that contain measurable performance goals for housing activities and for community development activities increases. |
| 6.2.13: HUD will monitor 5 percent more Consolidated Plan grantees on site for compliance with their plans. |
| 6.2.14: The number of CDBG entitlement grantees that fail to meet regulatory standards for timeliness of expenditure decreases by 10 percent to 132, and the number that carry balances above 2.0 times their most recent grant decreases by 15 percent. |
| 6.2.15: The share of completed CDBG activities for which grantees satisfactorily report accomplishments increases to 90 percent. |
| 6.2.16: The share of HOME-assisted rental units for which occupancy information is reported increases by 3 percentage points. |
| 6.2.17: Through the Administering Organization, HUD will support the Manufactured Housing Consensus Committee in meeting the milestones provided in the Manufactured Housing Improvement Act of 2000. |

Performance goals are for FY 2003 unless otherwise noted.

6.2.1: HUD employees become more satisfied with the Department's performance and work environment.

Indicator background and context. HUD has increasingly been moving its organizational focus from process to customer-driven results. Research has shown a strong correlation between employee satisfaction and customer satisfaction. To support

continued empowerment that serves customers, we will use periodic employee surveys to ensure that staff are satisfied with their work environment, the training and support received to accomplish their jobs, and HUD's performance orientation, measured along several dimensions. HUD is implementing a new and well-tested employee survey to all employees during FY 2002. Results will be analyzed and compared with benchmarks for Federal agencies and private organizations. The baseline findings will be used to identify performance issues and define specific performance goals.

Data source. The Organizational Assessment Survey (OAS) is being administered by the Personnel Resources and Development Center of the Office of Personnel Management. After results from the survey are analyzed, the Department will determine the appropriate time period for repeating the survey to assess improvement under this indicator.

Limitations/advantages of the data. The OAS data are free of sampling error because all employees are surveyed, and response rates are expected to be very high. The extensive previous use of the core OAS instrument has demonstrated its reliability and established performance benchmarks in the public and private sectors. Survey results will be available to HUD managers and staff online with confidentiality protections.

Validation, verification, improvement of measure. The OAS has been extensively tested by OPM, with additional pretesting for HUD use. A steering committee guided development of the sampling framework and survey design to ensure valid and useful results. Focus groups will be used to validate and explore the findings of the survey. Baseline results will be used to identify methodological or performance issues that require revision of the survey instrument, potentially including more specific questions.

6.2.2: HUD partners become more satisfied with the Department's performance, operations and programs.

Indicator background and context. HUD partners are critical to the Department's overall performance. These partners, which include government, non-profit and for-profit entities, provide service delivery for a majority of HUD programs. Increasing their satisfaction with HUD makes them more willing to support HUD and achieve common objectives. During FY 2001 eight partner groups were surveyed to assess both partner satisfaction with the Department generally and perceptions of the recent management changes at HUD. The partner groups surveyed included: community development directors, public housing agency directors, Fair Housing Assistance Program (FHAP) directors, mayors, multifamily owners, and non-profit providers. Overall satisfaction by partners varied greatly, with FHAP directors and mayors highly satisfied and public housing agency directors and multifamily owners less satisfied. Similarly, partner assessments of the HUD 2020 management changes were mixed. The Department's goal is to see an increase in partner satisfaction by partner groups when the study is replicated in 2003.

Data source. HUD will perform a similar stakeholder survey during FY 2003.

Limitations/advantages of the data. Sources of satisfaction or dissatisfaction may be difficult to identify, and a single policy or event may satisfy some partners and dissatisfy others. As part of its plan for the FY 2003 study, the Department will target particular

stakeholders and particular issues. Therefore the FY 2003 study will not be a precise replication of the FY 2001 study.

Validation, verification, improvement of measure. The survey instrument was pretested to determine appropriate validation and verification procedures. Focus groups were conducted in 2000 to assess partner needs and opinions as they relate to reporting program results.

6.2.3: HUD will implement procedures to hold lenders accountable for the selection and performance of appraisers for FHA-insured mortgages.

Indicator background and context. Single-family homes that are being financed with FHA-insured loans need accurate appraisals of property to prevent undue risk to the FHA fund. HUD's monitoring and oversight of these appraisals have been considered a material weakness of the Department. As part of FHA's single-family appraisal reform efforts, FHA's Office of Single Family Housing will create new protocols for the monitoring of lender's appraisers. These new protocols will be implemented through appraisal monitoring contracts and will be fully implemented in FY 2003. Closer monitoring of lenders by HUD will support improved performance of appraisers. Recently, the Department significantly increased the requirements for appraisers to disclose readily observable defects in the home to the buyer. HUD created new disclosure forms to provide better information to consumers prior to the purchase. With these requirements came the need to increase training for all FHA roster appraisers. Therefore, a new appraisal handbook was developed and an exam was written to test appraiser knowledge of the new requirements.

This indicator tracks the accomplishment of implementing these important procedures. In future years, the Department will determine how best to assess the accuracy of FHA appraisals on an ongoing basis. This performance goal corresponds with the FY 2002 President's Management Agenda, which established the goal of eliminating most, if not all, falsely inflated appraisals by 2004.

Data source. The results of the appraisal sanctions are maintained in the Computerized Homes Underwriting Management System (CHUMS) Appraisal Sanctioning Screen.

Limitations/advantages of the data. Data from CHUMS are believed to be accurate and reliable for this measure.

Validation, verification, improvement of measure. CHUMS is regularly audited by Housing.

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

Indicator background and context. (See also indicators 2.2.7 and 7.1.4.) HUD has developed a mortgage scorecard, FHA Technology Open To All Lenders "TOTAL" Scorecard, for use by the mortgage industry. The TOTAL Scorecard is not an automated

underwriting system; rather, it is a mathematical equation intended to be used within an automated underwriting system. The scorecard assesses the credit worthiness of FHA borrowers objectively and consistently by evaluating certain mortgage application and borrower credit information that has been statistically proven to accurately predict the likelihood of borrower default. The scorecard was developed for a number of reasons, which include improving underwriting efficiencies by lenders, decreasing losses to FHA's insurance fund, and integrating the use of automated underwriting systems into FHA's existing processes and workflow including mortgage insurance endorsement processing.

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

The FY 2003 goal is to increase the share of FHA loan applications that are processed through automated underwriting systems by 10 percentage points from FY 2002 levels.

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

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

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

6.2.5: At least 80 percent of key users (including researchers, State and local governments, and private industry) rate PD&R's work products as valuable.

Indicator background and context. One way to measure PD&R's contribution to the Objective of improving accountability, service delivery and customer service is to survey key stakeholders to determine whether they view PD&R's work products to be valuable and to obtain feedback on how they can be improved.

In FY 2001, PD&R surveyed stakeholders and research users to determine whether they found PD&R research products relevant, useful, and well-prepared. The stakeholders and users interviewed included academics, nonprofit researchers, building professionals,

trade and manufacturing associations, financial institutions, and housing advocacy groups. Although PD&R also has important stakeholders within HUD and Congress, they were not included within the scope of this initial survey.

Initial findings indicate that HUD research was rated highly and cited frequently in the academic literature, with 81 percent of respondents rating the products as “valuable”. PD&R will conduct a similar survey and citation review every three years (next survey FY 2004), and in intervening years will continue to monitor user opinions through mail surveys and Web comments on its research. For the purposes of this survey, PD&R’s “products” are defined as research publications, data files, and internal work products in support of program disciplines. HUD’s goal for the next survey is to maintain at least 80 percent of responses indicating that the products are valuable.

Data source. Records of requests of reports and of reports downloaded from PD&R’s Web site, along with informal discussions with stakeholders and users, were used in conducting the survey. A survey of Congressional and other Federal users and stakeholders will be included at a later date.

Limitations/advantages of the data. The research was based on a purposive sample of the most intensive users. Therefore results may not be representative of all users, especially of infrequent users. Respondent opinions about the influence of PD&R products are subjective.

Validation, verification, improvement of measure. No validation is planned for this indicator.

6.2.6: Policy Development and Research will produce and facilitate the dissemination of more than 40 publications through its distribution clearinghouse, HUD USER.

Indicator background and context. HUD’s Office of Policy Development and Research produces a variety of documents that support the Department’s policy priorities and help to disseminate information on national housing and community development issues. These documents include information on housing needs and market conditions, housing technology research, demonstrations, HUD program evaluations, and policy reports. In FY 2001, PD&R prepared 36 research publications, and made them available both to specific research and policy audiences and to the public at large. All of these documents are available through PD&R’s clearinghouse at www.huduser.org. During FY 2003, PD&R will produce at least 40 such research documents.

Data source. Internal PD&R annual summary report on publications.

Limitations/advantages of the data. This is a manual count; no counting errors are expected. PD&R’s clearinghouse contractor maintains a documentary file that lists the titles counted for each year, this documentation prevents double-counting and missed cases. Because this is a numeric goal, it is not necessarily the best proxy for measuring the substantive value of PD&R’s policy and research publications. Because many research products take more than one year to complete, the number of publications in a particular year may reflect funding levels from prior years.

Validation, verification, improvement of measure. No validation is necessary.

6.2.7: More than 3.2 million downloadable files will be accessed from PD&R's website.

Indicator background and context. In 1978, PD&R established HUD USER, an information source for housing and community development researchers and policymakers. HUD USER is one of the principal sources for Federal Government reports and information on housing policy and programs, building technology, economic development, urban planning, and other housing-related topics. HUD USER also creates and distributes a wide variety of useful information products and services. Substantial HUD USER activity is an indication of the value of PD&R's work, and of HUD USER's coordination function on behalf of HUD's customers. During 2001, users accessed over 3.1 million files from the HUD USER research clearinghouse: www.huduser.org. In 2003, PD&R's goal is to increase this level of activity.

Data source. Annual report from Aspen, HUD's contracted research clearinghouse for HUD USER.

Limitations/advantages of the data. No counting errors are expected. The data are reported for the calendar year, not the fiscal year.

Validation, verification, improvement of measure. No validation is planned for this indicator.

6.2.8: Support timely expenditure of Federal resources by allocating 100 percent of incremental Housing Choice voucher funds within four months of appropriation.

Indicator background and context. The Housing Choice Vouchers are funded at \$204 million in FY 2003. Improving the efficiency and timeliness with which these substantial budget resources are allocated provides an important opportunity for providing housing assistance to more families with worst case housing needs. Congress has mandated that HUD should award voucher funds within four months of appropriation. The "incremental," or additional, vouchers awarded each year are the most difficult to distribute in timely fashion. Numerous factors, including lengthy public notice requirements, limit the Department's ability to distribute funds quickly. The goal of this indicator for FY 2003 is to fully succeed in meeting the four-month standard for incremental vouchers. For purposes of this measure, allocation is defined as notification of award, at which point housing agencies may draw down funds.

Data source. Appropriation of funds is denoted by enactment of the HUD appropriations bill and award of funds to HAs is marked by publication in the Federal Register.

Limitations/advantages of the data. The dates of appropriation and award are unambiguous and easily verifiable.

Validation, verification, improvement of measure. The data are audited by the Inspector General.

6.2.9: Under the M2M program, HUD will reduce the rents and where appropriate, complete a mortgage restructuring on 500 deals.

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

The FY 2003 goal is based on an OMHAR projection of anticipated workload, which is, in part, based on an estimate of market rents for contracts expiring in the future. These projections may be affected by owner decisions, real estate market trends, accuracy of the REMS data base, and future legislative changes relative to M2M eligible properties. In addition to expirations and referrals, the projected number of restructurings reflects the fact that the majority of properties will be requesting full debt restructurings. In FY 2001, OMHAR completed 165 rent reduction agreements, 274 full debt restructuring agreements, and an additional 168 restructuring plans that had not yet closed, for a total of 607 project actions.

Data source. OMHAR's M2M management information system.

Limitations/advantages of the data. The M2M system tracks the date that the Housing Assistance Payments contract is amended, which signifies the completion of a M2M property that involves a rent reduction with no mortgage restructuring, and the closing date, which signifies the completion of a project involving a rent reduction with a mortgage restructuring.

Validation, verification, improvement of measure. PAE records are subject to independent audits. OMHAR is developing PAE oversight and audit procedures that will be used by OMHAR and/or contract staff in conducting periodic reviews of each PAE.

6.2.10: The percentage of existing eGovernment applications that achieve their performance goals increases by 5 percent from the FY 2002 baseline.

Indicator background and context. The full integration of the capabilities of information technology into the business of the Federal government is a central objective of the Administration. The Federal government can secure greater services at lower cost through Electronic Government (eGovernment), and can meet high public demand for eGovernment services. The Administration expects citizen-centered electronic government to result in a major improvement in the Federal government's value to the citizen.

HUD's commitment and vision to transform the way we do business using eGovernment technology is demonstrated through the linkage of HUD's eGovernment Program and the IT budget process. All eGovernment applications must have sound performance measures to receive funding. Performance measures for eGovernment applications are linked to the business area programs, which they support. As mandated by the Clinger-Cohen Act all IT investments are selected, controlled and monitored to ensure IT investments meet the Department's mission, goals and objectives.

Data source. The data originate in program office reporting on their eGovernment progress through the IT Budget Process, updates to HUD's eGovernment Strategic Plan, and the Executive Branch Management Scorecard.

Limitations/advantages of the data. All information technology system investments are selected, controlled and evaluated through HUD's IT Budget Process. This includes tracking and monitoring performance on eGovernment applications that support HUD programs and services.

Validation, verification, improvement of measure. Validations will primarily occur through the IT Capital Planning Control reviews and the Executive Branch Management Scorecard on eGovernment. eGovernment applications that do not meet the performance measures established for the program will receive corrective action plans and will be re-evaluated on a quarterly basis. HUD's vision and plans to implement eGovernment services will be revisited annually to ensure alignment with the Department's overall Strategic Plan and the President's Performance and Management Agenda for eGovernment.

6.2.11: Streamline the Consolidated Plan.

Indicator background and context. The President's Management Agenda reflects that by 2004, HUD will work with local stakeholders to streamline the Consolidated Plan, making it more results-oriented and useful to communities in assessing their own progress toward addressing the problems of low-income areas.

Data source. This milestone goal will be documented by CPD.

Limitations/advantages of the data. The degree of success attained on qualitative milestones is subject to judgment.

Validation, verification, improvement of measure. The Department will assess opportunities to develop additional ongoing quantitative performance measures to assess the Consolidated Plan process.

6.2.12: The share of Consolidated Plans that contain measurable performance goals for housing activities and for community development activities increases.

Indicator background and context. Communities develop 5-year Consolidated Plans to guide their use of CDBG, HOME, Emergency Shelter, and HOPWA grants. Grantees are able to choose from a wide array of activities, so the quality of planning for self-defined

objectives is critical. Consolidated Plans that contain specific goals for housing and for community development encourage community leaders to plan more carefully and to be more responsive and accountable to citizens over the life of the plans.

Grantees are required to submit their next Consolidated Plans in FY 2005. HUD's goal is to increase the percentage of the FY 2005 cohort of plans that incorporate substantive performance goals, as compared with current Consolidated Plans.

Field Offices have examined results from standardized assessment of Consolidated Plans received in FY 2000. Almost all Consolidated Plans satisfied minimum requirements. Those that were not in compliance were disapproved (approx. 5% needed improvement). Approvals were granted after minimum requirements were met. Many Consolidated Plan submissions were highly rated (39%). Low performing communities were provided technical assistance. Field Offices identified fifty-three plans with features they considered valuable to a revised process that would be more results-oriented and useful to communities.

Data source. CPD's Grants Management Process (GMP, C07A) system.

Limitations/advantages of the data. Qualitative judgments about plan quality are necessarily subjective. CPD continually seeks to improve the objectiveness of its assessment tools including defining the parameters for measurement.

Validation, verification, improvement of measure. Plan assessments will be verified by random resampling to determine the variance of scores.

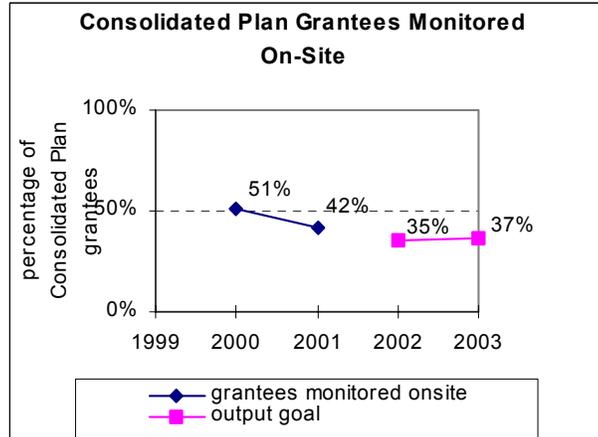
6.2.13: HUD will monitor 5 percent more Consolidated Plan grantees on site for compliance with their plans.

Indicator background and context. Communities develop 5-year Consolidated Plans to guide their use of CDBG, HOME, Emergency Shelter, and HOPWA formula grants, following a process that includes and documents citizen participation. Consolidated Plans must include action plans that set forth specific goals for meeting community needs. This indicator tracks the extent of monitoring activity by HUD field staff to ensure that grantees implement their plans to help low-income families and redevelop distressed neighborhoods. HUD regularly reviews all Consolidated Plan grantees remotely. This indicator tracks the share of grantees that are reviewed onsite.

Data source. CPD administrative data systems.

Limitations/advantages of the data. Administrative data do not support assessments of the quality of reviews.

Validation, verification, improvement of measure. Field supervisors review monitoring activity and reporting by field staff. Monitoring conforms to both sound quality assurance practices and risk-based principles that focus on weak performers.

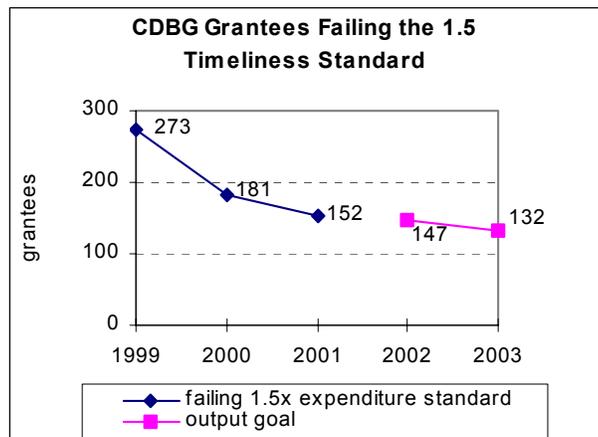


6.2.14: The number of CDBG entitlement grantees that fail to meet regulatory standards for timeliness of expenditure decreases by 10 percent to 132, and the number that carry balances above 2.0 times their most recent grant decreases by 15 percent.

Indicator background and context. Entitlement communities have extensive flexibility to use CDBG for locally defined purposes. However, they must use funds for national objectives and implement their activities in fiscally responsible ways. To meet timeliness standards, grantees may not have undrawn funds in their line of credit exceeding 1.5 times the value of the most recent grant, as measured 60 days before the following grant. The Department monitors over 1000 entitlement communities. By the end of FY 2001, there were 152 grantees that failed to meet the 1.5 timeliness standard. As grantees move into compliance with the regulatory standard, others come out of compliance. Successfully reducing the total number of untimely grantees requires adequate resources so the Department can provide technical assistance to those communities.

The FY 2003 goal regarding the 1.5 timeliness standard is to reduce the number of substandard grantees by 10 percent from FY 2002 levels, building on an equivalent goal for FY 2002. The FY 2003 goal for the 2.0 timeliness standard—a more extreme level of untimeliness—is to reduce the number by 15 percent from the FY 2002 level.

Data source. CPD’s Integrated Disbursement Information System.



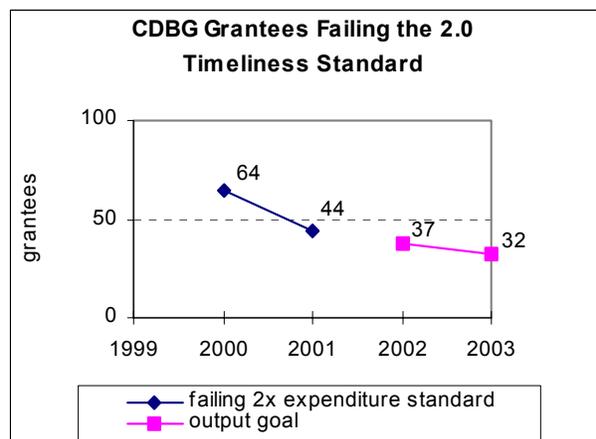
Limitations/advantages of the data.

Determinations of compliance are reliable because the data represent actual disbursements.

Validation, verification,

improvement of measure. There is little evidence that slow spend-out is correlated with the type of activities that grantees select, but complex projects or activities may lead to slow spend-out for some grantees. Field staffs verify that grantees document expenditure of funds by performing

on-site monitoring. Monitoring conforms to both sound quality assurance practices and risk-based principles that focus on weak performers.



6.2.15: The share of completed CDBG activities for which grantees satisfactorily report accomplishments increases to 90 percent.

Indicator background and context. This indicator tracks the level of reporting of CDBG grant activities into the IDIS system, which collects data for HUD's block grant and formula grant programs that serve local jurisdictions—CDBG, HOME, ESG and HOPWA.

Reporting for CDBG is measured by the proportion of completed activities for which grantees have reported accomplishments data, based on activities justified under three national objectives that serve residents with low and moderate incomes: low/mod jobs (LMJ), low/mod housing (LMH) and low/mod limited clientele (LMC). To meet the threshold for satisfactory reporting, grantees must report accomplishments for at least 90 percent of activities funded under these objectives within three months after project completion. Typical accomplishments reported for the three objectives are numbers of jobs created, units constructed, and minority persons served. The remaining national objectives, low/mod area benefit and slums/blight, are not included in this indicator. Recent reporting rates for accomplishments data were approximately 50 percent of activities under the three national objectives.

Data source. Integrated Disbursement Information System.

Limitations/advantages of the data. HUD relies on grantees to enter data into IDIS. Completeness of reporting is only one criterion of data quality.

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

6.2.16: The share of HOME-assisted rental units for which occupancy information is reported increases by 3 percentage points.

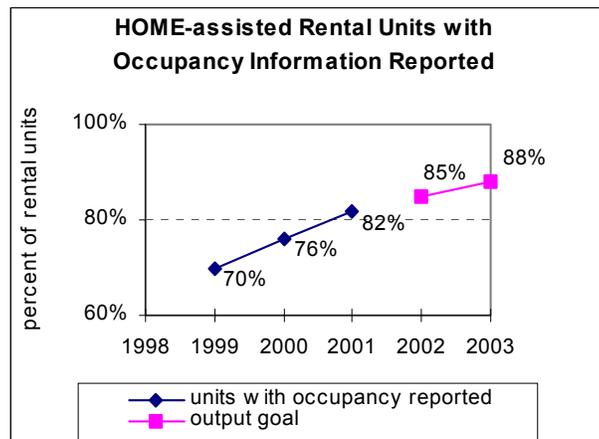
Indicator background and context. This indicator tracks the level of reporting by Participating Jurisdictions (PJs) of household occupancy data for HOME rental units into the IDIS, which collects data for HUD’s block grant and formula grant programs that serve local jurisdictions—CDBG, HOME, ESG and HOPWA. Reporting rates for HOME are based on reporting of HOME rental household data at project completion for those households moving into completed HOME rental developments.

The historical average reporting rate for these households is 70 percent. For FY 2001, the share of HOME-assisted rental units for which occupancy information was reported was 82 percent, a 6 percentage point gain over FY 2000, and building on a comparable improvement during FY 2000. In FY 2000, HUD completed a major data cleanup effort of HOME data in the Integrated Disbursement Information System, resulting in the higher reporting percentage. HUD intends to achieve full reporting over time, allowing for normal vacancies and initial rent-up. The FY 2003 goal is to increase reporting by 3 percentage points above levels achieved in FY 2002.

Data source. Integrated Disbursement Information System.

Limitations/advantages of the data. HUD relies on grantees to enter data into IDIS. Completeness of reporting is only one criterion of data quality.

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



6.2.17: Through the Administering Organization, HUD will support the Manufactured Housing Consensus Committee in meeting the milestones provided in the Manufactured Housing Improvement Act of 2000.

Indicator background and context. The Manufactured Housing Improvement Act of 2000 (the Act) establishes new responsibilities and procedures for the Department with respect to its role in regulating Manufactured Housing. As mandated by the statute, HUD procured the services of an Administering Organization (AO). The Department monitors the performance of this organization in supporting the Manufactured Housing Consensus Committee, also established by statute.

At least once in each 2-year period, the Consensus Committee must consider revisions to the Federal Manufactured Housing Construction and Safety Standards. The Department, through the AO, will assist in this process as necessary. The Act requires the Department to publish standards and regulations for the installation of manufactured homes, and regulations for dispute resolution, within five years of date of the Act, following receipt

of proposals by the Consensus Committee. In FY 2003, the Consensus Committee is required to submit to HUD proposed regulations and standards for the development of these two initiatives. HUD's FY 2003 performance goal is to ensure that these milestones are achieved. While the Department will work closely with the AO and the Consensus Committee to monitor their progress, these partner organizations operate largely outside HUD's control.

Data Source. Accomplishments will be assessed and documented by HUD's Office of Manufactured Housing and Construction Standards.

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

Verification/validation of measure. HUD monitors the AO and the AO administers the Consensus committee by a contractual agreement. The Consensus committee will include a non-voting HUD representative who will report to the Department on a continual basis.

GOAL 7: ENSURE EQUAL OPPORTUNITY AND ACCESS TO HOUSING

Strategic Objectives:

7.1 Reduce housing discrimination.

7.2 Improve the accessibility of housing to persons with disabilities.

7.3 Improve housing options for the elderly.

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

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

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

Resources Supporting Strategic Goal 7: Ensure equal opportunity and access to housing.

| Budget Authority (BA) and Staffing Levels (BA is \$ in thousands) | | | | | | | | | |
|--|-------------------------|----------------|----------------|--|------------|----------------|------------|----------------|------------|
| Program | Budget Authority | | | Headquarters (HQ) and Field (F) Staff | | | | | |
| | FY 2001 | FY 2002 | FY 2003 | FY 2001 | | FY 2002 | | FY 2003 | |
| | | | | HQ | F | HQ | F | HQ | F |
| Office of Public & Indian Housing | | | | | | | | | |
| Public Housing Capital Fund | \$0 | \$0 | \$55,000 | 0 | 0 | 0 | 0 | 8 | 6 |
| Housing Certificate Fund ¹ | 29,757 | 49,469 | 50,743 | 3 | 0 | 4 | 0 | 4 | 0 |
| Office of Housing | | | | | | | | | |
| Housing for Special Populations | 431,700 | 445,600 | 445,500 | 20 | 165 | 24 | 167 | 24 | 167 |
| FHA-MMI/CHMI | 3,000 | 3,000 | 2,600 | 6 | 0 | 6 | 0 | 6 | 0 |
| FHA GI/SRI | 3,400 | 2,600 | 2,300 | 2 | 7 | 2 | 7 | 2 | 7 |
| Housing Counseling Assistance | 0 | 0 | 3,200 | 0 | 10 | 0 | 10 | 0 | 10 |
| Office of Fair Housing & Equal Opportunity | | | | | | | | | |
| Fair Housing Assistance Program | 21,952 | 25,649 | 25,649 | 87 | 258 | 86 | 262 | 83 | 262 |
| Fair Housing Initiatives Program | 23,947 | 20,250 | 20,250 | 70 | 220 | 70 | 225 | 67 | 225 |
| Total | 513,756 | 546,568 | 605,242 | 188 | 660 | 192 | 671 | 194 | 677 |

¹ Resources for the Housing Certificate Fund include budget authority and staff from both the Office of Public and Indian Housing and the Office of Housing.

Objective 7.1: Reduce housing discrimination

Since 1968, HUD and its predecessor agencies have been responsible for enforcement of the Fair Housing Act and for ensuring that HUD programs promote fair housing and comply with civil rights laws. The Fair Housing Act makes it unlawful to discriminate in housing against persons based on race, color, religion, sex, national origin, disability or familial status.

Unfortunately, discrimination is still a reality for many Americans—including poor people, racial and ethnic minorities, families with children, and persons with disabilities. A recent report from the Federal Financial Institutions Examination Council found that lenders are turning down African Americans, Hispanics and American Indians for home loans far more often than whites and Asians, regardless of income. The mission of HUD's Office of Fair Housing and Equal Opportunity is to work in a cooperative effort with builders, landlords, tenants and other stakeholders to ensure the right of equal housing opportunity and free and fair housing choice without discrimination based on race, color, religion, sex, national origin, disability or family composition.

HUD's efforts to promote equal housing opportunities go beyond enforcement of fair housing laws. HUD's programs and initiatives strive to provide housing, employment opportunities, and supportive services to disadvantaged Americans by working with the private sector to increase our nation's available housing stock. All HUD programs targeted at lower income persons, including block grant programs such as CDBG and HOME, present opportunities to reduce barriers and promote equal opportunities.

To test public awareness of and support for fair housing law, HUD sponsored a fair housing awareness survey of a representative random sample of the American public. Although the survey found that there is widespread knowledge of the fair housing law, some areas of the law are still unclear to the public. The report offers the Department reason for hope in its efforts to combat housing discrimination but also points to areas in which public information and attention needs to be directed.

Means and strategies

HUD is committed to working cooperatively with all stakeholders in promoting the fair housing laws to help ensure that all households have equal access to rental housing and homeownership opportunities. HUD also is committed to a strategy of encouraging local creativity in promoting housing choice. The Department has two primary grant programs that support fair housing, the Fair Housing Assistance Program (FHAP) and the Fair Housing Initiatives Program (FHIP). FHAP provides grants to State and local agencies to enforce laws that are substantially equivalent to the federal Fair Housing Act. FHIP provides funds to public and private fair housing groups, as well as to State and local agencies that educate the public and housing industry about fair housing laws; investigate allegations of discrimination, and help combat predatory lending practices.

Through its current nationwide Housing Discrimination Study (HDS), HUD is testing for and measuring the degree of housing discrimination in urban, suburban and rural

communities around the nation, and comparing findings with the last study in 1989. The HDS will be a valuable tool in increasing public awareness about housing discrimination and will help HUD and its partners assess how best to use fair housing enforcement, education and technical assistance resources.

To further reduce housing discrimination, HUD will work to:

- Expand housing opportunities and address discrimination by concentrating program resources of the Office of Fair Housing and Equal Opportunity (FHEO) in selected communities.
- Encourage, support and expand the network of State and local agencies that enforce laws that are “substantially equivalent” to the federal Fair Housing Act and private fair housing groups in unserved and underserved areas such as those not already served by “substantially equivalent” agencies.
- Educate homeowners and renters, the housing industry, grantees, and project sponsors about the Fair Housing Act and the Americans with Disabilities Act.
- Inspect HUD public and assisted housing, where applicable, for compliance with the Fair Housing Act, Section 504 and Title VI.
- Monitor Fannie Mae and Freddie Mac, the Government-Sponsored Enterprises that HUD regulates, for compliance with their responsibilities to further fair housing and fair access to credit.
- Support local efforts to address tensions that arise in communities when persons seek to expand their housing choices.
- Convene meetings with local governments and community groups to promote fair housing; meet with FHAP groups to discuss relationship of CDBG to FHAP funds used to meet fair housing needs; and initiate agreements with lenders and other housing industry groups to further affirmative marketing efforts.
- Empower communities to promote housing choice through fair housing planning in their Consolidated Plan and community development programs by implementing their own required strategies to address impediments to fair housing; and build upon collaborative grassroots efforts among local governmental agencies, fair housing organizations and other community groups, including faith-based organizations.
- Develop a brochure for mortgage loan applicants to help combat predatory lending. Created with the help of other Federal agencies, the brochure will be widely distributed to consumers and will warn them about predatory lending practices and educate them about their rights.
- Work with partners in the mortgage lending industry to reduce predatory lending by sharing FHA’s Neighborhood Watch/Early Warning system with lenders so that they, as well as FHA staff, can monitor mortgage default rates. The system helps lenders to evaluate their performance relative to HUD’s Credit Watch/Termination initiative, which helps reduce defaults and foreclosures by protecting consumers from borrowing more than they can afford to repay.

- Work through HUD’s housing and community development programs to ensure that these programs foster anti-discrimination efforts and promote housing choice.
- Coordinate with all HUD program offices to translate and distribute HUD publications in languages other than English to ensure that Limited English Proficient (LEP) persons have access to HUD data and programs.

External factors

Social, cultural and economic conditions influence the acceptance of minorities, persons with disabilities and other protected classes. Efforts to reduce discrimination and promote tolerance and diversity can have either a positive or negative effect. As the share of minority households increases relative to the white, non-Hispanic population, the result might be a greater sense of tolerance due to expanding housing patterns. Conversely, the expansion could produce a “circle the wagons” effect in which homogeneous groups try even harder to keep others out of “their” neighborhoods.

Disparities in wealth and income levels among different groups contribute to differential access to homeownership, affordable and accessible rental housing and economic opportunities. Differential access in turn leads to the development of artificial housing patterns.

HUD depends on the Department of Justice as well as State and local government partners to assist in ensuring fair housing. State legislation that is substantially equivalent to national fair housing law is critical to increase the Nation’s capacity to enforce those laws. State regulation of finance, insurance and real estate also affects fair housing and homeownership within specific populations or neighborhoods.

Local policies, including land use controls and accessible building code enforcement, will continue to influence the level of discrimination, income isolation, and disparate homeownership rates. The private sector likewise plays a central role in achieving fair housing outcomes. Finally, some individuals continue to discriminate because they lack awareness of their fair housing responsibilities.

Coordination with other Federal agencies

- HUD chairs the **President’s Council on Fair Housing**, which is an interagency group committed to promoting equal opportunity in mortgage lending, and serves on the **Interagency Task Force on Fair Lending**, which coordinates enforcement of fair lending laws across the federal government. Through the Interagency Task Force on Fair Lending, HUD works with the Departments of **Justice** and **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, as a member of the task

force, joined with the other member agencies to issue a policy statement on discrimination in lending, which was published in the Federal Register.

- HUD and the **Department of Justice** have strengthened an existing agreement to crack down on hate acts involving housing discrimination. HUD will promptly refer appropriate cases to the Justice Department for criminal prosecution. The Justice Department will notify HUD immediately if it decides a housing discrimination case does not warrant criminal prosecution, so that HUD can act quickly to file civil charges under the Fair Housing Act. DOJ will also promptly report to HUD incidents of housing-related hate violence or intimidation reported to the FBI and other Justice Department agencies.
- The **Interagency Task Force on Predatory Lending** consists of Federal law enforcement and banking supervisory agencies jointly seeking solutions to the problem of predatory lending. The Task Force also seeks to address the allegations that many predatory lending practices violate fair housing laws. Anecdotal evidence indicates that some predatory lenders target neighborhoods and persons because of race, national origin, age, and gender for loans that contain abusive terms and conditions. A particular concern is possible predatory lending to older, African-American women with significant amounts of equity in their homes.
- The Interagency Working Group on Limited English Proficiency, chaired by the Office of the Assistant Attorney General Civil Rights Division of the Department of Justice, consists of representatives from all Federal civil rights offices. The Group is working together to ensure effective and efficient implementation of Executive Order 13166 and Title VI of the Civil Rights Act of 1964 as it relates to LEP issues. The Group will ensure that persons with limited English proficiency will have meaningful access to federally funded and federally conducted programs and activities.
- HUD works cooperatively with five other regulatory agencies that are required to collect data under the Home Mortgage Disclosure Act (HMDA). The data collected through these cooperative efforts are a critical element in on-going analyses of discrimination and/or disparate impact of lender activities. These agencies include the **Office of Thrift Supervision**, the **Comptroller of the Currency**, the **Federal Reserve**, the **Federal Deposit Insurance Corporation** and the **National Credit Union Administration**. The **Federal Financial Institutions Examination Council** is the governing board that is responsible for collecting and disseminating this information. HMDA data provide information about how mortgage credit is provided across the country. The information is invaluable in assessing disparities in lending practices among mortgage lenders that affect underserved groups. HUD collects data on all FHA lenders that are not regulated by other government agencies and all other unregulated lenders. HUD works closely with FFIEC and other agencies on quality control and on joint research.
- HUD recently signed a Memorandum of Understanding with the Departments of **Treasury** and **Justice** that sets forth the steps the three agencies will take to ensure that Low-Income Housing Tax Credit projects are in compliance with the Fair Housing Act. Under the agreement, the three agencies formalized a monitoring and compliance process to ensure that low-income housing tax credit properties meet the

requirements of the Fair Housing Act. Justice and HUD agreed to routinely notify the IRS and state housing finance agencies of enforcement actions brought under the Fair Housing Act involving tax-credit property owners. The IRS, in turn, will notify involved property owners that a finding of discrimination could result in the loss of tax credits. The Federal agencies also agreed to work with the private sector on voluntary efforts so that properties are built and operated in a manner consistent with the Fair Housing Act.

Performance goals

The following crosswalk summarizes the performance indicators, including measures of outcomes and program outputs that will be used to gauge performance during FY 2003. A detailed discussion of each indicator follows the crosswalk.

FY 2003 Performance Goals

Objective 7.1: Reduce housing discrimination

- 7.1.1: Housing discrimination declines 2 percentage points from 1989 national levels by 2001.
- 7.1.2: The share of the population with adequate awareness of fair housing law increases from the 2001 baseline by 2004.
- 7.1.3: Provide protected classes under the Federal Fair Housing Act with increased access to sale and rental housing without discrimination by completing at least 600 fair housing conciliation/settlement agreements in FY 2003.
- 7.1.4: The share of FHA loan applications processed through Automated Underwriting Systems increases by 10 percentage points.
- 7.1.5: At least two new fair housing groups are funded by FHIP through collaborative efforts between fair housing and community or faith-based organizations.
- 7.1.6: The number of enforcement agencies rated as substantially equivalent under the Fair Housing Act increases by two to total 98 agencies.
- 7.1.7: FHAP grantees increase the number of fair housing conciliation/settlement agreements processed by 20 percent.
- 7.1.8: The percentage of fair housing complaints aged over 100 days will decrease by 10 percentage points from the FY 2002 level of the HUD inventory.
- 7.1.9: The percentage of fair housing complaints aged over 100 days will decrease by 5 percentage points from the FY 2002 level of the inventory of substantially equivalent agencies.
- 7.1.10: The number of fair housing complaints identified by FHIP partners in the Southwest border region increases by 5 percent.
- 7.1.11: Increase the number of Title VI compliance reviews conducted of HUD recipients by 5 percent.

Performance goals are for FY 2003 unless otherwise noted.

7.1.1: Housing discrimination declines 2 percentage points from 1989 national levels by 2001.

Indicator background and context. This indicator tracks progress in reducing the incidence of discrimination in rental and sales transactions by African Americans and Hispanics by comparing the results of HUD's current national audit of housing discrimination with that of the prior study in 1989. The 1989 study revealed that the incidence of discrimination in the rental market was 53 percent for African Americans and 46 percent for Hispanics. In the sales market the rates were higher: 59 percent for African Americans and 56 percent for Hispanics. This research also revealed no evidence that the incidence of unfavorable treatment had either declined or risen from HUD's prior national audit, conducted in 1977.

Data source. In FY 1999, HUD began a 3-year 60-site national estimate of discrimination against African Americans and Hispanics in the rental and sales markets using methods based on the 1989 Housing Discrimination Study (HDS). The 25 sites in the second round of the study will supplement the metropolitan area data with balance-of-State data. Reports will be produced over a three-year period beginning in early FY 2002.

Limitations/advantages of the data. The new study adopts core HDS methods and will provide findings that are comparable to those developed in 1989. It also will address the issue of racial steering in the sales and mortgage markets and include data on discrimination against Asian Americans and American Indians. The development of better methods will establish a more useful benchmark against which to measure future changes in levels of racially based differential treatment.

Validation, verification, improvement of measure. The research was designed to produce statistically valid and reproducible estimates. The core paired testing methodology has stood up to over 20 years of scrutiny. Nonetheless, the Department continues to seek better methods that reflect the changing housing dynamic in the United States. The second round study is incorporating "triad" (otherwise known as "sandwich") testing and a more diverse sampling frame, including the Internet, in an effort to advance the state of the art and housing market coverage in housing discrimination testing. The Department has asked the National Academy of Sciences to review its testing methodology and offer suggestions that might further the state of the art for this type of research.

7.1.2: The share of the population with adequate awareness of fair housing law increases from the 2001 baseline by 2004.

Indicator background and context. Public awareness of the law concerning fair housing reduces discriminatory actions. HUD recently completed an effort to gauge public awareness of fair housing law, and to develop a baseline for this indicator. Prior to this study, no nationally available data existed to estimate the extent of awareness. The findings of the study support the conclusion that there is relatively widespread, if not

universal, knowledge of some core fair housing protections and prohibitions, yet the public understands some areas of the law less well than others.

The survey was designed to represent all adults in the nation. The survey's questionnaire includes 10 brief scenarios describing decisions or actions taken by landlords, home sellers, real estate agents, or mortgage lenders – eight of which involve conduct that, as stipulated in the scenarios, is illegal under federal fair housing law. One-half (51 percent) of the general public can correctly identify as unlawful six or more of the eight scenarios describing illegal conduct. Conversely, less than one-fourth (23 percent) knows the law in only two or fewer of the eight cases. The average person can correctly identify five instances of unlawful conduct. Looked at on a scenario-by-scenario basis, a majority of the public can accurately identify illegal conduct in seven of the eight scenarios.

Using this information as a baseline, HUD will perform a similar survey in FY 2004, to ascertain whether public awareness has increased during this time period. This indicator tracks the effect of fair housing enforcement activities and of public information campaigns funded by FHIP Education and Outreach grants on public understanding of their rights and responsibilities under the law.

Data source. PD&R survey, “How Much Do We Know? Public Awareness of the Nation’s Fair Housing Laws,” completed Fall 2001. Data from this survey will be used to establish a baseline for a follow-up survey during 2004.

Limitations/advantages of the data. Survey respondents could be confused by local fair housing ordinances that differ from national law, and this confusion could lead to misleading survey results. Opinions about fair housing issues also would be influenced by recent news events, which would tend to increase the statistical variance of public understanding.

Validation, verification, improvement of measure. The research was designed to produce statistically valid and reproducible estimates.

7.1.3: Provide protected classes under the Federal Fair Housing Act with increased access to sale and rental housing without discrimination by completing at least 600 fair housing conciliation/settlement agreements in FY 2003.

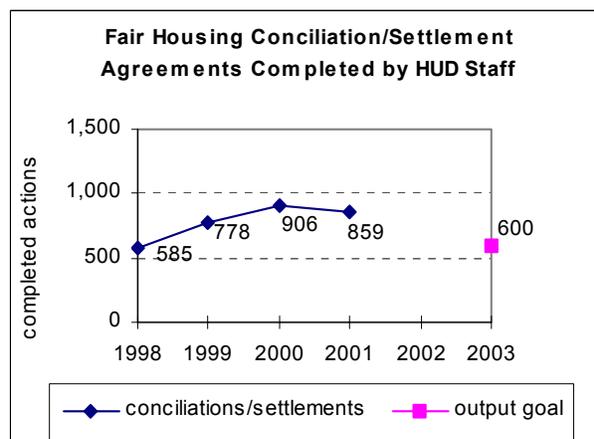
Indicator background and context. HUD investigates and resolves complaints of alleged housing discrimination from private citizens and interest groups throughout the nation. HUD has worked diligently to increase public awareness of laws prohibiting discrimination in order to ensure that persons victimized by discrimination know how and where to file fair housing complaints. It is the Department’s goal to motivate citizens who experience this kind of harm to act in order that discrimination can be identified and eliminated. In addition, HUD and its partners have worked to increase capacity to effectively investigate a wide variety of civil rights complaints and to enforce the Federal Fair Housing Act and equivalent laws. The goal established by this indicator is to complete 600 conciliation/settlement agreements during FY 2003. This activity had

previously reflected a four-year effort and goal that the Department exceeded. We are continuing this effort but shifting some resources to emphasize the high priority of reducing aged fair housing discrimination cases and this is reflected in the Fiscal Year 2003 target for this indicator.

Data source. Resolutions of each complaint are recorded in FHEO's Title VIII Automated Paperless Office and Tracking System (TEAPOTS).

Limitations/advantages of the data.

The number of conciliation/settlement agreements completed by the Department is a valid measure of FHEO's success in reaching members of the public who have experienced discrimination and effectively processing their cases. However, this measure does not reflect work done by FHEO in accepting, investigating and bringing to appropriate close those complaints that do not merit enforcement activity.



Validation, verification, improvement of measure. Documents verifying that a particular outcome is properly considered a conciliation/settlement agreement are submitted to Headquarters for review and verification. The validity of the measure has been improved by counting cases actually closed through conciliation or settlement agreements rather than individual enforcement actions within each case.

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

Note: This indicator contributes significantly to this objective and objective 6.2. Thus it is also listed as indicator 6.2.4.

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

Currently, HUD has approved three scorecards developed by third parties for use within the mortgage industry for FHA mortgages. These scorecards, developed by the industry partners for their automated underwriting systems, will be replaced with the TOTAL

Scorecard and made available to all lenders. Among FHA's mortgage endorsements, approximately 40 percent are underwritten using these third party scorecards. Unlike currently used scorecards, no borrower will be rejected based on the determination of the FHA TOTAL Scorecard. FHA requires the mortgagee to provide referred borrowers with borrower education information as a condition of using the FHA TOTAL Scorecard.

The FY 2003 goal is to increase the share of FHA loan applications that are processed through automated underwriting systems by 10 percentage points from FY 2002 levels.

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

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

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

7.1.5: At least two new fair housing groups are funded by FHIP through collaborative efforts between fair housing and community or faith-based organizations.

Indicator background and context. Many communities do not have strong State or local legal protections from housing discrimination. HUD's Fair Housing Initiatives Program (FHIP) addresses this shortfall by helping independent fair housing groups to educate, to reach out, and to ensure compliance with the Fair Housing Act and the Americans with Disabilities Act. HUD intends to build fair housing linkages to communities by promoting partnerships between existing FHIP-funded fair housing organizations and community organizations and faith-based organizations that result in the establishment of new fair housing organizations in needed areas. This strategy supports the Administration's faith-based outreach as well as HUD's fair housing mission. The FY 2003 goal is to identify and fund at least two new grantees that have built these linkages to communities.

Data source. FHEO administrative data from the Grants Evaluation Management System (GEMS, E20).

Limitations/advantages of the data. The classification of applicants or their partner groups as community-based and faith-based organizations is somewhat subject to judgment based on the documentation in grant applications.

Validation, verification, improvement of measure. FHEO staff independently verify that new agencies serve previously unserved or underserved areas.

7.1.6: The number of enforcement agencies rated as substantially equivalent under the Fair Housing Act increases by two to total 98 agencies.

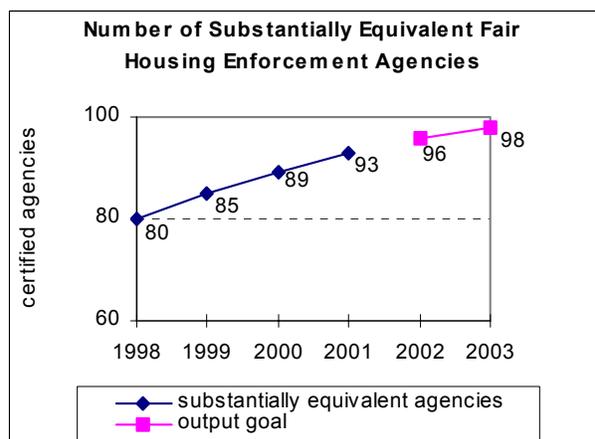
Indicator background and context. HUD provides FHAP grants to “substantially equivalent” fair housing agencies to support fair housing enforcement. Substantially equivalent agencies are those that enforce State fair housing laws or local ordinances that are substantially equivalent to the Fair Housing Act. This indicator tracks the number of enforcement agencies that have been certified as substantially equivalent. The FY 2003 goal is to increase the number of agencies by two from the FY 2002 level, which is anticipated to reach 96 agencies.

Data source. FHAP administrative data contained in FHEO’s Title VIII Automated Paperless Office Tracking System (TEAPOTS).

Limitations/advantages of the data. This indicator uses a straight-forward and easily verifiable count of FHAP records.

Validation, verification, improvement of measure.

Determinations of substantial equivalency are made by the Assistant Secretary for Fair Housing and Equal Opportunity in accordance with the regulations at 24 CFR Part 115.



7.1.7: FHAP grantees increase the number of fair housing conciliation/settlement agreements processed by 20 percent.

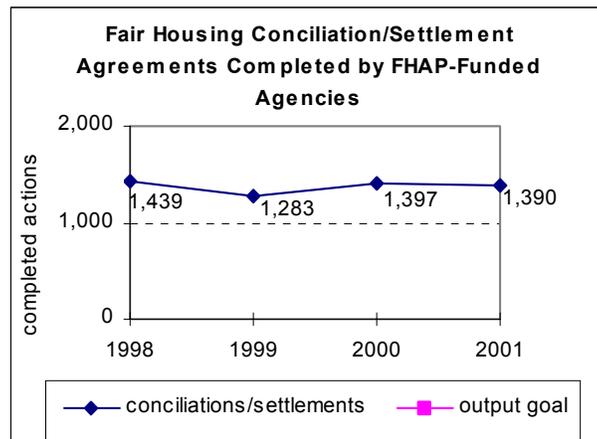
Indicator background and context. Increasing the number of conciliation/settlement agreements processed by fair housing agencies boosts the visibility of fair housing laws, forces potential violators to stop discriminating, and reduces HUD's enforcement workload. This indicator tracks the number of substantially equivalent FHAP grantees that post significant increases in enforcement activity. The FY 2003 goal is to increase the aggregate number of complaints that FHAP grantees investigate and close during FY 2003 by 20 percent above the FY 2002 baseline.

Data source. FHEO's TEAPOTS.

Limitations/advantages of the data.

Although the data are self-reported by FHAP agencies, TEAPOTS controls quality by tracking the progress of cases from receipt through closure.

Validation, verification, improvement of measure. FHEO will review the investigation reports of the agencies for comprehensiveness and completeness.



7.1.8: The percentage of fair housing complaints aged over 100 days will decrease by 10 percentage points from the FY 2002 level of the HUD inventory.

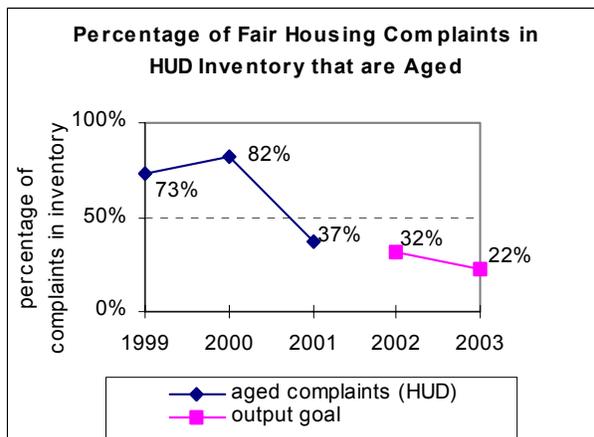
Indicator background and context. The efficiency of enforcement processing is an important dimension of the fair housing performance of HUD and of substantially equivalent agencies. Speedy processing encourages victims of discrimination to file complaints and increases the likelihood that violations will be punished. This indicator tracks processing time for fair housing complaints handled by HUD, including time for determination of jurisdiction and for conducting investigations and conciliation.

At the end of FY 2001, 37 percent of fair housing complaints in the HUD inventory were aged over 100 days. The FY 2003 goal is to reduce the share of complaints that are aged by 10 percentage points from FY 2002 levels. The following indicator establishes a parallel goal for FHAP agencies.

Data source. FHEO's TEAPOTS.

Limitations/advantages of the data.

The data represent a “snapshot” of the fair housing case inventory carried by HUD as of the last date of each fiscal year, and thus do not necessarily reflect typical case processing times throughout the year. The year-end snapshot measures overall efficiency in handling complaints, without being unduly affected by a few complex or far-reaching cases requiring investigative periods extending far beyond 100 days.



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

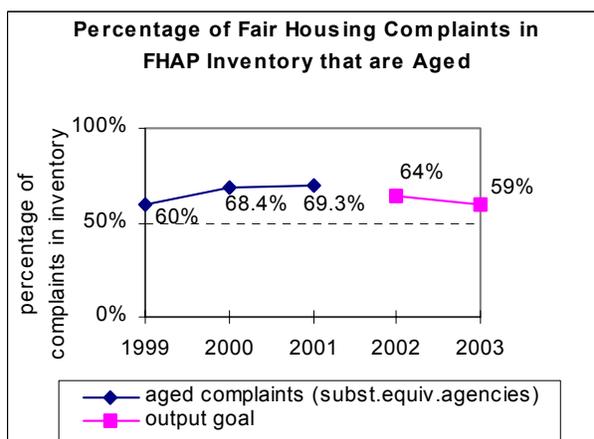
7.1.9: The percentage of fair housing complaints aged over 100 days will decrease by 5 percentage points from the FY 2002 level of the inventory of substantially equivalent agencies.

Indicator background and context. As in the above indicator, efficient enforcement processing by FHAP grantees, or substantially equivalent agencies, is an important dimension of fair housing enforcement. This indicator tracks processing time for fair housing complaints, including time for determination of jurisdiction and for conducting investigations and conciliation. At the end of FY 2001, 69.3 percent of fair housing complaints in the inventory of substantially equivalent agencies were aged over 100 days. The FY 2003 goal is to reduce the share of complaints that are aged by 5 percentage points from FY 2002 levels.

Data source. FHEO’s TEAPOTS.

Limitations/advantages of the data.

The data represent a “snapshot” of the fair housing case inventory carried by substantially equivalent agencies as of the last date of each fiscal year, and thus do not necessarily reflect typical case processing times throughout the year. The year-end snapshot measures overall efficiency in handling complaints without being unduly affected by a few complex or far-reaching cases requiring investigative periods extending far beyond 100 days.



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

7.1.10: The number of fair housing complaints identified by FHIP partners in the Southwest border region increases by 5 percent.

Indicator background and context. The poorly developed towns known as “colonias” along the Nation’s border with Mexico are vulnerable to both common and unique forms of housing discrimination. Local organizations that receive FHIP grants investigate and build enforceable fair housing cases and submit the claims to HUD for investigation.

This developmental indicator is included as one indication of the Department’s direction and strategies developed through the efforts of an internal Southwest border region task force. For purposes of this measure, the Southwest border region is defined as those counties bordering Mexico. The FY 2003 goal is to increase the number of fair housing complaints by 5 percent above the FY 2002 baseline level.

Data source. FHIP grantee enforcement logs.

Limitations/advantages of the data. Border counties may not include all underserved areas commonly considered colonias. HUD has not yet verified the reliability of data from FHIP enforcement logs.

Validation, verification, improvement of measure. During FY 2002, the available data, along with the discrimination patterns they reveal, are being assessed to verify their reliability and validate their suitability for this measure.

7.1.11: Increase the number of Title VI compliance reviews conducted of HUD recipients by 5 percent.

Indicator background and context. FHEO reviews public housing agencies and private providers of HUD-assisted housing to ensure that their developments comply with the non-discrimination provisions of Title VI of the Civil Rights Act of 1964. This law prohibits discrimination based on race, color, or national origin in federally assisted programs and activities. The reviews examine whether the developments comply with the non-discrimination provisions of Title VI. During FY 2001, 40 reviews were completed, compared with 45 in FY 2000. The FY 2003 goal is to increase the number of completed reviews by 5 percent over the number conducted in FY 2002.

Data source. FHEO TEAPOTS.

Limitations/advantages of the data. The database only counts the various compliance reviews conducted, but does not track the various stages provides qualitative information about results of the reviews as well as quantitative data.

Validation, verification, improvement of measure. Managers provide quality assurance by reviewing the results on an intermittent basis.

Objective 7.2: Improve the accessibility of housing to persons with disabilities.

In addition to its responsibility for enforcing other Federal statutes prohibiting discrimination in housing, HUD has a statutory responsibility under Section 504 of the Rehabilitation Act of 1973 to ensure that individuals are not subjected to discrimination on the basis of disability by any program or activity receiving HUD assistance. Section 504 charges HUD with enforcing the right of individuals to live in federally subsidized housing free from discrimination on the basis of disability. It covers all HUD programs except for its mortgage insurance and loan guarantee programs.

To achieve its goal of improving access to rental housing for people with disabilities, the Department is promoting partnerships with State and local governments—as well as the private sector—to make simple modifications necessary to allow fully usable dwellings. For example, a voluntary compliance agreement, signed recently with the District of Columbia Housing Authority, will provide more than 500 fully accessible public housing units to residents with disabilities. Furthermore, the Department plans to continue to set aside a portion of Section 811 funds to provide non-elderly persons with disabilities with tenant-based vouchers that they can use to rent private market apartments of their choice. HUD continues to strive to ensure equal housing opportunities for all.

Means and Strategies

In fiscal year 2002, HUD will implement a number of new policies designed to assist persons with disabilities. These policies, which were authorized in the American Homeownership and Economic Opportunity Act of 2000 and the FY 2001 VA-HUD Appropriations Act, will:

- Allow non-profit sponsors of Section 811 developments to form limited partnerships with for-profit entities to compete for low-income housing tax credits and give sponsors greater discretion in how funds are used to meet the needs of persons with disabilities and their households.
- Implement the Pilot Program for Section 8 Homeownership Assistance for Disabled Families, using Section 8 Homeownership Vouchers.

In addition to implementing these new provisions, during FY 2003 HUD will continue to use core programs to help low-income persons with disabilities obtain suitable and affordable living environments that support independence. Among other steps, HUD will:

- Increase affordable housing and rental subsidies for renters with disabilities through Section 811.
- Through CDBG and HOME, provide formula grants to States and large jurisdictions that may be used for producing, rehabilitating or subsidizing rents of housing affordable to low-income disabled households.

- Increase funding for the Housing Opportunities for Persons With AIDS (HOPWA) program by \$35 million over FY 2001 levels to \$292 million. This will support an increase in the number of jurisdictions eligible for funding based on increases in the number of persons with AIDS as reported to the Centers for Disease Control and Prevention.
- To assist persons with disabilities in obtaining and retaining employment, provide temporary income disregards for persons returning to work and extend to more HUD programs deductions for disability-related expenses, such as medical and attendant care or childcare.
- Promote model building codes for housing accessible for persons with disabilities.
- Increase Section 504 enforcement activities by completing 80 compliance reviews of PHAs and other housing providers and recipients.

In addition to these programs, HUD's public housing and Section 8 programs provide support for persons with disabilities. HUD's office of Fair Housing and Equal Opportunity fights fair housing discrimination in the private housing market, including the enforcement of accessibility standards.

External factors

The Supreme Court ruled in 1999 that States must place persons with disabilities in community settings rather than institutions when treatment professionals determine that community placement is appropriate (*Olmstead v. L.C.*). As a result of this decision, more persons with disabilities will be moving into communities at a time when affordable housing is increasingly scarce. This decision will increase the need for accessible housing and housing that is linked to supportive services.

Coordination with other Federal Agencies

- HUD is partnering with the **Department of Health and Human Services** to help States and communities comply with *Olmstead v. L.C.* by providing community living options for persons with disabilities. In the pilot initiative, HUD is supplying vouchers and technical assistance, while HHS, working through State Medicaid agencies, is providing Nursing Home Transition Grants, Medicaid funds and other resources to facilitate the transition to community living.
- HUD and the **Federal Housing Finance Board** have a MOU that sets forth the policy for approving the use of Federal Home Loan Bank (FHLB) Affordable Housing Program (AHP) funds for subordinate financing of Section 202 and Section 811 projects. The need for a policy was prompted because sponsors of these properties were increasingly approaching FHLBs for AHP subordinate financing, for a variety of reasons. The MOU streamlines the approval process and decreases the amount of time it takes for financing to become available for these projects that house persons with disabilities.
- As part of the **Presidential Task Force on Employment of Adults with Disabilities**, HUD proposed and designed a national pilot project implemented in

1999 to learn how Federally-supported service programs might better lead to employing adults with disabilities, especially adults who are members of racial, ethnic and language minority communities.

Performance goals

The following crosswalk summarizes the performance indicators, including measures of outcomes and program outputs that will be used to gauge performance during FY 2003. A detailed discussion of each indicator follows the crosswalk.

| FY 2003 Performance Goals |
|---|
| Objective 7.2: Improve the accessibility of housing to persons with disabilities. |
| 7.2.1: The share of newly constructed buildings that conform to selected accessibility requirements increases from the 2001 baseline. |
| 7.2.2: HUD will conduct 80 Section 504 disability compliance reviews of HUD recipients. |

Performance goals are for FY 2003 unless otherwise noted.

7.2.1: The share of newly constructed buildings that conform to selected accessibility requirements increases from the 2001 baseline.

Indicator background and context. The Fair Housing Act requires public areas and some dwellings in newly constructed multifamily housing to be accessible to persons with disabilities. In FY 2000, Congress directed HUD to develop a plan to educate users and providers of multifamily housing (planners, builders, developers, sellers, renters, architects and building code officials) about the requirements of the Fair Housing Act regarding accessible housing. HUD implemented this directive through the Project on Accessibility Training and Technical Guidance Contract (PATTG). This contract provides funds to disability advocacy groups and members of the housing industry to jointly design and deliver training and technical assistance on the accessibility requirements of the Fair Housing Act. HUD also is completing a report on multifamily accessibility that will create a baseline, by category of non-compliance, with the Fair Housing Act. Increased education and enforcement through HUD's Office of Fair Housing and Equal Opportunity should help to increase compliance over time.

Data source. During FY 2002, the analysis of the 2001 baseline research into compliance with accessibility standards is being completed. The baseline data were collected in 1998. After reviewing the final report on multifamily accessibility referenced above and the results of a new component of a Housing Discrimination Study that includes persons with disabilities, the Department will determine the appropriate timeframe and methodology to measure improvements from the baseline.

Limitations/advantages of the data. Although somewhat costly, these surveys will provide the only nationally representative data about trends in multifamily building practice regarding accessibility. Additional data may not be collected until after FY 2003.

Validation, verification, improvement of measure. The baseline research was designed to produce statistically valid and reproducible estimates. Results will be assessed to determine opportunities for future improvements.

7.2.2: HUD will conduct 80 Section 504 disability compliance reviews of HUD recipients.

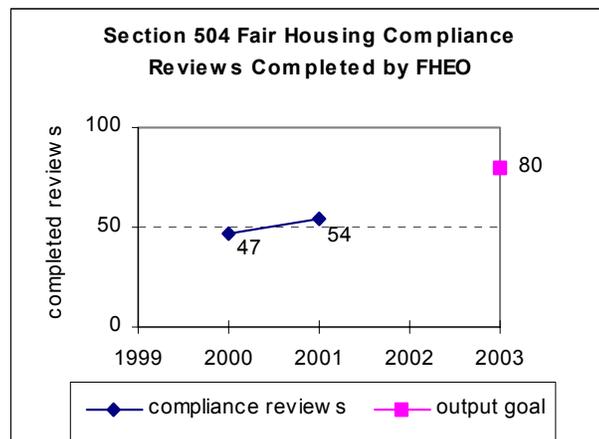
Indicator background and context. FHEO reviews public housing agencies and private providers of HUD-assisted housing to ensure that their developments comply with accessibility standards under Section 504 of the Rehabilitation Act of 1973. This law prohibits discrimination based on disability in federally assisted programs and activities. Section 504 requires that programs and activities be accessible to persons with disabilities. Thus the reviews will examine whether the developments comply with Section 504 and the uniform Federal Accessibility standards. The FY 2003 goal is to complete at least 80 reviews of PHAs and private housing providers.

Data source. FHEO TEAPOTS.

Limitations/advantages of the data.

The database counts the various compliance reviews conducted, but does not track the various stages or provide qualitative information about results of the reviews.

Validation, verification, improvement of measure. Managers provide quality assurance by reviewing the results on an intermittent basis.



Objective 7.3: Improve housing options for the elderly.

This strategic objective reflects the Department's continued emphasis on the needs of the growing population of elderly Americans and a clear commitment to support their ability to live independently. Elderly people often want to remain in their homes as long as possible, aging in place. They may choose to live in neighborhoods where social networks are stronger or where they do not need to drive to obtain daily needs. When people are forced to rely on others for occasional, daily or continual assistance, the physical characteristics of their homes can support or deny such help. They may choose to move to a multifamily assisted living facility where service coordinators are on staff, where daily needs are provided, or where more extensive care is provided.

In FY 2003, HUD plans to continue its strong support for the elderly by providing \$783 million for the principal HUD program targeted specifically to the elderly, the Supportive Housing for the Elderly (Section 202) program. This program provides capital advances to finance the construction and rehabilitation of structures that will serve as supportive housing for low-income elderly persons and provides rent subsidies for the projects to help make them affordable.

With the Baby Boomer population beginning to swell the ranks of the elderly—combined with the fact that life expectancy is constantly increasing—it is imperative that HUD use its program funds wisely. Nevertheless, more funds will be needed in the future to meet the needs of the growing elderly population.

Means and Strategies

During FY 2002, HUD will implement a number of new policies designed to assist the elderly. These policies, which were authorized in the American Homeownership and Economic Opportunity Act of 2000 and the FY 2001 VA-HUD Appropriations Act, will:

- Expand eligibility for the Assisted Living Conversion Program to include not only Section 202 projects but all HUD multifamily projects with project-based Section 8, as well as Section 236 and Section 221(d)(3) projects.
- Allow non-profit sponsors of Section 202 developments to form limited partnerships with for-profit entities to compete for low-income housing tax credits and give sponsors greater discretion in how funds are used to meet the needs of the elderly.
- Make prepayment and refinancing of Section 202 projects more attractive to owners, and ensure that at least 50 percent of the annual savings are used in a manner that directly benefits the elderly (e.g., through modernization of common areas or individual dwelling units, construction of assisted living facilities or financing service coordinators or congregate services).
- Encourage service coordinators to assist low-income elderly families living near, as well as those residing in, Section 202 projects.

In addition to implementing these new provisions, during FY 2003 HUD will continue to use core programs to help low-income seniors obtain suitable and affordable living environments that support independence. Among other steps, HUD will:

- Provide mortgage insurance to finance the construction and rehabilitation (or purchase or refinancing of existing projects) of assisted living facilities through the Section 232 program.
- Permit housing rental vouchers to be used for the housing costs in assisted living facilities.
- Increase affordable housing and rental subsidies for older renters through Section 202, and convert elderly housing or create new assisted living facilities to meet the growing needs of the oldest elderly households.
- Through CDBG and HOME, provide formula grants to States and large jurisdictions that may be used for producing, rehabilitating or subsidizing rents of housing affordable to low-income elderly households.
- Fund service coordinators who provide personal assistance with daily activities, provide transportation to medical appointments or shopping, establish health and wellness programs in the community, and make physical improvements to provide space for support services. The FY 2003 budget proposed to increase Elderly Service Coordinator funding by six percent to \$53 million.
- Provide Home Equity Conversion Mortgages (HECMs), or “reverse” mortgages, to allow senior homeowners to convert accumulated equity in their homes to income in the form of monthly payments, a lump sum or a line of credit. HECMs can help elderly homeowners adapt their homes to accommodate changing physical needs, or simply pay medical and living expenses to maintain their quality of life.

In addition to these programs, HUD’s public housing and Section 8 programs provide substantial numbers of affordable housing units for elderly households. HUD’s office of Fair Housing and Equal Opportunity fights housing discrimination in the private housing market, including the enforcement of accessibility standards that open more units to elderly persons with limited mobility.

External Factors

The Nation’s population of elderly citizens is growing rapidly as the baby boom generation matures, and as improved medical treatments and healthier lifestyles allow people to live longer. The share of the population who are elderly (65 and older) is projected to increase from 13 percent to 20 percent of the population by 2030, with rapid growth beginning around 2010. The fastest growing segment of the elderly population is already those aged 85 and older. Elderly women outnumber elderly men and are most likely to live alone.

Coordination with other Federal agencies

- 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 and the **Federal Housing Finance Board** have a MOU that sets forth the policy for approving the use of Federal Home Loan Bank (FHLB) Affordable Housing Program (AHP) funds for subordinate financing of Section 202 projects. The need for a policy was prompted because sponsors of these properties were increasingly approaching FHLBs for AHP subordinate financing, for a variety of reasons. The MOU streamlines the approval process and decreases the amount of time it takes for financing to become available for these projects that house elderly persons.

Performance goals

The following crosswalk summarizes the performance indicators, including measures of outcomes and program outputs, that will be used to gauge performance during FY 2003. A detailed discussion of each indicator follows the crosswalk.

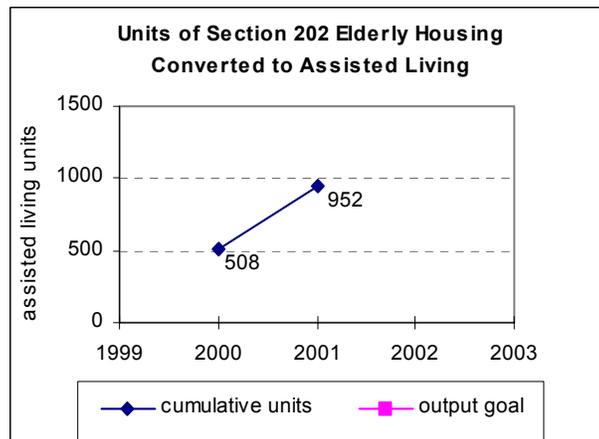
| FY 2003 Performance Goals |
|--|
| Objective 7.3: Improve housing options for the elderly. |
| 7.3.1: The number of assisted-living units that HUD supports through FHA insurance and conversion of Section 202 elderly units increases. |
| 7.3.2: The number of elderly households living in private assisted housing developments served by a service coordinator for the elderly increases by 10 percent. |
| 7.3.3: Service-enriched housing increases the satisfaction of elderly families and individuals with their units, developments and neighborhoods. |
| 7.3.4: Increase the availability of affordable housing for the elderly and persons with disabilities by bringing 250 projects to initial closing under Sections 202 and 811. |
| 7.3.5: At least 10 Section 202 developments will complete conversion of units to assisted living by 2003. |

Performance goals are for FY 2003 unless otherwise noted.

7.3.1: The number of assisted-living units that HUD supports through FHA insurance and conversion of Section 202 elderly units increases.

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

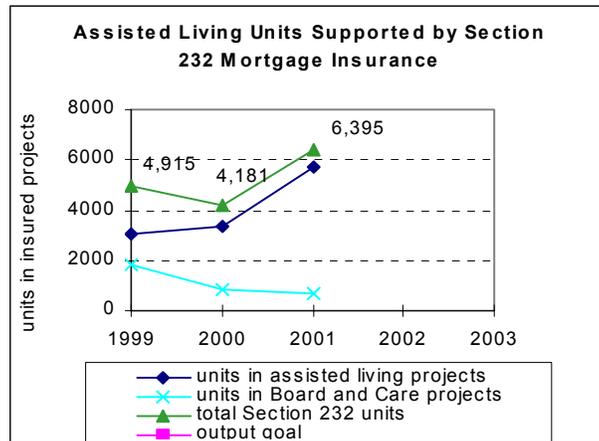
During FY 2001, grants were approved to fund assisted living conversions for 444 units. Under Section 232, a total of 6,395 units were insured, including 56 assisted-living projects comprising 5,707 units and 8 projects with 688 Board and Care units. The FY 2003 goal is to increase the aggregate number of assisted living units above the number available during FY 2002.



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

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

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



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

Indicator background and context. HUD evaluations of the Congregate Housing Service Program, HOPE for Elderly Independence, and the Service Coordinator Program all verified that service coordinators improve the quality of life of elders by helping them to remain as active and independent as their health permits. Service coordinators for public housing and assisted housing projects are funded in a number of ways: through grants made by the Office of Housing, from grants made as part of the Resident Opportunity and Self-Sufficiency (ROSS) and predecessor programs, from assisted housing project budgets and reserves, from public housing Operating and Capital Funds, and from other resources raised in the community. ROSS grants for service coordinators currently are limited to renewals of expired elderly coordinator grants, so public housing has no programs intended to increase the number of service-enhanced elderly developments.

In 2000 HUD received a significant increase in funding for service coordinators in multifamily assisted housing, from \$13 million in FY 1999 to \$50 million in FY 2000 and 2001. The FY 2000 funds provided coordinators for over 28,000 housing units, helping close the gap between the number of developments with service coordinators and those that need them for a population that is aging in place. HUD is requesting \$55 million again in FY 2003. The FY 2003 goal is to increase elderly households served by 10 percent from FY 2002 levels. Elderly households are defined as families or individuals with a head or spouse aged 62 or older.

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

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

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

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

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

This indicator tracks the satisfaction of elderly residents (62 and older) in privately-owned assisted housing, comparing the satisfaction of elderly households in developments with and without service coordinators. The FY 2003 performance goal will be determined following analysis of baseline data.

Data source. Data regarding reported satisfaction of elderly residents comes from the REAC Resident Assessment Subsystem (RASS), based on surveys of residents of public housing and private assisted housing. Assisted multifamily developments with service coordinators are identified from the Service Coordinator program administrative database, as discussed for indicator 7.3.2.

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

Validation, verification, improvement of measure. Pretests of resident survey instruments have established the validity of resident satisfaction surveys by demonstrating a high correlation between responses and objectively verifiable conditions in the development. Annual replications of the survey will verify results by drawing different samples.

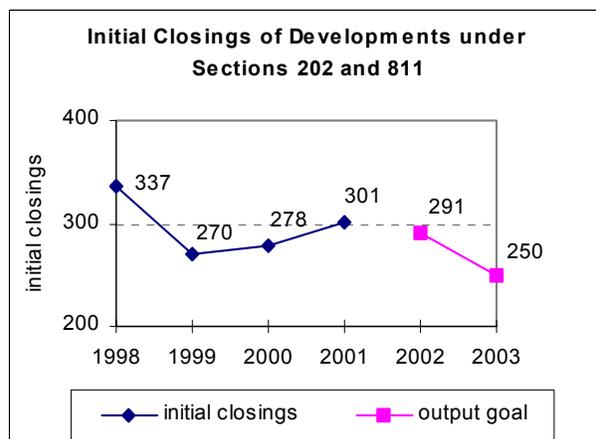
7.3.4: Increase the availability of affordable housing for the elderly and persons with disabilities by bringing 250 projects to initial closing under Sections 202 and 811.

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

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

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

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



7.3.5: At least 10 Section 202 developments will complete conversion of units to assisted living by 2003.

Indicator background and context. HUD's FY 2000 appropriations included funds to convert units in Section 202 multifamily projects for the elderly to assisted living. These conversions may involve entire projects or a subset of their units. This funding responds to the projected increase in demand for assisted living accommodations caused by the aging of the baby boom generation. Thirteen projects were approved for conversion to assisted living during FY 2000, and 12 in FY 2001.

Conversions to assisted living will be subject to state licensing requirements, creating potentially lengthy conversion timetables. This indicator tracks the number of Section 202 developments that complete their modifications under the Section 202 conversion program within a reasonable period.

Data source. Office of Housing's Section 202 conversion grant database, consisting of annual progress reports submitted by grantees.

Limitations/advantages of the data. Self-reported data require verification by field staff during monitoring visits.

Validation, verification, improvement of measure. No historical data exist to support projections of the number, size and complexity of the funded projects. Therefore the validity of the performance goal is undetermined, and the goal may require recalibration as funds are awarded. Grantee reports will be verified by monitoring.

GOAL 8: SUPPORT COMMUNITY AND ECONOMIC DEVELOPMENT EFFORTS

Strategic Objectives:

- 8.1 Provide capital to create and retain jobs and improve economic conditions in distressed communities.**
- 8.2 Help communities more readily access revitalization resources to become more livable.**

Pockets of poverty continue to have an adverse impact on the social and economic fabric of communities across the country. In the new millennium, many cities are still burdened with high unemployment, aging infrastructure, poor schools and a declining tax base. Older, inner-ring suburbs are also beginning to display the signs of decay once typical only of central cities. Many rural communities experience similar disinvestments as businesses are forced to close or relocate by a consolidating agricultural economy. While new retail or service businesses are being created to accommodate expanding suburban populations, many of these firms have difficulty obtaining enough unskilled workers.

One of the most effective ways to turn these communities around is to promote projects that create or retain well-paying jobs and build a work-ready labor force. Devoting resources to rehabilitation of infrastructure and other community development projects will also bring results. Beautification projects attract businesses, which in turn bring more resources to community development. Economic development and community development efforts support one another to create prosperous populations in vibrant, livable communities.

From Community Development Block Grants to Section 108 loan guarantees, HUD's programs allow communities to stylize their programs to match local needs. By empowering neighborhoods to help themselves, the Department hopes to better meet the social needs of America's communities.

Resources Supporting Strategic Goal 8: Support community and economic development efforts.

| Budget Authority (BA) and Staffing Levels (BA is \$ in thousands) | | | | | | | | | |
|---|-------------------------|------------------|------------------|--|------------|----------------|------------|----------------|------------|
| Program | Budget Authority | | | Headquarters (HQ) and Field (F) Staff | | | | | |
| | FY 2001 | FY 2002 | FY 2003 | FY 2001 | | FY 2002 | | FY 2003 | |
| | | | | HQ | F | HQ | F | HQ | F |
| Office of Community Planning & Development | | | | | | | | | |
| Community Development Block Grants Fund/Section 108 Loan Guarantee Program ¹ | \$3,144,161 | \$4,305,000 | \$2,909,872 | 65 | 228 | 66 | 234 | 67 | 233 |
| Brownfields Redevelopment Program | 24,945 | 25,000 | 25,000 | 3 | 1 | 3 | 1 | 3 | 1 |
| Empowerment Zones and Enterprises Communities | 184,593 | 45,000 | 0 | 9 | 1 | 10 | 1 | 10 | 1 |
| Office of Housing | | | | | | | | | |
| FHA-MMI/CHMI | 500 | 1,000 | 900 | 1 | 0 | 2 | 0 | 2 | 0 |
| FHA GI/SRI | 50,400 | 40,400 | 35,600 | 12 | 121 | 16 | 126 | 16 | 126 |
| Office of Healthy Homes and Lead Hazard Control | 99,780 | 109,758 | 126,000 | 22 | 0 | 37 | 0 | 37 | 0 |
| Total | 3,504,379 | 4,526,158 | 3,097,372 | 112 | 351 | 134 | 362 | 135 | 361 |

¹ The amount of Budget Authority for Community Development Block Grants Fund is significantly higher in FY 2002 because it includes a share of the supplemental funding of \$2 billion for New York.

Objective 8.1: Provide capital to create and retain jobs and improve economic conditions in distressed communities.

HUD operates several programs that help communities combat economic distress. The Community Development Block Grant (CDBG) program is the most flexible aid provided to localities by the Federal government, and a significant proportion of CDBG funds go to improving conditions in low-income communities. HUD also supports the redevelopment of distressed communities through the Empowerment Zones and Enterprise Communities program and Section 108 loan guarantees. By training these resources on promoting economic development, communities have a greater opportunity to improve their local economies.

HUD is also able to leverage the economic benefits of these and other programs for low- and very-low-income persons by enforcing Section 3 of the Housing and Urban Development Act of 1968. Under Section 3, PHAs and their contractors and subcontractors are required to use their best efforts to give low- and very-low-income persons the training and employment opportunities generated by public housing development, operating subsidies, and modernization assistance. For other programs that provide housing and community development assistance, HUD is required to ensure that, to the greatest extent feasible, opportunities for training and employment arising in connection with housing rehabilitation, housing construction, or other public construction are given to such persons in the metropolitan area or nonmetropolitan county. For both categories, the law establishes priorities among eligible persons. Section 3 also requires HUD to require PHAs and their contractors and subcontractors to make their best efforts to award contracts to businesses that provide economic opportunities for low- and very low-income persons.

Means and Strategies

The Community Renewal Tax Relief Act, incorporated by reference in the Consolidated Appropriations Act 2001 (P.L. 106-554), authorized the designation of 40 areas of pervasive poverty, unemployment, and general distress as Renewal Communities (RCs). Businesses in Renewal Communities will be eligible for various federal tax incentives, including:

- zero percent tax rates on capital gains from sale of qualified assets;
- a 15 percent wage credit for qualified workers;
- a tax deduction for qualified commercial construction and revitalization expenses;
- work opportunity tax credits for hiring qualified youth.

Firms also will benefit from tax relief and regulatory streamlining provided by the State and local government in which the RC is located. HUD has selected the 40 urban and rural Renewal Communities and will ensure that States and local governments fully implement their plans for providing tax and regulatory relief in their RCs.

In addition to Renewal Communities, HUD has designated a third round of Empowerment Zones, which will receive all the tax benefits of current EZs even though grants will not be available.

HUD works to promote relationships between EZ/ECs and potential partners including other federal agencies, industry groups and non-profits. Other HUD programs complement these efforts by encouraging training for low-income individuals, improving access to metropolitan jobs, and recycling contaminated industrial lands.

As part of efforts to improve economic conditions in distressed communities, HUD will:

- Through the Consolidated Plan process, identify poorer areas and encourage communities to use Federal grants and local resources for priority needs.
- Focus an array of tools and the attention of public and private partners on distressed communities through the RC/EZ/EC program.
- Using \$16 million in resources, encourage and support economic revitalization efforts in the Colonias—urban and rural areas near the U.S.-Mexico border that suffer from significantly higher rates of poverty, substandard housing, and higher housing costs (as a percentage of income) than the Nation as a whole.
- Redirect some CDBG formula fund resources from wealthier to more distressed entitlement communities. Overall CDBG funding is proposed to increase by \$95 million.

External factors

CDBG, HUD's primary source of community and economic development funding, helps ensure that greater resources continue to flow toward poorer, slow-growing, distressed areas. While HUD can encourage certain uses of funds, and while funds are targeted to low- and moderate-income residents as the primary beneficiaries, each jurisdiction makes its own decision about how to use CDBG funds. Therefore HUD's direct impact on specific and measurable results under this objective is somewhat limited.

Because many distressed communities are dependent on State governments for resources, the decision at the State level about whether to direct resources towards these communities will have a major impact on results under this objective. In addition, the success of distressed communities in improving their economic conditions depends heavily on broad macro-economic trends in their region and the Nation. As the long period of economic expansion ended in 2001, there is potential for economies of distressed communities to retrench, especially if they are not broadly diversified or built on strong assets.

Coordination with other Federal agencies

- 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's Office of Native American Programs coordinates and funds components of **Native eDGE**, an interagency initiative designed to facilitate sustainable economic development within American Indian and Alaska Native communities. Native eDGE includes a telephone call center, a publications clearinghouse, a web site, and a technical assistance information center. The web site links 18 Federal agencies, tribes, Native Americans, lending institutions, non-profits, foundations and private businesses through a single portal so they can collaborate to promote sustainable economic growth in Indian country.

Performance goals

The following crosswalk summarizes the performance indicators, including measures of outcomes and program outputs that will be used to gauge performance during FY 2003. A detailed discussion of each indicator follows the crosswalk.

| FY 2003 Performance Goals |
|---|
| Objective 8.1: Provide capital to create and retain jobs and improve economic conditions in distressed communities. |
| 8.1.1: EZ and EC projects achieve local goals in seven activities. |
| 8.1.2: HUD will conduct monitoring and compliance reviews or provide technical assistance under Section 3 to 30 housing authorities. |
| 8.1.3: The percentage of Section 3 complaints aged over 120 days will decrease by 25 percentage points from the FY 2002 level of the inventory of Section 3 complaints. |
| 8.1.4: The number of individuals using Native eDGE to obtain employment, entrepreneurial and educational assistance shall increase by 20 percent over FY 2002 levels. |

Performance goals are for FY 2003 unless otherwise noted.

8.1.1: EZ and EC projects achieve local goals in seven activities.

Indicator background and context. The Empowerment Zone/Enterprise Community program is an important tool for economic and community development in distressed communities. HUD designated 89 EZ or EC communities on the basis of the quality of their locally developed strategic plans and awarded flexible grants to 15 urban Round II EZs. This indicator reflects HUD's commitment to empowerment with accountability for its partners, because communities are assessed in terms of the performance relative to the projected outputs in their plans.

FY 2003 Annual Performance Plan

This measure is based on Implementation Plans completed during the performance year. Each EZ and EC is assessed in terms of their performance relative to the output measures identified in their plans in each of seven categories. The data represent the percentage calculated as the sum of actual output measures for plans at least 95 percent complete divided by projected outputs identified in all Implementation Plans. The categories are:

- Residents receiving homeownership assistance;
- New affordable housing units completed;
- Rehabilitated affordable housing units;
- People served under homeless assistance programs;
- Residents served by social service programs;
- Residents that find gainful employment;
- Residents served by public safety and crime prevention.

Data source. CPD’s Performance Measurement System (PERMS) for EZs and ECs, based on annual progress reports submitted by grantees following the June 30 program year end.

Limitations/advantages of the data. Grantees report cumulative achievements to PERMS, so measuring incremental progress requires additional analysis. Grantees have the ability to change performance goals to reflect implementation difficulties, and they may not have been established according to standards necessary to stimulate outstanding performance.

Validation, verification, improvement of measure. HUD establishes criteria for valid Implementation Plans. Field staff verify a sample of implementation plans that utilize the most program dollars for each EZ or EC. An evaluation of the EZ or EC program was completed during FY 2001 to provide a more detailed assessment of program results.

| Goals Identified in Implementation Plans | Percent of EZ or EC Projects Achieving Planned Goals | | | | |
|---|---|----------------|----------------|----------------|----------------|
| | 1999 (act.) | 2000 (act.) | 2001 (act.) | 2002 (goal) | 2003 (goal) |
| Residents receiving homeownership assistance | 80% | 81% | 87% | 90% | 90% |
| New affordable housing completed | 93% | 91% | 88% | 90% | 90% |
| Rehabilitated affordable housing completed | 71% | 88% | 85% | 85% | 87% |
| Homeless residents served by homeless assistance programs | 84% | 83% | 88% | 90% | 90% |
| Residents served by social service programs | 80% | 73% | 86% | 85% | 87% |
| Residents find gainful employment | 82% | 69% | 64% | 75% | 75% |
| Residents served by public safety and crime prevention programs | 74% | 91% | 83% | 85% | 85% |

8.1.2: HUD will conduct monitoring and compliance reviews or provide technical assistance under Section 3 to 30 housing authorities.

Indicator background and context. Under Section 3 of the Housing and Urban Development Act of 1968, HUD requires Public Housing Agencies and their contractors to use their best efforts to provide training and employment opportunities to low- and very-low-income persons. The PHAs must report the number of Section 3 residents receiving employment, training and contract opportunities each year. Analyses of reports submitted for 25 HOPE VI projects indicated that these housing authorities may not be complying with the requirements of Section 3. Consequently, HUD initiated monitoring or compliance reviews for those 25 agencies. The goal for FY 2003 is to identify 30 additional agencies for monitoring or compliance reviews and technical assistance.

Data source. The primary source of data will be a manual count of the number of housing agencies monitored, based on documentation.

Limitation/advantages of the data. The data do not of themselves support definitive conclusions about the compliance of agencies with Section 3.

Validation, verification, improvement of measure. Verification will be made by headquarters.

8.1.3: The percentage of Section 3 complaints aged over 120 days will decrease by 25 percentage points from the FY 2002 level of the inventory of Section 3 complaints.

Indicator background and context. The Office of Economic Development, Monitoring and Compliance had a total of twenty-five complaints within its inventory in FY 2001. Twelve of these cases (48 percent) exceeded the 120 day time limit that is allowed for the Final Investigative Report to be submitted to headquarters. Headquarters has 30 days after submission to make a final determination and notify both the complainant and the recipient. The FY 2003 goal is to reduce the proportion of cases that are aged in FY 2002 by 25 percentage points.

Data source. The total number of complaints and aged complaints will be hand tabulated by FHEO staff.

Limitation/advantages of the data. The data only describe the number of cases that are aged and not their average age.

Validation, verification, improvement of measure. Verification will be made by headquarters staff.

8.1.4: The number of individuals using Native eDGE to obtain employment, entrepreneurial and educational assistance shall increase by 20 percent over FY 2002 levels.

Indicator background and context. Native eDGE is a one-stop shop for communication and information-sharing between governments, private businesses, and Native

Americans. Native eDGE was developed to achieve sustainable economic development within the American Indian and Alaska Native communities. It links over twelve federal agencies through a single toll-free number and web site so that entrepreneurs – Native Americans, lending institutions, non-profits, foundations and private businesses – can collaborate to promote economic growth in Indian Country. This measure will track the number of people who use Native eDGE to obtain employment, entrepreneurial and educational assistance.

Data source. The Native eDGE system maintains records of individuals who contact it and of projects they start on the basis of program assistance.

Limitations/advantages of the data. The indicator does not measure the quality of information or outcome of any assistance provided.

Validation, verification, improvement of measure. HUD headquarters staff will review data to ensure accuracy.

Objective 8.2: Help communities more readily access revitalization resources to become more livable.

Overview

This objective includes both economic factors and quality of life measures such as families' satisfaction with their neighborhoods, and the positive impacts of public services and improvements that result from funds spent to revitalize poor neighborhoods. One of HUD's priorities for FY 2003 is to help local communities better manage the challenges of growth. Many communities are experiencing rapid growth that requires them to address difficult quality of life issues like traffic congestion, the availability of affordable housing, preservation of natural resources and the adequacy and timely provision of the public facilities and services needed to accommodate growth. While these are local issues that require local solutions, HUD has an important role to play at the national level. During the coming year, HUD will facilitate a national conversation on growth management issues and help to develop tools that local communities can use to better manage their growth.

To help promote sensible and responsible growth, HUD will work with local communities to promote reinvestment in the urban core and ensure the continued availability of affordable housing. Reinvesting in urban areas can help both to alleviate the growth pressures on newer communities and to ensure that cities benefit from overall economic growth. As local decisions on growth management issues can affect the cost of housing, HUD will continue to work to expand access to affordable housing nationwide.

Communities use HUD funds for physical development projects, such as roads, sewers and other infrastructure that make them more attractive locations for business investment and job creation. They use HUD funds to provide loans and other financial assistance directly to businesses looking to create or retain jobs within their borders. They also use HUD funds for education, job-training, and other services that strengthen the workforce in targeted low-income communities, helping to fulfill another basic requirement for renewed business investment.

Means and Strategies

HUD targets economic development grants and loan guarantees to distressed areas in order to leverage business, nonprofit and locally controlled resources to create jobs. Grants from the Office of Community Planning and Development provide resources to the Nation's urban, suburban and rural communities to administer local housing and community economic development programs. The Consolidated Plan is the vehicle by which communities access funds under CPD's four formula programs—CDBG, HOME, HOPWA and Emergency Shelter Grants (ESG).

The FY 2002 President's Management Agenda calls for the streamlining of the Consolidated Plan. The Department's goal is to make the Consolidated Plan results-oriented and useful to communities in assessing their own progress towards addressing

the problems of low-income areas. We are determined to work with our stakeholders to streamline the Consolidated Plan and meet the President's goal.

Towards this goal, CPD will undertake a number of actions with its stakeholders to improve the consolidated planning process for the next submission due in FY 2005. Among the steps to be undertaken are: defining alternative planning requirements, designing pilots of alternative planning procedures and identifying the communities prepared to test these pilots.

Once the pilots have been carried out by the selected communities, an evaluation of the pilots will be conducted, resulting in the development of proposed legislative and regulatory changes needed to implement this initiative. CPD also is conducting a review of existing policies and procedures and considering what changes need to be made to grants management system requirements to support local setting and tracking of performance and aggregation of results relative to national program goals.

In administering its programs to revitalize communities, HUD will:

- Encourage communities to use CDBG grants to leverage business, nonprofit, and other public funding for economic development efforts and infrastructure investments that increase the number of quality jobs.
- Work to integrate CDBG and other job creation programs.
- Support Empowerment Zones, Enterprise Communities and Renewal Communities to create jobs and business opportunities for residents of economically distressed parts of urban and rural America. (Renewal Communities are discussed in further detail under the Means and Strategies of Objective 8.1.)
- Encourage communities to use loan guarantees, Brownfields grants and other economic development tools to create and retain jobs, particularly jobs for low-income persons.
- Continue to support the establishment of Neighborhood Networks centers in assisted housing developments, and provide new funding for similar centers in and near public housing.
- Continue to develop user-friendly community mapping software and consolidated planning processes to help communities determine spending priorities and to show how HUD dollars can be used to create comprehensive approaches to job development and community revitalization.
- Encourage communities to use program incentives and comprehensive planning to implement geographically targeted strategies, such as those in Empowerment Zones, Enterprise Communities and Renewal Communities, to address the employment needs of entire distressed neighborhoods.
- Link job-creation efforts to training and other services for low-income individuals to qualify them for newly created jobs.
- Through the University Partnerships programs, help colleges and universities cooperate with local governments, private companies and nonprofit organizations working on community revitalization and economic development.

- Ensure that more housing capital is available to promote homeownership and affordable rental housing in underserved areas by establishing suitable GSE goals.
- Encourage use of FHA and Ginnie Mae resources in poorer neighborhoods to improve housing conditions and raise homeownership rates.
- Through the HOPE VI program, provide funds for the demolition and revitalization of severely distressed public housing and surrounding neighborhoods. The Department is evaluating the HOPE VI program and will submit authorizing language in the coming year to extend and amend the program to meet the highest priority needs.
- Encourage neighboring communities to work together to plan and coordinate their growth strategies.
- Clean up and redevelop underutilized, contaminated land through the Brownfields Economic Development program.

Through the approximately 30 percent of HUD's CDBG funds that go through states to small towns, support public facilities and economic development across the country. The leveraged spending on public facilities and infrastructure for economic development frequently results in job creation as well as physical improvements to communities.

Operating under a recent executive order establishing a White House Office of Faith-Based and Community Initiatives, HUD has established a center for Faith-Based and Community Initiatives. The center will "coordinate a national effort to expand opportunities for faith-based and other community organizations and to strengthen their capacity to better meet the social needs in America's communities."

External factors

The country's recent economic slowdown has led to higher unemployment and may lead to reduced spending on public services by States and localities. There are still mismatches between the number of low-skilled jobs and the number of people looking for those jobs. 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 are compounded by mismatches between the locations of available jobs and the residences of the unemployed. Many older communities have adopted aggressive strategies to alleviate these mismatches, but they face numerous barriers to success. Their tax rates generally exceed rates in newer communities because they struggle to provide quality services despite declining tax bases. Land development is complicated by scarcity of land, scattered and/or absentee ownership, real or perceived contamination, and the need for clearance or rehabilitation of existing physical structures. Job development is complicated by large concentrations of poor residents. Many school systems in distressed areas attempt to provide the education and job skills essential for their students (who often face greater obstacles to

learning), but have fewer resources as tax bases decline and capital maintenance costs increase.

Rural communities often face additional challenges because of the changing structure of the farming industry, underinvestment, weak infrastructure, limited services, and few community institutions. Rural labor forces are more narrowly based and more dispersed. Both urban and rural communities are further affected by the extent to which their State provides financial assistance to overcome these obstacles. While job creation ultimately is dependent upon the investment decisions of the private sector, the coordinated efforts of all levels of government, along with the private sector, are needed to address these challenges.

Community Development Block Grant funds, by far the largest HUD expenditure for this objective, are used for a variety of eligible activities at the discretion of the participating jurisdiction (entitlement city or State). Each jurisdiction makes its own decision about how to use CDBG funds. When communities do choose to address job growth for low-income individuals, there are wide variations of approach for which measurement of outcomes is difficult. For example, one community may support infrastructure to increase business development in certain areas, while others may directly apply CDBG funds to retraining individuals for employment.

Coordination with other Federal agencies

- HUD is part of the **National Brownfields Partnership**, which brings together resources from over 20 Federal agencies and non-governmental organizations to reclaim brownfields. HUD provides technical assistance to the participating communities and encourages the use of HUD programs.
- HUD works closely with **Environmental Protection Agency** on brownfield redevelopment to help communities take a site from remediation to re-use.
- The Department recently signed a memorandum of understanding with the **Army Corps of Engineers** to bring their skills in cost benefit analysis, site planning and construction to lower the cost of brownfields redevelopment. Communities can use HUD CDBG funds as the non-federal match for Army Corps of Engineer programs, thereby leveraging federal resources to redevelop these properties.
- HUD works with the **Department of Justice** to enforce the Lead Disclosure Rule of the Residential Lead-Based Paint Hazard Reduction Act of 1992. The Lead Disclosure Rule requires that landlords and sellers of housing constructed prior to 1978 provide each purchaser or tenant with a lead hazard information pamphlet, any information or reports concerning lead-based paint hazards in the property, and a Lead Warning Statement to be signed by the parties. Sellers are required to provide purchasers with an opportunity to conduct a lead-based paint evaluation. During 2001, HUD and DOJ brought the first-ever criminal prosecution in the United States related to the Disclosure Rule, resulting in a felony conviction.
- During FY 2002, HUD is conducting a joint research project with the **Federal Emergency Management Agency**. The study will assess the impact of extending

actuarially sound premiums for National Flood Insurance to structures built before Flood Insurance Rate Maps were issued or flood damage mitigation regulations for new construction were published. The study will determine effects on low- and moderate-income residents and identify policy options.

- HUD is working closely with the **Centers for Disease Control and Prevention**, the **Environmental Protection Agency**, the **National Institute for Occupational Safety and Health**, the **National Institute of Science and Technology**, and the **National Institute of Environmental Health Sciences** to plan and develop the Healthy Homes Initiative. Under the initiative, 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. 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, unintentional injuries, and developmental problems.

Performance goals

The following crosswalk summarizes the performance indicators, including measures of outcomes and program outputs, that will be used to gauge performance during FY 2003. A detailed discussion of each indicator follows the crosswalk.

FY 2003 Performance Goals

Objective 8.2: Help communities more readily access revitalization resources to become more livable.

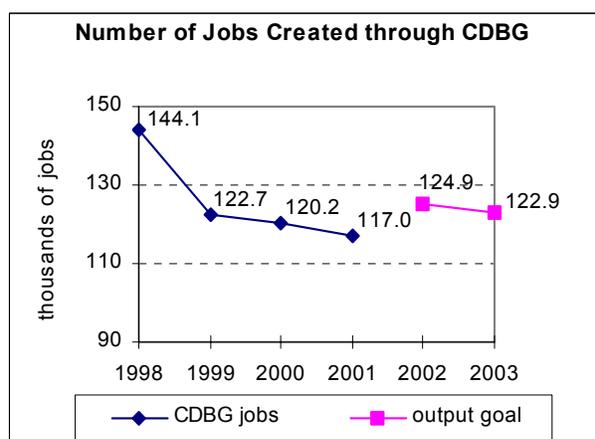
- 8.2.1: A total of 122,897 jobs will be created or retained through CDBG and 15,000 through Section 108.
- 8.2.2: Brownfields Economic Development Initiative grants will support the creation of 5,400 jobs.
- 8.2.3: A total of 3,774 at-risk youths are trained in construction trades through Youthbuild.
- 8.2.4: The share of CDBG entitlement funds that benefit low-and moderate-income persons remains at or exceeds 92 percent.
- 8.2.5: The share of State CDBG funds that benefit low-and moderate-income persons remains at or exceeds 98 percent.
- 8.2.6: As part of a ten-year effort to eradicate lead hazards, the Lead Hazard Control Grant program will make 7,600 units lead safe in FY 2003.
- 8.2.7: The number of children under the age of 6 who have elevated blood lead levels will be less than 260,000 by 2004, down from 890,000.
- 8.2.8: The first 26 procurement actions of the Healthy Homes Initiative become operational and an additional four are awarded.
- 8.2.9: COPC grantees will receive an extra 20 percent in non-Federal funds above the match amount originally claimed in their application between the times they start and complete their projects.
- 8.2.10: The number of multifamily rental units in underserved areas insured by FHA increases by 5 percent.
- 8.2.11: Fannie Mae and Freddie Mac meet or surpass HUD-defined targets for special affordable multifamily mortgage purchases.
- 8.2.12: Fannie Mae and Freddie Mac meet or surpass HUD-defined geographic targets for mortgage purchases in underserved areas.

Performance goals are for FY 2003 unless otherwise noted.

8.2.1: A total of 122,897 jobs will be created or retained through CDBG and 15,000 through Section 108.

Indicator background and context. Many communities choose to use a significant portion of their CDBG grants to improve the local economy and help their citizens find productive work. In FY 2001, entitlement communities used \$283 million—8.3 percent of their funds—for economic development, and States used \$206 million or 18.9 percent.

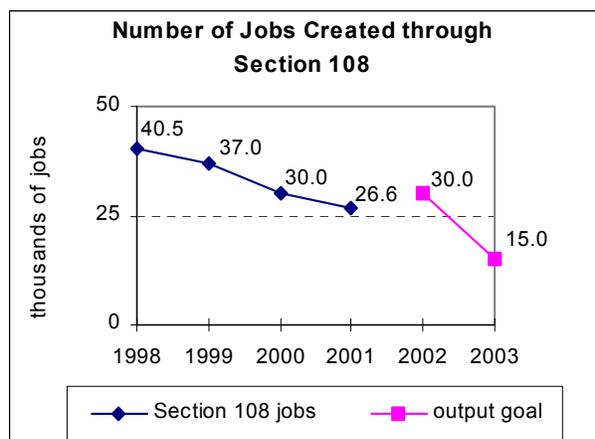
The estimates for CDBG are the expected number of jobs created or retained during the fiscal year, based on the average job creation or retention per grant dollar as reported by grantees and projected outlays. The estimates for Section 108 are based on grantee applications funded during the fiscal year. The indicator will be converted to actual full-time-equivalent jobs created or retained with cumulative outlays as HUD enhances data systems.



Data source. Estimates for CDBG are based on the Integrated Disbursement Information System (IDIS). Estimates for Section 108 are from HUD’s Application Project Database.

Limitations/advantages of the data. Section 108 grantees report projected rather than actual job creation activity.

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



8.2.2: Brownfields Economic Development Initiative grants will support the creation of 5,400 jobs.

Indicator background and context. The Brownfields National Partnership Action Agenda established a comprehensive Federal approach to redevelop contaminated or potentially contaminated commercial and industrial land (brownfields) and return it to productive use. The FY 1999 appropriations legislation also made cleanup and redevelopment of brownfields permanently eligible activities for CDBG funds. HUD

estimates that during FY 2003, brownfield funds, sometimes in conjunction with Section 108 loan guarantees, will be committed for approximately 19 sites. This indicator tracks over time the estimated number of jobs created with FY 2003 grants.

Data source. CPD’s Office of Economic Development tabulates information from grantee applications.

Limitations/advantages of the data. Grantee reports of permanent job creation are difficult to verify. In some cases job creation may be a hidden cause of job loss in other areas.

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

8.2.3: A total of 3,774 at-risk youths are trained in construction trades through Youthbuild.

Indicator background and context. Youthbuild offers 16- to 24-year-old high school dropouts general academic and skills training, as well as apprenticeships in housing construction and rehabilitation. Most Youthbuild trainees enter the program without a GED or high school diploma, but obtain one as part of their training. The \$65 million budget for FY 2003 is expected to train 3,774 youth. In addition to an overall goal for the number of youths trained, HUD has goals for the number of new units constructed and rehabbed because of the importance of these units—which are affordable to low- and moderate-income households—to their communities.

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

| | FY 2000 actual | FY 2001 est. | FY 2002 goal | FY 2003 goal |
|-----------------------------|-----------------------|---------------------|---------------------|---------------------|
| persons trained/GED | 3,601 | 3,614 | 3,774 | 3,774 |
| units of new construction | 415 | 602 | 654 | 711 |
| units of rehab construction | 870 | 795 | 865 | 940 |

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

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

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

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

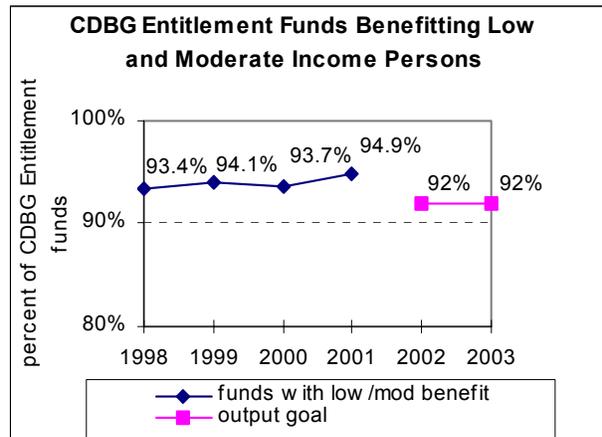
Indicator background and context. Entitlement communities are required to use at least 70 percent of their Community Development Block Grant funds for activities that benefit low- and moderate-income residents. CDBG grantees historically have exceeded this requirement, and HUD has an interest in encouraging continuing strong performance in this area so the greatest local needs are met. Of the roughly \$3.5 billion in CDBG

entitlement funds spent during FY 2001, 94.9 percent were used to benefit low- and moderate-income households, up from 93.7 percent in FY 2000.

Data source. CPD program data compiled from Annual Performance Reports submitted by grantees.

Limitations/advantages of the data. When funds are used to serve a neighborhood, they are presumed to serve low- and moderate-income residents if more than 50 percent of the residents have low or moderate incomes.

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



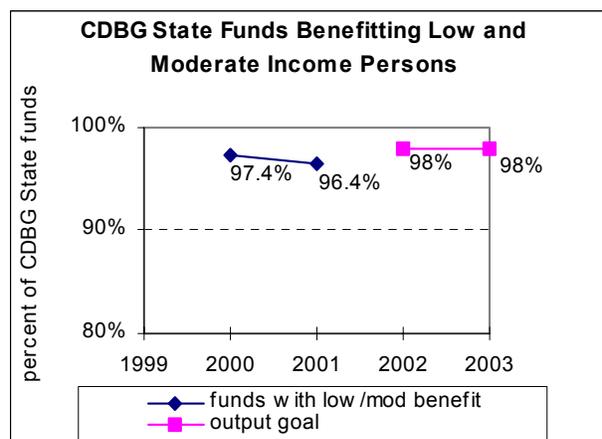
8.2.5: The share of State CDBG funds that benefit low-and moderate-income persons remains at or exceeds 98 percent.

Indicator background and context. Whereas the prior indicator measures the targeting of CDBG grants by entitlement communities, this indicator measures the targeting of CDBG funds by States. Like entitlement communities, States are required to use at least 70 percent of their Community Development Block Grant funds for activities that benefit low- and moderate-income residents. CDBG grantees historically have exceeded this requirement, and HUD has an interest in encouraging continuing strong performance in this area so the greatest local needs are met. States used 96.4 percent of the roughly \$1.5 billion of CDBG funds they spent in fiscal year 2001 to benefit low- and moderate-income persons.

Data source. CPD program data compiled from Annual Performance Reports submitted by grantees.

Limitations/advantages of the data. When funds are used to serve a neighborhood, they are presumed to serve low- and moderate-income residents if more than 50 percent of the residents have low or moderate incomes.

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



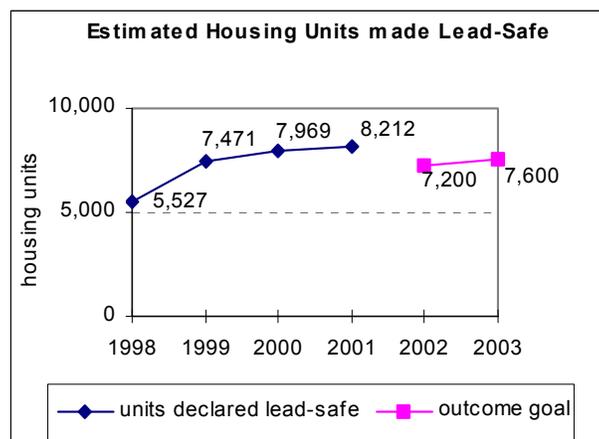
8.2.6: As part of a ten-year effort to eradicate lead hazards, the Lead Hazard Control Grant program will make 7,600 units lead safe in FY 2003.

Indicator background and context. HUD is playing a central role in the interagency initiative to eliminate lead poisoning of the Nation’s children by 2010. HUD intends to eliminate lead hazards in housing by expanding the Lead Hazard Control Program and leveraging private sector resources. When Congress passed the 1992 Residential Lead Hazard Reduction Act, as many as 64 million homes contained lead paint. Today, 38 million homes have lead paint. The Centers for Disease Control and Prevention report that nearly 1 million children ages 1 to 5 have elevated blood lead levels—amounting to about 5 percent of all children in that age group. The majority of cases involve low-income children living in older housing. Exposure to lead can cause permanent damage to the nervous system and a variety of health problems, including reduced intelligence and attention span, hearing loss, stunted growth, reading and learning problems, and behavior difficulties.

HUD’s Office of Healthy Homes and Lead Hazard Control (OHHLHC) provides grants to state and local government agencies to control lead hazards in privately-owned assisted and unassisted housing. The program requires grantees to use certified personnel to collect clearance (quality control) lead-dust samples in housing to confirm that it has been made lead safe, because lead dust is the major pathway by which children are exposed to lead-based paint.

Homes treated under the grant program have a relatively high average number of children of less than 6 years of age living in each treated unit. With new births and turnover of occupancy, additional children are protected. Lead mitigation programs also create potentially large, but unquantifiable, benefits through lead hazard education and outreach activities, as well as through programs that train workers and create jobs in the lead reduction industry.

An estimated 35,000 housing units have been made lead safe with Lead Hazard Control grants through FY 2001. The goals for this indicator have been increasing. In the short term, because of HUD’s emphasis on integrating lead hazard control into existing housing finance, maintenance and rehab programs, the production levels may vary from the previous year because of the need to coordinate with other housing activities and because the schedules for these activities are also influenced by external factors. The number of abated units is projected to increase in the future based on the requested increased funding under the Department’s ten-year effort to eradicate lead hazards in housing.



Data source. OHHLHC administrative data.

Limitations/advantages of the data. The data represent actual accomplishments as reported by grantees. The data do not include housing units made lead safe through other funding sources.

Validation, verification, improvement of measure. A rigorous scientific evaluation of the program conducted between 1994-2000 clearly indicates that the program is effective in achieving its goals. The study, conducted by the National Center for Lead Safe Housing in conjunction with the University of Cincinnati, found that the grant program hazard control methods reduce the blood lead levels of children occupying treated units and also significantly reduce lead dust levels in the treated homes.*

8.2.7: The number of children under the age of 6 who have elevated blood lead levels will be less than 260,000 by 2004, down from 890,000.

Indicator background and context. Approximately 890,000 children under the age of six were estimated to have elevated blood lead levels (EBL) in the period from 1991-94. These children, especially those less than three years old, are vulnerable to permanent developmental problems because of the well-understood effect of lead on developing nervous systems. Other local data collected by CDC from 19 states showed that the proportion of children under the age of six who tested with EBL decreased from 10.5 percent in 1996 to 7.6 percent in 1998.⁸ By 1999, preliminary results indicated that the mean blood lead level had declined 26 percent from the 1991-1994 period. For this indicator, EBL is defined as blood lead levels exceeding 10 micrograms per deciliter ($\mu\text{g}/\text{dL}$). EBL is more common among low-income children living in older housing. In addition to HUD's lead-based paint abatement grant program and regulations concerning Federal Housing, other factors causing the decrease in the number of children with EBL are demolition, substantial rehabilitation, hazard control finances by the private sector and local and state government and ongoing public education.

Data source. National Health and Nutrition Examination Survey (NHANES). The Centers for Disease Control and Prevention are scheduling the fourth NHANES, with full results projected to be available in 2004.

Limitations/advantages of the data. The NHANES is costly because it uses actual physical examinations of a nationally-representative sample of children to determine blood-lead levels, among other things. NHANES can not identify the source of EBL.

Validation, verification, improvement of measure. NHANES is regarded as providing the best national estimate of a number of health outcomes, and incorporates a variety of quality control and verification procedures. Strict quality control measures are followed during collection and analysis of blood samples. The CDC's long-term quality control

* Galke et al., "Evaluation of the HUD Lead Hazard Control Grant Program," published in *Environmental Research* 86 (149-156), 2001.

⁸ State data from the Childhood Blood Lead Surveillance program, reported by the Centers for Disease Control in "Blood Lead Levels in Young Children—United States and Selected States, 1996-1999," available at <http://www.cdc.gov/mmwr/preview/mmwrhtml/mm4950a3.htm>

data for blood lead tests show that NHANES results are validated by results from the Childhood Blood Lead Surveillance program, which supports state blood lead surveillance efforts.

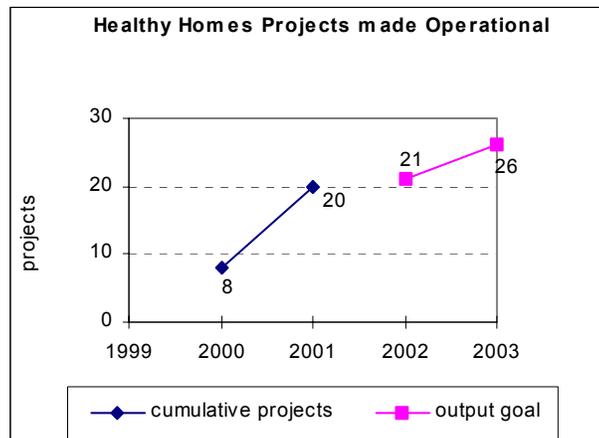
8.2.8: The first 26 procurement actions of the Healthy Homes Initiative become operational and an additional four are awarded.

Indicator background and context. HUD is working closely with the Centers for Disease Control and Prevention, EPA, the National Institute for Occupational Safety and Health, the National Institute of Science and Technology, and the National Institute of Environmental Health Sciences to plan and develop the Healthy Homes Initiative. Under the initiative, the Office of Healthy Homes and Lead Hazard Control is awarding grants to public and private organizations and making agreements with other Federal agencies for evaluation studies and demonstration projects to address housing conditions responsible for childhood diseases and injuries. The purpose is to learn how best to prevent diseases related to toxic agents in housing and how to control the residential environment to prevent childhood health problems, such as asthma, mold-included illness unintentional injuries, and developmental problems. In FY 2003, the target is to have a cumulative total of 26 projects operational and to award four additional actions. Principal outcomes of the projects undertaken in FY 2003 are public education, demonstration of new technologies, and determining a baseline number of households with allergens, which may establish a foundation for future outcome indicators.

Data source. OHHLHC Healthy Homes administrative data, based on funds reservations forms, cooperative agreement award forms and interagency agreement award forms.

Limitations/advantages of the data.

The data reflect only how many projects have been initiated. The first agreements were awarded in the latter part of FY 1999 and did not become operational until FY 2000. Because most of the agreements are for three years, data on the results of these projects and the impact of the Healthy Homes Initiative will not be available for a year or more.



Validation, verification, improvement of measure. The OHHLHC produced the data from funds reservations forms, cooperative agreement award forms and interagency agreement award forms. The Grants Management Officer validates and verifies these forms, and conducts internal audits. In the future, HUD will seek to develop performance indicators that address the performance under these agreements with regard to the Healthy Homes Initiative goals and objectives stated in the NOFA.

8.2.9: COPC grantees will receive an extra 20 percent in non-Federal funds above the match amount originally claimed in their application between the times they start and complete their projects.

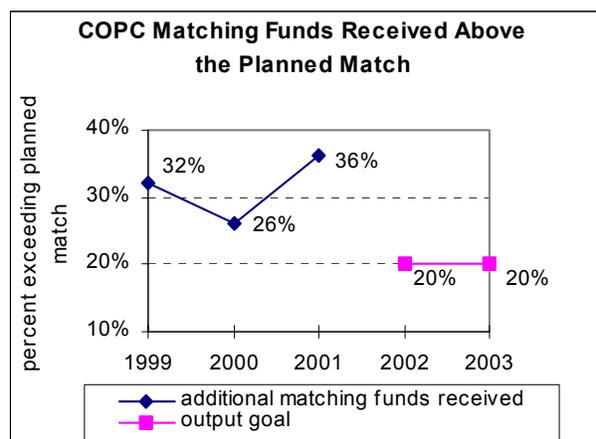
Indicator background and context. The Community Outreach Partnership Centers (COPC) program provides funds to colleges and universities for a wide variety of technical assistance and applied research activities. The underlying purpose of these activities is to strengthen the commitment of colleges and universities to their communities and local organizations within those communities, build the capacity of community-based organizations and highlight role models for other partnerships between universities and community-based organizations.

This indicator demonstrates the satisfaction that community-based organizations, local governments, foundations, private businesses, and the schools themselves have with COPC-funded activities by measuring new financial commitments to continue, expand, and in some cases institutionalize, the work. The measure is the percentage increase in matching funds above match commitments, as measured for COPC grantees whose grants closed each calendar year. The goal is maintained at 20 percent for FY 2003, reflecting the recent emphasis on new and often smaller grantees having fewer fund-raising resources and less experience with the program.

Data source. COPC administrative data, consisting of semiannual and final progress reports submitted by grantees, augmented in some cases by applications for the FY 1999 “New Directions” COPC competition.

Limitations/advantages of the data. Estimates reflect COPC grants that have closed since the last performance reporting period. The COPC office made special efforts to ensure that grantees report matching funds correctly in their performance reports, but not all of the amended reports are included in the results for FY 2001. The remainder of completed reports will increase the ratio more.

Validation, verification, improvement of measure. Financial statements of grantees are subject to independent audits. PD&R staff monitor grantee activities on the basis of progress reports. The Interim report format is being improved to more easily retrieve the cumulative totals of nonfederal funds raised in future years.



Data are based on calendar years.

8.2.10: The number of multifamily rental units in underserved areas insured by FHA increases by 5 percent.

Indicator background and context. FHA insures loans for new construction and substantial rehabilitation of multifamily rental units under Sections 221(d)(3), 221(d)(4), and 220, and risk-sharing under 542(b) and (c). Section 223(f) insures mortgages for existing multifamily properties, either to refinance an existing mortgage or to facilitate the purchase of a property. A moderate amount of rehabilitation cost may be included in the mortgage. These programs improve the quality and affordability of rental housing, and increasing their availability in underserved neighborhoods will promote revitalization of those neighborhoods.

This indicator tracks the number of units in multifamily properties within “underserved” neighborhoods that receive mortgage endorsements by FHA. Beginning in FY 2003, refinanced mortgages will be included. Section 202 and Section 811 properties are excluded. Underserved neighborhoods are defined in metropolitan areas as census tracts either with a minority population of 30 percent and median family income below 120 percent of the metropolitan area median, or with median family income at or below 90 percent of area median (irrespective of minority population percentage). A similar definition of underserved applies to nonmetropolitan areas, using counties rather than tracts. The FY 2003 goal is to increase the number of units by 5 percent, building on an equivalent FY 2002 goal. The achievement of this goal is influenced by National economic conditions.

Data source. For project locations and unit counts, FHA’s DAP system. For tract poverty rates and minority share, the decennial Census of Population, updated with the American Community Survey. PD&R determines which census tracts meet the definition of “underserved” for HUD’s role in oversight of Freddie Mac and Fannie Mae.

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

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

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

Indicator background and context. Fannie Mae and Freddie Mac are housing GSEs established for the public purpose of creating a secondary market for residential mortgages. The multifamily mortgage market has traditionally been less well served by the secondary market and HUD established a special affordable multifamily subgoal. This indicator tracks the performance of the GSEs in providing capital, measured in billions of dollars, for affordable multifamily housing. In 2000, HUD established higher goals for successive years: \$2.85 billion for Fannie Mae and \$2.11 billion for Freddie Mac.

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

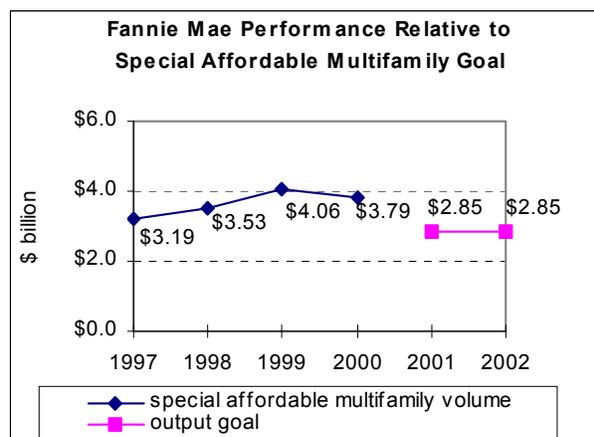
Data source. HUD’s GSE database.

Limitations/advantages of the data.

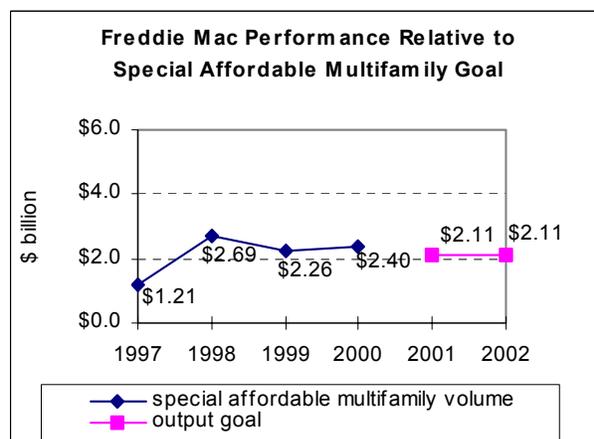
The data are compiled directly from GSE records on multifamily loan purchases. The data are based on calendar year rather than fiscal year lending, and are presented for GPRA purposes on a one-year lagged basis.

Validation, verification,

improvement of measure. GSEs apply quality control measures to data elements provided to HUD. HUD verifies the data through comparison with independent data sources, replication of GSE goal performance reports, and reviews of GSE data quality procedures.



Data are based on calendar years.



Data are based on calendar years.

8.2.12: Fannie Mae and Freddie Mac meet or surpass HUD-defined geographic targets for mortgage purchases in underserved areas.

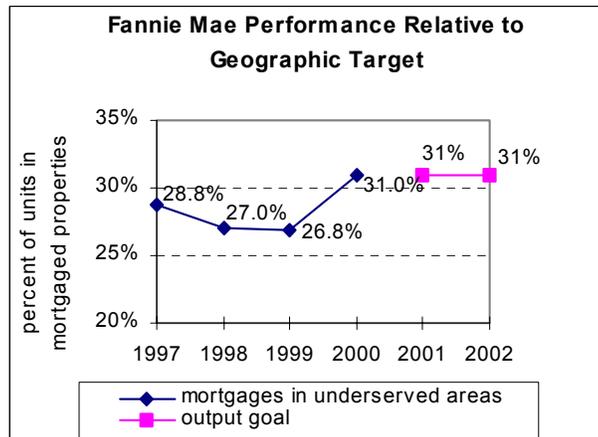
Indicator background and context. One of the three public purpose goals that HUD sets for the housing GSEs involves increasing the share of mortgages purchased from “central cities, rural areas and other underserved” areas. HUD’s definition of such areas is based on census tracts with below-average income and/or above-average shares of minority households. These neighborhoods historically have been underserved by the mortgage market, as shown by high mortgage denial rates and low mortgage origination rates.

Thus, success of the GSEs in meeting HUD-defined targets is central to meeting the outcome goal of stabilizing homeownership in underserved neighborhoods.

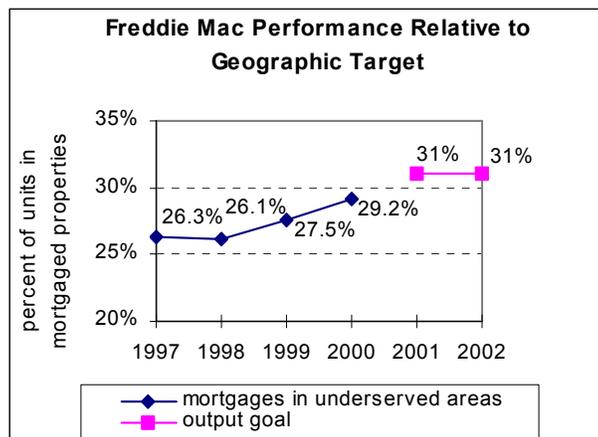
Data source. HUD’s GSE database.

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

Validation, verification, improvement of measure. GSEs apply quality control measures to data elements provided to HUD. HUD verifies the data through comparison with independent data sources, replication of GSE goal performance reports, and reviews of GSE data quality procedures. GSE financial activities are verified by independent audits.



Data are based on calendar years.



Data are based on calendar years.

APPENDIX A

Revisions to the FY 2002 Annual Performance Plan

The Fiscal Year 2002 Annual Performance Plan has been modified to reflect final appropriations, significant external factors, or unique circumstances that have arisen since the initial plan was submitted to Congress. We have included:

- A list of indicators that have been modified.
- A justification of each revised indicator.

Strategic Goal 1: Increase the availability of decent, safe and affordable housing in American Communities.

Strategic Objective 1.1: Homeownership is increased.

Indicator 1.1.j – The homeownership downpayment assistance initiative will be fully implemented and assist 10,000 new homebuyers.

The goal is revised from assisting 130,000 to assisting 10,000 new homebuyers to reflect actual appropriations in FY 2002 and the legislative design of the program.

Indicator 1.1.n – PATH increases to 200 the number of identified technologies for PATH’s emerging technologies inventory.

The indicator is added because the Partnership for Advancing Technology in Housing was funded for FY 2002.

Strategic Objective 1.2: Affordable rental housing is available for low-income households.

Indicator 1.2.b – The HOPE VI Revitalization Development program for public housing relocates 4,749 families, demolishes 11,550 units, completes 5,485 new and rehabilitated units, and occupies 4,987 units.

The goal is revised to reflect more recent information based on updated quarterly progress reports from the HOPE VI grant recipients.

Indicator 1.2.n – Under the M2M program, HUD will reduce the rents and, where appropriate, complete a mortgage restructuring on 750 deals.

The goal is revised based on OMHAR’s analysis of actual M2M pipeline and performance data received since the original estimate was made. The volume of properties received has been less than expected and, a significantly greater portion of the pipeline has been for full debt restructurings rather than rent restructurings.

Indicator 1.2.q – The share of EZ/ECs achieving local goals is 90 percent for new affordable housing and 85 percent for rehabilitated affordable housing.

The goals are revised to reflect improved actual performance and represent a 5 percentage point increase.

Strategic Goal 2: Ensure equal opportunity in housing for all Americans.

Strategic Objective 2.1: Housing discrimination is reduced.

Add - Indicator 2.1.g: Increase the number of Title VI compliance reviews conducted of HUD recipients by 50 percent over the number conducted in FY 2001.

Add - Indicator 2.1.h: Increase the number of Section 504 disability compliance reviews conducted of HUD recipients by 38 percent over the number conducted in FY 2001.

(This includes the review of assisted housing providers as well as single PHAs.)

FHEO has added the two above indicators after reviewing the National Council on Disability report entitled “Reconstructing Fair Housing,” dated November 6, 2001, which stated that fair housing enforcement remains an unfulfilled promise for Americans with disabilities. These indicators respond to the identified need to further address enforcement and compliance issues.

Strategic Goal 3: Promote housing stability, self-sufficiency and asset development of families and individuals.

Strategic Objective 3.2: Poor and disadvantaged families and individuals become self-sufficient and develop assets.

Add – Indicator 3.2.f: Conduct 25 Section 3 on-site monitoring reviews of Public Housing Authorities.

Add – Indicator 3.2.g: By the end of fiscal year, no more than 25 percent of the Section 3 complaints will be aged.

Section 3 of the HUD Act of 1968 ensures that HUD-funded construction, rehabilitation, or other public construction expands employment and training opportunities for low-income residents. For FY 2002, HUD plans to expand enforcement of this provision. Current sanctions that may be imposed on recipients that fail to comply with the regulations include debarment, suspension, and limited denial of participation in HUD programs.

Strategic Goal 4: Improve community quality of life and economic vitality.

Strategic Objective 4.1: The number, quality, and accessibility of jobs increase in urban and rural communities.

Indicator 4.1.a - At least 75 percent of EZ and EC projects achieve local goals in helping residents find jobs.

The goal is revised from 85 percent to 75 percent to reflect a combination of recent performance and in addition a significant reduction in the appropriation in FY 2002.

Strategic Objective 4.3: Communities become more livable.

Indicator 4.3.h – At least 85 percent of EZ and EC projects achieve local goals in serving residents with public safety and crime prevention programs.

The goal is revised from 90 percent to 85 percent to reflect a combination of recent performance and in addition a significant reduction in the appropriation in FY 2002.

APPENDIX B

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Brief Description of HUD Programs

Brownfields

The Brownfields Redevelopment Program makes competitive economic development grants in conjunction with Section 108 loan guarantees for qualified projects. These grants are targeted to the 450,000 former vacant or underutilized industrial and commercial properties that may contain low to moderate levels of contamination. The grants are used to redevelop and clean up brownfields so that the areas can be returned to productive, job-creating uses and to address the economic development needs of communities in and around such sites. Economic development grants are used to enhance the security of Section 108 guarantees or to improve the feasibility of proposed projects, and to support business development activities. Section 108 loans enable communities to borrow funds from the primary market and repay loans over time.

Capacity Building for Community Development and Affordable Housing

This program supports the National Community Development Initiative (NCDI) which is a public/private partnership that helps build the capacity of community-based development organizations. The current phase of the program will expand the efforts of Community Development Corporations (CDCs) into investments in economic development, workforce development, childcare and community safety.

Community Development Block Grant Program

Community Development Block Grant (CDBG) is a formula program that allocates 70 percent of grants to units of general local government and 30 percent to States for the funding of local community development programs.

The primary objective of the program is to develop viable urban communities by providing decent housing and a suitable living environment and by expanding economic opportunities. Activities undertaken with the grants must meet one of the three broad national objectives: 1) benefit low- and moderate-income persons; 2) aid in the prevention or elimination of slums and blight; or 3) meet other particularly urgent community development needs. In addition, at least 70 percent of all CDBG funds received by a grantee must be used for activities that benefit persons of low and moderate income (those with incomes below 80 percent of area median family income). Through the Consolidated Plan process, recipients select eligible activities that are appropriate to their needs and that reflect local priorities, and they determine how their performance will be measured.

Community Outreach Partnership Centers

The main purpose of the Community Outreach Partnership Center (COPC) program is to provide fund to community colleges, four-year colleges, and universities to establish and operate outreach centers to address the problems of urban and rural areas. Through their COPC centers, these educational institutions must address at least three problems in their communities, such as affordable housing, fair housing, economic development, neighborhood revitalization, planning, health care, education, job training, and crime prevention.

Down Payment Assistance Initiative

This initiative is part of a Presidential initiative that will increase and accelerate first-time home ownership by low-income families. Funds will be provided on a competitive basis and will be administered by State housing finance agencies, and will assist over 40,000 first-time low-income homebuyers each year

Empowerment Zones/Enterprise Communities (EZ/EC)

The goal of the EZ/EC initiative is to create self-sustaining, long-term economic development in distressed communities through the use of innovative and comprehensive strategic plans developed and implemented by partnerships among private, public and non-profit entities in each community. In Empowerment Zones, communities receive HUD grant funds which are combined with wage tax credits and other incentives. Enterprise Communities receive smaller levels of grant funds from HUD. The EZ/EC framework is embodied in four key principles: strategic vision for change; economic opportunity; sustainable community development; and community-based partnerships.

Fair Housing Assistance Program (FHAP)

The FHAP provides assistance to State and local agencies that administer fair housing laws certified by the Department as substantially equivalent to Title VIII of the Civil Rights Act of 1968, as amended by the Fair Housing Amendments Act of 1988. The assistance includes support for enforcement activities including complaint processing, training, technical assistance, data and information systems, and joint activities to increase fair housing enforcement. The program is designed to build coordinated intergovernmental enforcement of fair housing laws and provide incentives for States and localities to assume greater responsibility for administering fair housing laws.

Fair Housing Initiatives Program (FHIP)

The FHIP was established by the Housing and Community Development Act of 1987 for the purpose of eliminating and preventing housing discrimination. This program provides a coordinated approach to: (1) further the purposes of the Fair Housing Act; (2) guarantee the rights of all people to seek housing in an open market free of discrimination; and (3) inform the public and the housing industry of its rights and obligations under the Fair Housing Act. FHIP provides funding to help private, nonprofit fair housing organizations

and public entities that are formulating or carrying out programs to prevent or eliminate discriminatory housing practices. The Department provides funding under three distinct categories of FHIP: the Private Enforcement Initiative, the Education and Outreach Initiative, and the Fair Housing Organizations Initiative.

Federal Housing Administration

The Federal Housing Administration provides mortgage insurance to support increased homeownership and affordable rental opportunities across the nation.

Through its single-family programs, FHA helps low and moderate income families including first-time homebuyers, minorities, and central-city residents. By insuring mortgages, FHA makes it much easier for homeowners to borrow the funds they need. Lenders are more willing to provide loans because they know that, in the case of a borrower default, the Federal Government will protect them from losses. Most FHA loans for homeownership are insured through the Mutual Mortgage Insurance Fund. Other loans for purchasing homes, such as manufactured housing, home equity conversion mortgages for seniors, rehabilitation and acquisition mortgages, and condominiums, are insured through the GI/SRI Fund.

FHA, through its GI/SRI fund, also insures loans for the development, rehabilitation, and refinance of multifamily rental housing, including rental housing in underserved areas. Through its multifamily programs, FHA also insures assisted living facilities, nursing homes, and hospitals. FHA manages a multifamily affordable housing portfolio and works in conjunction with the Housing Certificate Fund (see below) to provide project-based Section 8 rental assistance for families in many FHA-insured multifamily properties.

Ginnie Mae Mortgage-Backed Securities Program

Ginnie Mae, the Government National Mortgage Association, was created in 1968 through amendment of Title III of the National Housing Act. Ginnie Mae, a wholly-owned government corporation within HUD, was established to support Federal housing initiatives by providing market liquidity for federally insured mortgages through the secondary mortgage market. This liquidity increases the flow of funds from the Nation's capital markets into the residential mortgage markets.

Through its Mortgage-Backed Securities Program (MBS), Ginnie Mae guarantees the timely payment of principal and interest on securities issued by private institutions and backed by pools of federally insured or guaranteed mortgage loans. Ginnie Mae's guaranty is backed by the full faith and credit of the United States. The securitization of Federal Housing Administration, Rural Housing Service, and Veterans Affairs mortgages increases the liquidity of funds available to lenders making these loans and thereby decreases the costs associated with making and servicing loans. This decrease in costs helps lower mortgage interest rates for homebuyers using Federal Government housing credit.

Ginnie Mae's multiclass securities program guarantees Real Estate Mortgage Investment Conduits (REMICs) and Platinum securities. REMICs are multiple-class securities with different maturities, typically between two and 20 years, or with payments based on fractions of the MBS income stream. The Platinum security consolidates Ginnie Mae MBS pools with the same interest rate into larger pools, which are then sold to investors.

Ginnie Mae's targeted lending initiative reduces the fees charged to lenders by up to 50 percent for making mortgage loans in any of the Nation's 89 Empowerment Zones or Enterprise Communities and adjacent eligible central city areas. This initiative increases the liquidity of mortgage investments leading to an increase in mortgage lending in these areas.

Healthy Homes Initiative

Under the healthy homes initiative, HUD is implementing a multifaceted program to provide grants to organizations to demonstrate and pilot test affordable new maintenance, renovation, and construction methods; implement a new public education campaign to prevent both emerging and well-recognized housing-related childhood diseases and injuries; conduct research; and assemble an interagency task force. In implementing the initiative, HUD is working closely with its Federal partners, as well as with State and local governments and private-sector organizations.

Historically Black Colleges and Universities

Through the Historically Black Colleges and Universities (HBCU) program, HUD assists HBCUs expand their role and effectiveness in addressing community development needs in their localities, including neighborhood revitalization, housing, and economic development. HBCU grants are funded through CDBG, and as required by the CDBG legislation, activities carried out with HBCU grants by these colleges and universities must either benefit low- or moderate-income persons, aid in the prevention of slums and blighted conditions, or meet other community development needs having a particular urgency.

HOME Investment Partnerships Program

The main purpose of the HOME program is to increase the supply and affordability of housing and to promote homeownership for low-income families.

States and localities have the flexibility to use HOME funds for a wide range of affordable housing activities for low- and very-low-income families. The jurisdictions outline how they will use the grants in their Consolidated Plan submissions. Eligible activities include rehabilitation, new construction, acquisition for homeownership and rental housing, and tenant-based rental assistance. The funds are allocated by formula: 60 percent to local governments and 40 percent to States.

Homeless Assistance Grants

The purpose of this program is to break the cycle of homelessness and to move homeless persons and families to permanent housing. This is done by providing rental assistance, emergency shelter, transitional and permanent housing, and supportive services to homeless persons and families.

Homeless assistance grants provide Federal support to one of the Nation's most vulnerable populations. These grants assist localities in establishing systems that can address the housing and service needs of different homeless populations while providing a coordinated system that ensures the support necessary to help those who are homeless attain housing and move toward self-sufficiency.

HOPE VI

The HOPE VI program assists public housing agencies to improve the living environment for public housing residents in severely distressed PHA properties through the demolition, rehabilitation, reconfiguration, or replacement of obsolete public housing projects. Through these efforts, the program is also intended to revitalize neighborhoods where the housing is located and to decrease the concentration of very low-income families. HUD is evaluating the HOPE VI program and will submit authorizing language during the coming year to extend and amend the program to target funds to the highest priority needs.

Housing Certificate Fund

Through its Section 8 program, HUD provides rental assistance to both tenant-based and project-based programs to expand affordable housing opportunities for very low-, low-, and moderate-income families:

Housing Choice Vouchers. The tenant-based component of the Section 8 program is the Housing Choice Voucher program. Housing Choice Vouchers are administered through public housing agencies and other State and local designated entities. The voucher program is based on the tenant paying 30 percent of their adjusted income for rental purposes with the voucher subsidizing the remaining adjusted costs. With a voucher, a low-income family can seek housing in the private housing market in a neighborhood that it desires.

Project-Based Section 8. Through its project-based Section 8 program, HUD provides rental assistance to families in assisted FHA-insured properties to ensure that these properties remain affordable to low-income families.

Section 8 Contract Renewals/Amendments. Contract renewals provide funding to renew expiring Section 8 rental assistance contracts covering certificates, vouchers, moderate rehabilitation, loan management, new construction/substantial rehabilitation, property disposition, and preservation. This funding is required to maintain the current inventory of assisted rental housing.

Housing Counseling Assistance

The Housing Counseling program provides a broad range of counseling services to tenants, prospective homeowners, and homeowners to improve housing opportunities with an emphasis on obtaining and maintaining homeownership.

The Department certifies and/or recertifies public and private nonprofit agencies that provide HUD approved counseling assistance. Counseling can cover property maintenance, financial management, and other matters to assist tenants and homeowners in improving their housing conditions and meeting their homeownership responsibilities.

Housing for the Elderly or Disabled Program

202/811 Grants. Sections 202 of the Housing Act of 1959 and 811 of the National Affordable Housing Act (NAHA) of 1990 authorized the use of capital grants and rental assistance to eligible private nonprofit organizations to construct, rehabilitate, or purchase housing for very-low-income elderly or disabled individuals. In addition, Section 8 tenant-based assistance is provided for supportive housing for disabled renters to allow them to search for and rent a standard unit in the private market.

Service Coordinators. Section 808 of NAHA authorized the use of service coordinators within existing projects for the elderly or frail elderly to enable residents who are elderly, especially those who are frail or handicapped, to live independently. Services provided include meal services, housekeeping and chore assistance, personal care, laundry assistance, transportation services, and health-related services.

Conversion to Assisted Living. These funds will be available as competitive grants to existing HUD elderly subsidized (Section 202) projects that convert some or all units to assisted living.

Housing Opportunities for Persons with AIDS

HOPWA provides States and localities with resources and incentives to devise long-term, comprehensive strategies for meeting the housing needs of persons with HIV/AIDS and their families. Statutorily, 90 percent of appropriated funds are distributed by formula to qualifying States and metropolitan areas on the basis of the number and incidence of AIDS cases reported to the Centers for Disease Control and Prevention by March 31 of the year preceding the appropriation year. The remaining 10 percent of funds are distributed through a national competition.

Competitive grants (10 percent of the appropriation) are available to States and local governments and private, nonprofit entities for projects of national significance. They are also available to States and local governments for projects in areas that do not qualify for a formula allocation. Recipients of either formula or competitive grants must use HOPWA assistance consistent with a HUD-approved Consolidated Plan, except for activities undertaken on a nationwide basis. Eligible activities include: housing information and coordination services; short-term supported housing and services; rental assistance; single-room occupancy dwellings; community residences and services; program development; and administrative costs.

Indian Housing Loan Guarantee Fund

This program provide loan guarantees for Native American families and Tribally Designated Housing Entities (TDHEs, formerly IHAs) to purchase, construct, and/or rehabilitate single-family homes on restricted land and in designated Indian areas.

Lead-Based Paint Hazard Reduction Program

The Lead Hazard Control Grants are made competitively to States and local governments with an approved Consolidated Plan and to Native American Tribes to empower them to perform lead-hazard reduction activities in private low income dwellings. These grants stimulate the development of a national abatement/hazard control infrastructure by promoting State legislative action to establish LBP contractor certification programs, stimulating State and local efforts at hazard reduction, and creating demand for such credentials by private contractors.

The technical studies component of the program contains five types of activities: (1) technical assistance for State and local agencies, private property owners, HUD programs and Field Offices, and professional organizations; (2) quality control to ensure that the evaluation and control of lead-based paint hazards are done properly in HUD-associated housing; (3) the development of standards, technical guidance materials, and regulations to provide for sensible, cost-effective hazard evaluation and control procedures, and technical information that encourages fair and professional competition for such work; (4) technical studies and evaluation to develop streamlined methods of testing, hazard control, cleanup, clearance, and public education; and (5) support for right-to-know activities.

Manufactured Home Inspection and Monitoring Program

This program establishes standards and safety requirements for all manufactured homes that are produced. Under the Act, the Secretary working with the Consensus Committee establishes appropriate Federal manufactured home standards that meet the needs of the public, including quality, durability, and safety for the construction, design, and performance of manufactured homes.

Every company that builds manufactured homes must provide HUD with the plans for each model produced. The manufacturer must issue a certification that each section built meets Federal standards. If the Department determines that any manufactured home does not comply with standards or contains a defect constituting a significant safety hazard, it may require the producer to notify the purchaser of the defect. In certain cases, HUD may require repair or replacement of the defective section(s), or a refund.

Enforcement of the standards is accomplished mainly by third-party primary inspection agencies. These agencies can be private or State agencies and are approved and monitored by HUD.

Native American Community Development Block Grants

This program, funded with in the Community Development Block Grants Fund, targets aid to Native American communities to generate commercial activity, housing, and job opportunities. It will also support the development of a new Native American Economic Development Access Center which will provide information and technical assistance concerning economic development assistance.

Native American Housing Block Grants

This program provides grants to Indian tribes and Tribally Designated Housing Entities (TDHEs) to provide and maintain housing for low-income Native Americans. NAHBG provides housing services through six eligible activities and provides training and technical assistance:

- Development: acquisition, new construction, reconstruction, and moderate or substantial rehabilitation of affordable housing;
- Indian Housing Assistance: modernization and operating assistance for housing previously developed or operated under a contract between HUD and a TDHE;
- Housing Services: housing counseling for rental or homeownership assistance, establishment and support of resident management organizations;
- Housing Management Services: management services that may include preparation of work specifications, loan processing, inspections, tenant selection;
- Crime Prevention and Safety Activities: safety, security, and law enforcement measures and activities;
- Model Activities: approval of housing activities under model programs that are designed to develop and support affordable housing using a variety of creative approaches (e.g., leveraging public and private funds); and
- Law Enforcement: housing for law enforcement officers on Indian reservations or other Indian areas.

Native Hawaiian Housing Block Grant

This program provide block grant funding to the Department of Hawaiian Home Lands (DHHL) to carry out affordable housing activities for Native Hawaiian families who are eligible to reside on the Hawaiian Home Lands. NHHBG provide housing services through five eligible activities and provides training and technical assistance:

- Development: acquisition, new construction, reconstruction, and moderate or substantial rehabilitation of affordable housing;
- Housing Services: housing counseling for rental or homeownership assistance, establishment and support of resident management corporations;

- Housing Management Services: management services that may include preparation of work specifications, loan processing, inspections, tenant selection;
- Crime Prevention and Safety Activities: safety, security, and law enforcement measures and activities;
- Model Activities: approval of housing activities under model programs that are designed to develop and support affordable housing.

Public Housing Capital Fund

This program provides funds to Public Housing Agencies for capital improvements (e.g., developing, rehabilitating, and demolishing units) and for management improvements (e.g., management and community services, supportive services, resident activities, and economic development) at public housing developments for low-income families.

The allocated funds may be used for redesign, reconstruction, rehabilitation, renovation, non-routine maintenance, lead-based paint testing and abatement, accessibility improvements for the disabled, and alterations to increase marketability by adding amenities. Demolition or disposition are authorized for buildings or entire developments that are not viable. Funds also may be used for replacement housing.

Public Housing Operating Fund

This program provides subsidies to assist Public Housing Agencies in funding the operation and maintenance of their properties for low-income families. The Performance Funding System formula determines the level of funding necessary to enable PHAs to provide a reasonable level of services, including maintenance, utilities, and protective services, to residents of public housing.

Renewal Communities

The Community Renewal Tax Relief Act, incorporated by reference in the Consolidated Appropriations Act 2001 (P.L. 106-554), authorized the designation of up to 40 areas of pervasive poverty, unemployment, and general distress as Renewal Communities (RCs). Businesses in Renewal Communities will be eligible for various federal tax incentives, including:

- zero percent capital gains from sale of qualified assets;
- a 15 percent wage credit for qualified workers;
- a tax deduction for qualified commercial construction and revitalization expenses;
- work opportunity tax credits for hiring qualified youth.

They will also benefit from tax relief and regulatory streamlining provided by the State and local government in which the RC is located.

Research and Technology (R&T)

PD&R funds are used for research, program evaluation and policy analysis. There are seven categories of activities undertaken with R&T funds. The largest is housing market surveys. These housing and financial market data are essential for the formulation of HUD's housing and community development policies.

The next largest category is program evaluation and monitoring. These activities help old and new programs operate more effectively by providing independent information about program implementation and impacts.

Resident Opportunity and Self-Sufficiency

Resident Opportunity and Supportive Services (ROSS) program provides residents of public housing with services that are necessary to improve their quality of life, including academic skills training, health care, micro-enterprise and small business development, and social services.

Revitalization of Severely Distressed Public Housing

See "HOPE VI."

Section 108 Loan Guarantees

The Section 108 loan guarantee program provides communities with a means of leveraging their CDBG grants to obtain financing for large community revitalization projects. Section 108 of the Housing and Community Development Act of 1974, as amended, authorizes the Secretary to issue Federal loan guarantees of private-market loans used by entitlement and nonentitlement communities to cover the costs of acquiring real property, rehabilitating publicly owned real property, housing rehabilitation, and certain economic development activities. In addition, guaranteed loan funds have been used to finance construction of housing by nonprofit organizations when undertaken as part of a project that is also financed under the Rental Housing Development Grants or Nehemiah Housing Opportunity Grants programs.

Self-Help Homeownership Opportunity Program

The Self-Help Homeownership Opportunity Program (SHOP) provides competitive grants to nonprofit housing organizations that use significant amounts of "sweat equity" to produce affordable single-family homes for new homebuyers. These funds are used for land acquisition and infrastructure improvements, and homebuyers contribute a significant amount of their own hard work toward the construction of the new dwellings.

Title VI Federal Guarantees for Tribal Housing

This program provides loan guarantees for Native American Housing Block Grant recipients, Indian tribes, and Tribally Designated Housing Entities who need additional

funds to engage in eligible affordable housing activities but are unable to borrow from other sources.

Urban Empowerment Zones

There are three rounds of Empowerment Zones/Enterprise Communities (EZ/ECs). The first two rounds combine tax incentives with direct funding for physical improvements and social services. The third round includes only tax incentives. Grants can be used for a broad range of activities that assist residents, businesses, and organizations. Eligible activities include workforce preparation and job creation efforts linked to welfare reform; neighborhood development; support for financing of capital projects; financing of projects in conjunction with the Section 108 loan guarantee program and other economic development projects; community policing; and health care.

Youthbuild

The Youthbuild program encourages at-risk youth to engage in remedial education, including leadership and skills training. Youthbuild serves 16- to 24-year-old high school dropouts. The program provides disadvantaged young adults with education and employment skills through rehabilitating and building housing for low-income and homeless people. This helps to expand the Nation's supply of affordable housing. The program includes both onsite construction work and offsite academic and job skills training. Youthbuild activities are also eligible activities under CDBG.

Funds are awarded on a competitive basis using the selection criteria in the statute along with other factors published by HUD in the regulations and the Notice of Funding Availability.

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