



2. Performance Information

Overview of Performance Information

Reporting on Progress Toward Achieving Strategic Goals

The second part of HUD's FY 2002 Performance and Accountability Report (PAR) focuses on the actual performance of program indicators/targets published in the Department's FY 2002 Annual Performance Plan (APP). Performance indicators are a short-term reflection of progress toward the Department's Strategic Goals and Objectives as outlined in the Department's six-year Strategic Plan. Annual reporting on performance against HUD's indicators and targets is required under the Government Performance and Results Act. Many of the significant performance results were initially discussed in the Management Discussion and Analysis section of this report.

A number of improvements have been made to the Performance Section in this year's PAR. The Performance Section's data discussion sections now provide more detailed accounts of both the quality and source of data for most performance indicators. The FY 2002 PAR also includes a newly added summary table at the beginning of each strategic goal section. The summary table illustrates, in a transparent way, whether or not each target has been substantially achieved.

Discussion of Performance Indicators

The performance indicators that are discussed in this section were, for the most part, originally published in the Final FY 2002 APP and submitted to Congress in March 2001. A select number of indicators and/or performance goals were subsequently modified in the Revised FY 2003 Annual Performance Plan, which was transmitted to Congress in April 2001. HUD revised the FY 2003 APP to reflect appropriations provided by Congress in the FY 2002 budget.

For each indicator, a background discussion is provided to explain the program being assessed, the measure used, the time period being reported, and the ongoing status of the indicator in the FY 2002 APP and the revised FY 2003 APP.

Results are provided for the majority of indicators. To prevent repetition, indicators that rely on data within intervals of two years or longer (as often occurs for those relying on the American Housing Survey) are not reported. The FY 2001 Performance and Accountability Report contains the most recent data available for these indicators.

As results are presented, a statement is included to indicate whether or not the performance goal has been achieved. An analysis is also provided to explain the results and outcomes including external factors as appropriate and feasible. The Department is continuing its efforts to enhance this analysis.

In instances where the Department failed to achieve a performance goal, a strategy for improvement is presented, including strategies for human capital improvement and information technology improvement, where applicable. Although similar strategies may be in place for programs that successfully achieved their goals, they are not presented because repeating these strategies would limit our ability to clearly and concisely present performance achievements.

Finally, as noted above, some indicators are supplemented with additional information about recent program evaluations and how HUD will use them to improve program management.

Reliability of Performance Data

The Department has made substantial advances in improving the completeness, accuracy and reliability of performance data. As a result, the reader can generally rely on the data reported here to assess the Department's achievements. An important part of data reliability is the extent to which limitations are disclosed. HUD has made substantial efforts to reveal limitations of completeness and accuracy in this report. Each performance indicator now includes a data discussion, where it is relevant. Additional information about data limitations, validation and verification is presented in HUD's Annual Performance Plan—in many cases, with greater detail each year. Nevertheless, as the summary of results discussed above suggests, data limitations, including lack of availability, continue to prevent comprehensive understanding of HUD's achievements for every program.

HUD can assess outcomes of a number of programs only in limited ways because of statutory provisions, potential reporting burdens and privacy concerns. The Community Development Block Grant program (CDBG) is a prime example. CDBG allows grantee discretion to conduct a broad variety of activities, and there is a necessary balance between assessing their impacts on final customers and creating reporting burdens for our partners. In such cases, the Department is consulting with partners and conducting research on ways to use available data more effectively, including data from external sources such as the Bureau of Census. In other cases, performance measures that use survey techniques are being developed. Some of these survey results are reported this year, and others are forthcoming.

External data also come with availability problems because the cost of data collection keeps survey-based data from being produced on an annual basis for the small areas or populations of interest to HUD. Timeliness is also a weakness of external data sources. This Performance and Accountability Report and the FY 2003 APP reflect the Department's continuing attempts to help the reader assess data reliability with greater confidence, including efforts to report statistical confidence intervals for measures that rely on sampling.

Data completeness is a problem for several program data systems. Household data submitted by public housing agencies were incomplete during FY 2002 because of a transition to a new information system. Although the Department has tried to use available data to its fullest effect, incomplete data creates the potential for bias in the reported results. Therefore, incomplete and preliminary data are identified, often with extensive footnotes.

Use of Evaluations to Improve Strategies

Performance indicators face inherent limitations because they often cannot address the issue of attribution. That is, performance measures can show results but may not be well suited for showing that the program rather than external factors caused the results. In areas where externalities are significant the most that can be done with performance measures is to plausibly attribute the outcome to the program by demonstrating a logical connection between the efforts and the results of HUD's activities.

To address the attribution problem, the Department also relies on program evaluations. Evaluations are studies that assess program impacts, sometimes by using control groups, random assignment, econometric modeling, and other methodologies to exclude the effects of external forces. The Department attempts to use evaluation resources effectively to learn about how programs work or fail.

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Evaluation results are used to improve the Department's strategies, programs and policies. For example, a major experimental evaluation conducted in the 1970s was used to develop the Section 8 tenant-based program, a major innovation compared to previous "bricks and mortar" approaches to affordable housing. As a result, the Housing Choice Voucher program now relies on the private market to house more families than public housing does. In a similar way, current program evaluations are used both to attribute results and to improve program strategies and operations. The recently completed "quality control" study of rent determination errors in HUD's housing programs has led the Department to undertake the Rental Housing Integrity Improvement Project to reduce the impact of rent errors and fraud within the Federal budget.

Indicators on the following pages are supplemented, when appropriate, with a discussion of relevant program evaluations that were completed during FY 2002 or soon thereafter. In some cases, the program evaluations are direct studies of the programs in question, and in other cases the discussions cover research that affects the performance measure. An appendix to this report systematically summarizes FY 2002 research efforts and findings.

Strategic Goal I: Increase the Availability of Decent, Safe, and Affordable Housing in American Communities

Strategic Objectives:

1.1 Homeownership is increased.

1.2 Affordable rental housing is available for low-income households.

1.3 America's housing is safer, of higher quality and disaster resistant.

Performance Report Card – Goal I

Performance Indicators	1999	2000	2001	2002	2002 Target	Substantially Met	Notes
I.1.1 The overall homeownership rate	67.0%	67.7%	68.1%	68.0%	68.5%		c
I.1.2 Share of all homebuyers who are first-time homebuyers		40.1%		41.3%	41.1%	☐	e
I.1.3 Homeownership rate among households with incomes below median	51.4%	52.2%	52.6%	51.9%	53.1%		c
I.1.a Ginnie Mae securitization rate for FHA and VA loans	87.2%	86.2%	97.9%	87.5%	85.0%	☐	
I.1.b Share of FHA mortgage defaults resolved by loss mitigation	26.2%	34.1%	46.1%	49.7%	48.1%	☐	
I.1.c The FHA MMI capital reserve ratio	3.66%	3.51%	3.75%	4.52%	2.00%	☐	
I.1.d The net recovery of FHA REO sales		61.5%	65.5%	70.5%	66.5%	☐	
I.1.e Number of FHA single-family endorsements (thousands)	1,291	921	1,067	1,288			b
I.1.f Share of FHA mortgages going to first-time homebuyers	81.1%	81.6%	79.8%	78.0%	82.0%		
I.1.g (a) Fannie Mae meets HUD-defined targets for low- and moderate-income mortgage purchases	44.1%	45.9%	49.5%	51.5%	50.0%	☐	d
I.1.g (b) Freddie Mac meets HUD-defined targets for low- and moderate-income mortgage purchases	42.9%	46.1%	49.9%	53.2%	50.0%	☐	d
I.1.h Estimated number of homeowners assisted with HOME							See 1.2.d
I.1.i Number of homeowners assisted with SHOP							See 1.2.d
I.1.j Number of new homebuyers assisted with the homeownership downpayment assistance initiative					10,000		Program Not Funded
I.1.4 Homeownership rate in central cities	50.5%	51.9%	52.3%	52.2%	52.8%		c
I.1.k (a) Fannie Mae meets special affordable targets							See 2.3.c
I.1.k (b) Freddie Mac meets special affordable targets							See 2.3.c
I.1.l Number of minority homebuyers among FHA mortgage endorsements							See 2.3.a
I.1.m Percent of EZ and EC projects achieve local goals in promoting homeownership by residents	80%	81%	88%	76%	90%		
I.1.n Number of emerging technologies identified in PATH inventory			160	198	200	☐	
I.2.1.1 Number of worst case needs, families with children, households (1000s)		1,793		1,832	1,740		e

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Performance Indicators	1999	2000	2001	2002	2002 Target	Substantially Met	Notes
I.2.1.2	Number of worst case needs, elderly households, households (1000s)		1,028		1,184	1,000	e
I.2.1.3	Number of worst case needs, disabled households, households (1000s)		1,100		1,100	☐	e
I.2.2.1	National average voucher utilization rate (SEMAP utilization)		92.0%		94.0%	94.0%	☐
I.2.2.2	National average voucher utilization rate (unit utilization)				94.0%		
I.2.3	Share of renters in HOME rental projects who have extremely low incomes		42.0%	41.0%	41.8%		b
I.2.a	Among extremely-low-income renters, ratio of assisted to worst case needs or already assisted		44.7%		43.7%	45.2%	e
I.2.b.1	Number of families relocated for HOPE VI program				4,986	4,749	☐
I.2.b.2	Number of units demolished for HOPE VI program				8,787	11,550	
I.2.b.3	Number of HOPE VI new or rehabilitated units completed				6,583	5,485	☐
I.2.b.4	Number of HOPE VI units occupied				6,123	4,987	☐
I.2.c	Share of vouchers administered by housing agencies with low lease-up rates			42.8%	33.1%	32.8%	
I.2.d.1	Number of households receiving CDBG assistance.	158,280	182,700	172,445	187,380	183,031	☐
I.2.d.2	Number of households receiving HOME tenant-based assistance.	8,246	6,899	11,756	10,239	8,439	☐
I.2.d.3	Number of rental units for which HOME assistance is committed	25,114	33,487	27,456	27,243	27,779	☐
I.2.d.4	Number of new homebuyers for whom HOME assistance is committed	30,695	30,748	29,690	32,490	33,976	☐
I.2.d.5	Number of existing homeowners for whom HOME assistance is committed	13,952	14,731	12,566	14,082	15,444	
I.2.d.6	Sum of households for whom four types of HOME assistance is committed	78,007	95,865	81,468	84,054	85,568	☐
I.2.d.7	Number of households receiving HOPWA assistance.	41,670	43,902	72,117	91,065	68,000	☐
I.2.d.8	Number of homeowners assisted with SHOP	1,983	1,675	1,655	2,063	1,120	☐
I.2.d.9	Number of housing units constructed or rehabilitated with NAHBG				52,000	20,669	☐ g
I.2.e.1	Number of HOME rental units produced	18,806	29,309	20,453	19,076	20,341	
I.2.e.2	Number of HOME new homebuyers	25,008	34,126	24,757	23,241	27,048	
I.2.e.3	Number of HOME existing homeowners assisted	12,254	13,174	9,938	10,027	13,254	
I.2.e.4	Sum of households for whom three types of HOME assistance is committed	56,068	76,609	55,148	52,344	60,643	
I.2.f	Share of households living in HOME rental projects who are income-eligible and pay appropriate rents				95%	100%	☐
I.2.g	Share of units of public housing and Section 8 programs that are occupied by families with children, elderly, and persons with disabilities						b, g
I.2.5 (a)	Ratio of units affordable to extremely-low income families (units per 100 households)		78		77	80	e
I.2.5 (b)	Ratio of units affordable and available to very-low income families (units per 100 households)		78		76	80	e
I.2.i (a)	Fannie Mae meets special affordable multifamily targets (billion \$)	3.53	4.06	3.79	7.36	2.85	☐ d
I.2.i (b)	Freddie Mac meet special affordable multifamily targets (billion \$)	2.69	2.26	2.40	4.65	2.11	☐ d

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	Performance Indicators	1999	2000	2001	2002	2002 Target	Substantially Met	Notes
I.2.j	Share of FHA multifamily mortgages securitized by Ginnie Mae	98%	100%	100%	100%	80%	☐	
I.2.k	The volume of Ginnie Mae credit enhancements on REMIC securities (\$ billions)	49.7	41.9	67.4	122.9	50.7	☐	
I.2.l	Number of FHA multifamily mortgage endorsements		574	758	1,105	800	☐	
I.2.m	Share of units in new multifamily developments that use LIHTC				8.3%			b
I.2.n	Number of multifamily properties with rent reductions under Mark-to-Market		517	625	510	750		
I.2.p	Share of Consolidated Planning jurisdictions that include housing authority representatives					90.0%		a
I.2.q.1	Percentage of EZ/EC projects achieving goals for new affordable units	93%	91%	88%	79%	90.0%		
I.2.q.2	Percentage of EZ/EC projects achieving goals for rehabilitated affordable units	71%	88%	86%	76%	85.0%		
I.3.1.1	Share of very-low-income homeowners in units with physical problems (percent of units)		8.10%		7.40%	7.80%	☐	e
I.3.1.2	Share of very-low-income renters in units with mod/sev physical problems (percent of units)		14.80%		13.90%	13.80%	☐	e
I.3.2	Share of units with low-income households containing threats to health and safety (percent of units)		5.8%		4.9%	5.6%	☐	e
I.3.a	Estimated number of households assisted with CDBG, HOME, HOPWA, NAHASDA							See I.2.d
I.3.3.1	Share of public housing units meeting HUD-established standards	62.5%	73.3%	82.4%	87.1%	85.4%	☐	f
I.3.3.2	Share of assisted multifamily units meeting HUD-established standards	77.3%	86.2%	92.1%	93.2%	95.1%		f
I.3.4.1	Number of life-threatening health and safety deficiencies observed per 100 public housing properties		22.2%	19.3%	16.0%	18.3%	☐	f
I.3.4.2	Number of life-threatening health and safety deficiencies observed per 100 assisted multifamily properties			16.4%	16.2%	15.8%		f
I.3.b.1	Number of units of public housing demolished		13,476	14,144	15,065	13,000	☐	
I.3.5	Number of units made lead safe	7,471	7,969	8,212	8,040	7,200	☐	
I.3.6	Number of children under age of six who have elevated blood lead in 2004							a,b,f
I.3.e.1	Number of agreements operational under Healthy Homes Initiative		8	20	35	21	☐	
I.3.e.2	Number of agreements awarded under Healthy Homes Initiative			14	5	4	☐	
I.3.7	The rate of death in residential fires (deaths per 100,000 persons)	1.07	1.06	1.21	1.09			b,e,g
I.3.f.1	Share of public housing units with smoke detectors	86.5%	87.7%	89.8%	91.4%	91.0%	☐	f
I.3.f.2	Share of multifamily projects that comply with fire safety standards		90.1%	91.5%	92.4%	92.2%	☐	f

(Values represent fiscal year data unless otherwise noted.)

a – Data not available.

b – No performance goal for this fiscal year.

c – Third quarter of calendar year (last quarter of fiscal year; not the entire fiscal year).

d – Calendar year ending in the current fiscal year.

e – Calendar year ending the previous fiscal year.

f – Other reporting period.

g – Result too complex to summarize. See indicator.

Objective 1.1: Homeownership is increased.

Outcome Indicator 1.1.1:

The overall homeownership rate increases from 67.7 percent in 2000 to 68.5 percent in 2002.

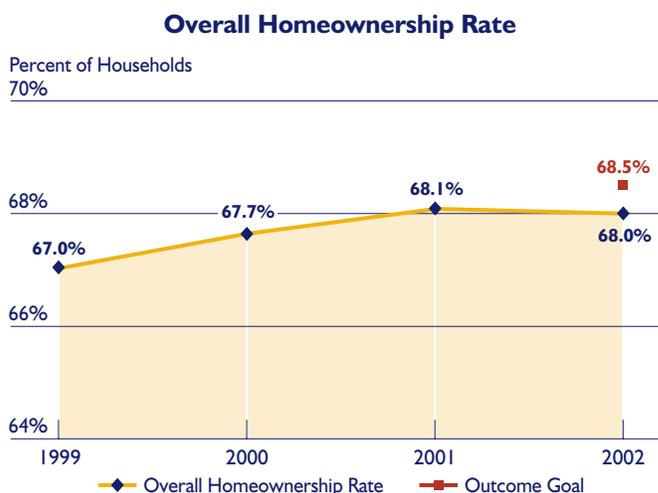
Background. The overall homeownership rate indicates the share of the Nation’s households that have achieved the “American dream” of homeownership. The homeownership rate has reached record levels in recent years, but it can be resistant to increases above an undetermined level because homeownership is not practical or desirable for all households. Broad economic conditions including employment, incomes and interest rates will also impact homeownership rates. To reflect the limits of HUD span of control relative to the homeownership rate, this indicator was converted to a tracking indicator with no numeric goal beginning with FY 2003. While it will not be a specific HUD goal in the future, the rate will be tracked and presented in the context of HUD overall homeownership strategies.

Results and Analysis. The ambitious home-ownership goal was not met for FY 2002. During the third quarter of calendar year 2002, the home-ownership rate of 68.0 percent remained statistically indistinguishable from the record established in the third quarter of 2001. Nevertheless, the annual homeownership rate increased to a record high 67.9 percent in 2002, up 0.1 percentage points from the 2001 rate of 67.8 percent.

The pace of homeownership increases slowed slightly in FY 2002, yet reached a new quarterly high of 68.3 percent in the fourth quarter of 2002. The slowing gains can be attributed to declines in household income and employment due to the slowing economy. A related indicator—mortgage delinquency rates—helps to illustrate: the proportion of mortgages that are delinquent over 90 days increased from its record low of 0.56 percent in 2000 to 0.71 percent by the first quarter of 2002.

The estimated decrease of 0.1 percentage point in the third-quarter homeownership rate reflects proportionally more household formations by renters than by homeowners. The Nation gained about 2 million households between the third quarter of 2001 and the third quarter of 2002, but the number of homeowners and renters increased at approximately the same rate. In contrast, during the 1999-2001 period, the renter population actually shrank while the number of homeowners grew rapidly.

During FY 2002, low market interest rates continued to help many renters become new homebuyers, thereby keeping the homeownership rate stable as the number of households grew. The rate for 30-year conventional mortgages was 6.81 percent in the second quarter of 2002, compared with an average of 7.1 percent for the second quarter of 2001. These interest rates worked together with FHA single-family mortgage insurance programs during FY 2002 to maintain the high level of homeownership (see indicator 1.1.e). FHA mortgage insurance helps families who have little cash become homeowners because it has low down payment requirements, liberal income qualification guidelines and flexible credit standards. The vast majority of FHA endorsements for home purchases benefit first-time homebuyers (1.1.f). Communities have also used HOME block grants and SHOP competitive grants to promote homeownership (1.2.d).



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Data Discussion. This measure is based on averages of monthly Current Population Survey data for the third quarter (the last quarter of the fiscal year). The CPS data are free of limitations affecting the measure's reliability. Changes in estimated rates that exceed 0.47 percent are statistically significant with 90 percent confidence.

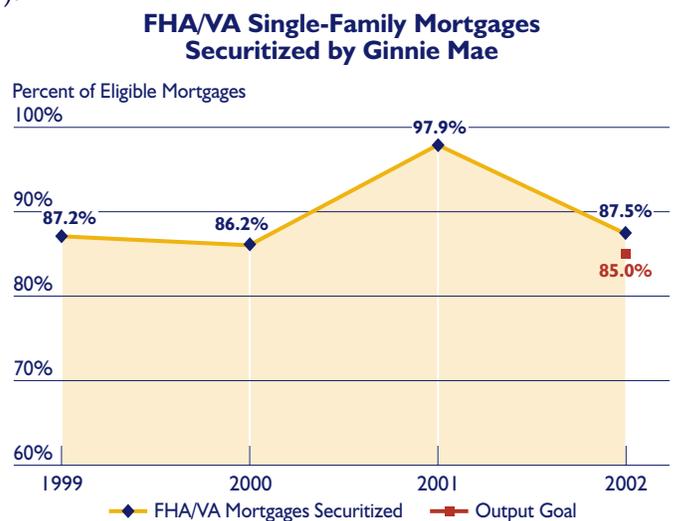
Programmatic Output Indicator 1.1.a:

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

Background. The Government National Mortgage Association (Ginnie Mae) is a wholly owned instrumentality of the United States government within HUD. Section 306(g) of the National Housing Act authorizes Ginnie Mae to facilitate the financing of residential mortgage loans insured or guaranteed by the Federal Housing Administration, the Department of Veterans Affairs, and the Rural Housing Service. Ginnie Mae's principal products are mortgage backed securities (MBS).

Results and Analysis. Ginnie Mae slightly exceeded the FY 2002 goal by securitizing 87.5 percent of single-family FHA and VA loans. Ginnie Mae achieved this rate because of the decrease in purchases of FHA/VA loans by the Federal Home Loan Banks (Banks). These Banks purchased less government loans because their regulator limited their government loan purchases to a percentage of their conventional loan purchases. The Banks also slowed their purchases to allow for strategic planning and program evaluation.

Data Discussion. The data source used was Ginnie Mae's database of FHA and VA loans.



Programmatic Output Indicator 1.1.b:

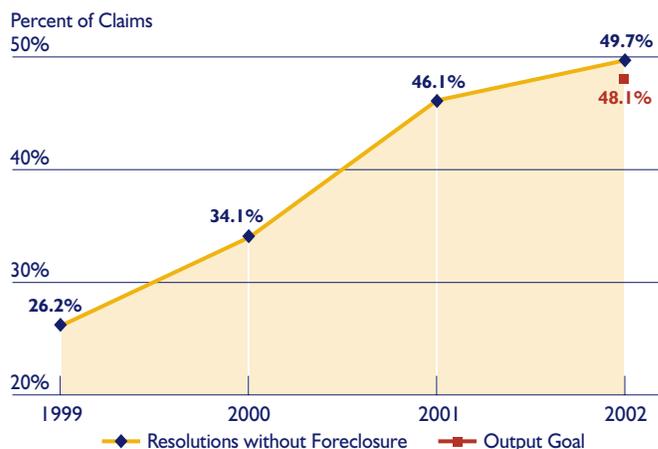
The share of FHA mortgage defaults resolved by loss mitigation alternatives to foreclosure increases by 2 percentage points to 38.1 percent.

Background. Servicers of FHA-insured loans are statutorily required to employ loss-mitigation techniques to try to avoid foreclosure claims against the FHA funds when borrowers default on insured mortgages. A borrower can resolve a default (90-day delinquency) in several ways short of foreclosure: 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, among others. 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 insurance losses, maintaining FHA financial integrity and enabling it to help more borrowers. For both reasons, greater use of loss mitigation helps maintain the overall homeownership rate. For FY 2003, the goal was established at 40 percent.

Results and Analysis. The ratio of non-foreclosure claims to total claims on FHA insurance as a result of loss mitigation rather than foreclosure increased substantially from 46.1 percent in FY 2001 to 49.7 percent in FY 2002. The increase of 3.6 percentage points substantially exceeded the goal of a 2.0 point increase.

Increased use of housing counseling for borrowers is a likely contributor to the high rate of loss mitigation tools used in FY 2002. The Department also took actions to ensure that loss mitigation was a major component of industry meetings held on regulations to motivate lenders to follow FHA's loss mitigation requirements. As a result of these steps, the use of loss mitigation tools has more than doubled in the past few years. There were 24,874 cases resolved through loss mitigation in FY 1999, 31,120 in FY 2000, and 50,385 in FY 2001. During FY 2002, 68,755 cases were resolved with loss mitigation tools, marking the first time that defaults resolved through loss mitigation exceeded the number of foreclosures in a fiscal year. FHA will continue to encourage lenders to use loss mitigation alternatives to foreclosure.

FHA Single-Family Mortgage Claims Resolved without Foreclosure



Data Discussion. Data used for this measure come from FHA A43-C data system, and are verified by FHA staff using quality assurance sampling methods.

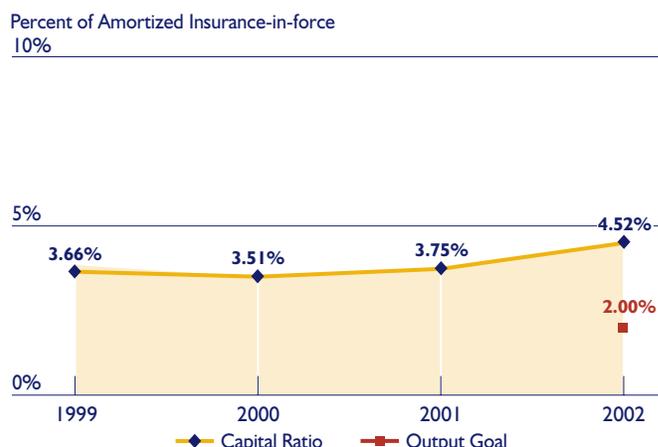
Programmatic Output Indicator I.I.c: The FHA Mutual Mortgage Insurance Fund meets congressionally mandated capital reserve targets.

Background. FHA's Mutual Mortgage Insurance Fund (MMIF) funds 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. The review 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 unamortized insurance-in-force. This measure is based on the current capital ratio determined by the independent actuarial review discussed above.

Results and Analysis. The MMI Fund's capital ratio was 4.52 percent for FY 2002. The ratio exceeded the FY 2001 result of 3.75 percent by 0.77 percentage points. The congressionally mandated goal of 2 percent was surpassed, as it has been since FY 1995. FHA was able to achieve this performance level through improvements in the management of its portfolio and insurance premiums, in personnel training, and in controls on data integrity.

Capital Ratio for FHA Mutual Mortgage Insurance Fund



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Data Discussion. The measure is determined through the annual actuarial review. The results are validated through the audit process.

**Programmatic Output Indicator 1.1.d:
The net recovery of FHA real estate owned sales increases
by 1 percentage point to 64.8 percent.**

Background. When defaulted FHA loans go to foreclosure and insurance claim, HUD acquires the property, which then becomes known as real estate owned (REO). Increasing the net recoveries on sales of REO properties will reduce FHA insurance claim losses and strengthen the financial position of the FHA insurance funds. The net recovery is a ratio defined as one minus the sales price net of expenses and acquisition cost, divided by the acquisition cost. To reduce FHA insurance claim losses associated with defaults, a goal was set to increase the net recovery rate by 1.0 percentage point in FY 2002.

Results and Analysis. To reduce FHA insurance claim losses associated with defaults, a goal was set to increase the net recovery rate by 1.0 percentage point in FY 2002. The fiscal year goal was surpassed with a recovery rate of over 70.5 percent, matching the all-time high in 1977. The actual average net recovery for FY 2002 was \$63,021, surpassing the figure of \$60,993 for FY 2001. FHA success in increasing the recovery rate for REO property sales is a result of improved Management and Marketing contractor performance. The Department is currently implementing a risk-based targeting project to support more strategic monitoring of the management of REO properties.

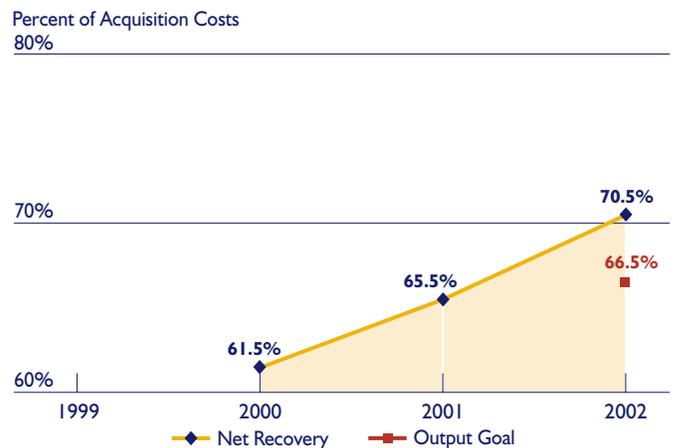
Data Discussion. Data are from FHA A43-C and A80S data systems, and are verified by FHA staff using quality assurance sampling methods.

**Outcome Indicator 1.1.2:
The share of all homebuyers who are first-time homebuyers increases
by 0.5 percentage point to 46.2 percent.**

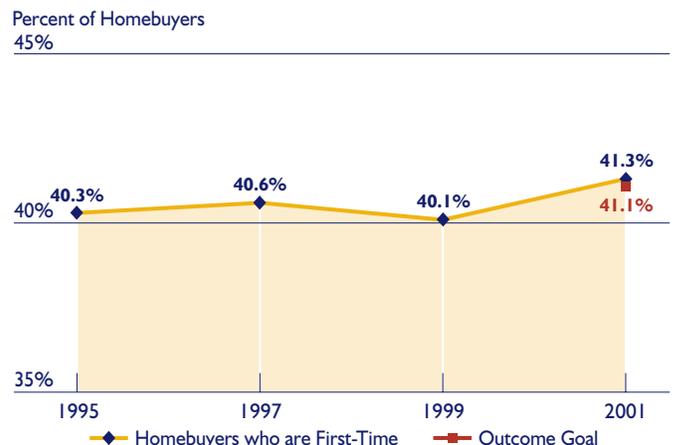
Background. Increasing the proportion of homebuyers who are purchasing a home for the first time is a key to higher homeownership rates. The FY 2003 APP establishes this measure as a tracking indicator with no numeric target. This change reflects the dominant impact of the macro-economy compared with HUD's limited span of control over the outcome.

Results and Analysis. The percentage of homebuyers who were first-time homebuyers increased to 41.3 percent in calendar 2001. The increase of 1.2 percentage points over two years exceeded the performance goal of a 0.5 point increase each year.

Net Recovery for Real Estate Owned Sales



Share of Homebuyers who are First-Time Homebuyers



The strong performance of this indicator reflects the influence of the strong economy that was coming to an end in 2001. Low mortgage interest rates and a period of sustained income growth put homeownership within reach of a number of renters. FHA mortgage insurance also makes homebuying feasible for numerous households each year who would otherwise be deemed uncreditworthy.

Data Discussion. This measure uses data from the biennial American Housing Survey (AHS). During 2002, HUD contractors completed a study that verified and validated the AHS for purposes of mortgage market and housing finance analysis. Researchers assessed the replicability, internal consistency and reliability of AHS estimates, and found the data generally reliable. Chicago Title data were used for this measure in previous years, but are no longer available.

Programmatic Output Monitor 1.1.e:
The number of FHA single-family mortgage insurance endorsements nationwide.

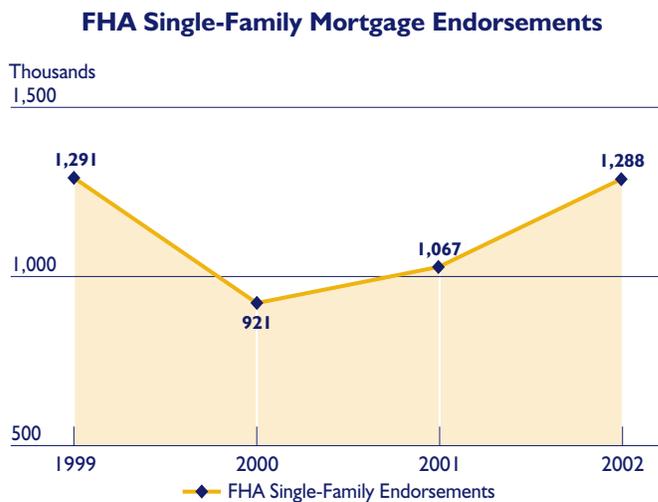
Background. FHA insures mortgages issued by private lenders, increasing access to mortgage capital so homeownership opportunities increase. FHA mortgage insurance helps families who have little cash become homeowners because it has low downpayment requirements, liberal income qualification guidelines and flexible credit standards. This indicator tracks FHA contribution to the homeownership rate through the annual number of FHA-insured loans. Because this measure is primarily driven by market conditions, the FY 2002 Annual Performance Plan has changed it to a tracking indicator with no performance target.¹

Results and Analysis. During FY 2002, the number of FHA single-family (SF) mortgage endorsements increased by nearly 21 percent to approximately 1.3 million (including re-financings). This figure compares with 1,066,464 total endorsements made in FY 2001.

FHA single-family mortgage insurance endorsements make a significant contribution to HUD’s overall effort to provide homeownership opportunities and to meet the President’s goal of adding 5.5 million minority homeowners by the end of the decade.

The volume almost matched the peak levels of activity recorded in FY 1999. Changes in household incomes and interest rates affect the demand for home purchase mortgages or refinanced mortgages, both of which count in this measure. Because FHA mortgage limits increase annually as home prices increase, more families are enabled to become homeowners than would otherwise be possible. FHA marketing and outreach initiatives coupled with its efforts to keep the Mutual Mortgage Insurance Fund in sound financial condition and the use of loss mitigation techniques to resolve mortgage defaults versus foreclosure (see Indicators 1.1.b and 1.1.c) also are critical to sustaining large numbers of new endorsements through diverse economic conditions.

Data Discussion. Data are from FHA A43 data system and are monitored by FHA staff using quality assurance sampling methods.

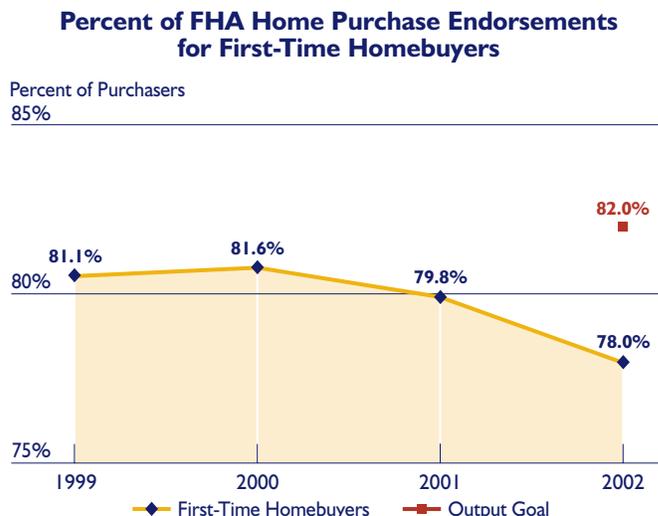


¹Beginning with FY 2002, HUD established a small number of “monitors” of certain outcomes and programmatic outputs. Like standard indicators, monitors measure and report results that the Department deems important for achieving strategic goals and objectives. Unlike other indicators, however, monitors will not have performance goals attached because the results are nearly entirely controlled by external factors or by the discretionary decisions of the Department’s partners.

Programmatic Output Indicator 1.1.f: The share of FHA-insured home-purchase mortgages for first-time homebuyers reaches 82 percent.

Background. FHA mortgage insurance is the major vehicle by which first-time, minority and low-income buyers are able to secure mortgage loans for the purchase of a home. HUD will help increase the overall homeownership rate and 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 refinance mortgages.

Results and Analysis. During FY 2002, 78.0 percent of FHA endorsements for home purchase mortgages were for first-time homebuyers. FHA endorsed 683,677 loans to first time homebuyers during FY 2002. This exceeds the number of SF endorsements made to first-time homebuyers during FY 2001 (643,748) and surpasses the FY 2002 Management Plan goal of 660,000 endorsements, although the targeted percentage share of home purchase mortgages for first-time homebuyers was not met. The reason for this is perhaps due to the number of non-first-time homebuyers receiving home purchase endorsements being greater than anticipated. This performance continues FHA's strong support of first time homebuyers. American Housing Survey data show that during the 1990s, FHA-insured loans comprised 14 percent of all home purchases, and 25 percent of purchases by first-time homebuyers. The same data show that "FHA's share of the first-time homebuyer market increased during the late 1990s, rising from an average of 23 percent in 1991-96 to 30 percent in 1997-99."²



To further improve the share of home-purchase mortgages made to first-time homebuyers, during FY 2002 the Department increased staff resources and efforts for appropriately targeted marketing. Activities such as homeownership fairs provided a non-threatening venue where renters with short-term or long-term home buying potential could gain understanding of the prerequisites, benefits and responsibilities of homeownership.

HUD is continuing to work with lenders in addressing the needs of the first-time homebuyer. The Department also is providing homeownership vouchers and supporting the use of CDBG and HOME block grants for homeownership activities. These programs interact with FHA single-family programs.

Data Discussion. FHA data are entered into FHA A43 data system by direct-endorsement lenders with monitoring by FHA.

²HUD Office of Policy Development and Research. U.S. Housing Market Conditions. Fall 2001. Available at www.huduser.org. The report notes that the American Housing Survey data include home purchases not financed with new mortgages, and that FHA market share would be higher if only home purchases that had mortgages were included.

Outcome Indicator 1.1.3:

The homeownership rate among households with incomes less than median family income increases by 0.5 percentage point to 53.2 percent.

Background. Homeownership is advantageous because it contributes 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. This indicator tracks national progress in increasing homeownership among households with incomes below the national median family income. To reflect the limits of HUD's span of control relative to this homeownership rate, this indicator was converted to a tracking indicator with no numeric goal beginning with FY 2003. While it will not be a specific HUD goal in the future, the rate will be tracked and presented in the context of HUD's overall homeownership strategies.

Results and Analysis. In 2002, the homeownership rate among households with incomes below the national median decreased by 0.7 percentage points to 51.9 percent. This rate is below HUD's goal, which sought a 0.5-point increase from 2001 levels.

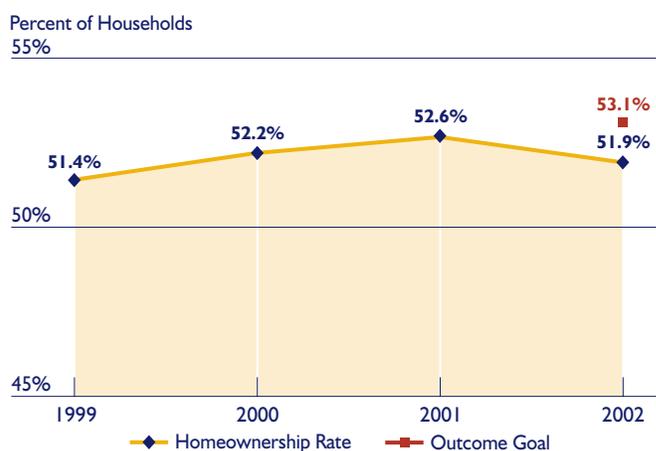
The results reversed a trend of significant homeownership gains among families with incomes below the national median. The increases through FY 2001 corresponded to real gains in median incomes. The 1.1 percentage point gain in homeownership between 1998 and 2000 is associated with a 2.7 percent increase in real median income, 1998 to 2000.³ However, between 2000 and 2001 median household income fell from \$43,162 to \$42,228 (in 2001 dollars), a decline of 2.2 percent in real terms (after adjusting for inflation).⁴

The reduction in the rate during FY 2002 reflects reduced incomes and economic uncertainties created by the recession. While the low mortgage interest rates during FY 2002 have been a mitigating factor against further reductions in the low- and moderate-income homeownership rate, many of these families receive little gain from the mortgage-interest tax deduction because their marginal tax rate is lower or because they do not itemize their deductions.

HUD will continue to promote higher homeownership rates among low-income households through improved partnering, marketing, and outreach in the single-family FHA programs. Over 70 percent of FHA-insured single-family mortgages in recent years have been to households with below median income. Homeownership vouchers and the proposed homeownership downpayment assistance initiative will play a growing role in contributing to low-income homeownership in the future. HUD block grant programs, CDBG and HOME, also provide homeownership assistance of various types, depending on local needs and preferences. Both of these programs are targeted primarily to groups with incomes below median.

Data Discussion. The measure uses Current Population Survey (CPS) data from the third quarter of the calendar year, corresponding to the end of HUD's fiscal year. The CPS data are free of limitations affecting the measure's reliability. Changes in estimated rates that exceed 0.71 percentage point are statistically significant with 90 percent confidence.

Homeownership Rate for Households with Income Less than Median Family Income



³U.S. Census Bureau, *Current Population Reports, P60-213. Money Income in the United States: 2000, Table C. September 2001.*

⁴Note that the median income rates are calculated on an annual basis; whereas the homeownership rates are third quarter rates corresponding to the end of the fiscal year. Incomes for 2001 include the first quarter of 2002, and reflect a significant decline.

2. PERFORMANCE INFORMATION

Programmatic Output Indicator 1.1.g:

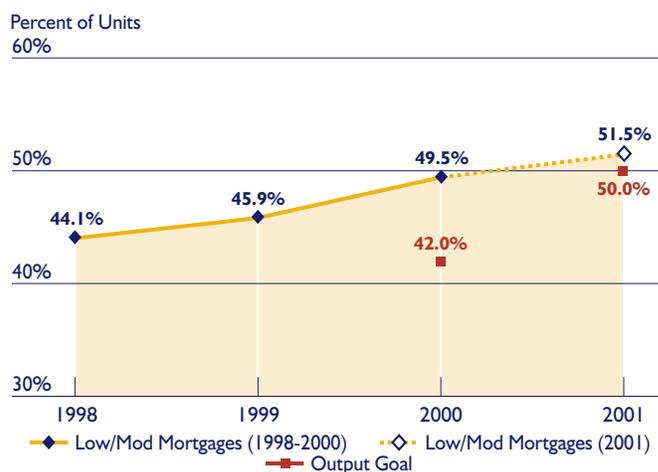
Fannie Mae and Freddie Mac meet or surpass HUD-defined targets for low- and moderate-income mortgage purchases.

Background. Congress mandated that, as Government-Sponsored Enterprises (GSEs), Fannie Mae and Freddie Mac must achieve a number of public purpose goals, one of which is to expand homeownership opportunities for persons of low and moderate income. To ensure that this public purpose is achieved, HUD regulations establish an annual performance standard—the Low- and Moderate-Income Goal—for mortgages purchased or guaranteed by the GSEs that serve low- and moderate-income families. These are families earning incomes at or below area medians. Beginning in 2001, HUD substantially increased the Low- and Moderate-Income Goal from 42 percent to 50 percent. HUD also implemented new scoring rules.

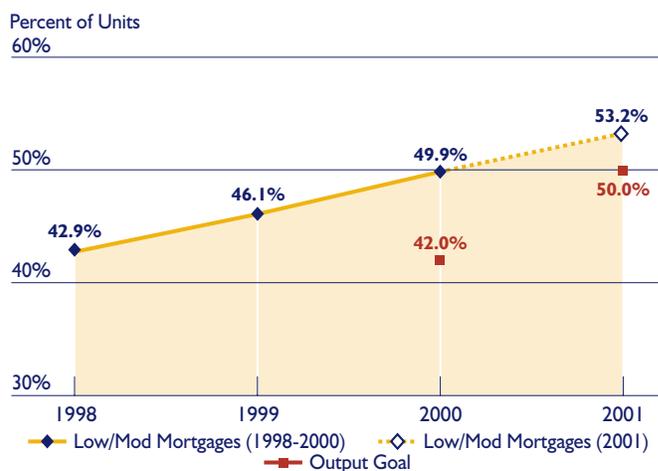
Results and Analysis. In calendar year 2001, both Fannie Mae and Freddie Mac surpassed HUD’s target of 50 percent. Fannie Mae achieved 51.5 percent and Freddie Mac achieved 53.2 percent, representing a combined 3.8 million dwelling units that qualified as low/mod purchases. These performance figures include bonus point incentives that each GSE can earn for acquiring loans serving specific underserved markets. For example, each GSE can earn double credit towards HUD-defined targets by purchasing loans secured by small, 5-50 unit multifamily properties and two-to-four unit owner-occupied properties. Incentives were designed to encourage purchases of mortgages that disproportionately serve lower income families. Congress also determined that Freddie Mac should receive a multifamily parity adjustment of 35 percent for purchasing mortgages that fund properties with more than 50 units. Although the GSEs may count both multifamily and single-family purchases towards the low/mod target, both GSEs achieve the bulk of their performance through the purchase of loans on single-family owner-occupied housing.

The new scoring rules made it possible for the GSEs to achieve the Low-and Moderate-Income target in 2001. Absent these changes, the GSEs’ performance actually decreased from their 2000 levels, with Fannie Mae’s performance falling from 49.5 percent to 47.7 percent and Freddie Mac’s falling from 49.9 percent to 47.2 percent.⁵

Fannie Mae Performance Relative to Low/Mod Target



Freddie Mac Performance Relative to Low/Mod Target



⁵In the accompanying graphs, the change from a solid line to a dotted line from 2000 to 2001, and the change in shapes from a solid diamond to a hollow diamond, reflect the changes in HUD scoring rules that became effective in 2001. The squares show the levels of the housing goals at different dates.

An analysis of the composition of units qualifying as low- and moderate-income purchases in 2001 shows that 1.6 million dwelling units, which equates to 70.2 percent of the units that qualified towards Fannie Mae's performance, served families earning 80 percent or less of area median income. Similarly, Freddie Mac purchased mortgages for 1.1 million low-income dwelling units, which equated to 70.2 percent of Freddie Mac's qualifying purchases serving this market. With regard to the minority composition of the GSEs' low- and moderate-income performance, 10.6 percent of single-family housing units that qualified towards Freddie Mac's performance served African-American and Hispanic borrowers, compared to 13.1 percent in 2000. This compares to 82 percent for white non-Hispanic borrowers, an increase from 80 percent in 2000. Fannie Mae's minority purchases increased somewhat in 2001, with 13.4 percent of single-family units qualifying as low- and moderate-income purchases serving African American and Hispanic borrowers, compared to 13.2 percent in 2000. Fannie Mae's purchases for white, non-Hispanic borrowers remained unchanged between 2000 and 2001 with 79 percent of purchases serving this market in both years.⁶

Data Discussion. This measure uses calendar-year data from HUD GSE database. There is a one-year reporting lag because the GSEs report to HUD in the year following the performance year.

Programmatic Output Indicator 1.1.h:

The number of homeowners who have been assisted with HOME is maximized (see table under 1.2.d).

Background. The HOME Investment Partnerships Program gives States and local communities flexibility to meet their housing needs in a variety of ways. Many participating jurisdictions choose to use their funds to promote homeownership, both by helping low- and moderate-income families to purchase their homes and by rehabilitating existing owner-occupied units, ensuring that existing homeowners do not lose their homes. In this way, the HOME program contributes to the Presidential initiative to expand homeownership opportunities for minorities and other under-served groups.

HOME also contributes to another HUD priority, reducing the number of households with worst-case housing needs (low-income households who pay more than half of their incomes for housing or who live in substandard housing), by increasing the number of families living in decent, safe, and affordable homes. This indicator measures the number of new or existing homeowner units for which funds have been committed in FY 2002.

Results and Analysis. During FY 2002, participating jurisdictions committed funds to 14,082 existing homeowner rehabilitation units and 32,490 new homebuyer units, for a total of 46,572 units. This total of new homebuyers represents 96 percent of the 2002 target of 33,976 units, thus substantially meeting the 2002 goal. These accomplishments also represent an increase over FY 2001 results by 12.1 percent (1,516 units) for existing homeowner rehabilitation units and by 9.4 percent (2,800 units) for new homebuyer units.

Participating jurisdictions committed a total of \$225,000,000 to existing homeowner rehabilitation units and \$407,000,000 to new homebuyer units during FY 2002. The per-unit HOME cost of producing a homeowner rehabilitation unit (\$15,556) or homebuyer unit (\$11,128) increased only modestly compared to FY 2001 by \$49 and \$203, respectively.

The rescission of \$50 million from the HOME Program appropriation that had been originally earmarked for the American Dream Downpayment Initiative (ADDI) and which was scheduled for reallocation to grantees following the inability to pass ADDI authorizing legislation affected accomplishments.

⁶Minority percentages are HUD estimates based on GSE loan purchase data, including HUD's adjustments for missing data.

2. PERFORMANCE INFORMATION

A major ongoing Integrated Disbursement and Information System (IDIS) data clean-up effort eliminated duplicate and inaccurately reported units, and may have affected accomplishments for this indicator.

During FY 2002, HUD continued to provide training and technical assistance, including web-based assistance, to participating jurisdictions to improve their HOME program performance. Six new advanced HOME training courses were rolled out including one focusing on productivity entitled *Measuring Up: A Practical Approach to Measuring Productivity and Performance*.

The accomplishment of this output indicator is affected by several external factors: the level of annual HOME appropriations, the number of new and relatively inexperienced participating jurisdictions entering the program, the choices that participating jurisdictions make among their competing housing needs, fiscal conditions affecting State and local government program staffing levels, and general economic conditions affecting the cost and availability of housing and the income levels of potential homebuyers.

Data Discussion. Data entered by participating jurisdictions in HUD Integrated Disbursement and Information System (IDIS) are used to track quarterly performance. Ongoing HUD-sponsored IDIS training and data clean-up efforts are used to consistently improve data quality and reliability. HUD has established a team of management, technical staff and contractors, under the working title of HOME ROCS! (Re-engineering our Computer System), to make improvements to IDIS beginning in FY 2003 and ultimately reduce the need for data cleanup. Screen designs and terminology are being simplified. More checks (edits) will be added to reduce errors. The report functions are being improved and a search feature added so that users easily find information on activities by grantee and by date range.

Programmatic Output Indicator 1.1.i:

The number of homeowners who have used sweat equity to earn assistance with Self-Help Homeownership Opportunities Program (SHOP) funding is maximized (see table under 1.2.d).

Background. This indicator tracks the number of housing units completed by national and regional nonprofit organizations and consortia receiving SHOP funds during the FY 2002 program year. The SHOP program cycle is a multi-year one; it may take a year or more from the time funds are committed to grantees until the time units are completed. Thus the program goal indicated here is targeted to the number of units completed by grantees during the fiscal year and is not tied to a specific year's SHOP grant.

SHOP funds are limited to an average investment of \$10,000 per unit for land acquisition and infrastructure improvements. Up to 20 percent of the grant may be used for administrative costs. Prospective homeowners perform construction-related work with volunteers. Future annual performance reports will continue to track the number of completed SHOP units.

Results and Analysis. During FY 2002, SHOP grantees completed 2,063 housing units, exceeding the program goal of 1,120 completed units by 84 percent. Another 2,936 SHOP units were under development at the close of the fiscal year. SHOP grantees in FY 2002 were Habitat for Humanity, the Housing Assistance Council, Northwest Regional Facilitators, ACORN Housing Corporation, and Wisconsin Association of Self-Help Executive Directors.

The accomplishment of this output indicator is affected by several external factors: the level of SHOP appropriations, the "pass-through" nature of program funds to local affiliates, the level of sophistication of local SHOP organizations in developing and managing self-help housing, and the varying skill levels of the homebuyers and volunteers who work on the construction of the homes. During FY 2002, HUD continued to provide technical assistance upon request to SHOP grantees to improve the efficiency and capacity of

the program which, taken together with the increasing experience of the grantees and their numerous affiliates with the SHOP program over the past several years, has led to the very positive production results in 2002.

The SHOP program is targeted to a low-income population with average incomes typically between 30 and 60 percent of area median income. Absent SHOP, few if any of these families could reasonably expect to become homeowners. SHOP directly supports HUD efforts to increase the National homeownership rate and contributes to the President’s goal of adding 5.5 million new minority homeowners by the end of the decade. Recognizing the targeting and success of the program, the President proposed a tripling of the funding in the FY 2003 budget, which was funded at 22 million in FY 2002.

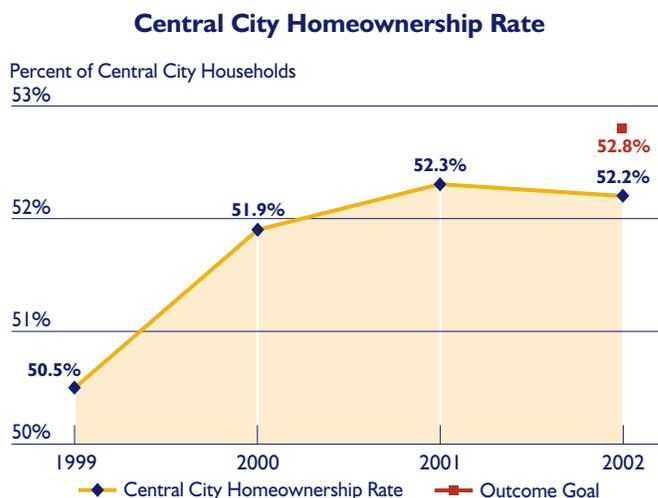
Data Discussion. Data reported to HUD by each grantee are used to track quarterly performance. New uniform reporting procedures are under development to ensure consistent and accurate reporting of SHOP accomplishments by grantees and affiliates. The use of standardized definitions for “units completed” and “under development” in reports beginning in 2003 may result in changes to currently reported accomplishments.

**Programmatic Output Indicator 1.1.j:
The homeownership down-payment assistance initiative will be fully implemented and assist 10,000 new homebuyers.**

Background. Funding was not provided for the homeownership downpayment assistance initiative in FY 2002 pending authorization. The FY 2003 budget requests \$200 million. This initiative will help remove the most significant obstacle to homeownership among lower income groups—that of obtaining the resources to meet upfront down payment and closing costs. In doing so, the initiative will provide an estimated 40,000 families each year with the opportunity to share in the American dream, and will contribute to the President’s and Secretary’s goal of adding 5.5 million additional minority homeowners by the end of the decade.

**Outcome Indicator 1.1.4:
The homeownership rate in central cities increases by 0.5 percentage point to 52.9 percent.**

Background. Central cities have below-average rates of homeownership, in part because of higher density development and multifamily rental housing, but also because of losses of middle-class families in past decades. Low levels of 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. This indicator tracks the progress in reestablishing central cities as desirable places for long-term individual investment. To reflect the limits of HUD span of control relative to the homeownership rates, this indicator was converted to a tracking indicator with no numeric goal beginning with FY 2003. While it will not be a specific HUD goal in the future, the rate will be tracked and presented in the context of HUD’s overall homeownership and urban development strategies.



2. PERFORMANCE INFORMATION

Results and Analysis. The homeownership rate in central cities was 52.2 percent in 2002, not significantly different from 52.3 percent a year earlier. The result fell short of the FY 2002 goal of a 0.5 percentage point increase to 52.8 percent.

A number of HUD programs contribute to homeownership in central cities. FHA insurance supports low- and moderate- income homeownership and assists proportionately more minority households, who are more likely to be central city residents. In addition, of households who receive HOME assistance, over one-third (or roughly 30,000 homebuyers annually) receive homebuyer assistance.

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.

Data Discussion. This measure uses averages of monthly data from the Current Population Survey for the third quarter of the calendar year, corresponding to the fiscal year end. The CPS data are free of limitations affecting the measure's reliability.

Programmatic Output Indicator I.I.k: Fannie Mae and Freddie Mac meet or surpass HUD-defined targets for special affordable mortgage purchases.

Background. This output indicator is included under this objective because of its influence on the overall homeownership rate. It is discussed in more detail under output indicator 2.3.c where it supports minority homeownership.

Programmatic Output Indicator I.I.l: The share of minority homebuyers among FHA home purchase endorsements increases by 1 percentage point to 43.8 percent.

Background. This output indicator is included under this objective because of its influence on the overall homeownership rate. It is discussed in more detail as indicator 2.3.a, where it supports minority homeownership.

Programmatic Output Indicator I.I.m: At least 90 percent of EZ and EC projects achieve local goals in promoting homeownership by residents.

Background. HUD has 79 communities reporting as Empowerment Zones (EZs) or Enterprise Communities (ECs) in FY 2002. HUD measures their performance in seven areas including residents receiving homeownership assistance. Data for this indicator represent the number of grantees that achieved at least 95 percent of their projected outputs divided by the total number of grantees with applicable completed projects. A more detailed discussion of this measure is included under Indicator 4.2.d.

Results and Analysis. In FY 2002, 76 percent of EZ and EC projects met goals with respect to residents that receive homeownership assistance. This level misses the target of 90 percent and is below FY 2001's revised actual of 88 percent. HUD has begun to employ a number of management strategies to help the communities become better at setting reachable goals; however, anecdotal evidence also suggest outside factors sometimes make it difficult for the communities to reach the projected target.

Programmatic Output Indicator 1.1.n: PATH increases to 200 the number of identified technologies for PATH's emerging technologies inventory.

Background. This indicator tracks the number of "emerging" technologies identified by the Partnership for Advancing Technology in Housing (PATH). PATH is a partnership between Federal agencies and private industry that was launched to develop and accelerate the diffusion of technology in the housing industry. The industry tends to adopt new technologies slowly because of liability issues, building codes, market fragmentation and lack of consumer awareness. Each PATH Technology has at least one attribute that contributes to achieving the PATH goals of affordability, energy efficiency, quality or durability, environmental performance, and safety of occupants or construction crews or disaster mitigation. For FY 2004, PATH will place greater emphasis on advancing the technologies that have already been identified beyond their emergent status.

Results and Analysis. During FY 2002, PATH increased the number of identified technologies⁷ to 198. The results fell slightly below the goal of 200 technologies, but the target was set at an approximate level and the slight discrepancy does not reflect materially on overall program performance.

By the end of FY 2001, PATH had identified 160 emerging technologies for the industry. The new total of 198 includes 165 technologies classified as emerging, plus 33 technologies that have "graduated" by advancing beyond 5 percent market penetration. PATH's online Technology Inventory increases awareness of emerging technologies and thus contributes to their successful advancement in the market. The highest priority items will proceed through an evaluation process.

Data Discussion. This measure is based on emerging technologies as recorded in technology inventory index files on PATH's website, www.toolbase.org. HUD is conducting research to develop a better understanding of the process of technological diffusion in the housing industry. The research was completed early in FY 2003. The findings will help PATH develop strategies to accelerate the adoption of cost-effective housing technologies.

Objective 1.2: Affordable rental housing is available for low-income households.

Outcome Indicator 1.2.1: The number of households with worst case housing needs decreases by 4 percent between 2001 and 2003 among families with children, the elderly, and persons with disabilities.

Background. This performance measure provides a central indication of whether HUD and the Nation are advancing or losing ground in the fight to ensure decent, safe and affordable housing for America's families. Because the elderly, disabled persons, and families with children are particularly susceptible to housing problems and targeted by HUD housing programs, they are the focus of this indicator. Worst case needs are defined as unassisted renters with very low incomes and a priority housing problem: either severely inadequate housing or, more commonly, housing costs exceeding 50 percent of monthly income. Data for calendar year 2003 are not yet available for reporting against the FY 2002 goal. However, the 2001 data are newly available to report against the FY 2001 goal, a 3 percent decrease in worst case needs for families with children and elderly households.

⁷Emerging technologies are defined as those with market share below 5 percent.

2. PERFORMANCE INFORMATION

Results and Analysis. Between 1997 and 1999, worst case housing needs declined substantially among families with children and elderly households, surpassing the FY 1999 goal. The most recent available data show that between 1999 and 2001, however, worst case housing needs increased among both groups, missing the FY 2001 goal of a 3 percent decrease.

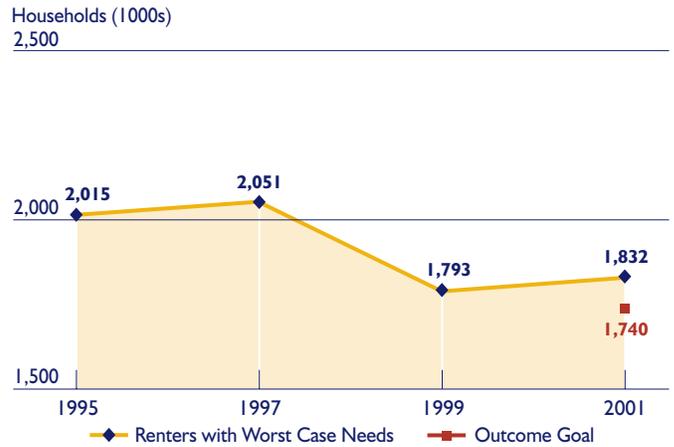
Among very-low-income families with children, the number of households with worst case needs rose slightly from 1999 levels to 1.83 million in 2001. This increase is not statistically significant.

Data Discussion. The calendar year data come from the American Housing Survey (AHS). A number of HUD performance indicators rely upon data from the American Housing Survey, conducted for HUD's Office of Policy Development and Research by the Bureau of Census. The national AHS is conducted biennially in odd years. Because of slight procedural changes in the 1999 AHS, the 1999 estimates shown are not directly comparable with the 1997 estimates. The 2001 data are comparable with the 1999 data, however.

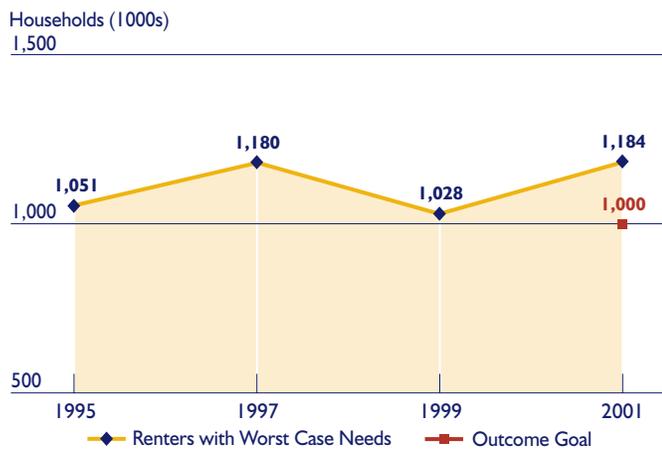
The number of elderly households with worst case needs rose to 1.18 million. This increase is statistically significant.

Among households containing adults with disabilities, worst case needs are estimated to remain at the level of 1.1 million calculated for 1999. Because these estimates are based on AHS data, further adjusted by comparison with Supplemental Security Income (SSI), they are subject to larger sampling error than the estimates for families with children and the elderly.

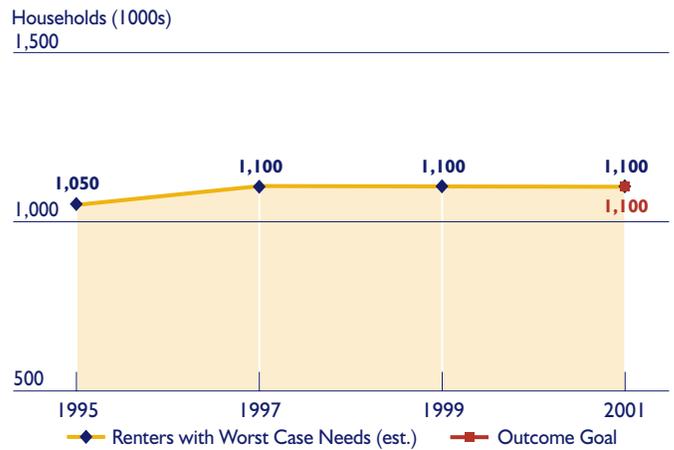
Worst Case Needs for Housing Assistance Among Families with Children



Worst Case Needs Among Elderly Households



Worst Case Needs Among Households with Disabilities



The increases in worst case needs reflect income losses attributable to the economic downturn combined with continued losses in the number of housing units affordable to these income groups. (Changes in the supply of affordable rental housing are discussed in more detail under indicator 1.2.5.) Many HUD programs, including public housing, Section 8, HOME and CDBG, provide affordable or assisted housing for very low-income renter households. Without these contributions to the affordable housing inventory, it is likely that the worst case needs for the household types measured in this indicator would have been higher in 2001.

Unreported FY 2001 Outcome Indicator:

The share of very-low-income renter households with worst case housing needs declines by at least 1 percentage point in at least five States between 1990 and 2000.

Background. This indicator relies upon data from the long-form Census 2000, which the Bureau of Census has not released in time for this report. This indicator was not carried forward in the FY 2002 APP because of the long reporting interval and the difficulty of attributing results to HUD programs.

Outcome Indicator 1.2.2:

The utilization of Housing Choice Vouchers increases by 2 percentage points from the FY 2000 level to 94 percent.

Background. 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. While most Housing Choice Vouchers are currently being used to assist low-income families, some PHAs are not fully utilizing all allocated funds. Increasing PHAs' utilization of voucher funds was a key HUD priority for FY 2002.

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 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.

In FY 2002, HUD implemented the Section 8 Management Assessment Program (SEMAP), which scores PHAs on their performance in managing Section 8 programs and heavily emphasizes voucher utilization rates. HUD also 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 caused and potential solutions for underutilization.

This measure tracks the extent to which Housing Choice Vouchers are being utilized by housing agencies through the unit utilization rate, defined as the sum of vouchers under lease divided by the sum of units under Annual Contributions Contracts with housing agencies—excluding vouchers awarded to each HA during its past fiscal year and vouchers issued in connection with litigation. The FY 2000 baseline was 92 percent utilization, as determined from the most recent year-end statements available for each PHA in HUDCAPS in February 2002, and counting only units that had been under contract for 12 months or more at the HA year-end.

Results and Analysis. For the PAR reporting period, FY 2002, utilization of housing choice vouchers was 94 percent. The SEMAP utilization score measures the greater of (1) units leased out of those awarded and contracted under an annual contributions contract or (2) dollars spent out of available budget authority. During the performance period, actual utilization of both units and budget authority increased, by 1 percentage point and 4 percentage points respectively.

2. PERFORMANCE INFORMATION

The assessment was based on actual financial data from public housing authorities (PHAs), for the PHA quarters ending 9/30/2001, 12/31/2001, 3/31/2002, and 6/30/2002. There were 70 PHAs that had not reported as of the end of the reporting period. For the purposes of a comparable assessment, the FY 2001 baseline included actual financial data from PHAs with fiscal years ending 9/30/2001, 12/31/2001, 3/31/2002, and 6/30/2002. The PHA fiscal year ends were selected because they contained the latest financial data available at the time of the PAR assessment, and provide information for a full year. The financial data required for this indicator cannot use the quarters relating to the federal fiscal year because the data available for the 9/30/2002 PHA quarter have not yet been submitted. PHAs are allowed 60 days after the close of their fiscal year to provide annual financial reports to HUD.

Increasing utilization of vouchers has been a high priority for PIH for the last several years. There have been numerous policy changes implemented that are contributing factors to goal accomplishment. Factors that have had the greatest impact are:

- Issuing SEMAP scores to all PHAs had an effect on utilization. A PHA with utilization of less than 95 percent cannot achieve “High Performer” status.
- Additional funding is only awarded to PHAs that have a 97 percent utilization rate. This serves as an incentive to high performing PHAs.
- HUD also published a new regulation that allows any PHA that is not in an area covered by a 50th percentile FMR to request HUD approval of higher “success rate payment standard amounts” based on the 50th percentile rent. (Certain PHAs with low voucher-holder success rates in leasing housing have been able to request approval for higher “success rate payment standards amounts” since December 2000.)
- The increase in the FY 2002 FMRs was almost double the amount of increase in recent years—on average 5.1 percent more than the previous year’s FMRs. These higher rents have increased the availability of affordable rental units.

Training and technical assistance on utilization are routinely conducted for PHAs when HUD staff are invited to attend industry group meetings and participate in panel discussions. These factors and others have contributed to a national increase in utilization, both lease-up and annual budget authority utilization. In 2001, HUD successfully assisted 1.7 million families, elderly, and disabled program participants. The number continues to rise as we receive more current data from PHAs. We are on target for meeting or exceeding the current year goal.

Data Discussion. HUD Central Accounting Program System (HUDCAPS). Fiscal periods used for this assessment are described in the results and analysis section. The data do not cover an entire federal fiscal year, but represent PHA quarters ending over two federal fiscal years. PHAs with a fiscal year ending on September 30, 2002, have not submitted financial reports as of the PAR reporting period.

PHA year-end financial data is entered into HUDCAPS and is reviewed by Financial Analysts for consistency and accuracy. All data receives a further review by the HUDCAPS approver. In addition, validation of the data is accomplished through quality control reviews that establish threshold standards. The data is routinely compared to the standard to identify anomalies or inconsistent data. All items determined to be outside of the threshold are verified again and corrected manually in HUDCAPS, where appropriate.

Outcome Monitor 1.2.3:

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

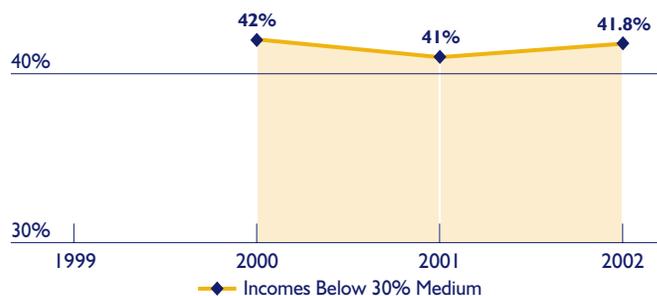
Background. The HOME Program contributes a sizable number of new affordable rental units to the housing stock each year. Regulations allow HOME-assisted rental developments to admit households with incomes up to 80 percent of area median, but 90 percent of residents must have incomes below 60 percent of median. HOME currently exceeds these statutory requirements.

Although HOME rental developments are not required to serve families with incomes below 30 percent of the area median, HUD believes it is important to track this usage, as such families have the greatest incidence of worst-case housing needs (defined as low-income households who pay more than half of their incomes for housing or who live in substandard housing). Because the number of such households served by HOME rental developments vary based upon the discretionary decisions of HUD grantees, HUD has not established a specific performance goal for this indicator. However, HUD is 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.

Results and Analysis. Based on cumulative IDIS (Integrated Disbursement and Information System) data since the beginning of the HOME Program in 1992, 41.8 percent of all households in HOME rental developments have had incomes below 30 percent of the area median (i.e., extremely low-income) at initial occupancy. This rate has stayed relatively stable since FY 2001, when the cumulative percentage of HOME-assisted rental households with incomes below 30 percent of area median was 41 percent.

Percentage of Households Admitted to HOME Rental Developments Who Have Extremely Low Incomes

Percent of Households Admitted to Date
50%



Data Discussion. The data system used for this indicator is the Integrated Disbursement and Information System (IDIS).

Programmatic Output Indicator 1.2.a:

Among extremely-low-income renters, the ratio of assisted households to households with worst case needs or already assisted increases to 45.7 percent by 2003.

Background. This indicator assesses the disparity between the number of households who qualify for Federal housing assistance and the number who are assisted. Although 2003 data are not available, the newly available 2001 data are being reported against the FY 2001 performance goal. In the FY 2003 APF, this measure has been converted to a tracking indicator, with no associated goal, because the reduction of worst case needs is controlled primarily by economic factors and Congressional appropriations for incremental housing assistance.

2. PERFORMANCE INFORMATION

Results and Analysis. The most recent available data show that in calendar year 2001, 43.7 percent of extremely-low-income renters who would otherwise have worst case needs received Federal housing assistance. This result fell short of the revised FY 2001 goal of 45.2 percent (published in the FY 2002 APP).

The ratio decreased because fewer households reported that they received rental assistance. This decrease in the assisted population may be related to multifamily property owners who have opted not to continue participating in the Section 8 program. The public housing program, Housing Choice Vouchers, and Section 8 project-based housing are the primary programs that support this indicator.

Data Discussion. This measure uses data from the biennial American Housing Survey. 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. Further research is being conducted to improve the survey instrument.

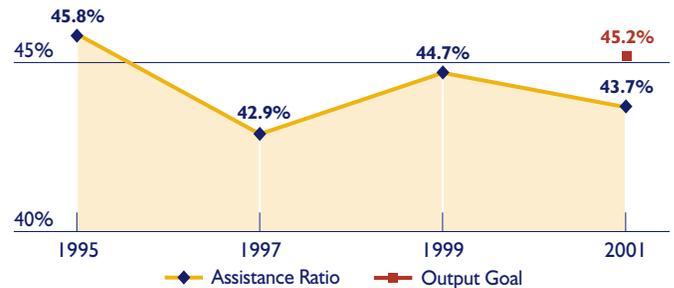
**Programmatic Output Indicator 1.2.b:
The HOPE VI Revitalization Development program for public housing relocates 4,749 families, demolishes 11,550 units, completes 5,485 new and rehabilitated units, and occupies 4,987 units.**

Background. This indicator tracks the implementation of HOPE VI redevelopment plans in terms of four key outputs: households relocated to permit redevelopment, units demolished, new and rehabilitated units completed, and units occupied. The goals reflect planned achievements based on HOPE VI plans submitted to HUD by PHAs. Incremental goals may change if cumulative goals are achieved earlier than expected.

Results and Analysis. In FY 2002, the HOPE VI Revitalization program for public housing exceeded its redevelopment plans in three of the four key outputs. Grantees relocated 4,986 families to permit redevelopment, 5 percent above the goal of 4,749 relocations. Completions of new or rehabilitated units totaled 6,583, exceeding the goal of 5,485 by 20 percent. Families occupied 6,123 units, 23 percent more than the goal. The HOPE VI program demolished 8,787 units, 76 percent of the goal of 11,550 units.

Ratio of Assisted ELI Renters to ELI Renters with Assistance or Worst Case Needs

Percent of Potential ELI Needs
50%



Cumulative HOPE VI Achievements	FY 2001 actual	FY 2002 actual
Households relocated	39,758	44,744
Units demolished	46,827	55,614
Units constructed	14,439	21,022
Units occupied	13,619	19,742

At the end of FY 2002, a cumulative total of 44,744 families had been relocated; 55,614 units had been demolished; 21,022 units (new and rehabilitated) had been completed; and 19,742 completed units had been occupied.

PERFORMANCE AND ACCOUNTABILITY REPORT

The HOPE VI program office is now emphasizing timeliness and accountability in the implementation of HOPE VI grants. The primary tools for achieving these objectives include vigilant management and monitoring of grants by grant managers, holding PHAs accountable to following their program schedule, extensive use of the Quarterly Progress Reporting System in the all aspects of the HOPE VI program, risk assessment of grantees, trainings and workshops for grantees, and a range of program and policy guidance. In those instances where grantees have difficulties managing their programs, the recapture of funds is a new option available to the Department.

Data Discussion. The data are submitted quarterly to HUD by housing authorities via PIH’s HOPE VI Quarterly Progress Reporting System. In addition to the grant management tools mentioned above, field staff verifies reports of redevelopment progress through site visits.

Programmatic Output Indicator 1.2.c:

By helping housing agencies issue rental vouchers in timely fashion, HUD decreases the share of the program administered by housing agencies with substandard lease-up rates by 10 percent.

Background. This indicator tracks the number of PHAs that have substandard lease-up (i.e., utilization) rates and the share of the program that they administer. The standard for substandard lease-up rates for this indicator is based on the Section 8 Management Assessment Program (SEMAP).

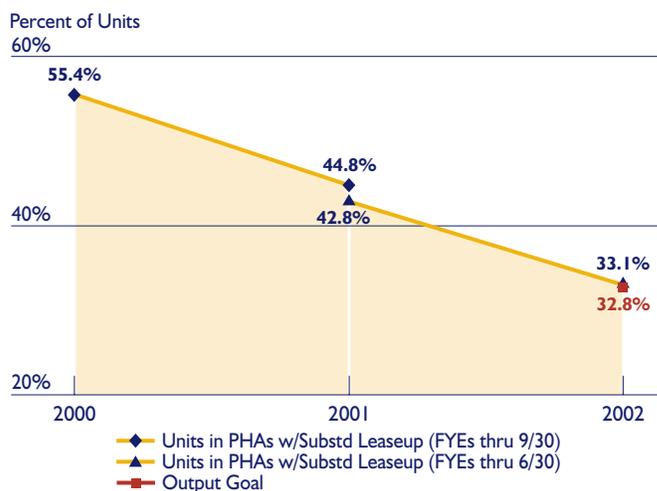
In accordance with the standards in SEMAP, “substandard lease-up” by a housing agency is identified with a two-pronged test of the “lease-up rate” and “budget authority utilization rate” are below 95 percent. Under an improved SEMAP definition for FY 2001 and future years, the lease-up rate is defined as the number of unit-months under Housing Assistance Payments contracts divided by the number of unit-months available for leasing—based on the number of reserved units for which HUD has obligated funding under Annual Contributions Contracts, and adjusted to exclude units associated with funding increments obligated during the last HA fiscal year as well as units obligated for litigation. The budget authority utilization rate is defined as the share of funds for vouchers authorized by HUD that are actually used by the PHA. This indicator focuses on the largest substandard performers by applying unit weights: the sum of reserved vouchers administered by HAs with substandard lease-up is divided by the sum of reserved vouchers program-wide.

In FY 2000, 703,700 Section 8 units, or 44.3 percent of the program, were managed by PHAs with substandard lease-up under the improved SEMAP definition. The FY 2002 goal was to reduce the share of units subject to substandard leaseup by 10 percent from the FY 2001 baseline.

Results and Analysis. In FY 2002, the share of vouchers under management by agencies with substandard leaseup decreased by 9.7 percentage points. The decline substantially met the goal of a 10 point reduction.

The number of PHAs with substandard utilization in the baseline year was 1,208 and 781,821 units (baseline period is identified above), representing 43 percent of the inventory managed by PHAs with

Percentage of Housing Choice Vouchers Managed by Housing Agencies with Substandard Leaseup



2. PERFORMANCE INFORMATION

substandard performance. The current year PHAs with substandard utilization were 879 and 639,380 units. This represented 33 percent of the inventory managed by PHAs with substandard performance. However, please note that the inventory increased by 104,000 vouchers during the PAR reporting period. A baseline of public housing authorities with financial information for the periods ending 9/30/2000, 12/31/2000, 3/31/2001 and 6/30/2001 was compared to current financial information from PHAs for the periods ending 9/30/2001, 12/31/2001, 3/31/2002 and 6/30/2002. This analysis demonstrated that the number of vouchers administered by PHAs with substandard utilization decreased by 18 percent from 2001 to 2002.

The PHA fiscal year-ends were selected because they contained the latest financial data available at the time of the PAR assessment, and provide information for a full year. The financial data required for this indicator cannot use the quarters relating to the federal fiscal year because the data available for the 9/30/2002 PHA quarter has not yet been submitted. PHAs are allowed 60 days after the close of their fiscal year to provide annual financial reports to HUD.

The information used in this comparison was based on a total count of 2,490 PHAs with 1,826,366 units under contract in the baseline period, and 2,510 PHAs with 1,930,654 units under contract in the current year.

Given the critical task of increasing lease-up in the housing choice voucher program, the Department implemented changes in program policy that resulted in noticeable improvement allowing PIH to exceed the goal. Policies and procedures governing the Section 8 Management Assessment Program have been useful. SEMAP provides for objective measurement of the performance of a public housing agency in key areas of the Section 8 tenant based assistance program, such as utilization. SEMAP enables HUD to ensure that program initiatives are met and increases accountability for PHAs by identifying management capabilities and deficiencies, and by improving risk assessment to effectively target monitoring and program assistance. PHAs can use the SEMAP performance analysis to assess their own program operations. The first SEMAP scores were issued in FY 2001 for PHAs with a fiscal year ended 12/31/2000. PHAs with years ending subsequent to 12/31/2000 have also been assessed and received SEMAP scores.

Other examples of program policies recently implemented to support increased utilization are:

- HUD has provided incentives for high performing PHAs by awarding fair-share incremental vouchers only to PHAs with utilization rates of 97 percent or above.
- HUD issues warning letters to substandard performers to advise them that, if their performance does not improve over two budget cycles, vouchers may be subject to reallocation. The issuance of these letters has had a tremendous impact on increased utilization among this group of PHAs. For example, in 2000 a housing authority in Iowa had a utilization rate of 76 percent. Two years after the warning letter was issued, the current utilization for the year ended June 30, 2002 is 96 percent.

Finally, HUD continues to identify techniques to resolve reasons for PHA inability to lease-up, through internal and external studies. A study conducted in FY 2002 looked at utilization in a sampling of market areas with more than one PHA to identify why some PHAs are more successful than others. The study is due to be published in FY 2003. The results of this study will address some underlying causes and provide recommendations to improve PHA performance.

Data Discussion. HUD Central Accounting Program System (HUDCAPS). Fiscal periods used for this assessment are described in the results and analysis section.

The data do not cover an entire federal fiscal year but consist of PHA quarters ending over two federal fiscal years. PHAs with a fiscal year ending on September 30, 2002 have not submitted financial reports as of the PAR reporting period.

PHA year-end financial data are entered into HUDCAPS and are reviewed by Financial Analysts for consistency and accuracy. All data receive a further review by the HUDCAPS approver. In addition, validation of the data is accomplished through quality control reviews that establish threshold standards. The data are routinely compared to the standard to identify anomalies or inconsistent data. All items determined to be outside of the threshold are verified again and corrected manually in HUDCAPS, where appropriate.

**Programmatic Output Indicator 1.2.d:
The number of households receiving housing assistance with
CDBG, HOME, HOPWA, and NAHASDA increases.**

Background. HUD can utilize a number of programs to assist in providing affordable housing. The HOME Investment Partnerships program is one of HUD's major affordable housing production programs. The HOME Program's block grant structure enables participating State and local governments to build or rehabilitate housing for rent or ownership, provide home purchase or rehabilitation financing assistance to existing homeowners and new homebuyers, and provide tenant-based rental assistance to assist low and moderate income households.

The Community Development Block Grant (CDBG) program is another tool, although housing assistance is only one of several eligible activities among which CDBG grantees may choose.

The Housing Opportunities for Persons With AIDS (HOPWA) program supports the goal of increasing the availability of decent, safe, and affordable housing in American communities by providing emergency, transitional, and permanent housing coupled with supportive services to low-income persons living with HIV/AIDS and their families. HOPWA used its funds to provide housing and related supportive services through short-term rent, mortgage or utility payments; transitional or short-term housing through rental assistance; and facility-based housing assistance. In FY 2002, 108 formula State and eligible metropolitan area grantees and 84 active competitive grants used HOPWA program funds to provide housing and related supportive services.

The Native American Housing Assistance and Self-Determination Act (NAHASDA) of 1996 (25 U.S.C. 4101 et seq.), as amended, established two separate housing assistance programs for American Indians and Alaska Natives. Title I of NAHASDA authorizes the Native American Housing Block Grant (NAHBG) Program, which is the focus of this output indicator. The other program, authorized by Title VI of NAHASDA, is the Tribal Housing Activities Loan Guarantee Program, which provides a Federal guarantee for the repayment of loans made to tribes for NAHASDA-eligible affordable housing activities. Although both programs support the goal of providing affordable housing assistance, only the number of households assisted with NAHBG funds is being tracked through this particular indicator. Under the NAHBG, in FY 2002 participating tribes or their tribally designated housing entities shared \$641 million in NAHBG funds allocated through a formula developed under Negotiated Rule Making.

2. PERFORMANCE INFORMATION

Households Assisted	FY 1999 act.	FY 2000 act.	FY 2001 act.	FY 2002 act.	FY 2002 goal
CDBG households	158,280	182,700	172,445	187,380	183,031
HOME tenant-based assistance	8,246	6,899	11,756	10,239	8,439
HOME rental units committed	25,114	33,487	27,456	27,243	27,799
HOME new homebuyers committed	30,695	30,748	29,690	32,490	33,976
HOME existing homeowners committed	13,952	14,731	12,566	14,082	15,444
HOME total households	78,007	85,865	81,468	84,054	85,658
HOPWA households	41,670	43,902	*72,117	**91,065	68,000
SHOP homeowners	1,983	1,675	1,655	2,063	1,120
NAHBG households	—	—	—	***52,000	20,669

*This number differs from the one in the FY 2001 PAR because HOPWA used a more accurate system (IDIS) to generate data.

**As of December 11, 2002.

***The 2002 actual is based on the 1998-2001 average and has been carried over to 2002. All 2002 Annual Performance Reports (APR) have not yet been submitted because many tribes have fiscal years that end at the calendar year. The FY 2002 actual base will be modified in March 2003 after all APRs are received. ONAP is establishing FY 2001 as a baseline for future projections and this baseline will be adjusted to reflect FY 2002 actual numbers.

Combined, all measures tracked by this indicator show the contribution of important HUD programs toward increasing the national homeownership rate and the number of minority homeowners, two key Presidential and Secretarial priorities. These programs also help reduce the number of households with worst-case housing needs (very-low-income households who pay more than half of their incomes for housing or who live in substandard housing).

Results and Analysis. During FY 2002, the total number of households receiving housing assistance through these programs was 364,260. CDBG, HOPWA, and SHOP exceeded their numeric goals. HOME substantially met its goal for total households assisted, with one component of this total (tenant-based rental assistance) exceeding 2002 projections and the three other components (rental units, homebuyer units, and existing homeowner units) falling slightly short of projections. Data were not available for the NAHASDA program.

CDBG. For FY 2002, the number of households receiving housing assistance with CDBG was 187,380 households, 2.4 percent greater than the FY 2002 projected goal of 183,031 assisted households. This FY 2002 accomplishment is also an 8.7 percent increase over the FY 2001 actual performance level of 172,445 units assisted.

Continued progress in this area is dependent on adequate funding for technical assistance and for improvements to the Integrated Disbursement and Information System (IDIS). Other external factors that may affect the level of accomplishments in the future are the level of CDBG annual appropriations, the choices grantees make among their community, housing and economic development needs, and the level of availability of other resources, notably local and state funds that are used in conjunction CDBG assisted housing.

HOME. In the HOME program, participating jurisdictions committed 84,054 new units of assisted housing for FY 2002, substantially meeting the 2002 goal by achieving 98 percent of the target of 85,658 units. The 2002 performance also represents an increase of 2,586 units, or over 3 percent, compared to FY 2001. Of the 2002 total, 27,243 units were rental housing, 32,490 units were homebuyer housing, 14,082 units were existing homeowner rehabilitation housing and 10,239 units were tenant-based rental assistance (TBRA). TBRA units exceeded the estimate by 1,800 units, while rental units, homebuyer units, and existing homeowner units were less than estimated. A major ongoing IDIS data clean-up effort eliminated duplicate and inaccurately reported units, and may have contributed to the small shortfall in overall accomplishments.

PERFORMANCE AND ACCOUNTABILITY REPORT

The blended per-unit HOME cost average of producing a rental, homebuyer or homeowner unit increased by \$334, or approximately 2 percent from the FY 2001 level. The rescission of \$50 million from the HOME Program appropriation that had been originally earmarked for the American Dream Downpayment Initiative (ADDI) and which was scheduled for reallocation to grantees following the inability to pass ADDI authorizing legislation impacted accomplishments (see Indicator 1.1.j).

During FY 2002, HUD continued to provide training and technical assistance, including web-based assistance, to participating jurisdictions to improve their HOME program performance. Six new advanced HOME training courses were rolled out including one focusing on productivity entitled *Measuring Up: A Practical Approach to Measuring Productivity and Performance*. HUD also issued monthly production reports, which were posted on the web, and aggressively followed-up with participating jurisdictions that were not meeting production goals—including deobligating funds from those that failed to meet the 24-month statutory commitment deadline. Participating jurisdictions committed \$1.4 billion in HOME funds to projects during FY 2002.

The accomplishment of this output indicator is affected by several external factors: the level of annual HOME appropriations, the number of new and relatively inexperienced participating jurisdictions entering the program, the choices that participating jurisdictions make among their competing housing needs, and general economic conditions affecting the cost and availability of housing and the income levels of potential homebuyers. For additional details on the HOME Program, see indicator 1.1.h.

HOPWA. A preliminary estimate based on FY 2002 financial data anticipates that the Housing Opportunities for Persons With AIDS (HOPWA) program supported 91,065⁸ units of housing, exceeding HUD's goal of 68,000 units by 34 percent. This compares with the comprehensive data for FY 2001 that shows that 72,117 households received housing assistance through both formula and competitive HOPWA programs that used the calculation of CAPER and APR reports. As the remaining HOPWA formula and competitive grantees submit accomplishment information to HUD, the office will update these report accomplishments. For the first time the HOPWA data are provided through the use of IDIS and reflect substantial progress in the accurate use of this system.

In FY 2002, HUD's financial system documented that HUD disbursed \$313.5 million to HOPWA grantees to support HIV/AIDS housing programs across the country. This compares to the \$240 million disbursed in FY 2001 and shows that the program continues to grow in its support of persons living with HIV/AIDS and their families.

NAHASDA. Based on the 1998-2001 average results, a preliminary estimate of 52,000 assisted households has been established as the FY 2002 result for the Native American Housing Block Grant program. (See the table footnote and the data discussion below.) The Office of Native American Programs provided extensive technical assistance, training, and on-site consultations to the Tribes during FY 2002.

SHOP. The SHOP program completed 2,063 properties in FY 2002, exceeding the goal of 1,120 units by 84 percent. Under SHOP, grant funds are combined with local funding and donated materials, and prospective low-income homeowners contribute "sweat equity" by performing 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 and supporting affiliates. For additional details on the SHOP Program, see indicator 1.1.i.

⁸The data will be validated by grantees.

2. PERFORMANCE INFORMATION

Data Discussion. Data for CDBG, HOME, and HOPWA are reported in the Integrated Disbursement and Information System. During FY 2002, the Department undertook a major data clean-up effort to improve the quality of data reported and eliminate duplicate or erroneous entries. Ongoing HUD-sponsored IDIS training and extensive follow-up with grantees to obtain corrections was part of the effort.

The HOME Program office has established a team of management, technical staff and contractors, under the working title of HOME ROCS! (**Re-engineering our Computer System**), to make improvements beginning in FY 2003 to IDIS and ultimately reduce the need for data cleanup. Screen designs and terminology are being simplified. More checks (edits) will be added to reduce errors. The report functions are being improved and a search feature added so that users easily find information on activities by grantee and by date range.

In the case of HOPWA, the reported accomplishments are based on annual reports from formula and competitive grantees, which are due to HUD 90 days after the close of the grantee's performance year. For the FY 2002 period, the grantees' reports received to date from IDIS for formula projects and from Annual Performance Reports (APR) for active competitive grantees demonstrate that 91,065 units of housing have been supported by HOPWA during FY 2002. It should be noted that the data are substantially complete but do not include all grantees. A number of grantees using IDIS will complete their reports within 90 days of the completion of their program year and 28 remaining competitive grantees will complete their APR in the coming months. A HOPWA technical assistance provider, CSC, Inc., is currently working with grantees to update and validate this information through the data clean-up process and expects to have complete and accurate accomplishment data scheduled for February 2003.

NAHASDA data are based on annual performance reports submitted by grantees corresponding to their respective Indian Housing Plans. The Public and Indian Housing Information Center (PIC) system captures this data. Because of technical difficulties, the PIC system was not available to the Office of Native American Programs during FY 2002. The office, in conjunction with ONAP field offices located in Chicago, Oklahoma City, Denver, Phoenix, Seattle, and Anchorage, is currently developing internal spreadsheets to collect the relevant information. ONAP plans on using this system for FY 2003 if the PIC system is not available.

Programmatic Output Indicator 1.2.e:

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

Background. States and localities receiving HOME Investment Partnership funds can promote affordable housing by funding rental or homeownership projects. Participating jurisdictions can use funds to provide downpayment and closing cost assistance to homebuyers, construct new homebuyer or rental units, and acquire or rehabilitate existing housing units. HOME runs on a multi-year program cycle; funds committed to participating jurisdictions in one fiscal year may not result in built or assisted housing units until a subsequent fiscal year. This indicator tracks the number of HOME-assisted units that have been completed and put into service in FY 2002.

HOME Units Completed	FY 1999 act.	FY 2000 act.	FY 2001 goal	FY 2001 act.	<i>FY 2002 goal</i>
HOME rental units produced	18,806	29,309	20,453	19,076	20,341
HOME new homebuyers	25,008	34,126	24,757	23,241	27,048
HOME existing homeowners	12,254	13,174	9,938	10,027	13,254
HOME total households assisted	56,068	76,609	55,148	52,344	60,643

PERFORMANCE AND ACCOUNTABILITY REPORT

Results and Analysis. During FY 2002, participating jurisdictions completed 52,344 HOME-assisted production units, 13.6 percent less than the goal of 60,643 units. Of this total, 19,076 units were rental housing, 23,241 units were homebuyer housing and 10,027 units were existing homeowner rehabilitation housing. The number of completed units fell short of the estimate in each category. The FY 2002 goals were clearly over-ambitious in light of the fact that HOME funding did not increase from FY 2001 levels, and the capacity of State and local governments to undertake and manage additional projects has not improved over the past several years. A major IDIS data clean-up effort eliminated duplicate and inaccurately reported units, and may also have contributed to the reduction in overall accomplishments.

The blended per-unit HOME cost average of producing a rental, homebuyer or homeowner unit increased by \$334, or approximately 2 percent, compared to FY 2001. Participating jurisdictions disbursed \$1,278,966,000 in HOME funds to projects during FY 2002.

During FY 2002, HUD continued to provide training and technical assistance, including web-based assistance, to participating jurisdictions to improve their HOME program performance. Six new advanced HOME training courses were rolled out including one focusing on productivity entitled *Measuring Up: A Practical Approach to Measuring Productivity and Performance*. HUD also issued monthly production reports, which were posted on the web, and aggressively followed-up with participating jurisdictions that were not meeting production goals. All participating jurisdictions have met the five-year expenditure deadline.

The accomplishment of this output indicator is affected by several external factors: the level of annual HOME appropriations, the number of new and relatively inexperienced participating jurisdictions entering the program, the choices that participating jurisdictions make among their competing housing needs, fiscal conditions affecting State and local government program staffing levels, and general economic conditions affecting the cost and availability of housing and the income levels of potential homebuyers.

Data Discussion. Data entered by participating jurisdictions in HUD Integrated Disbursement and Information System (IDIS) are used to track quarterly performance. Ongoing HUD-sponsored IDIS training and data clean-up efforts are used to consistently improve data quality and reliability. HUD has established a team of management, technical staff, and contractors under the working title of HOME ROCS! (Re-engineering our Computer System) to make improvements beginning in FY 2003 to IDIS and ultimately reduce the need for data cleanup. Screen designs and terminology are being simplified. More checks (edits) will be added to reduce errors. The report functions are being improved and a search feature added so that users easily find information on activities by grantee and by date range.

Programmatic Output Indicator 1.2.f: All households living in HOME-assisted rental units will be income eligible and pay appropriate rent.

Background. HOME requires that rental housing be occupied by income-eligible tenants at affordable rents for a period of five to twenty years after completion, depending on the type and amount of HOME assistance. The Office of Policy Development and Research awarded a contract for a baseline survey of HOME rental developments to determine compliance with HOME long-term affordability requirements. This study was completed in June 2001. Based on the results of this study, future performance plans will not track this programmatic output indicator. This data can only be extracted at project completion from HUD Integrated Disbursement and Information System (IDIS). Ongoing compliance is generally reviewed as part of HUD's on-site monitoring of a participating jurisdiction's HOME performance.

2. PERFORMANCE INFORMATION

Results and Analysis. The June 2001 study of HOME-assisted rental housing found that 95 percent of the units surveyed were in compliance with HOME rent requirements two or more years after completion. This result substantially meets the goal of complete eligibility. The study concluded that the few cases of non-compliance with HOME rent requirements were caused by misunderstandings about the HOME requirements. HUD will address these misunderstandings through technical assistance and training. A web-based training module on managing HOME-assisted rental developments to ensure program compliance is in development and additional sessions of our course on property and asset management are scheduled for nationwide delivery.

Data Discussion. A study of HOME-assisted rental housing was used for this indicator. See, HUD Office of Policy Development and Research, 2001. "Study of the Ongoing Affordability of HOME Program Rents." Available at www.huduser.org.

**Programmatic Output Monitor 1.2.g:
The share of units of public housing and Section 8 programs that are occupied by families with children, elderly, and persons with disabilities.**

Background. 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.

Results and Analysis. No goals are established for this indicator. The public housing and voucher programs continued to serve a sizable proportion of families with children. For the private project-based Section 8 program, in contrast, families with children are less than a third of households, while elderly households account for nearly half of households. Preferences for which families to admit are determined by housing providers, not by HUD.

Units in Program Occupied by Families of Various Attributes

	No Children			With Children		
	elderly	non-elderly disabled	non-elderly non-disabled	elderly	non-elderly disabled	non-elderly non-disabled
Public Housing	31.3%	14.9%	11.5%	1.5%	4.3%	36.5%
Housing Choice Vouchers	15.1%	16.7%	8.0%	1.0%	7.7%	51.5%
Project-based Section 8	48.5%	13.3%	8.1%	0.7%	2.3%	27.1%

The affordable rents paid under these programs in most cases keep assisted households from falling into worst case housing needs.

Data Discussion. Data about households served by public housing and vouchers 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). Data are believed to be reliable for this measure. The PIC reporting rate was only about 70 percent during this snapshot, but no household category varied more than 2.1 percentage points from a May 31, 2001 snapshot with nearly complete reporting. Both PIC and TRACS systems verify the accuracy of tenant data by performing automated checks on data ranges and internal consistency.

Outcome Indicator 1.2.5:

The ratio of units available and affordable to extremely- and very-low income families increases to 43 percent and 72 percent, respectively, in 2003.

Background. This indicator uses two of the best measures available to compare the relationship between supply of affordable housing and the demand for it. The 2003 American Housing Survey data needed to report against the FY 2002 goals are not yet available, but 2001 AHS data are newly available to report against the FY 2001 goals.

An extremely-low-income renter (ELIR) is one whose income is less than 30 percent of area median income (AMI). In 1999, there were 8.5 million extremely-low-income renters, but only 6.7 million units affordable to them (78 units per 100 renters). And because 3.1 million of these units were occupied by higher income renters, there were only 42 affordable and available units per 100 ELI renters, and 3.75 million ELI renters had worst-case housing needs. A very-low-income renter (VLIR) is one whose income is less than 50 percent of area median income. Much of HUD's rental assistance is targeted to ELI and VLI renters.

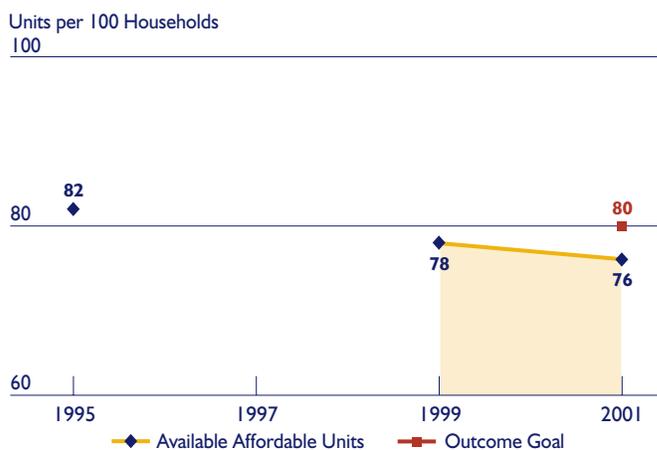
Results and Analysis. The latest available data show that in calendar year 2001, the number of affordable units decreased to 77 per 100 extremely-low-income households. The decrease of 1 unit fell short of the FY 2001 goal of a 2 unit increase. The results for very-low-income renters also missed the FY 2001 goal of a 2 unit increase, decreasing to 76 units affordable and available per 100 very-low-income renter households. (For both measures, the FY 2001 targets have been revised on the basis of the revised baselines shown, which are now based on HUD adjusted median income figures rather than on unadjusted median incomes.)

The values shown in the chart for extremely-low-income renters are simply affordable units, rather than the affordable *and available* units that will be used to report on the FY 2002 goal using 2003 data. By comparison, only 43 units were both affordable and available per 100 ELI renters in 2001, a slight improvement from 42 units in 1999, and on track to meet the FY 2002 goal. The corrected 2001 value shown for very-low-income renters (76 units per 100 households) makes the FY 2002 target of 72 units shown above ineffective and essentially moot.

Affordable Housing Units per 100 Extremely-Low-Income Households



Available Affordable Housing Units per 100 Very-Low-Income Households



2. PERFORMANCE INFORMATION

Unreported FY 2001 Outcome Indicator:

Ratios of affordable units to extremely-low-income households will be higher for at least six of the 30 States that in 1990 had absolute shortages of rental units affordable to extremely-low-income households.

Background. This indicator relies upon data from the long-form Census 2000, which the Bureau of Census has not released in time for this report. Because of the difficulty in attributing the results of this indicator to HUD programs, the indicator was not included in the FY 2002 Annual Performance Plan.

Unreported FY 2001 Outcome Indicator:

Ratios of affordable rental units to rental households will be higher for at least four of the 16 States that in 1990 had absolute or relative shortages of rental units affordable to very-low-income households.

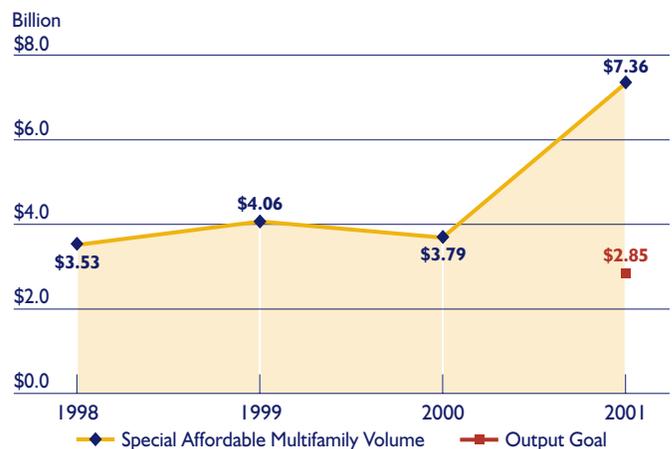
Background. This indicator relies upon data from the long-form Census 2000, which the Bureau of Census has not released in time for this report. Because of the difficulty in attributing the results of this indicator to HUD programs, the indicator was not included in the FY 2002 Annual Performance Plan.

Programmatic Output Indicator 1.2.i: Fannie Mae and Freddie Mac meet or surpass HUD-defined targets for special affordable multifamily mortgage purchases.

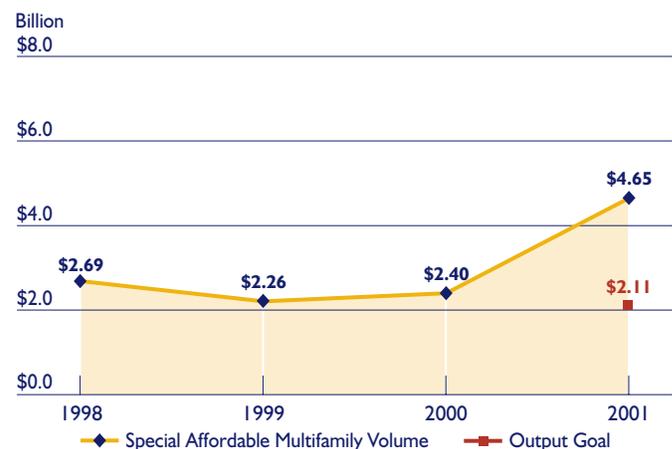
Background. This indicator tracks the performance of Fannie Mae and Freddie Mac (two housing Government-Sponsored Enterprises or "GSEs") in providing capital for special affordable multifamily housing. The GSEs purchase, guarantee, or acquire interests in multifamily mortgages secured by residential properties that contain at least five dwelling units. When a GSE acquires a multifamily mortgage, or an interest in such mortgages, it is entitled to count the dwelling units towards the calculation of the Special Affordable Multifamily target to the extent that the units meet HUD eligibility requirements. Qualifying multifamily mortgages are those that fund dwelling units affordable to families earning incomes less than or equal to 60 percent of the area median income, or that are affordable to families earning incomes which are less than or equal to 80 percent of the area median income and which are also located in low-income areas.

Results and Analysis. In calendar year 2001, Fannie Mae purchased \$7.36 billion of qualifying multifamily mortgages, far exceeding the goal of \$2.85 billion. Freddie Mac purchased \$4.65 billion; also well above its goal of \$2.11 billion.

Fannie Mae Performance Relative to Special Affordable Multifamily Target



Freddie Mac Performance Relative to Special Affordable Multifamily Target



PERFORMANCE AND ACCOUNTABILITY REPORT

HUD implemented new scoring rules in 2001 that included bonus point incentives for the acquisition of small (5-50 unit) multifamily properties that typically serve lower-income families. Although these bonus points are not applied to the dollar volumes both GSEs counted towards the Special Affordable Multifamily target in 2001, they did provide incentive for the GSEs to increase their purchases of small multifamily properties. Because qualifying multifamily loans counted towards other HUD-defined targets may also be counted towards the affordable multifamily target, these purchases contributed to the strong results achieved under the multifamily target in 2001. For example, Fannie Mae's acquisition of units in small multifamily properties that qualified under the special affordable multifamily target increased from 4,450 units in 2000 to 17,255 units in 2001. Units financed by Freddie Mac increased substantially during this period from 1,636 units in 2000 to 36,600 units in 2001.

Data Discussion. This measure uses calendar-year data from HUD GSE database. There is a one-year reporting lag because the GSEs report to HUD in the year following the performance year.

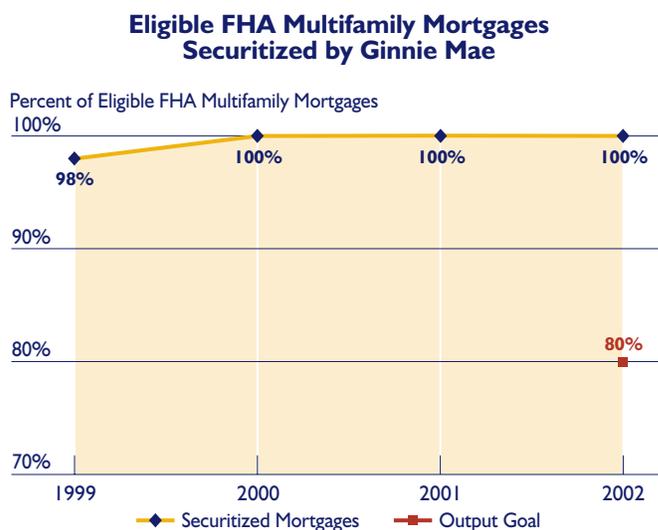
Programmatic Output Indicator 1.2.j:

Ginnie Mae securitizes at least 80 percent of eligible FHA multifamily mortgages.

Background. The Government National Mortgage Association (Ginnie Mae) is a wholly owned instrumentality of the United States government within HUD. Section 306(g) of the National Housing Act authorizes Ginnie Mae to facilitate the financing of residential mortgage loans insured or guaranteed by the Federal Housing Administration, the Department of Veterans Affairs, and the Rural Housing Service. For multifamily residential lending, Ginnie Mae uses two major programs, Mortgage-Backed Securities and Multiclass Securities.

Results and Analysis. Ginnie Mae surpassed its FY 2002 goal of 80 percent by securitizing 100 percent of eligible FHA multifamily mortgages. Ginnie Mae increased efficiency by streamlining requirements for the multifamily program. The multifamily portfolio steadily grew in both loan volume and remaining principal balance at an annualized rate of ten percent. The multifamily remaining principal increased to \$25 billion in FY 2002 from \$22 billion in FY 2001. Investors in multifamily securities used Ginnie Mae multifamily MBS programs because of the stability of insured government guaranteed loans over conventional loans. Additionally, low interest rates contributed to performance improvement in FY 2002.

Data Discussion. This measure is based on a Ginnie Mae database of multifamily loan securities compared with a FHA multifamily database with ineligible projects excluded. Ginnie Mae and FHA data are subject to audits.



2. PERFORMANCE INFORMATION

Programmatic Output Indicator 1.2.k:

Ginnie Mae credit enhancements on multi-class securities increase by 10 percent to \$50.7 billion in FY 2002.

Background. The Government National Mortgage Association (Ginnie Mae) is a wholly owned instrumentality of the United States government within HUD. Section 306(g) of the National Housing Act authorizes Ginnie Mae to facilitate the financing of residential mortgage loans insured or guaranteed by the Federal Housing Administration, the Department of Veterans Affairs, and the Rural Housing Service. Multi-class securities products include Real Estate Mortgage Conduits (REMICS) and Ginnie Mae Platinum Securities.

Results and Analysis. In FY 2002, Ginnie Mae increased the volume of multi-class securities to \$122.9 billion, exceeding the target by 65.9 percent, and resulting in an increase of 82 percent from FY 2001. Ginnie Mae capitalized on lower mortgage costs, increased volatility in the equity markets, and strong investor demand, which resulted in a record REMIC transaction volume 191 percent greater than FY 2001. Specifically, Ginnie Mae guaranteed 86 REMIC transactions totaling \$75.1 billion, up from 55 REMIC transactions totaling \$25.8 billion in FY 2001. The Ginnie Mae Platinum transactions increased 15 percent (\$6.2 billion) from FY 2001 to \$47.8 billion.

Data Discussion. This measure is based on the Offering Circular Supplement or a REMIC prospectus. The Platinum is based on the Ginnie Mae Integrated Pool Management System (IPMS).

Programmatic Output Indicator 1.2.l:

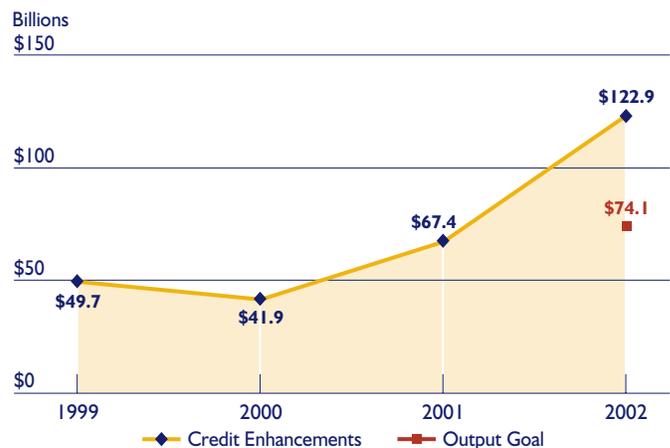
FHA endorses at least 800 multifamily mortgages.

Background. FHA multifamily mortgage insurance is vitally important to a number of higher risk segments in the housing industry, including small builders, buyers or owners of aging inner-city properties, and nonprofit sponsors. The Federal Housing Administration offers many unique and valuable products in the market and brings stability to the market. 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. The FY 2002 goal was 800 multifamily mortgage initial endorsements.

Results and Analysis. For FY 2002, FHA endorsed 1,105 FHA-insured loans, exceeding the performance goal by 38 percent. This compares with 758 loans in FY 2001 and nearly doubles the 574 loans made in FY 2000.

HUD's 51 Multifamily Hubs and Program Centers initially endorsed 1,048 loans equal to \$6,054,500,000, which financed about 140,000 housing units and beds in nursing homes and assisted living facilities. In addition, FHA shared the risk with state housing finance agencies for an additional 57 loans totaling \$437,500,000 and approximately 7,200 units.

Issuances of Ginnie Mae Credit Enhancements on Multi-Class Securities



PERFORMANCE AND ACCOUNTABILITY REPORT

The high level of FHA mortgage insurance in FY 2002 was due largely to low mortgage interest rates and the widespread use by lenders of Multifamily Accelerated Processing, abbreviated as MAP. MAP was introduced in the summer of 2000 as a national program, replacing a variety of “fast track” processing programs then used by the HUD field offices.

MAP places responsibility on the lenders for underwriting the loan and incorporates a HUD review of the lender’s work with a final approval by HUD. In FY 2002, the Department created a Lender Qualification and Monitoring Division. The Division has begun reviewing the underwriting and compliance with regulations by the lenders on MAP transactions in accordance with recommendations from the General Accounting Office. Warning letters and sanctions have been issued in several cases in FY 2002.

On three occasions in the last nine years, FHA was forced to temporarily shut down several of its popular construction programs because its appropriation for credit subsidy was exhausted. For FY 2002, FHA raised the mortgage insurance premium for its Section 221(d)(4) program to 80 basis points (eight tenths of one percent) in order to eliminate the requirement for credit subsidy for the program. For FY 2003, HUD examined the statistical techniques that were used to evaluate loan performance; updated and refined FHA data, considered FHA underwriting changes and incorporated the major tax law changes in the 1980s that affected the profitability of multifamily housing. As a result of the reanalysis of credit subsidy, the Department was able to make the Section 221(d)(4) program a self-sustaining program at a 57 basis point premium. The premium was reduced from 80 basis points to 57 basis points effective October 1, 2002.

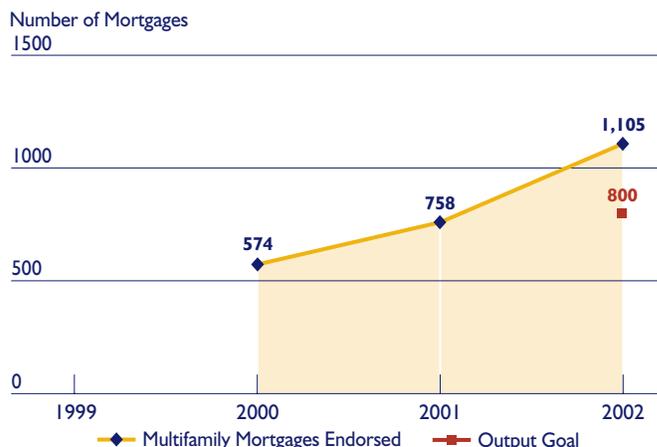
Programmatic Output Indicator 1.2.m:

Among multifamily developments newly insured by FHA the share of units that are combined with Low Income Housing Tax Credits increases by 1 percentage point from FY 2001 levels.

Background. This performance indicator provides a means of measuring changes from year to year in the share of newly insured FHA multifamily properties that are affordable to lower income households. Such affordability cannot be measured directly because FHA does not collect the tenant income data and rent data are not updated once these properties become operational. However, a good proxy for measuring year-to-year changes (though not the overall volume of affordable loans) is the share of FHA-insured properties that also utilize the LIHTC or its income and rent restrictions. Under the LIHTC, at least 20 percent of the units must be available to tenants with incomes below 50 percent of local median income or 40 percent of the units available to tenants below 60 percent of median income. Rents are capped at 30 percent of either 50 percent or 60 percent of median income. The indicator also provides a direct measure of the extent to which FHA multifamily insurance is used to help facilitate the development of properties with tax credits, which often involves complicated underwriting arrangements. In recent years, there has been increasing activity in the Section 542 Risk-Sharing program, under which Housing Finance Agencies underwrite FHA insured loans and share the risk with FHA. Properties insured under Section 542 must meet the income and rent restrictions of the LIHTC and, in most cases, also receive the LIHTC. Consequently, this measure includes both LIHTC and Risk-Sharing developments.

Results and Analysis. During FY 2002, multifamily developments newly insured by FHA and which were combined with Low Income Housing Tax Credits comprised 8.3 percent of the units endorsed in FY 2002.

FHA Multifamily Mortgage Endorsements



2. PERFORMANCE INFORMATION

This percentage represents 12,248 units endorsed with over \$679 million of insurance through new construction, rehabilitations, refinancing and risk-sharing (Sections 207, 220, 221(d)(3), 223(a)(7) and 542(c)). HUD did not develop FY 2001 data for this indicator nor will it carry this measure forward into FY 2003 due to the lack of tools the Department has for affecting the affordability of multifamily developments.

Programmatic Output Indicator 1.2.n:

Under the M2M program, HUD will reduce the rents and, where appropriate, complete a mortgage restructuring on 750 deals.

Background. Under the Mark-to-Market (M2M) program, 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. The M2M program seeks to preserve affordable housing stock by maintaining the long-term physical and financial integrity of such housing and to reduce the Section 8 rental assistance costs and the cost of FHA insurance claims. The FY 2002 goal of 750 projects completed/closed was established in the Revised FY 2002 APP. For FY 2003, the revised target is 470 projects completed/closed, reflecting the current pipeline and performance data. 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.

Results and Analysis. During FY 2002, OMHAR had initially projected 494 new referrals; however, only 315 properties, or 64 percent of the estimated new referrals, were actually received into the M2M program. OMHAR completed/closed 510 deals under the M2M program in FY 2002, which is 68 percent of its revised goal and is proportional to the revised lower number of projects actually referred into the program. Overall, an average of 42 deals were completed/closed and 26 new referrals were received per month. The rent reductions resulted in annual Section 8 savings (non-incurrence of cost) of \$40.7 million for FY 2002, \$44.3 million for FY 2001 and \$23.7 million for FY 2000. Furthermore, 84 percent of the receipts were requests for Full Debt Restructurings, which take approximately 12 months to close.

Number of Mark-to-Market Deals Completed



During the latter part of FY 2002, OMHAR increased its outreach efforts by undertaking an initiative to increase communication and coordination activities with its stakeholders. The initiative is focusing on HUD Hubs, Program Centers, and Project Managers to jointly develop strategies for the most efficient and effective use of OMHAR's tools. Additionally, we are meeting with Section 8 contract administrators, project owners, FHA lenders and other industry groups to update and educate them on the M2M program. Over the last quarter of FY 2002, OMHAR representatives met nationally with 16 of the 18 HUD hubs, 39 of the 54 HUD program centers, and hundreds of owners of affordable housing. The meetings have focused on the benefits of the M2M program to the respective audiences, and the effective use of the M2M restructuring tools in the preservation of affordable housing. The results have included better public understanding of the M2M program, and a resulting increase in project referrals to OMHAR for restructuring during FY 2003.

Data Discussion. This measure uses data from the M2M Management Information System (M2M MIS).

Programmatic Output Indicator 1.2.p:

Among Consolidated Plan jurisdictions with housing agencies, the share that have included housing agency representatives in consolidated planning efforts reaches 90 percent.

Background. This indicator tracks the share of Consolidated Plans that demonstrated that States or communities include officials from housing agencies in a decision-making role. Both States and cities are required to develop Consolidated Plans to assess needs and determine strategies for allocating HUD grants. Consolidated Plans must consider the full range of community needs to be valid guidelines, and the families served by housing agencies represent an important component of area needs.

Results and Analysis. Data for this indicator are not available for FY 2002 because Consolidated Plans are updated and submitted only every five years. The Office of Community Planning and Development has undertaken a review of the Consolidated Planning and Performance Reporting process to determine how it can be streamlined, made more results-oriented and useful to communities for assessing their own progress toward addressing the problems of low-income areas. Six working groups, including representatives from HUD field offices, grantees, and interest groups have been working to identify issues and design pilots for streamlining and performance measurement. The Department's website has posted this initiative and is soliciting public comment.

Programmatic Output Indicator 1.2.q:

The share of EZ and EC projects achieving local goals is 90 percent for new affordable housing activities and 85 percent for rehabilitated affordable housing.

Background. The Empowerment Zone/Enterprise Community (EZ/EC) program is an important tool for economic and community development in distressed communities. HUD designated 79 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 commitment to empowerment with accountability for its partners, because communities are assessed in terms of the performance relative to the benchmarks in their plans. Data for this indicator represent the number of grantees that achieved at least 95 percent of their projected outputs divided by the total number of grantees with completed affordable housing projects. The goals shown reflect the Revised FY 2002 APP. A more detailed discussion about this indicator is presented as Indicator 4.2.d.

Results and Analysis. In FY 2002, the share of EZs and ECs achieving local goals for new affordable housing activities was 79 percent, and the share that achieved local goals for rehabilitated affordable housing was 76 percent. As a result, HUD did not meet either goal. HUD has begun to employ a number of management strategies to help the communities become better at setting reachable goals; however, anecdotal evidence also suggest outside factors sometimes make it difficult for the communities to reach the projected target.

Objective 1.3: America's housing is safer, of higher quality and disaster-resistant.

Outcome Indicator 1.3.1:

The share of very-low-income households living in units with moderate or severe physical problems decreases to 6.6 percent for owners and to 12.3 percent for renters by 2003.

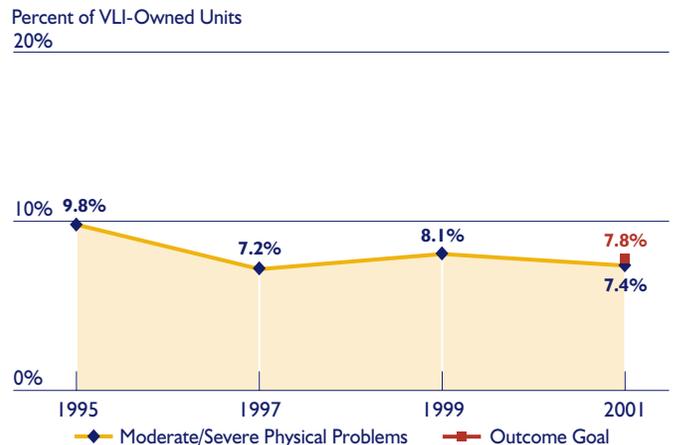
Background. This indicator tracks the quality of the Nation's housing stock as experienced by households with limited resources to deal with them. Data from 2003 are not available to report against goals shown above, but calendar 2001 data are now available to report against FY 2001 goals. This indicator is not carried forward to the FY 2003 Annual Performance Plan because of the difficulty of attributing results to HUD programs.

Results and Analysis. The latest available data show that in calendar 2001, 7.4 percent of very-low-income homeowners had moderate or severe physical deficiencies in their homes. This exceeded the FY 2001 goal of a 0.3 point decrease to 7.8 percent. Among very-low-income renters, 13.9 percent lived in deficient units, a reduction of 0.9 percentage points that fell slightly short of the FY 2001 goal of a 1.0 point decrease.

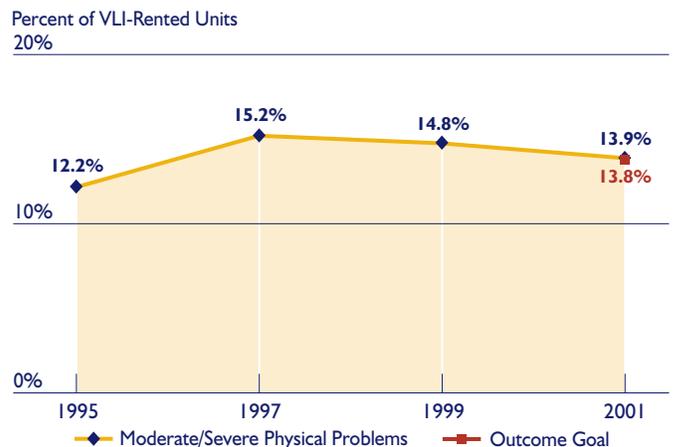
The reduction in housing problems reflects a variety of causes that include increases in household income among the very-low-income category. The numbers of owners and renters who had incomes below the very-low-income threshold declined by 133,000 and 195,000 between 1999 and 2001. HUD programs that address physical problems in housing include CDBG and HOME, each of which devote substantial resources to housing rehabilitation. Research conducted through the Partnership for Advancing Technology in Housing also focuses research on issues including housing durability.

Data Discussion. This measure uses data from the biennial American Housing Survey. The Bureau of Census has quality control procedures in place for the AHS, including re-interviews of small subsamples for quality assurance.

Very Low-Income Owners in Units with Moderate/Severe Physical Problems



Very Low-Income Renters in Units with Moderate/Severe Physical Problems



Outcome Indicator 1.3.2:

Among units occupied by low-income households, the share containing threats to health and safety decreases by 0.2 percentage points to 5.5 percent by 2003.

Background. This indicator measures the percentage of units occupied by families with incomes below 80 percent of area median income who live in units with one or more of four hazards: exposed wiring, unvented heaters used as the main source of heat, holes in the floors, or signs of rats. The measure uses data from the American Housing Survey. The 2003 data needed to report against the FY 2002 goal are not available. The 2001 AHS data have recently become available to report against the FY 2001 goal. Beginning in FY 2003, this indicator is not included in the Annual Performance Plan because of the difficulty of attributing results to HUD programs.

Results. The most recent available data show that during calendar years 2000 and 2001, the percentage of low-income households who lived in physically hazardous units decreased by 0.9 percentage points to 4.9 percent. This improvement substantially exceeded the FY 2001 goal of a 0.2 point decrease from calendar year 1999 levels.

An improvement of this magnitude represents about 400,000 households who no longer live with the four physical hazards measured by this indicator. HUD programs contributed substantively to this reduction, including housing rehabilitation funded through CDBG and HOME block grants (see Indicator 1.2.d). The marked improvements in public housing and HUD-assisted multifamily housing likely played a significant role. As measured (more broadly) by Indicator 1.3.3, the 1999-2001 gains in public housing represent about 250,000 units and the assisted multifamily improvements represent about 400,000 units. The relatively strong economy during the late 1990s also helped unassisted households and landlords pay for housing improvements.

Data Discussion. This measure uses data from the biennial American Housing Survey. The Bureau of Census has quality control procedures in place for the AHS, including re-interviews of small subsamples for quality assurance.

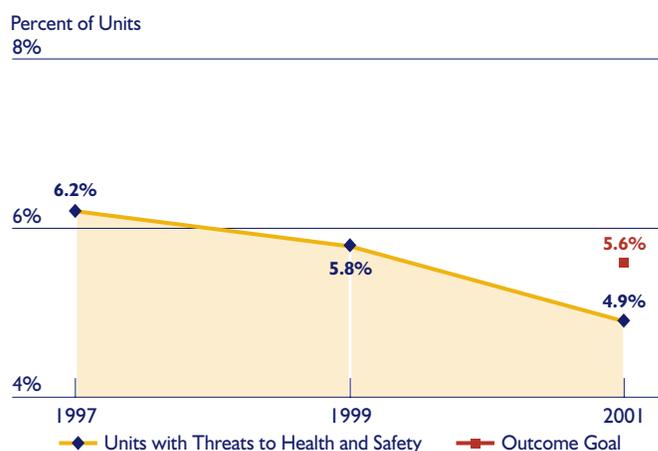
Programmatic Output Indicator 1.3.a:

The number of households receiving housing assistance with CDBG, HOME, HOPWA, and NAHASDA increases.

Background. This indicator is included under this objective because of its influence on housing safety and physical quality. It is discussed in more detail under Indicator 1.2.d, where it supports affordable rental housing.

Results and Analysis. For FY 2002, CDBG, HOME, and HOPWA met or substantially met their program goals. Data is not available for FY 2002 for the NAHASDA program. The number of households receiving housing assistance with CDBG was 187,390, 2.4 percent greater than the FY2002 goal of 183,031; the number of committed new units of assisted housing through the HOME program was 84,054, substantially meeting the 2002 goal by achieving 98 percent of the target of 85,658; and the number of households receiving housing assistance thorough HOPWA was 91,065, exceeding the FY2002 goal of 68,000 units by 33 percent.

Threats to Health and Safety Among Units Occupied by Low-Income Families



2. PERFORMANCE INFORMATION

Outcome Indicator 1.3.3:

The share of units that meet HUD-established physical standards increases by 3 percentage points to 73.9 percent of public housing units and 89.5 percent of assisted multifamily units.

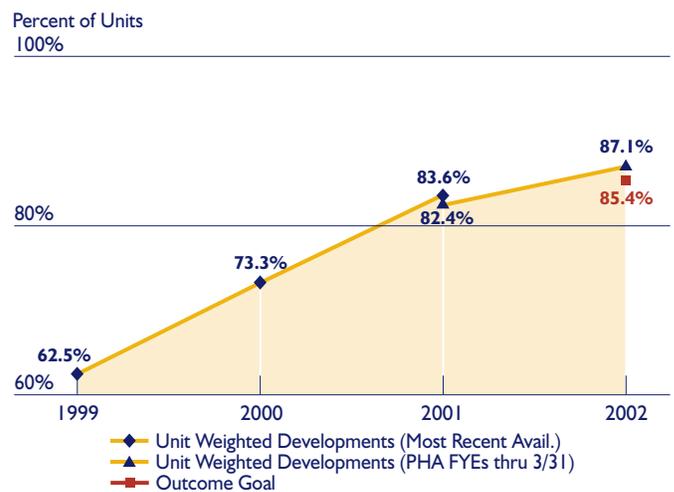
Background. Housing agencies are required to inspect and maintain public housing to ensure compliance with HUD-established standards, or with local codes if they are more stringent. Private owners of assisted housing also have a contractual obligation to meet physical standards. For FY 2003, the target has been set at a 1.5 percentage point increase in the proportion of units in each program that are located in properties with acceptable quality.

Results and Analysis. In FY 2002, both public housing properties and assisted multifamily properties continued the recent rapid improvements in physical quality. In public housing 87.1 percent of units were located in properties with acceptable physical quality. In multifamily housing, 93.2 percent of units were found to be in properties with acceptable quality. The performance goal of a 3 point increase was achieved for public housing, but the multifamily housing stock—which had less room for improvement—fell slightly short.

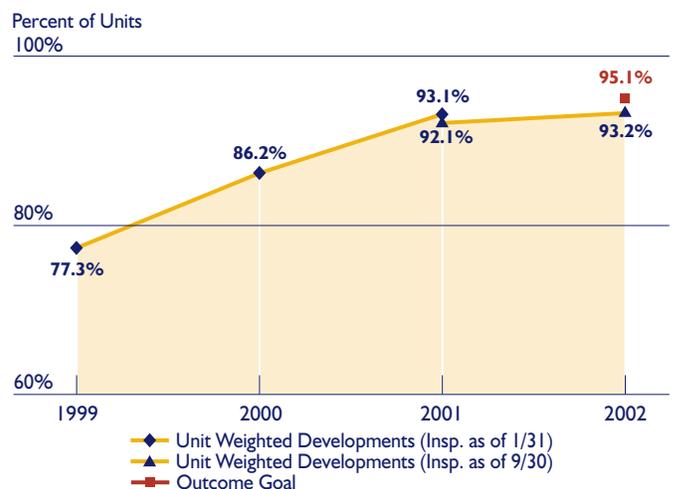
Along with the higher baseline, a methodological factor limited the apparent improvements for multifamily housing. The multifamily program is on a “3-2-1” inspection schedule, so that the higher-performing properties are not re-inspected every year like troubled properties, and their scores roll over from year to year. Public housing is on a “2-1” schedule. These results are discussed in detail under Objective 1.3 of the Management Discussion and Analysis section of this report.

Data Discussion. Data for this indicator are from REAC Physical Assessment Subsystem, and represent a substantial improvement in the availability and reliability of information about the public and assisted stock. Because OMB advanced the reporting schedule, public housing results for FY 2002 reflect inspections completed for properties in PHAs with fiscal years ending between 6/30/2001 and 3/31/2002. For private multifamily properties, results for FY 2002 reflect the most recent inspections available as of 9/30/2002. For both programs, a substantial percentage of properties did not receive a new inspection during FY 2002 so earlier scores were carried over. For both programs, revised FY 2001 baselines are shown for comparability. Previous trend lines for both public housing and private multifamily programs represent the most recent inspections available as of February 2001.

Share of Units Located in Public Housing Developments That Meet Physical Standards



Share of Units Located in Assisted Multifamily Developments That Meet Physical Standards



Outcome Indicator 1.3.4:

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.

Background. HUD Real Estate Assessment Center inspects the physical conditions of public and assisted housing and identifies life-threatening deficiencies such as exposed electrical wires, blocked exits and gas leaks. This indicator measures the proportion of unit-weighted properties with exigent health and safety or fire safety deficiencies—the most severe life-threatening deficiencies.

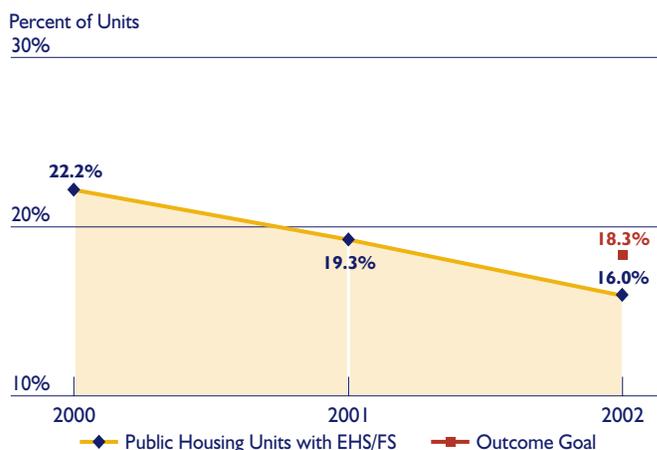
Results and Analysis. During FY 2002, the percentage of public housing units vulnerable to exigent deficiencies decreased by 3.3 percentage points to 16.0 percent, exceeding the goal of a 1.0 point improvement. The percentage of threatened multifamily units decreased slightly to 16.2 percent, missing the goal of a 0.6 point decline.

In FY 2002, 45.5 percent of public housing properties had exigent deficiencies, down from 48.1 percent a year earlier.

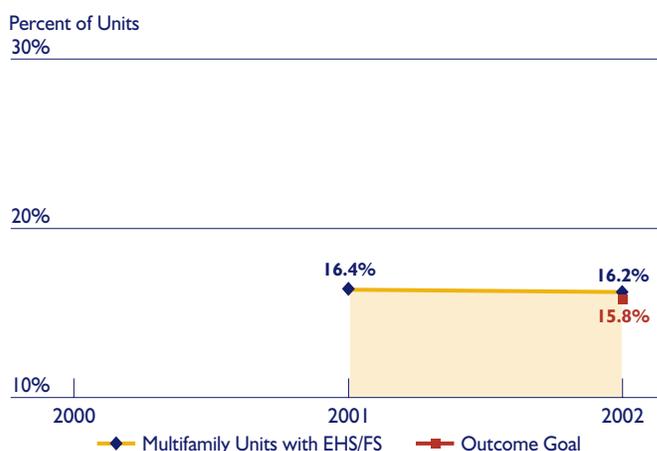
Among assisted multifamily properties, 39.1 percent had exigent deficiencies—fewer than in public housing—but more than the 36.8 percent that had exigent deficiencies the previous year. A key driver of this increase was the recent changes in the inspection protocol that added 16 specific violations to the list of potential violations. When such life-threatening health and safety deficiencies are detected during HUD on-site physical inspections, citations are issued to project owners and agents requiring corrective action and response to HUD within three business days. In FY 2002, nationwide, 98 percent of these multifamily deficiencies were corrected or mitigated.

Data Discussion. Data for this indicator are from REAC Physical Assessment Subsystem. Because OMB advanced the reporting schedule, public housing results for FY 2002 reflect inspections completed for properties in PHAs with fiscal years ending between 6/30/2001 and 3/31/2002. For private multifamily properties, results for FY 2002 reflect the most recent inspections available as of 9/30/2002. For both programs, a substantial percentage of properties did not receive a new inspection during FY 2002 so earlier scores were carried over. This is because public housing is on a “2-1” inspection schedule and the multifamily program is on a “3-2-1” inspection schedule. New project scores were available for 51 percent of public housing units and 44 percent of multifamily units.

Exigent Health and Safety or Fire Safety Deficiencies in Public Housing



Exigent Health and Safety or Fire Safety Deficiencies in Multifamily Housing



2. PERFORMANCE INFORMATION

Programmatic Output Indicator 1.3.b:

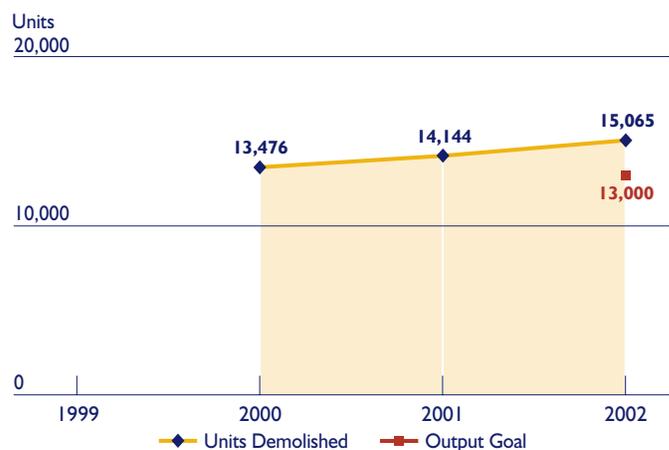
As part of the effort to eliminate 100,000 units of the worst public housing, demolish 13,000 units during FY 2002.

Background. HUD intends to demolish 100,000 units of severely distressed public housing by FY 2003, including the demolition of 13,000 units in FY 2002. Often demolishing distressed stock serves as a prerequisite for reconstruction and the relocation of families to safer and more humane environments. Otherwise, families may occupy troubled stock that are physically uninhabitable with severe maintenance problems. Additionally, these ill-designed developments attract crime and drain valuable housing authority resources because of costly operations.

Results and Analysis. In FY 2002, HUD exceeded its annual goal by 16 percent by demolishing 15,065 units instead of 13,000 units. This rate represents a 6.5 percent increase from FY 2001 in which 14,144 units were demolished. Through FY 2002, a cumulative 88,922 units of the targeted 100,000 units have been demolished.

Data Discussion. Data is collected from PIH Integrated Business System (IBS). Field staff verified that units were demolished. Data for this indicator do not strictly represent the number of units demolished during the fiscal year because PHAs regularly provide updates that identify demolished units that had not been recorded previously, even from a prior fiscal year. Therefore, the data represent the change in the cumulative units that are reported as demolished as of the end of the current fiscal year. The measurement captures reporting as of October 14, 2002, for the period ending September 30, 2002.

Public Housing Units Demolished Annually



Outcome Indicator 1.3.5:

As part of a ten-year effort to eradicate lead hazards, the Lead Hazard Control Grant Program will make 7,200 units lead safe in FY 2002.

Background. 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 other resources. The Centers for Disease Control and Prevention report that during 1991-94 nearly 1 million children ages one to five had elevated blood lead levels—amounting to about 5 percent of all children in that age group. The majority of cases involve low-income children. 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.

The HUD Office of Healthy Homes and Lead Hazard Control (OHHLHC) provides grants to state and local government agencies to control lead hazards in privately owned low-income housing. The program requires grantees to employ 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.

PERFORMANCE AND ACCOUNTABILITY REPORT

Results and Analysis. For FY 2002, the Lead Hazard Control Grant Program completed 8,040 lead-safe units (homes), 12 percent more than the goal of 7,200. This result continues the program's trend of consistently exceeding its goals in all years since the Annual Performance Plan was initiated. Annual appropriations for the program have increased since FY 1999, and the President's FY 2003 budget requests a 22 percent increase in funding from FY 2002 to support the effort to eliminate this preventable disease.

This performance level and increase in funding levels is a reflection of the maturation and success of the program, both in terms of a growing infrastructure of trained and certified contractors and the capacity of state and local governments to manage the program more effectively as a result of their increased experience and knowledge. The HUD outlay under the Lead Hazard Control Grant Program in FY 2002 was \$69.5 million, which directly supported the completion of at least 8,040 lead-safe homes. Per-unit hazard control costs have declined from \$9,440 per unit at the start of the program in FY 1993 to \$4,095 for FY 1999 grantees (these grants have a three year duration).

	FY 1999	FY 2000	FY 2001	FY 2002	<i>FY 2002 goal</i>
Units made lead safe (annual)	7,471	7,969	8,212	8,040	7,200
Units made lead safe (cumulative)	20,023	27,992	36,204	44,244	–

Data Discussion. This measure uses OHHLHC administrative data derived from grant agreements, quarterly and final reports from grantees, and monitoring. The data represent actual accomplishments over the life of the multi-year grants issued in a particular year. The data do not include the substantial number of housing units made lead-safe as a result of public outreach/education programs; leveraging of other funds; federal, state and local enforcement; technical studies; and other HUD rehabilitation housing assistance covered by the HUD Lead Safe Housing Rule for assisted housing.

Related Program Evaluations. The National Center for Lead Safe Housing and the University of Cincinnati conducted a series of program evaluations. The data show that dust lead levels in treated homes decline by 50-85 percent and remain well below applicable HUD/EPA standards.

Several other studies have shown that the Lead Hazard Control Program has been responsible for stimulating substantial activity in both the public and private sector to make housing lead-safe. The National Health and Nutrition Examination Survey (NHANES), conducted by the Centers for Disease Control and Prevention (CDC), showed a 25 percent reduction in children's blood lead levels for the period 1996-99. In addition to the CDC data, HUD's National Survey of Lead in Housing shows that the number of units with lead paint declined from 64 million in 1990 to 38 million in 2000. Both of these reductions are due in part to the HUD Lead Hazard Control Program, since lead-based paint hazards in housing constitute the principal source of exposure for most children today. Other contributing factors to these reductions include housing demolition, substantial rehabilitation, increased regulation and enforcement of Federal, state, and local lead safety laws, and improved measurement technologies.

Outcome Indicator 1.3.6:

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.

Background. 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 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 1998.⁹ For this indicator, EBL is defined as blood lead levels exceeding 10 micrograms per deciliter (mg/dL). EBL is more common among low-income children, urban children, and those 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, and ongoing public education.

Results and Analysis. The Centers for Disease Control and Prevention are conducting the National Health and Nutrition Examination Survey (NHANES), with additional data projected to be available in 2004.

Data Discussion. The NHANES is costly because it uses actual physical examinations of a nationally representative sample of children to determine blood-lead levels, among other things. NHANES cannot identify the source of EBL.

HUD will not verify NHANES results independently. 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. The CDC long-term quality control data for blood lead tests show that NHANES results can be compared with results from the Childhood Blood Lead Surveillance program, which supports state blood lead surveillance efforts.

Programmatic Output Indicator 1.3.e:

The first 21 procurement actions of the Healthy Homes Initiative become operational and an additional four agreements are awarded.

Background. Under the initiative, the Office of Healthy Homes and Lead Hazard Control (OHHLHC) 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 children's diseases and injuries. HUD is working closely with its Healthy Homes grantees as well as the Centers for Disease Control and Prevention, the Environmental Protection Agency, the National Institute of Science and Technology, and the National Institute of Environmental Health Sciences to implement the Healthy Homes Initiative through funded projects and joint activities. For example, Healthy Homes identifies ways to prevent or reduce the severity of childhood health problems related in part to housing condition, such as asthma, unintentional injuries, and developmental problems.

Principal outcomes of the projects in FY 2002 were public education, training to build capacity for "high performance" (energy efficient, durable, sustainable, and healthy and safe for occupants) housing construction/rehabilitation, training, assessment tools and specifications to facilitate repair of distressed housing, demonstration of new technologies, and development of good practice guidance and protocols for interventions.

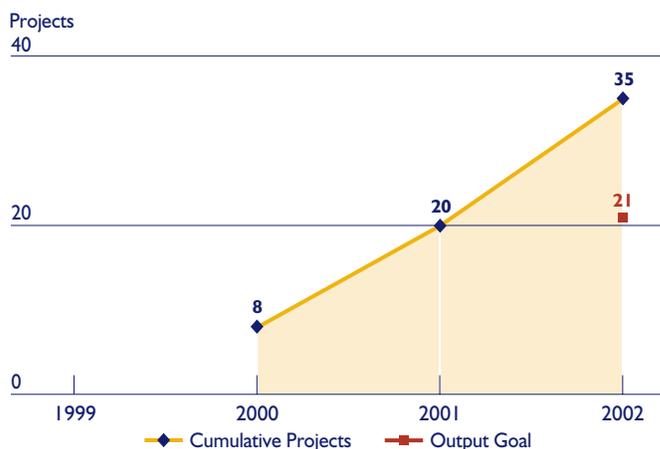
⁹State data from the Childhood Blood Lead Surveillance program, reported by the Centers for Disease Control in "Blood Lead Levels in Young Children-United States and Selected States, 1996-1999," available at <http://www.cdc.gov/mmwr/preview/mmwrhtml/mm4950a3.htm>

PERFORMANCE AND ACCOUNTABILITY REPORT

This indicator measures only the number of procurement actions (i.e., grants and interagency agreements) that have been initiated. The first actions were awarded in the latter part of FY 1999 and did not become operational until FY 2000, following HUD's submission of a *Congressionally required* report on the plan for the Healthy Homes Initiative. Since most of the agreements are for three years, peer reviewed findings on the results of these projects and the impact of the Healthy Homes Initiative have not yet been published. In the future, output indicators will be developed that will address the performance under these procurement actions with regard to the Healthy Homes Initiative goals and objectives stated in the NOFA.

Results and Analysis. In FY 2002, the Healthy Homes program exceeded its goal, with twenty-eight grants and seven interagency agreements becoming operational since the program's inception for a total of 35 operational actions. Of this total, thirteen new grants became operational as the result of the FY2001 Healthy Homes Notices of Funding Availability (NOFA), which received 84 applications. A total of five interagency agreements (National Institute for Standards and Technology, USDA Cooperative State Education and Extension Service, USDA Forest Products Laboratory, Occupational Safety and Healthy Administration, and the National Center for Environmental Health) were signed in FY 2002. In addition, the Office made funding decisions for 13 new grants in FY 2002. These grants were announced in October 2002, which Secretary Martinez declared "Healthy Homes Month." The program also exceeded its goals for this indicator in fiscal years 2001 and 2000.

Healthy Homes Grants and Interagency Agreements Made Operational



Healthy Homes accomplishments in the areas of technical assistance and public information and education include work with the Department of Energy and the Environmental Protection Agency. The Healthy Homes web page was launched on the HUD website, and three more websites were created. OHHLHC staff and grantees are working with state and local health departments to integrate Healthy Homes interventions into regional asthma strategies. The Healthy Homes Initiative also promotes the voluntary adoption of healthy home building and maintenance practices by state housing development and finance agencies, municipal CDBG/HOME programs, and public housing authorities. Future indicators and performance measures for these types of activities are being considered.

Data Discussion. 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.

2. PERFORMANCE INFORMATION

Outcome Indicator 1.3.7:

The rate of death in residential fires declines by 0.02 to 1.03 fatalities per 100,000 persons by 2000.

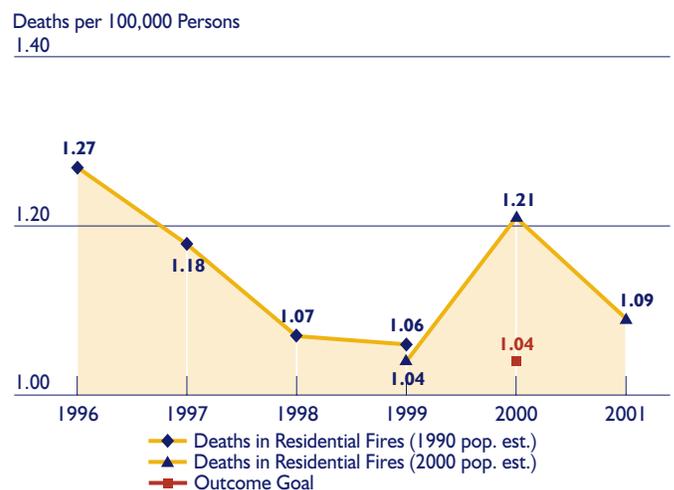
Background. The United States currently has the third highest overall fire death rate among industrialized countries. Residential fires are the most important cause of fire-related mortality, with 81 percent of all U.S. civilian fire deaths occurring in homes in 1999. However, this indicator was deleted for FY 2003 because HUD's span of control regarding residential fire hazards is limited. About four percent of all households, or roughly five million, are assisted by HUD. Another 7.6 million families live in manufactured housing, for which HUD regulates the design, manufacture and material specifications, with specific fire safety requirements.

Results and Analysis. During 2000, the rate of death from residential fires spiked upward to an estimated 1.21 per 100,000 persons, missing the Department's goal to decrease the rate by 0.02 deaths per 100,000. In the following year, 2001, the rate returned to levels typical of recent years, but continued to exceed the target level.

There were 3,420 residential fire deaths in 2000, up from 2,895 in 1999, and falling to 3,110 in 2001. However, year-to-year changes are not statistically significant. Recent estimates for death rates are based on 2000 Census figures for the population.

HUD has contributed to dramatically declining fire death rates in recent decades by regulating manufactured housing, and more recently, by inspecting public and assisted housing (see indicator 1.3.f). Recent residential fire deaths total only about half the 6,015 deaths of the 1978 peak. The Department's regulation of manufactured housing has been an important factor because the population living in manufactured housing historically has been disproportionately affected by fire deaths. HUD regulatory standards have resulted in major improvements. The standards affect manufactured homes built after 1976, and deaths in manufactured home fires declined by 23 percent from 1980 to 1997.¹⁰ External factors also interact with this measure, as many of the hazardous manufactured housing units that were put in service before HUD standards were in place have aged to the point that they are no longer in use. Behavioral factors also play an important role. Although smoke alarms cut the chances of dying in a house fire by 40-50 percent, about one-quarter of U.S. households lack working smoke alarms. The problem is more severe in manufactured housing: more than one-third of manufactured homes are found to lack functional smoke detectors when fires break out, even though homes manufactured under HUD standards are shipped with smoke detectors. Thus, an increasingly important cause of fire mortality is beyond HUD control, being behavioral rather than a function of physical design and manufacture.

Death Rate from Residential Fires



¹⁰John R. Hall, Jr., 1999. "Manufactured Home Fires in the U.S." Fire Analysis and Research Division, National Fire Protection Association. Quincy, Massachusetts.

Data Discussion. Fire deaths are estimated by the National Fire Protection Association (NFPA) from surveys of fire departments. (Published in “Fire Loss in the United States during 2001,” Michael J. Karter, Jr., NFPA, September 2002.) Population estimates are reported by the U.S. Census Bureau, “Time Series of National Population Estimates,” Table US-2001 EST-01, and Monthly Estimates series.

Death rates for 1999-2001 were estimated by HUD. The revised 1999 estimate of 1.04 is based on a 1999 population estimate weighted by the factor by which Census updated 2000 estimates. The former two-year lag in reporting was reduced to permit reporting 2001 figures this year. NFPA reports that changes in civilian fire deaths are not statistically significant. For this reason, HUD has determined that this performance measure does not have sufficient reliability to continue use.

Programmatic Output Indicator 1.3.f:

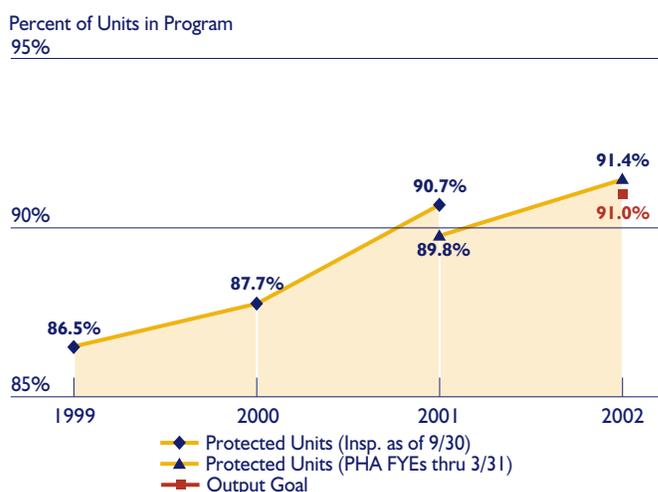
The share of units that have functioning smoke detectors and are in buildings with functioning smoke detectors increases annually by 1.2 percentage points for public housing and by 0.7 percentage points for assisted multifamily housing.

Background. HUD’s Real Estate Assessment Center inspects the quality of public and assisted housing, including the presence of functioning smoke detectors. This indicator tracks the share of units that both have functioning smoke detectors and are in buildings with functioning smoke detection systems, as functional smoke detection systems in common areas of a building are critical to overall fire safety.

Results and Analysis. The performance targets were surpassed for both programs. As of the end of FY 2002, 91.4 percent of public housing units and 92.4 percent of assisted multifamily units had functioning smoke detectors and were in buildings with functioning smoke detection systems. These data represent a 1.6 percentage point increase for public housing and a 0.9 point increase for assisted multifamily housing.

These results show that the share of HUD-assisted households who are adequately protected with smoke detectors exceeds the three-quarter share of all U.S. households who are protected. The Department’s increased attention to physical conditions in the housing stock is believed to have motivated improvements in management by housing providers.

Estimated Share of Public Housing Units Fully Protected with Functional Smoke Detection Systems



2. PERFORMANCE INFORMATION

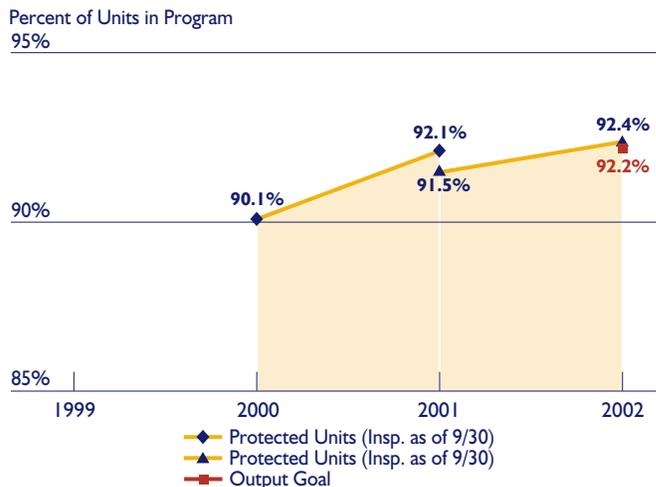
Data Discussion. Data for this indicator are from REAC Physical Assessment Subsystem, based on a sample of units from each project, and weighted to represent the entire stock. Because OMB advanced the reporting schedule, public housing results for FY 2002 reflect inspections completed for properties in PHAs with fiscal years ending between 6/30/2001 and 3/31/2002. For private multifamily properties, results for FY 2002 reflect the most recent inspections available as of 9/30/2002. For both programs, revised FY 2001 baselines are shown for comparability. Properties are inspected at intervals of one, two or three years, depending on the results of the previous inspection, so a substantial fraction of properties did not receive a new inspection.

Outcome Indicator 1.3.8:

The ratio of manufactured housing stock conforming to high-wind standards to total manufactured housing in coastal zones subject to hurricanes increases by 5 percentage points from 2000 levels by 2005.

Background. This indicator relies for its baseline upon data from the long-form Census 2000, which the Bureau of Census has not released in time for this report. The FY 2003 APP replaced this indicator with a new goal that corresponds more nearly to the Department's span of control. The replacement indicator addresses HUD efforts to support the Manufactured Housing Consensus Committee in meeting milestones provided in the Manufactured Housing Improvement Act of 2000.

Estimated Share of Assisted Multifamily Units Fully Protected with Functional Smoke Detection Systems



Strategic Goal 2: Ensure Equal Opportunity in Housing for All Americans

Strategic Objectives:

2.1 *Housing discrimination is reduced.*

2.2 *Minorities and low-income people are not isolated geographically in America.*

2.3 *Disparities in homeownership rates are reduced among groups defined by race, ethnicity and disability status.*

Performance Report Card – Goal 2

Performance Indicators	1999	2000	2001	2002	2002 Target	Substantially Met	Notes
2.1.1 The rate of housing discrimination							g
2.1.3 Share of the population with adequate awareness of fair housing law			51%				b,f
2.1.4 Share of new multifamily buildings accessible to persons with disabilities							a
2.1.a Number of fair housing enforcement actions	1,336	725	623	1,010	600	<input type="checkbox"/>	
2.1.b Number of FHIP groups funded in underserved areas	2	2	0	7	2	<input type="checkbox"/>	
2.1.c Number of agencies rated as substantially equivalent	85	89	94	96	96	<input type="checkbox"/>	
2.1.d Number of FHAP grantees increasing enforcement actions by 20 percent				28%	25%	<input type="checkbox"/>	
2.1.e Share of fair housing complaints that age in HUD inventory	73%	82%	37%	29%	32%	<input type="checkbox"/>	
2.1.f Share of fair housing complaints that age over 100 days in FHAP inventory	60.0%	68.4%	69.3%	45%	64.3%	<input type="checkbox"/>	
2.1.g Number of Title VI fair housing compliance reviews of HUD recipients			65	99	98	<input type="checkbox"/>	
2.1.h Section 504 compliance reviews of HUD recipients			68	108	94	<input type="checkbox"/>	
2.2.1 Segregation of racial and ethnic minorities							g,h
2.2.3 Share of metropolitan voucher families with children who live in low-poverty tracts			62.1%	63.7%	62.4%	<input type="checkbox"/>	
2.2.4 Share of public housing households living in family developments that have mixed incomes							a
2.3.1 Ratio of homeownership rates of minority and non-minority low- and moderate-income families with children		75.2%		72.4%	75.6%		b,e
2.3.2 Ratio of homeownership rates of disabled and non-disabled							a
2.3.3 The ratio of mortgage disapproval rates between minority and other applicants	172.5%	177.3%	176.4%	192.6%	175.4%	<input type="checkbox"/>	d
2.3.a Share of minority homebuyers among FHA mortgage endorsements	37.6%	41.7%	36.5%	36.0%	37.5%		
2.3.c (a) Fannie Mae Performance Relative to Special Affordable target (percent of eligible dwelling units)	14.3%	17.6%	19.2%	21.6%	20.0%	<input type="checkbox"/>	d
2.3.c (b) Freddie Mac Performance Relative to Special Affordable target (percent of eligible dwelling units)	15.9%	17.2%	20.7%	22.6%	20.0%	<input type="checkbox"/>	d

(Values represent fiscal year data unless otherwise noted.)

a – Data not available.

b – No performance goal for this fiscal year.

c – Third quarter of calendar year (last quarter of fiscal year; not the entire fiscal year).

d – Calendar year ending in the current fiscal year.

e – Calendar year ending the previous fiscal year.

f – Other reporting period.

g – Result too complex to summarize. See indicator.

h – Baseline newly established.

Objective 2.1: Housing discrimination is reduced.

Outcome Indicator 2.1.1:

Housing discrimination declines 2 percentage points from 1989 national levels by 2001.

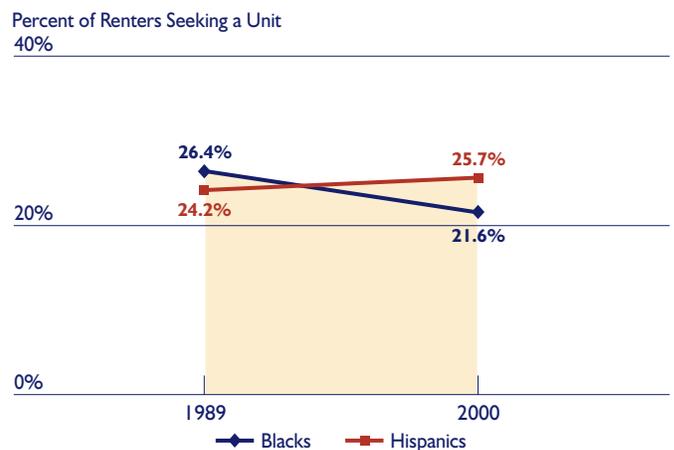
Background. Racial segregation is more relevant than ever as the share of the population that is minority continues to increase and as much of that growth comes from a large influx of diverse immigrant groups. Census data shows that between 1990 and 2000, geographical concentration of poverty and isolation of low-income households worsened. As this measure shows, discrimination against minorities seeking to buy or rent homes has improved somewhat, yet remains very common and is evolving.

Results and Analysis. Between 1989 and 2000, African-Americans and Hispanics benefited from significant reductions in unfair treatment in the housing market. HUD's performance target of a 2 point decrease was exceeded for three of the four measures shown here. These "consistency measures" are based on the share of paired tests during which minority testers were consistently treated less well for every treatment item.

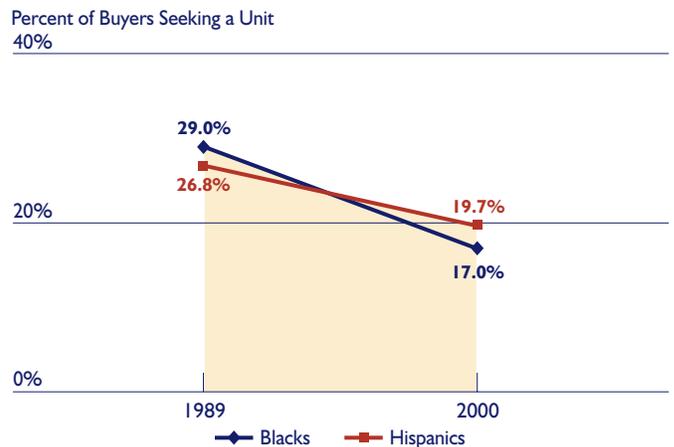
Blacks were subject to lower rates of adverse treatment in both the rental and sales markets. The Housing Discrimination Study (HDS) shows that housing discrimination nation wide against African Americans and Hispanics looking to buy a home in down more than 25 percent since 1989. Hispanics experienced lower rates of discrimination in the sales market, but adverse treatment did not change significantly in the rental market. For those seeking to rent a unit, housing discrimination against African Americans is down 18 percent. While discrimination is down on most treatment indicators for the sales market, discrimination was found to be increasing in the areas of steering to lower percentage white neighborhoods for African Americans and in not offering assistance with financing for Hispanics.

Data Discussion. Consistency measures are reported here as the Urban Institute's best estimate of discrimination. While alternative methods exist for calculating the overall level of discrimination, the alternative methods generally show the same pattern of change. Sensitivity analysis showed that some differences in treatment are attributable to different agents. Results for multiple measures are presented in HUD's "Discrimination in Metropolitan Housing Markets: National Results from Phase I HDS 2000," conducted by the Urban Institute. The HDS 2000 was based on 4,600 paired tests conducted in 23 metropolitan areas during 2000. The research is representative of experiences of qualified homeseekers, who are basing their search on newspaper advertisements in major metropolitan markets, during their initial encounters with rental or sales agents. The report is available at <http://www.huduser.org/publications/hsgfin/phase I .html>.

Consistent Adverse Treatment of Minorities in Rental Market, 1989 and 2000



Consistent Adverse Treatment of Minorities in Sales Market, 1989 and 2000



Outcome Indicator 2.1.3:

The share of the population with adequate awareness of fair housing law increases from the 2001 baseline by 2004.

Background. This indicator tracks public understanding of their rights and responsibilities under the Fair Housing Act and other laws. It gauges the effect of HUD's fair housing enforcement activities and public information campaigns funded by Fair Housing Initiatives Program (FHIP) Education and Outreach grants. The measure is based on a 2001 survey that presented ten brief scenarios describing decisions or actions taken by landlords, home sellers, real estate agents, or mortgage lenders. Eight scenarios involved conduct that is illegal under federal fair housing law. HUD plans a comparable survey in FY 2006 to determine whether public awareness has increased.

Results and Analysis. This measure relies on periodic research, so FY 2002 results cannot yet be reported. The 2001 survey showed that the average person could correctly identify five instances of unlawful conduct, and that 51 percent of the general public could correctly identify as unlawful six or more of the eight scenarios describing illegal conduct. Conversely, only 23 percent of the public knew the law in two or fewer of the eight cases. Looked at on a scenario-by-scenario basis, a majority of the public could accurately identify illegal conduct in seven of the eight scenarios.

During FY 2002, FHIP Education and Outreach grants were awarded to 49 agencies. About 32 percent of the \$6.325 million obligated will fund public education and outreach activities at the national level, and 68 percent at the regional, State, local or community-based level. Some education projects focus on increasing the awareness of housing providers. This is an important task because small landlords provide the majority of rental housing. About three-fourths of rental units are owned by landlords who are either households or partnerships, rather than corporations. Public awareness is also boosted by the publicity that surrounds fair housing complaints enforced by FHEO and substantially equivalent agencies.

Data Discussion. The baseline data for this measure were released by PD&R in the study entitled "How Much Do We Know? Public Awareness of the Nation's Fair Housing Laws."

Outcome Indicator 2.1.4:

The share of newly constructed buildings that conform to selected accessibility requirements increases from the 2001 baseline.

Background. The Fair Housing Act (the Act) requires public areas and some apartments in newly constructed multifamily housing to be accessible to persons with disabilities. Congress directed HUD to develop a plan in FY 2000 to educate users and providers of multifamily housing (planners, builder, developers, sellers, renters, architects and building code officials) about the Act's design and construction requirements.

Results and Analysis. HUD has conducted a study of multifamily buildings for compliance with the design and construction requirements of the Act. HUD is sorting the data to establish the baseline measure against which future studies planned for FY 2003 and beyond will be able to measure change in compliance level. The data allow HUD to develop a percentage baseline measure of buildings that satisfy certain key design elements. While full compliance with the law requires that buildings satisfy all accessibility requirements of the Act, HUD will regularly examine the extent of compliance with this subset of key design elements as an indicator of overall compliance.

2. PERFORMANCE INFORMATION

By the end of November 2002, HUD had developed a training and technical guidance program to fulfill the congressional mandate and was poised to carry 48 training sessions in all areas of the country from December 2002 to June 2004. In FY 2001 and 2002, a total of \$2.5 million is committed to carry out the training and technical guidance program. HUD programs and initiatives strive to provide housing, employment and supportive services to disadvantaged Americans.

Programmatic Output Indicator 2.1.a:

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 enforcement actions in FY 2002.

Background. HUD receives complaints of alleged housing discrimination from private citizens and interest groups throughout the nation. HUD investigates and resolves these complaints, or, as required by the Fair Housing Act, refers them for investigation to partner human rights agencies within State and local governments that have been judged to provide substantially equivalent protection from housing discrimination. (These agencies are participants in the Fair Housing Assistance Program (FHAP) and are known collectively as FHAP agencies.)

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 our capacity to effectively investigate a wide variety of civil rights complaints and to enforce the Federal Fair Housing Act and equivalent laws. This indicator tracks the number of fair housing enforcement actions taken by HUD including charges filed against discriminators, voluntary compliance agreements negotiated, and referrals to the Department of Justice.

The FY 2002 goal of 600 enforcement actions reflected a management decision to emphasize the reduction in aged cases over 100 days old, and recognition of the success with and maturing of the caseload under the doubling enforcement initiative in the previous four years.

Results and Analysis. FHEO's goal of 600 enforcement actions in FY 2002 was exceeded by 410. The tracking of the number of enforcement actions taken by the Department is a valid measure of FHEO success in reaching members of the public who have experienced discrimination and effectively processing their cases. The result of these actions has helped to increase the homeownership rate between whites and some racial minorities. Homeownership helps to improve a family's asset accumulation by building equity. It also helps to strengthen and stabilize neighborhoods.

Data Discussion. This measure uses data from the Title VIII Paperless Office and Tracking System (TEAPOTS).

Programmatic Output Indicator 2.1.b:

At least two new fair housing groups funded by FHIP will serve geographic areas that are not sufficiently served by public or private fair housing enforcement organizations and that contain large concentrations of persons covered by the prohibited basis of the Fair Housing Act.

Background. A Notice of Funding Availability (NOFA) was published on March 26, 2002, which funded seven new organizations in areas not sufficiently served by public or private fair housing enforcement organizations. In addition, 36 organizations were awarded two-year Private Enforcement Initiative grants under FHIP to support the efforts of private fair housing enforcement organizations to investigate alleged violations of the Fair Housing Act or substantially equivalent State and local fair housing laws.

PERFORMANCE AND ACCOUNTABILITY REPORT

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. Although the number of agencies funded depends on the level of appropriations, HUD intends to increase the impact of FHIP by developing capacity in unserved or underserved areas. Grantees demonstrate in their applications that areas with defined jurisdictional boundaries are unserved or underserved. This indicator tracks the number of FHIP grantees newly funded in areas that are unserved or underserved either by FHIP agencies or by FHAP agencies enforcing "substantially equivalent" laws.

Results and Analysis. During FY 2002, FHEO exceeded the goal of funding two new fair housing groups in unserved or underserved geographical areas by funding seven new organizations. These organizations were located in Mississippi, Florida, Ohio, Michigan, and Indiana. Meeting this goal is dependent upon the SuperNOFA schedule of activities. Awards to these new organizations were completed before the end of FY 2002.

The minority share of the population continues to increase and much of that growth comes from a large influx of diverse immigrant groups. HUD programs and initiatives strive to provide housing, employment opportunities, and supportive services to disadvantaged persons seeking a home in America.

Data Discussion. The number of new fair housing groups was determined by an in-house manual count.

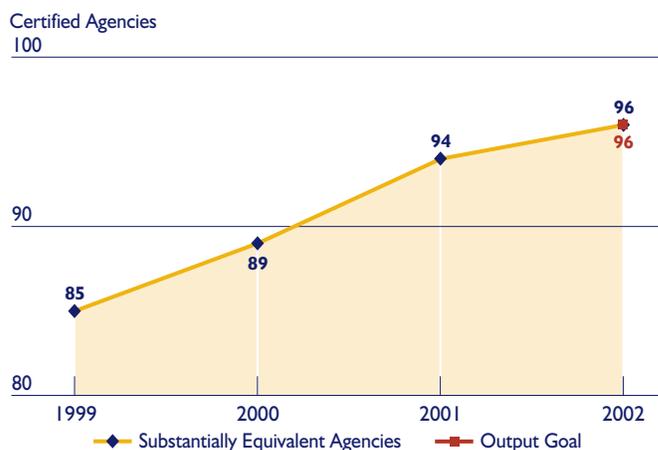
Programmatic Output Indicator 2.1.c: The number of enforcement agencies rated as substantially equivalent under the Fair Housing Act increases by two to a total of 96 agencies.

Background. Since 1980, the Department has provided financial assistance under the FHAP to certified State and local agencies. HUD signs FHAP cooperative agreements to support fair housing enforcement. FHAP and the substantial equivalency certification process both serve to further fair housing by providing financial assistance and by encouraging State and local governments to enact and enforce legislation designed to further fair housing. HUD is continuing its efforts in this area projecting two new agencies in FY 2003.

Results and Analysis. During FY 2002, the number of agencies that are certified increased by two, from 94 to 96. The result met the FY 2002 goal of increasing the number of qualified partners by two.

Working with state and local public sector partners, as well as with 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 choose and can afford. The newly certified agencies, located in Sioux City, Iowa and the State of Illinois, represent a significant increase in the Nation's capacity to provide coordinated enforcement of fair housing laws.

Number of Substantially Equivalent Fair Housing Enforcement Agencies



Data Discussion. The number of newly certified agencies was determined by an in-house manual count.

2. PERFORMANCE INFORMATION

Programmatic Output Indicator 2.1.d:

At least 25 percent of FHAP grantees increase enforcement actions by 20 percent above FY 2000 levels.

Background. The increase in the number of enforcement actions by fair housing agencies boosts public awareness of fair housing laws, while forcing violators to cease discriminating. Referrals to FHAPs reduce HUD's enforcement workload and allow HUD to track the number of substantially equivalent FHAPs that post significant increases in enforcement activity.

Results and Analysis. During FY 2002, 28 percent of the fair housing agencies funded by the Fair Housing Assistance Program demonstrated substantial increases in capacity, surpassing the goal for FY 2002. During FY 2002, there were 2,012 compared to 671 in 2001. The Hubs provided agencies with guidance and technical assistance necessary to meet this goal. HUD is committed to vigorous enforcement of the fair housing laws to help ensure that all households have an equal access to rental housing and homeownership opportunities. HUD also is committed to a strategy of encouraging local creativity in promoting housing choice.

Data Discussion. This measure uses data from the Title VIII Paperless Office and Tracking System (TEAPOTS).

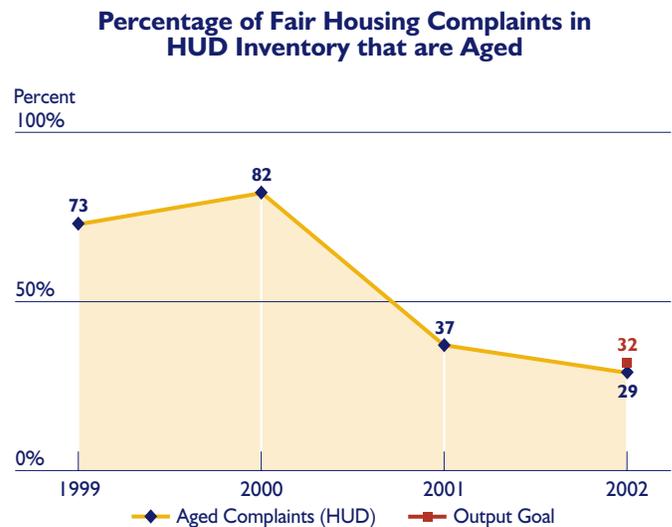
Programmatic Output Indicator 2.1.e:

The percentage of fair housing complaints aged over 100 days will decrease by 5 percentage points from the FY 2001 level of the HUD inventory.

Background. Through the joint efforts of Headquarters and Field Offices, FHEO continues to attack housing discrimination. The efficiency of case 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.

Results and Analysis. At the end of FY 2002, the percentage of HUD aged cases was 29 percent of open cases. The decrease from 37.1 percent at the end of FY 2001 exceeded the goal of a 5 percentage point reduction. FHEO staff will continue to work diligently to complete these cases while ensuring fair and impartial judgment to parties involved. The result of this accomplishment played a key role in reassuring the public that if a complaint is filed action will be taken.

Data Discussion. This measure uses data from the Title VIII Paperless Office and Tracking System (TEAPOTS).



Programmatic Output Indicator 2.1.f:

The percentage of fair housing complaints aged over 100 days will decrease by 5 percentage points from the FY 2001 level of the inventory of substantially equivalent agencies.

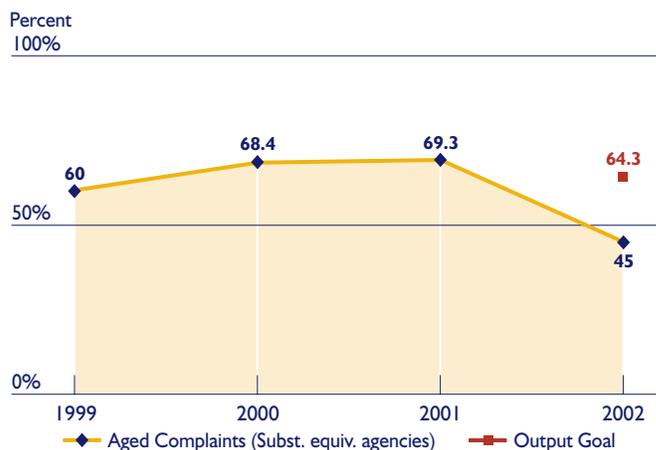
Background. Efficient enforcement processing by substantially equivalent agencies is an important dimension of fair housing enforcement. This indicator tracks processing time for fair housing complaints, including time for determination of jurisdiction and for conducting investigations and conciliation.

Results and Analysis. During FY 2002, the FHAP aged cases over 100 days were 45 percent of open cases, compared with 69.3 percent in FY 2001. The decrease of 24 percentage points substantially exceeded the goal of a 5 point reduction.

HUD will continue to assist FHAP organizations in reducing their aged case backlog for FY 2003. This will be accomplished further through monitoring, training and technical assistance HUD will provide to the substantially equivalent agencies. This effort will reassure the public that if a complaint is filed action will be taken.

Data Discussion. The data are maintained in the Title VIII Paperless Office and Tracking System (TEAPOTS).

Percentage of Fair Housing Complaints in FHAP Inventory that are Aged



Programmatic Output 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.

Background. 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.

Results and Analysis. During FY 2002, HUD completed 99 Title VI compliance reviews, compared with 65 compliance reviews in FY 2001. The increase of 52 percent exceeded the goal of a 50 percent increase. This increase responds to the identified need to further address enforcement and compliance issues as disclosed in the National Council on Disability Report (NCD) issued November 6, 2001.

Data Discussion. This measure uses data from the Title VIII Paperless Office and Tracking System (TEAPOTS).

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Programmatic Output 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.

Background. 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. This measure includes the review of assisted housing providers as well as single PHAs.

Results and Analysis. During FY 2002, HUD completed 108 compliance reviews compared to 68 compliance reviews in FY 2001. The increase of 59 percent exceeds the goal of a 38 percent increase. This increase responds to the identified need to further address enforcement and compliance issues as disclosed in the National Council on Disability Report issued November 6, 2001. HUD resources have been increased to provide adequate enforcement of housing-related civil rights laws.

Data Discussion. This measure uses data from the Title VIII Paperless Office and Tracking System (TEAPOTS).

Objective 2.2: Minority and low-income people are not isolated geographically in America.

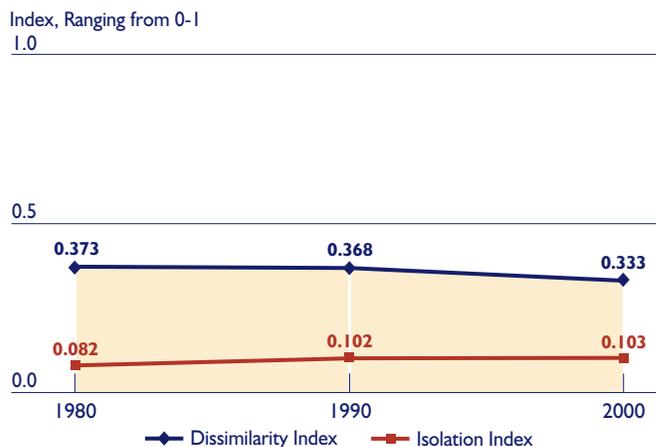
Outcome Indicator 2.2.1:

Segregation of racial and ethnic minorities will decline from 1990 levels by 2000.

Background. Despite areas of improvement, a substantial portion of the Nation continues to display deeply entrenched patterns of economic and minority segregation. Children who grow up in these segregated, economically-depressed neighborhoods enjoy fewer opportunities than those who live in mixed-income, integrated communities. By seeking to preserve project-based assisted housing in low-poverty neighborhoods and encouraging the use of Section 8 vouchers, HUD hopes to contribute to the reversal of this trend.

Two segregation indices are used to measure this performance goal, both increasing in severity as they approach one, or 100 percent. An index of dissimilarity measures the extent to which minority households are unevenly distributed among geographic areas. An isolation index focuses on the likelihood that a minority individual will be exposed to non-minorities. This indicator has not been carried forward in the FY 2003 Annual Performance Plan, reflecting the Department's minimal span of control relative to the location decisions of the Nation's households.

Segregation Index for American Indians and Alaska Natives Relative to Non-Hispanic Whites



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Results and Analysis. Between 1990 and 2000, consistent decreases in segregation were observed for three of four minority groups based on the dissimilarity index. The results suggest that the performance goal of reduced segregation was partially achieved.

One minority group, African Americans, became less segregated as measured by both indices, decreasing by 3.8 percentage points on the dissimilarity index and 2.3 points on the isolation index since 1990.

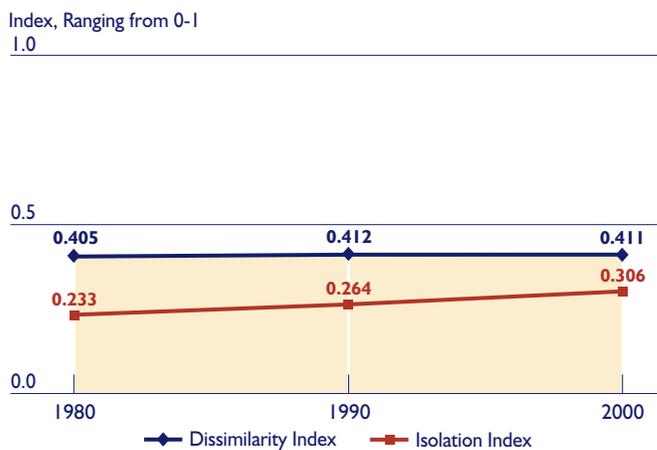
American Indians and Native Alaskans improved by 3.5 points using the dissimilarity index, but as the isolation index reveals, they remained isolated from non-minority contact. Asians and Pacific Islanders, in contrast, maintained a modest level of segregation, but increased in isolation by 4.2 percentage points.

Hispanics and Latinos became more segregated between 1990 and 2000 on the basis of both measures. They increased 0.9 percentage points on the dissimilarity index and 4.4 points on the isolation index.

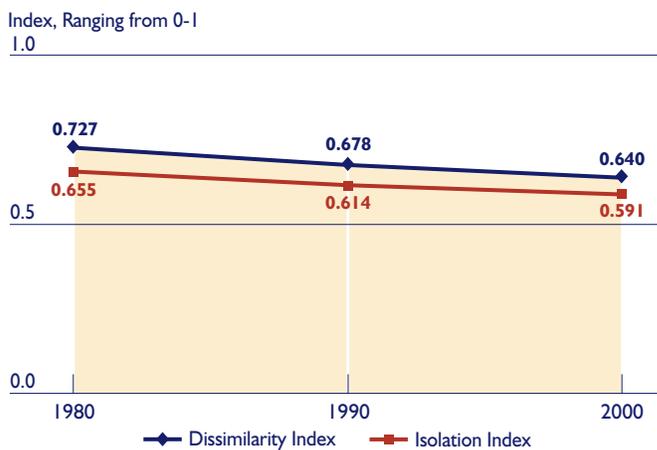
HUD promotes housing mobility through tenant-based assistance, housing counseling and development of mixed income housing that may also be racially diverse. HUD enforcement of fair housing law also expands residential opportunities for minorities. Finally, HUD may have contributed to observed improvements through the HOPE VI program and the deconcentration of public housing as required by the Quality Housing and Work Responsibility Act of 1998.

Data Discussion. The segregation measures were developed by Bureau of Census staff using long-form Census data. Census staff also validated the use of the measures reported here, although the analysis was unable to respond to the role of HUD-assisted housing in residential patterns. Estimates were verified through comparison with independent estimates using identical or similar methodology. More detailed presentations of the data are available at <http://www.census.gov/hhes/www/housing/resseg/pdftoc.html>.

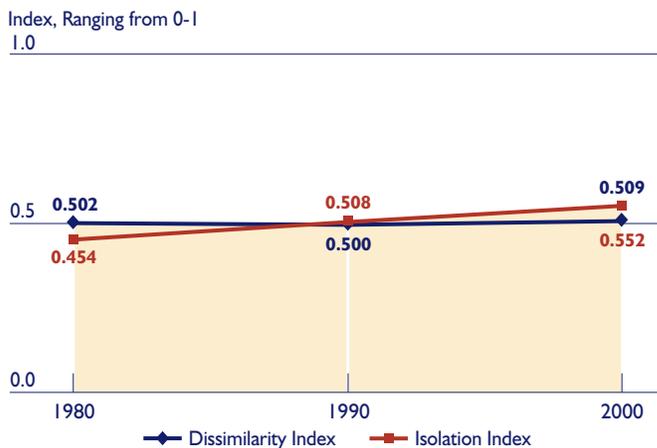
Segregation Index for Asians and Pacific Islanders Relative to Non-Hispanic Whites



Segregation Index for African Americans Relative to Non-Hispanic Whites



Segregation Index for Hispanics Relative to Non-Hispanic Whites



Outcome Indicator 2.2.2:

Segregation of low-income households will decline from 1990 levels by 2000.

Background. During FY 2001, HUD engaged the Bureau of Census to validate the use of income segregation indices for assessing HUD programs and to prepare baseline estimates and performance estimates. This indicator relies upon data from the long-form Census 2000, which are not available in time for this report. HUD is working with the Bureau to develop the baseline for reporting during FY 2003, although the methodological issues involved in this developmental research effort are complex.

Outcome Indicator 2.2.3:

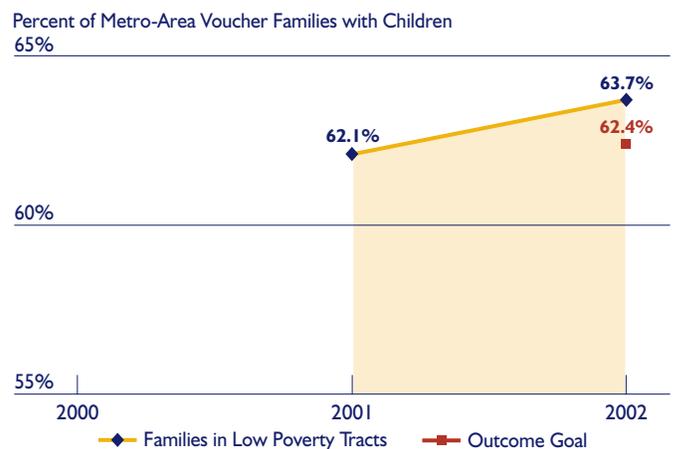
Among metropolitan families with children that receive Section 8 certificates or vouchers, the share that live in census tracts with poverty rates below 20 percent increases by 0.3 percentage points annually to 59.6 percent.

Background. Housing choice vouchers enable poor families to escape job-poor and distressed neighborhoods. This indicator measures the impact of the housing choice provided by the tenant-based Section 8 program by tracking the share of families with children that use their vouchers in census tracts with poverty rates below 20 percent. Information is provided only for families with children residing in metropolitan areas.

Results and Analysis. The percentage of metro families with children living in low-poverty tracts has increased from 62.1 percent in September 2001 to 63.7 percent in September 2002. The increase of 2.6 percentage points exceeds the goal of a 0.3 point increase.

The success may be associated with modest increases in voucher utilization during FY 2002 (see indicator 1.2.2). Easing of tight rental markets during FY 2002 could contribute both to greater utilization rates and increased leasing in low-poverty tracts. Voucher households can take greater advantage of improved market conditions when PHAs undertake effective housing counseling.

Families with Children and Vouchers Who Live in Low-Poverty Tracts



Data Discussion. This measure uses household data from the PIC 50058 system. The FY 2001 data reflect the twelve months ending September 2001 and the FY 2002 data represent the twelve months ending September 2002. The address data for each year were geocoded separately by a contractor. Reported poverty rates of tracts are based on 1990 Census definitions.

Results for FY 2001 are based on 651,431 metropolitan families, of which 386,322 are families with children. Results for FY 2002 are based on 934,400 metropolitan families, of which 547,389 are families with children. The smaller data file in FY 2001 reflects a decline in reporting between June 2001 and September 2001, during a transition from the MTCS system to the PIC system. The smaller FY 2001 file was validated by comparison with a more complete file for the year ending in May 2001.

Outcome Indicator 2.2.4:

The share of covered public housing developments that have mixed incomes increases by 1 percentage point.

Background. PHAs are required by HUD regulations to adopt admission guidelines to encourage income mixing in their developments; general occupancy family developments that are not excluded from this requirement. PHAs are excluded from this requirement if they have fewer than 100 public housing units or only one general occupancy family development; if they house only elderly persons or persons with disabilities; or for other reasons noted below. PHAs are required to adopt policies to mix incomes of admitted households when the mean household income in a covered development is less than 85 percent or more than 115 percent of the PHA mean for covered developments. The purpose of this indicator is to track the share of covered developments that fall within the 85-115 percent thresholds and thus are not subject to the deconcentration requirement.

Results and Analysis. Currently available data are not sufficiently complete to report this measure reliably. In 2002, the performance goal was to be established after a FY 2001 baseline was determined. The Department was unable to establish this baseline because the system was unavailable for data reporting from May 25, 2001 to September 25, 2001. During FY 2002, baseline data for FY 2001 were collected from PHAs. The FY 2003 performance goal will be established after a FY 2002 baseline is determined.

Data Discussion. The data come from HUD PIC-50058 reporting system consisting of household data collected and submitted by housing agencies. There have been major delays in data collection with PIC-50058 due to a technical adjustment period needed by the PHAs and the Department. Reporting also was affected by the Moving to Work program. Finally, PHAs in New York City received a reporting waiver from September 16, 2001 to June 16, 2002, due to the September 11th disaster. Although data are currently incomplete, PIC 50058 data are sufficiently accurate for this measure because the system automatically rejects electronically submitted tenant records that contain known errors or contain data of questionable validity. PIH Headquarters reviews and on-site field staff monitoring are other methods of validating and verifying the data.

Objective 2.3: Disparities in homeownership rates are reduced among groups defined by race, ethnicity and disability status.

Outcome Indicator 2.3.1:

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.

Background. One of HUD's central objectives is to remove homeownership barriers and increase homeownership among minorities. This measure compares minority families with children who have incomes between 51 and 120 percent of median income to non-minority families with similar incomes. The 2003 data will not be available to report against this FY 2002 performance goal until 2004. The 2001 data are now available to report against the FY 2001 goal, which also was an increase of 0.4 percentage point.

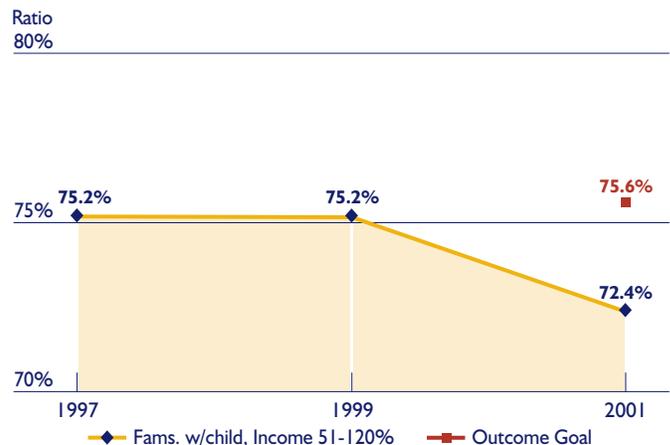
Results and Analysis. The most recent available data show that while important gains were made during calendar years 2000 and 2001, the FY 2001 goal was missed. The ratio between minority homeownership and nonminority homeownership decreased 2.8 percentage points to 72.4 percent.

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From 1999 to 2001, there was a 13 percent increase in the *number* of these minority families who were homeowners, far exceeding the gain of only 3 percent in the number of non-minority homeowners. The decrease in the performance measure, however, was caused by an even more rapid increase in the number of minority renter households (21 percent), which decreased the minority homeownership rate from 54.8 percent in 1999 to 53.2 percent in 2001 among this universe.

Data Discussion. This measure uses data from the American Housing Survey, available biennially for odd calendar years.

Ratio of Minority/Non-Minority Homeownership Rates



Outcome Indicator 2.3.2:

The ratio of homeownership rates of persons with disabilities and other households increases by 0.2 percentage points annually from the 2001 baseline.

Background. 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.

Results and Analysis. It is not feasible to report on this outcome indicator. HUD worked with staff from the Bureau of Census to develop an annual measure using the Current Population Survey. The CPS collects data about whether respondents have health problems or disabilities that prevent working or limit the kind or amount of work. However, it is not possible to filter out households who are not working simply because they are temporarily ill. A measure using the composite definition sheds little light on the situation of households with permanent disabilities.

Outcome Indicator 2.3.3:

The ratio in home purchase mortgage disapproval rates between minority and other applicants decreases by 1 percentage point to 175.3 percent in 2001.

Background. This indicator tracks home purchase mortgage disapproval rates of minorities that 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. (Asians and Pacific Islanders are not included because as a group, their denial rates differ little from those of non-Hispanic whites.) Non-metropolitan and manufactured housing loans are excluded from the measure. This indicator has become a tracking indicator with no performance goal for FY 2003 because of limitations in the validity of the measure and HUD's limited span of control relative to individual variables and external factors.

Results and Analysis. Although the 92.6 percent disparity in denial rates missed the revised performance goal of 75.4 percent, the results under this relative measure conceal what is actually an improvement in non-Asian minority denial rates¹¹ to the lowest rate in over six years, from 17.8 percent of mortgage

¹¹Denial rates for Asians and Pacific Islanders also improved, from 10.8 percent in 2000 to 9.2 percent in 2001.

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applications in 2000 to 15.7 percent in 2001. The most recent data available show that during calendar year 2001, minority applicants other than Asians were denied mortgages at a rate 92.6 percent higher than the denial rate for non-minority applicants.

The primary reason for the relative decline in minority outcomes was that non-Hispanic whites experienced a proportionally greater improvement in denial rates, from 10.1 percent in 2000 to 8.1 percent in 2001. If denial rates had remained constant for non-minorities, the disparity rate would have *decreased* by 22 percentage points to 154.9 percent.

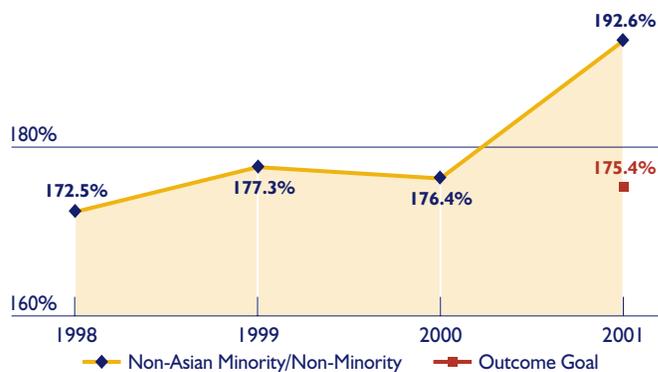
HUD is striving to achieve the President's goal of increasing minority homeownership. FHA is improving the chances of minority applicants by endorsing more mortgages for minority households and improving the fairness and efficiency of FHA mortgage lending through greater use of the standardized TOTAL mortgage scorecard. The Department currently is not able to quantify the impact of these efforts on denial rates. A substantial portion of the ongoing difference in denial rates between minority and non-minority applicants—but not all of the difference—can be explained by finance- and credit-related attributes of the applicants. The state of the economy thus affects relative denial rates strongly by causing differential changes in financial stability and homeownership opportunities for various groups.

Data Discussion. This measure uses Home Mortgage Disclosure Act data collected from lenders on a calendar-year basis. This measure has limitations arising from the statistical variance of the numerous interacting variables used in its computation. Because of the Nation's increasingly diverse population, the data also suffer from rising incidence of missing race/ethnicity data for applications (from 9 percent in 1997 to 13 percent in 2001), a problem that is worse among denied applications (from 20 percent in 1997 to 23 percent in 2001).

Related Program Evaluations. Two studies published by HUD during FY 2002 examine the experiences of minority households in the mortgage market. "New Evidence on the Relationship Between Race and Mortgage Default: the Importance of Credit History Data" uses a model of FHA defaults to assess evidence of discrimination against black and Hispanic mortgage applications. The study finds that excluding information about borrower credit history results in bias in a model of FHA defaults. "All Other Things Being Equal: A Paired Testing Study of Mortgage Lending Institutions," assesses the effectiveness of paired testing for determining whether minority homebuyers receive the same treatment and information as whites at the pre-application phase of the mortgage lending process, and produces rigorous measures of the incidence of unequal treatment in two metropolitan areas. The report found that African American and Hispanic homebuyers in both Los Angeles and Chicago face a significant risk of unequal treatment when they visit mainstream mortgage lending institutions to make pre-application inquiries.

Minority/Non-Minority Ratio of Mortgage Denial Rates

Ratio of Mortgage Denial Rates
200%



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Programmatic Output Indicator 2.3.a:

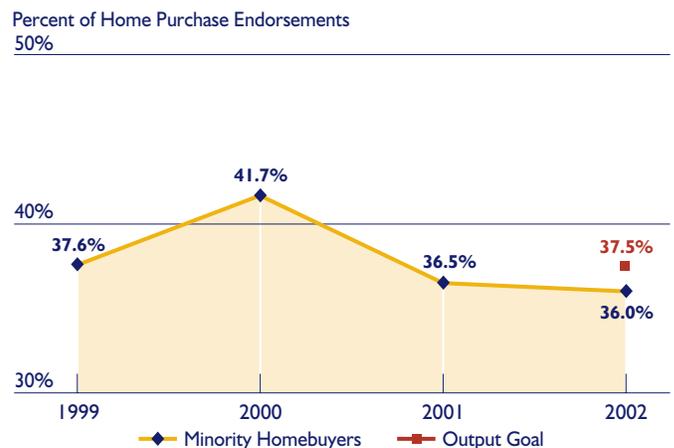
The share of minority homebuyers among FHA home purchase endorsements increases by 1 percentage point to 43.8 percent.

Background. FHA is the major vehicle by which minority and lower-income families are able to secure mortgage loans for the purchase of a home. Increasing the number of FHA endorsements for minority homebuyers will help reduce the homeownership gap between whites and minorities and increase the overall homeownership rate. Because of its support for overall homeownership, this indicator also appears as Indicator 1.1.L. An additional increase of 1 percentage point is targeted for FY 2003.

Results and Analysis. During FY 2002, the share of minority homebuyers among FHA home purchase endorsements decreased to 36.0 percent, compared with 36.5 percent in FY 2001. The result missed the goal of a 1.0 point increase in the minority share. The reason for this is due to the number of non-minority homebuyers receiving home purchase endorsements being greater than anticipated in FY 2002.

The 314,709 minority home purchase endorsements actually represented an increase of approximately 6 percent over the 297,462 endorsements in FY 2001. FHA will continue to increase staff resources and efforts for appropriately targeted marketing and outreach efforts.

Share of Minority Homebuyers Among FHA Home Purchase Endorsements



Programmatic Output Indicator 2.3.c:

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

Background. HUD defines performance targets for Fannie Mae and Freddie Mac (two housing Government-Sponsored Enterprises or “GSEs”) in several areas, including special affordable mortgage purchases. This target is intended to achieve increased purchases by the GSEs of mortgages on rental housing and owner-occupied housing that address the unmet needs of very-low and low-income families. Mortgages qualify as special affordable if they support dwelling units either for very-low-income families (with incomes up to 60 percent of area median income) or for low-income families (up to 80 percent of area median income) 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) non-metropolitan census tracts where median income does not exceed 80 percent of the county median income or the statewide metropolitan median income, whichever is greater. HUD raised the Special Affordable target to 20 percent for 2001 and implemented new scoring rules.

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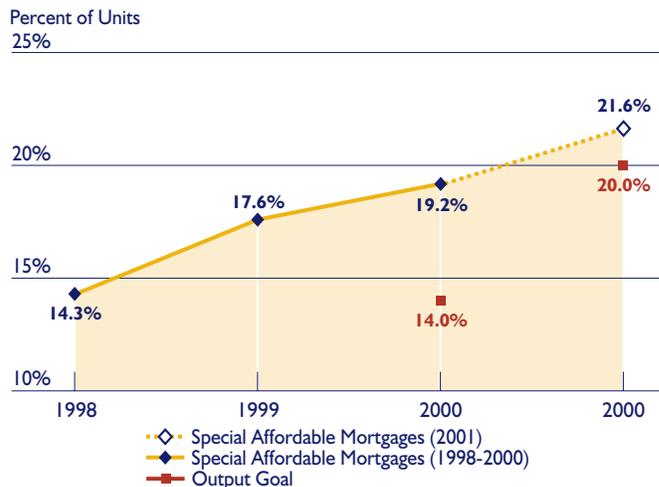
Results and Analysis. In calendar year 2001, Fannie Mae and Freddie Mac both surpassed the 20 percent target. Fannie Mae achieved 21.6 percent and Freddie Mac achieved 22.6 percent. New scoring rules, including awarding bonus points for acquisitions made in certain underserved markets and a temporary adjustment factor for Freddie Mac’s multifamily purchases, made it possible for the GSEs to meet the target goal. Absent the scoring rule changes, Fannie Mae’s baseline performance for 2001 was 19.6 percent, which represented an improvement over its 19.2 percent baseline performance in 2000. Freddie Mac’s baseline performance fell from 20.7 percent in 2000 to 19.1 percent in 2001.¹²

An analysis of mortgages counted towards the Special Affordable target indicates that, as a result of substantial refinance volume during this period, the composition of qualifying units changed in 2001. For example, as a percentage of total dwelling units qualifying under this goal, Fannie Mae’s special affordable mortgage purchases for one-unit, single-family, owner-occupied properties increased by 142 percent, or 281,823 units, from 2000 to 2001. Freddie Mac’s purchases also increased but by a lesser margin: In 2001, Freddie Mac purchased 149,777 more qualifying units than in 2000, representing a 79 percent increase over 2000 performance.

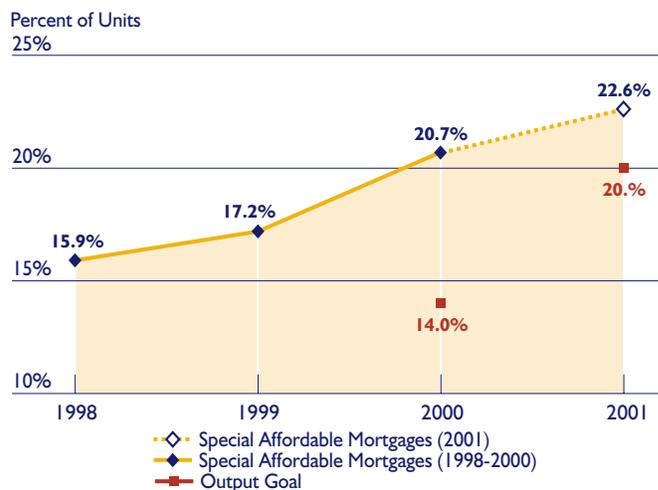
Similarly, purchases of owner-occupied, two-to-four unit properties counted towards the Special Affordable target also rose in 2001. Fannie Mae posted a 152 percent increase in qualifying purchases over its 2000 performance while Freddie Mac improved its performance by 86 percent. Because these properties disproportionately serve lower income families, HUD’s revised rule awards bonus point credit for these mortgages.

Data Discussion. The data reported under this goal are based on calendar-year performance. There is a one-year reporting lag because the GSEs report to HUD in the year following the performance year.

Fannie Mae Performance Relative to Special Affordable Target



Freddie Mac Performance Relative to Special Affordable Target



¹²In the accompanying graphs, the change from a solid line to a dotted line from 2000 to 2001, and the change in shapes from a solid diamond to a hollow diamond, reflect the changes in HUD’s scoring rules that became effective in 2001. The squares show the levels of the housing goals at different dates.

Strategic Goal 3: Promote Housing Stability, Self-Sufficiency and Asset Development of Families and Individuals

Strategic Objectives:

3.1 Homeless families and individuals achieve housing stability.

3.2 Poor and disadvantaged families and individuals become self-sufficient and develop assets.

3.3 The elderly and persons with disabilities achieve maximum independence.

Performance Report Card – Goal 3

Performance Indicators	1999	2000	2001	2002	2002 Target	Substantially Met	Notes
3.1.1 Share of homeless persons leaving HUD transitional housing for permanent housing			64%	51%	64.5%		
3.1.2 Number of formerly homeless persons who move into HUD McKinney-funded permanent housing			30,000	47,905	20,000	☐	
3.1.a Share of the population living in Continuum communities	83%	88%	89.6%	88.9%	90.1%		
3.1.c Number persons moving into HUD-funded transitional housing				192,392	115,000	☐	
3.1.d Percentage of EZ/EC projects achieving goals for homeless assistance	84%	83%	89%	71%	90%		
3.1.e Number of communities with HMIS			12	24	13	☐	
3.2.1 Percentage increase in earnings of newly employed TANF recipients over six-month period	24%	27%	25%		49%		a
3.2.2 Share of recipients of welfare-to-work vouchers holding jobs at recertification							a
3.2.3 Share of able public housing households with children deriving more than 50 percent of income from work	45.0%	48.0%	48.7%	48.4%	49.8%		
3.2.4.1 Number of FSS participants with escrow assets in public housing							Data not reliable
3.2.4.2 Average escrow balance of FSS graduates in public housing							Data not reliable
3.2.4.3 Number of FSS households with escrow assets in the voucher program							Data not reliable
3.2.4.4 Average escrow balance of FSS graduates in the voucher program							Data not reliable
3.2.a Percentage of EZ/EC projects achieving goals for social services	80%	73%	83%	79%	85%		
3.2.b Share of HAs scoring highly under SEMAP for FSS				44%			b,f,h,
3.2.5 Share of welfare families that move from welfare to work in public housing	23.8%		19.9%	13.1%	20.9%		
3.2.6 Share of welfare families that move from welfare to work in tenant-based Section 8	27.5%		26.0%	17.4%	28.0%		

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Performance Indicators	1999	2000	2001	2002	2002 Target	Substantially Met	Notes
3.2.7	Share of welfare families that move from welfare to work in project-based Section 8 housing		21.8%	20.6%	21.8%		
3.2.8	18.7%	17.0%	17.6%	21.7%	17.1%		
3.2.d.1	Jobs created or retained through CDBG			90,263	124,900		
3.2.d.2	Jobs created or retained through Section 108			10,092	30,000		
3.2.e	Youth trained through Youthbuild		2,897	3,614	3,728	3,774	☐
3.2.f	Change in employment rate of homeless persons in transitional housing (different cohorts)			87.5%	50%	☐	
3.2.f(2)	Number of on-site Section 3 monitoring reviews of PHAs			25	25	☐	
3.2.g	Percentage of Section 3 complaints aged over 120 days		47%	100%	25%		
3.3.1	Number of Section 202 projects completing conversion of units to assisted living			325			a,h
3.3.2	Number of elderly households in public or multifamily projects served by service coordinator		63,000	88,000	69,600	☐	
3.3.3	The share of elderly households in assisted multifamily housing satisfied with housing (service-enriched vs. non-service-enriched)						g
3.3.a	270	278	301	307	291	☐	
3.3.b	Cumulative number of Section 202 projects converted to assisted living			2			a,b
3.3.c	Number of states with assisted living facilities that house elders with vouchers and Medicaid			5	5	☐	
3.3.d	Implementation of Improving Access Initiative						Program not funded

(Values represent fiscal year data unless otherwise noted.)

a - Data not available.

b - No performance goal for this fiscal year.

c - Third quarter of calendar year (last quarter of fiscal year; not the entire fiscal year).

d - Calendar year ending in the current fiscal year.

e - Calendar year ending the previous fiscal year.

f - Other reporting period.

g - Result too complex to summarize. See indicator.

h - Baseline newly established.

Objective 3.1: Homeless families and individuals achieve housing stability.

Outcome Indicator 3.1.1:

The share of those homeless persons leaving HUD transitional housing who move to permanent housing increases by 0.5 percentage point.

Background. The ultimate goal of homeless assistance is to help homeless families and individuals achieve permanent housing and self-sufficiency. To coincide with this goal, HUD-funded transitional housing programs help prepare homeless people for permanent housing by offering an array of supportive services that will increase their self-sufficiency and decrease barriers for obtaining permanent housing. This outcome indicator provides a means of measuring the ability of transitional housing to move people who are homeless into permanent housing. This measure tracks the percentage of people who leave HUD-funded transitional housing and then move into any kind of permanent housing, whether it is HUD-funded or not. In FY 2003, HUD will measure the actual number—not percentage—of persons who move from HUD transitional housing to permanent housing.

Results and Analysis. According to APR data, in 2002, 51 percent of the homeless adults who left HUD's transitional housing moved into permanent housing. In 2001, approximately 64 percent of homeless adults who left HUD transitional housing moved into permanent housing. This is a decrease of 13 percent. It is not immediately known what the cause is for the decline. As indicated earlier, the 2002 results are based on an available sample of 32 percent of APRs, whereas the 2001 figure is based on a much larger sample. As such, the 51 percent figure for 2002 may change somewhat as more APRs are received. Also, it is noteworthy that at the same time there was a 13 percent reduction in the percent of transitional housing clients who move to permanent housing there was an 8 percent increase in the percent of transitional housing clients who moved to emergency shelter. The percent of exiting clients to all other destinations—such as institutions, other transitional housing, etc—were not significantly different between 2001 and 2002.

HUD is currently involved in several initiatives to help alleviate the needs of homeless persons. HUD is participating in a revitalized U.S. Interagency Council on Homelessness effort to increase the coordination of homeless services across the federal government. Secretary Mel Martinez is heading up that effort as elected Chair of the Council. Also, HUD, HHS, and VA are working on a collaborative effort to specifically target the chronically homeless through a \$35 million NOFA anticipated in early 2003. HUD continues, per Congressional directive, to spend at least 30 percent of all McKinney-Vento funds on permanent housing. In the 2002 McKinney-Vento homeless assistance competition, HUD emphasized local Continuum of Care (CoC) plans addressing the needs of the chronically homeless, linking homeless persons to mainstream resources, and creating permanent supportive housing as important steps in HUD's long-term goal as identified in HUD FY 2003-FY 2008 Strategic Plan of ending chronic homelessness within 10 years—by 2011.

Data Discussion. Data for this indicator are from HUD Annual Progress Report (APR). The APR is submitted by the grantee, to HUD as a means of reporting on their HUD-funded homeless assistance project. The APR is submitted yearly for each homeless assistance project at the end of their operating year. Because projects begin annual operations at different times, the data reflects projects that ended their operational year during the calendar year 2002. Due to the varied operation dates for projects, the APR data for all APR-based indicators represents 32 percent of all projects operating in 2002. The 32 percent includes all data collected as of November 20, 2002.

Outcome Indicator 3.1.2:

At least 20,000 formerly homeless persons who move into HUD McKinney-Vento funded permanent housing.

Background. This outcome indicator underscores the importance HUD has placed on providing HUD-funded permanent housing for homeless persons. Permanent housing provides long-term stability that is essential to self-sufficiency and helps to end the cycle of homeless. Supportive services, also provided via the Continuum of Care (CoC), are necessary to address various types of problems homeless people face before and after placement into permanent housing. According to recent research, the cost of providing permanent housing for homeless individuals is actually less than the cost of maintaining the homeless in state hospitals, psychiatric facilities, jails/prisons, or on the street.

This was a new outcome indicator in 2001, at which time a baseline was set for this measure.

Results and Analysis. In 2002, approximately 47,905 formerly homeless people moved into HUD McKinney-Vento funded permanent housing. It was estimated that 30,000 homeless persons moved into HUD McKinney-Vento funded permanent housing during 2001. This is an estimated increase of 17,905 formerly homeless people who moved into HUD McKinney-Vento funded permanent housing in 2002. HUD has far exceeded the 2002 goal of 20,000 people placed into HUD-funded permanent housing in 2002 by 27,905 people.

The significant increase in the number of homeless people moving into HUD-funded permanent housing can be attributed to HUD's emphasis on increasing the number of permanent housing units available for people who are homeless. HUD encourages local communities to use HUD homeless assistance funds for permanent housing in national broadcasts, the NOFA, the application and by providing bonuses to CoCs that propose new permanent housing projects as their top priority. The results of these efforts have been realized in approximately 47,905 formerly homeless people who have moved into HUD McKinney-Vento funded permanent housing in 2002.

In 2002, HUD McKinney-Vento funds also helped 21,284 homeless people to move from HUD-funded transitional housing into non-HUD funded permanent housing. In total, HUD McKinney-Vento funds have assisted 69,189 formerly homeless people to move into both HUD and non-HUD funded permanent housing in 2002.

Data Discussion. Data for this indicator are from HUD Annual Progress Report (APR). Due to the varied operation dates for projects, the APR data for all APR-based indicators represents 32 percent of all projects operating in 2002. The 32 percent includes all data collected as of November 20, 2002.

Programmatic Output Indicator 3.1.a:

The share of the population living in communities with a Continuum of Care system increases by 0.5 percentage point.

Background. HUD continues to encourage homeless assistance providers in each community to work together to submit a single application describing their resources and needs. This "Continuum of Care" process helps ensure that communities take a comprehensive approach to addressing the problem of homelessness and closing their service gaps. HUD will no longer report on this measure in 2003 due to the matured success in the development of the Continuum of Care.

2. PERFORMANCE INFORMATION

Results and Analysis. In 2001, 11 additional CoCs were created, increasing the total number of CoCs nationwide from 446 in FY 2000 to 457 in FY 2001. In FY 2001, 89.6 percent of the total U.S. population lived in communities within a CoC system. In FY 2002, 14 additional CoCs were created, increasing the total number of CoCs nationwide from 457 in FY 2001 to 471 in FY 2002. In FY 2002, 88.9 percent of the total U.S. population lived in communities within a CoC system. This represents a minor 0.7 percentage point decrease from FY 2001 levels.

While 14 additional CoCs were created in FY 2002, this increase can occur without a change in the share of the population living in communities within a CoC. Some large state-wide CoCs have split into numerous smaller CoCs to allow for more local control and planning in the CoC planning process; hence increasing the number of CoCs while the share of the population living in communities within these CoCs do not increase.

The minor change in the share of the total U.S. population living in communities within a CoC system in FY 2002 could be attributed to differences in population data used in the calculation of this indicator. In FY 2001, 1999 population estimates were used, as they were the latest and most accurate data available. For FY 2002, actual 2000 population Census data were used, as they were the latest and most accurate data available.

Data Discussion. This measure is based on Continuum of Care (CoC) applications, submitted by each CoC jurisdiction for the FY 2002 homeless competition. Bureau of Census population data were used to estimate the proportion of the population covered.

Programmatic Output Indicator 3.1.c:

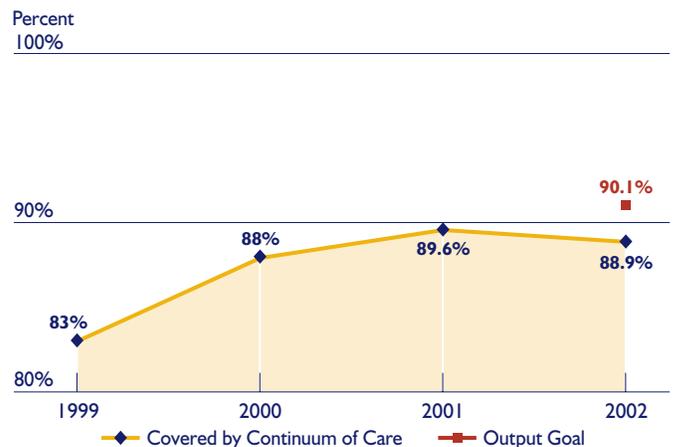
At least 115,000 people move into HUD-funded transitional housing.

Background. This programmatic output tracks the number of homeless people who move into HUD-funded transitional housing. An important stepping-stone toward permanent housing for homeless persons is the availability of transitional housing with supportive services to stabilize their lives. This is a new indicator for 2002 and the first time HUD has tracked the number of people served by HUD-funded transitional housing to better reflect the overall impact of transitional housing funds.

Results and Analysis. In 2002, an estimated 192,392 homeless people moved into HUD-funded transitional housing. This far exceeds the goal by an additional 77,392 people moving into transitional housing. HUD continues to increase the number of HUD-funded transitional housing beds. HUD also continues to provide the supportive services necessary to move people who are homeless from transitional housing to permanent housing, allowing more vacancies for homeless people in need of transitional housing and accompanying supportive services.

Data Discussion. Data for this indicator are from HUD Annual Progress Report (APR). Due to the varied operation dates for projects, the APR data for all APR-based indicators represents 32 percent of all projects operating in 2002. The 32 percent includes all data collected as of November 20, 2002.

Population Living in Communities with Continuum of Care



Programmatic Output Indicator 3.1.d:

At least 90 percent of EZ and EC projects achieve local goals in serving homeless persons.

Background. The Empowerment Zone and Enterprise Community program is designed to promote economic and community development in distressed communities. HUD has designated 79 Empowerment Zones and Enterprise Communities (EC's). HUD measures their performance in seven areas including serving homeless persons. Data represent the sum of plans that are 95 percent completed divided by the sum of EZ/ECs that have homeless programs. A more detailed discussion of EZ/EC results is included under Indicator 4.2.d.

Results and Analysis. In FY 2002, 71 percent of EZ and EC projects met goals with respect to serving homeless persons. This level misses the target of 90 percent and represents a 20 percent decrease from the revised FY 2001 level of 89 percent. HUD has begun to employ a number of management strategies to help the communities become better at setting reachable goals; however, anecdotal evidence also suggest outside factors sometimes make it difficult for the communities to reach the projected target.

Programmatic Output Indicator 3.1.e:

The number of communities with Homeless Management Information Systems increases.

Background. This programmatic output indicator will track the number of Homeless Management Information Systems (HMIS) as they are implemented and expanded around the country. Congress directed HUD to work with local jurisdictions to collect an array of data on homelessness, including unduplicated counts, the use of services, and the effectiveness of the local homeless assistance systems. HUD has set a goal of October 2004 for the CoC jurisdictions to have operating Homeless Management Information Systems (HMIS).

This is the first time HUD has tracked the number of communities with Homeless Management Information Systems. An important part of tracking HMIS is also tracking the percent of beds/units included in HMIS of all beds/units within the community. HUD will continue to track both the number and percent of HMIS coverage as HMISs continue to expand. In 2003, the number of communities with HMIS will continue to increase to 75 communities.

Results and Analysis. Based on 2002 application data, in 2002, 45 Continuum of Care (CoC) communities have at least 50 percent of their beds/units included in HMIS and of these, 24 communities have 75 percent or more of their beds/units included in HMIS. Based on 2001 application data, in 2001, 24 Continuum of Care communities had at least 50 percent of their beds/units included in HMIS and of these, 12 communities had 75 percent or more of their beds/units included in HMIS. From 2001 to 2002, 21 new CoC communities have at least 50 percent of their beds/units included in HMIS and of these, 12 new CoC communities have 75 percent or more of their beds/units included in HMIS. This is a significant increase in the number of communities with HMIS with a 100 percent increase in the number of communities with 75 percent or more of their beds/units included in HMIS.

HUD will continue to emphasize HMIS to local communities while providing relevant technical assistance to Continuums as they implement HMIS. HUD is also developing reporting standards for an Annual Homeless Assessment Report for Congress from a national sample of HMIS data.

Data Discussion. Data from Continuum of Care (CoC) applications submitted in 2001 and 2002 homeless competitions, by each CoC jurisdiction, are the source of this indicator's data.

Objective 3.2: Poor and disadvantaged families and individuals become self-sufficient and develop assets.

Outcome Indicator 3.2.1:

Maintain the percentage rate of earnings gained by employed adult TANF recipients or former recipients over a six-month period.

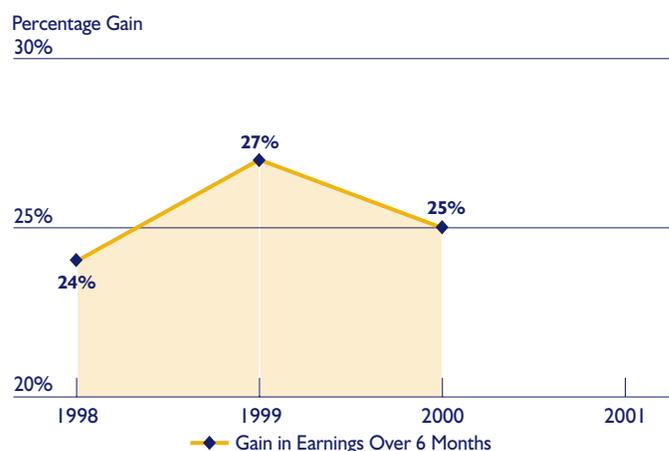
Background. This indicator is shared with the Department of Health and Human Services (HHS). The indicator measures the change in earned income among former recipients of Temporary Assistance for Needy Families (TANF) six months after they become employed. The measure was adopted because there has been substantial historical overlap between the welfare population and residents of public and assisted housing. At the time TANF was authorized, about one-quarter of welfare households had housing assistance and about one-quarter of assisted households received welfare. For FY 2003 and future years, HUD is focusing on performance measures that have greater validity for HUD because they focus on transitions from welfare to work in assisted housing programs.

Results and Analysis. The most recently available data show that in calendar year 2000, the increase in quarterly earnings of newly employed TANF recipients was 25 percent over six months, comparing a base quarter with the second subsequent quarter. This was a slower rate of income growth than the 27 percent gains families experienced in 1999, and thus missed the performance goal of increasing earnings.

TANF caseloads have declined dramatically in recent years, and there is evidence that the remaining TANF population faces more obstacles to stable, high quality employment. Thus the decline may reflect a changing caseload, as well as possible economic factors. The economy had slipped into recession by March 2001, causing some former TANF recipients to lose jobs that paid higher wages. Various States have differing approaches to promote work by TANF recipients, ranging from extensive education opportunities to mandatory work participation. The evidence that is developing about which approaches are more effective is undergoing continuing Analysis. HUD continues to work with HHS to research the impacts of welfare reform and the effectiveness of various strategies to promote self-sufficiency.

Data Discussion. This measure, which represents one- and two-parent families, is tabulated from state and local administrative data by the Administration for Children and Families at HHS. HUD is unable to verify the data independently. The values for FY 1998 and FY 1999 reflect recalculation by HHS using the latest available data, and thus do not match the values reported in the FY 2000 Performance and Accountability Report.

% Gain in Earnings After 6 Months for Newly Employed TANF Recipients



Outcome Indicator 3.2.2:

The share of recipients of welfare-to-work vouchers who hold jobs at time of annual recertification increases.

Background. This indicator tracks the employment status of recipients of Welfare to Work (WtW) vouchers. Funding for the program was appropriated in FY 1999 and awarded in FY 2000. WtW vouchers provide rental assistance to support work efforts of families, providing stability and housing security at a critical point in the transition from welfare to employment. The WtW voucher program was a new initiative that required coordination of PHAs and welfare agencies. As is often true of new programs, startup was slow but many WtW voucher PHAs finally achieved full leasing of their WtW vouchers in FY 2001. Because changes to the form HUD-50058 that enabled the Department to track WtW vouchers in its PIC system were implemented late in FY 2001, the Department was able to establish a baseline in FY 2002 as anticipated in the Department's discussion of Outcome Indicator 3.3.2 in the FY 2001 Performance and Accountability Report. FY 2002 was the first full fiscal year that WtW voucher data was collected in HUD's PIC system. The baseline measures the percentage of families with earned income when they entered the WtW voucher program in FY 2002. Data on families that entered the program prior to FY 2002 is not available because it was not captured in PIC.

Results and Analysis. The PIC system contains reports of 2,672 families that enrolled in the WtW voucher program between October 1, 2001 and September 30, 2002. Of those families, 1,339, or 50.1 percent, had earned income at the time of entering the WtW voucher program, and 49.9 percent had no reported employment income.

Since the inception of the WtW voucher program in 1999, HUD has provided technical assistance to the public housing agencies that were awarded WtW vouchers. Although much of the technical assistance in the initial two years of the program was focused on helping PHAs to identify and select eligible families and on leasing all 50,000 WtW vouchers, the Department's technical assistance has also addressed the employment component of the program. HUD has provided information to PHAs on employment, case management, strengthening TANF/DOL partnerships and the advantages of enrolling WtW voucher families in the Family Self-Sufficiency program through activities such as national teleconferences and field office workshops. Success of the WtW vouchers in promoting self-sufficiency among welfare recipients is being evaluated by HUD's Office of Policy Development and Research (PD&R) in six large WtW voucher programs. The sites include: Atlanta and Augusta, Georgia; Fresno, California; Houston, Texas; Los Angeles, California; and Spokane, Washington. The final report target date is May 2003.

Data Discussion. Data on WtW voucher families is collected through the form HUD-50058 and the Family Self-Sufficiency/WtW voucher addendum to the HUD 50058.

Many PHAs continue to report difficulty getting their WtW voucher data into HUD's PIC 50058 data system with the result that PIC 50058 does not include complete data on WtW voucher program enrollment and progress. Reporting accuracy and completeness is expected to improve as a result of HUD efforts to identify and correct problems, but the baseline does not include the many families that enrolled in the WtW voucher program before implementation of the HUD 50058 and 50058 addendum revisions that now enable HUD to identify WtW voucher families in PIC.

PIC 50058 verifies the accuracy of data by performing automated checks on data ranges and internal consistency. Data and summary statistics are electronically available to housing agencies and HUD field offices for verification, validation, data analysis and monitoring purposes.

2. PERFORMANCE INFORMATION

Programmatic Output Indicator 3.2.a:

At least 85 percent of EZ and EC projects achieve local goals in providing social services.

Background. HUD has designated 79 Empowerment Zones (EZs) and Enterprise Communities (ECs). HUD measures their performance in seven areas including providing social services. Data for this indicator represent the number of grantees that achieved at least 95 percent of their projected outputs divided by the total number of grantees with completed social service projects or programs. A more detailed discussion of this measure is included under Indicator 4.2.d.

Results and Analysis. In FY 2002, 79 percent of EZ and EC projects met goals with respect to providing social services. This level misses the target of 85 percent and represents a 4 percent decrease from the revised FY 2001 level of 83 percent. HUD has begun to employ a number of management strategies to help the communities become better at setting reachable goals; however, anecdotal evidence also suggest outside factors sometimes make it difficult for the communities to reach the projected target.

Outcome Indicator 3.2.3:

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.

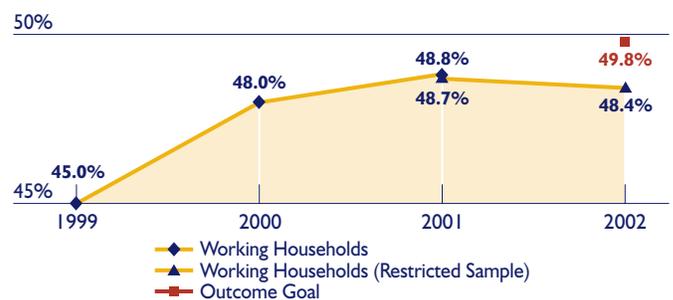
Background. HUD's goal is to help as many residents of public and assisted housing to increase their self-sufficiency to the point that they no longer need housing assistance and/or are able to become homeowners if they choose. The Department has several efforts underway to promote work participation among existing residents and admit higher income families in public housing. The data used for this measure consist of the most recent income certification records for non-elderly, non-disabled public housing households that have been submitted by PHAs at a point in time. PHAs are required to re-certify household incomes annually. The goal for FY 2002 and FY 2003 is to increase the number by one percentage point per year.

Results and Analysis. Complete data are not available to report FY 2002 results. However, consistent data are available for the restricted sample of households that have records on file for both FY 2001 and FY 2002. Among this restricted sample, the proportion of non-elderly, non-disabled households that were working stood at 48.4 percent. Therefore, the one percentage point increase was not realized for FY 2002. The use of the restricted sample may have influenced this result because the estimates cannot capture any gains in work participation that occurred through admission of working households.

Throughout the FY 2002 performance period, the Department has been actively promoting work through its policies and PHA activities. These strategies included disregarding earned income when calculating rents, providing escrow accounts through the Family Self Sufficiency program, and providing employment-related supportive services through the Resident Opportunities and Self-Sufficient (ROSS) program.

Public Housing Households with Dependents Earning More than Half of Income by Working

Percent of Non-Elderly Non-Disabled Households with Dependents
55%



Data Discussion. The data come from the PIC 50058 system, consisting of household records submitted by housing agencies. The FY 2001 values are based on records present in PIC as of 5/31/2001, and the FY 2002 values are based on the 9/30/2002 file. Household data were incompletely reported during FY 2002 as the PIC system was implemented. Therefore, the restricted sample was used to provide a reliable estimate of changes for a consistent subgroup. The restricted sample includes 208,000 non-elderly non-disabled families with dependents that have records on file in both the 5/31/2001 and the 9/30/2002 files.

Outcome Indicator 3.2.4:

The number of public housing and Section 8 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.

Background. The Family Self-Sufficiency (FSS) program is HUD's 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 educational services, job training, counseling, and other services while they are receiving housing assistance. Both housing choice voucher holders (formerly known as Section 8 vouchers) 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, an amount based on their increased earned income is deposited into an interest-bearing escrow account. The family claims the escrow funds upon successful fulfillment of their self-sufficiency contract.

Results and Analysis. Data on public housing and housing choice voucher FSS families is collected through an addendum to the Form HUD-50058. In FY 2001, HUD's PIC-50058 data system contained reports of a total of 19,631 public housing and housing choice voucher families with positive escrow account balances. There are records in PIC of 433 families graduating from FSS in FY 2001; the average escrow balance amount was \$4,482.37. In FY 2002, the number of public housing and housing choice voucher families in PIC with positive escrow balances declined to 11,782. The total number of FSS graduates reported in PIC for FY 2002 was only 227, but the average escrow amount for graduates increased to \$4,875.52, an increase of approximately 8.8. As discussed in more detail below, because of data problems in HUD PIC 50058 data system, especially in FY 2002, it is likely that the numbers obtained from PIC seriously undercount the number of families that were participating in the FSS program as well as the escrow balances and the number of graduations from the FSS program.

Data Discussion. Data on public housing and housing choice voucher FSS families comes from HUD PIC-50058 data system. The reliability of the FSS data in both FY 2001 and FY 2002 was poor. Many PHAs reported difficulty getting their FSS data into HUD's PIC 50058 data system and some of the data that was submitted was lost as a result of a system error with the result that PIC 50058 does not accurately reflect the total public housing and housing choice voucher FSS program enrollment and escrow activities in FY 2001 and FY 2002. The Department has been able to identify many of the problems that resulted in poor FSS data reporting in FY 2001 and FY 2002 and is correcting them. Reporting accuracy and completeness are expected to improve as a result of HUD identification and correction of system problems.

2. PERFORMANCE INFORMATION

Programmatic Output Indicator 3.2.b:

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

Background. Some PHAs were required to implement FSS programs because they received funding for additional housing choice vouchers between 1990 and 1998. The PHA's mandatory FSS program size is based on the number of new vouchers received during that period and performance of PHAs with mandatory FSS programs is measured through one component of SEMAP. To score eight points, at least 60 percent of mandatory FSS slots must be filled and at least 30 percent of FSS families must have escrow account balances.

Results and Analysis. The baseline for this goal is being established for the SEMAP reporting period for the four quarters from December 31, 2000 through September 30, 2001. Of the 2,332 PHAs rated in SEMAP during that period, the FSS indicator applied to only the 1,080 PHAs with mandatory FSS programs. Of those PHAs with mandatory FSS programs, 480, or 44 percent, achieved a score of 8 points or higher. This baseline may understate the number of successful FSS programs because of problems with HUD PIC 50058 system in FY 2002.

Data Discussion. Data is from the Public and Indian Housing Information Center Section Eight Management Assessment Program (PIC SEMAP), which are based on data reported by PHAs to PIC 50058.

The reliability of the FSS data is not good and may understate actual FSS enrollment and progress. Many PHAs continued to report difficulty getting their FSS data in HUD's PIC 50058 data system during the SEMAP reporting periods used in establishing this baseline with the result that PIC 50058 does not accurately reflect FSS program enrollment and escrow activities. Reporting accuracy and completeness is expected to improve as a result of HUD's efforts to identify and correct problems.

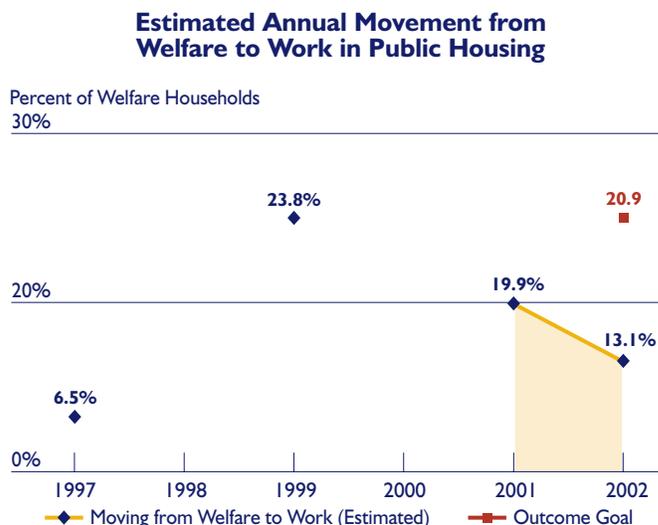
PIC 50058 verifies the accuracy of data by performing automated checks on data ranges and internal consistency. Data and summary statistics are electronically available to housing agencies and HUD field offices for verification, validation, data analysis and monitoring purposes.

Outcome Indicator 3.2.5:

The share of welfare families that move from welfare to work each year while residing in public housing increases by 1 percentage point.

Background. This indicator tracks the work participation outcomes for welfare families while they reside in public housing, as determined by primary income source. Primary income source is defined as the income source, either welfare income or wage income, that exceeds 50 percent of total income.

Results and Analysis. In FY 2002, public housing families moved from welfare to employment at an annualized rate of 13.1 percent. The figure does not include families that left public housing, so it may be missing some families who ended participation after obtaining full-time employment. The current figure misses the goal of an increase of 1 percentage point above the estimated annualized rate of 19.9 for FY 2001 and is actually a decline from that baseline.



PERFORMANCE AND ACCOUNTABILITY REPORT

Although the rate of movement from welfare to employment of public housing residents continues to slow from the FY 1999 peak, the rate exceeds the estimated 6.5 percent of welfare households moving to work annually when TANF was enacted.

Data Discussion. Data on public housing income sources comes from the PIC 50058 data system, consisting of household data submitted electronically by housing agencies.

Reporting by PHAs for public housing in FY 2002 was at a rate of approximately 60 percent of occupied units. Data will improve with higher PHA public housing reporting rates. The Department is currently monitoring reporting rates and conducting an assessment of the appropriate timing for reinstating a sanctions and forbearance policy. Sanctions had been suspended because of technical adjustments to PIC affecting both the Department and local agencies as PIC was being upgraded. Reporting rates have also been affected by the number of agencies given reporting waivers as participants in the Moving to Work demonstration and the New York City Housing Authority reporting waiver that was granted after the September 11, 2001 tragedy.

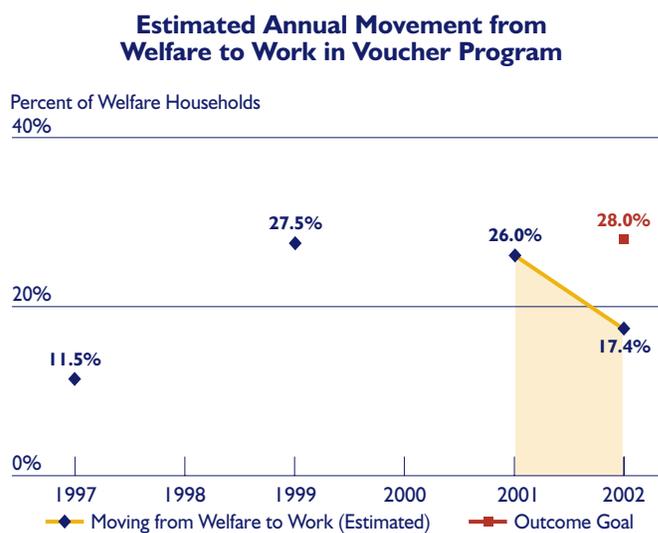
PIC 50058 has automated edits to prevent input errors, and HUD performs quality control studies to verify the accuracy of tenant income data.

Outcome Indicator 3.2.6:

The share of welfare families that move from welfare to work each year while assisted by tenant-based Section 8 increases by 2 percentage points.

Background. The housing choice voucher program, or tenant-based Section 8 rental assistance, serves as one of HUD's best tools to help families escape welfare dependency because it gives families freedom to move to neighborhoods that are close to jobs. Many housing agencies administering housing choice voucher programs have implemented Welfare-to-Work and Family Self-Sufficiency programs to help families become economically independent. This indicator tracks work participation outcomes for welfare families assisted by vouchers, as measured by the percentage of families moving from welfare as primary income source to earnings as primary income source while they are assisted. Primary income source refers to the source of income, either welfare income or wage income, that exceeds 50 percent of total income.

Results and Analysis. In FY 2002, housing choice voucher program participants moved from welfare to work at an annualized rate of 17.4 percent. The percentage does not include families that left the voucher program, so it may be missing some families who ended participation because they no longer needed assistance. This misses the goal of a 2 percentage point increase and is a decline from the estimated annualized baseline of 26 percent for FY 2001. The trend mirrors that of public housing: transitions to work are up substantially from the early days of welfare reform under TANF, but are down from FY 2001 levels. The decline is somewhat less than in public housing, suggesting that the geographic flexibility provided by the voucher program may make it more resilient to downturns, or that it may serve a different population. Similar external factors apply such as the changing distribution of needs of different cohorts of welfare households and weakening job markets doubtless play a significant role.



2. PERFORMANCE INFORMATION

The Department has implemented a number of strategies to improve movement from welfare to work in the housing choice voucher program. Because the FSS program is such an important tool for moving families to employment, the Department made \$46.4 million available in FY 2002 to pay the salaries of FSS program coordinators for voucher FSS programs. The FSS program coordinators assure that program participants are linked to the supportive services they need to achieve and maintain self-sufficiency. HUD provides no additional funding for services, and the cost for salaries of FSS program coordinators is minimal, considering the value of services and other resources that the coordinators are able to leverage for their program activities. In FY 2002, HUD continued to provide training and technical assistance to PHAs that administer Welfare-to-Work voucher and FSS programs. HUD believes that strategies such as those developed through the Welfare-to-Work voucher program and FSS will be important to strengthening the job skills and employment success of its families. As families increase employment income and need little or no rental assistance, more money will be available to help additional families make the transition to work.

Data Discussion. The data come from the PIC 50058 data system, consisting of household records submitted electronically by housing agencies. The reporting rate for tenant-based housing choice vouchers is good. Annual recertification of tenant income may not capture short spells of work or welfare. Data on families leaving the housing choice voucher program because they no longer need rental assistance due to increased wages has not been taken into consideration in the data used to evaluate this indicator. PIC 50058 has automated edits to prevent input errors, and HUD performs quality control studies to verify the accuracy of tenant income data.

Outcome Indicator 3.2.7:

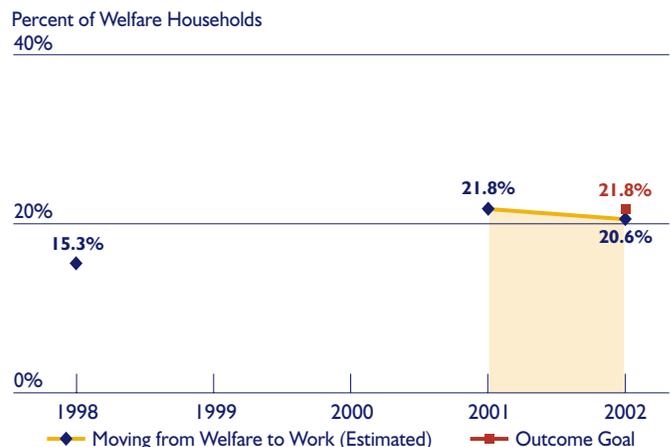
The share of welfare families that move from welfare to work each year while assisted by project-based Section 8 increases from the FY 2001 baseline.

Background. Project-based Section 8 contracts reimburse private property owners for a designated number of low-income households who cannot afford to pay the fair market rent. Roughly 9 percent of assisted multifamily households had welfare as their primary source of income during 2002. This percentage has decreased dramatically from levels observed during the late 1990's. Promoting self-sufficiency, work participation and income growth helps these families climb the housing ladder and frees up program resources to assist more needy families.

Results and Analysis. Among the welfare families who lived in assisted multifamily housing in September 2001, 21 percent had moved to work by September 2002, slightly below the 22 percent that moved to work during FY 2001. The FY 2002 percentage remains substantially above a reasonable annualized estimate of work transition of 15.3 percent derived from an earlier finding that 31.8 percent of welfare families moved to work during the 25 months between December 1995 and January 1998.

One likely reason for this slight increase is that the sharp decline in recent years in the share of households deriving their income primarily from welfare suggests those remaining may face unusually difficult problems transitioning from welfare to work. The fact that the project-based Section 8 program offers fewer options than public housing for promoting self-sufficiency of residents (because housing providers are private owners rather than public housing agencies) makes further progress relatively more difficult.

Estimated Annual Movement from Welfare to Work in Project-Based Section 8 Program



However, an important tool HUD is using to assist families are the Neighborhood Networks, which are multiservice community technology centers for low- and moderate-income residents. The centers help residents gain knowledge and skills through the use of computer learning to prepare themselves better for the job market and attain self-sufficiency. 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 170 new Neighborhood Networks centers during FY 2002.

Data discussion. The data come from the Tenant Rental Assistance Certification System (TRACS).

Programmatic Output Indicator 3.2.c:
Among Consolidated Plan jurisdictions with housing agencies, the share that have included housing agency representatives in consolidated planning efforts reaches 90 percent.

Background. This output indicator is used to track the share of consolidated plans that demonstrate States and communities involvement with housing agencies in a decision-making role. It is included under this objective because of its relation to consolidated planning efforts. It is discussed more completely as Indicator 1.2.p relating to Strategic Goal 1.

Outcome Indicator 3.2.8:
Unemployment rates among young, entry-level jobseekers in central cities decline by 0.5 percentage point.

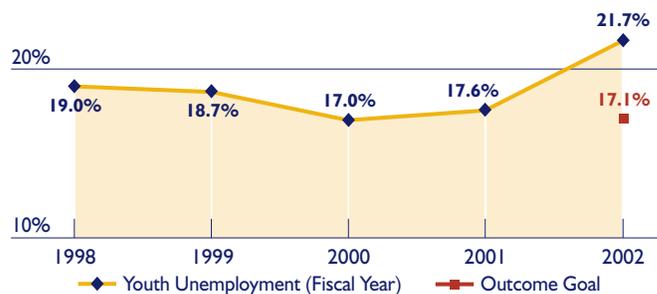
Background. This indicator tracks the unemployment rate for the 16- to 19-year-old labor force in central cities. The unemployment rate of youth indicates the extent to which entry-level or unskilled jobseekers, including former TANF recipients, are finding employment. Youth are not a perfect proxy for all entry-level unemployed persons because they may have more computer-related skills or other differences in human capital. Youth have higher rates of unemployment than other age groups. The unemployment rate is defined as the percentage of those who want to work (the labor force) but who do not have jobs. This indicator does not appear in the FY 2003 APP because the numerous economic factors that affect the outcome place it substantially beyond HUD span of control or influence.

Results and Analysis. During FY 2002, the youth unemployment rate climbed to 21.7 percent. The increase of 4.1 percentage points missed the goal of decrease of 0.5 points from FY 2001 levels.

The rapidly worsening condition during FY 2002 accelerated modest losses observed for FY 2001. A number of HUD programs continued to support job creation during the difficult economic period. Community Development Block Grants, Section 108 loan guarantees, and Empowerment Zone programs are key economic development programs. Grantees reported that 90,263 jobs were created or retained with CDBG and Section 108 during FY 2002 (see Indicator 3.2.d). This activity is amenable, at grantee's discretion, to target high poverty areas in young, entry-level job seekers. HUD enforcement of Section 3 requirements helps ensure that grantees use funds in ways that create job opportunities for low-income residents.

Unemployment Among Young Entry-Level Job Seekers

Percent of Youth (Age 16-19) in Labor Force
 30%



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The Department also has several programs that enhance job readiness for entry-level workers. The Youthbuild program helps youth develop construction-related skills by learning on-the-job. Neighborhood Networks technology centers, operated by multifamily housing providers, help disadvantaged residents develop the critical computer skills needed in the job market.

Data Discussion. This measure relies on annual calendar year estimates provided by the Bureau of Labor Statistics using data from the Current Population Survey and unemployment insurance programs. To support improved and more timely reporting, the measure has been converted from a calendar year to a fiscal year basis and now includes jobseekers who had never before held jobs.

Programmatic Output Indicator 3.2.d: A total of 124,900 jobs will be created or retained through CDBG and 30,000 through Section 108.

Background. Many communities choose to use a substantial fraction of their CDBG grants and Section 108 guaranteed loans to improve the local economy and help their citizens find productive work. This measure tracks the number of jobs that grantees report as created or retained through CDBG and Section 108.

Results and Analysis. For FY 2002, grantees reported that 90,263 full-time-equivalent jobs were created or retained with CDBG funds during the fiscal year. An evaluation of the reported data showed that a number of grantees had included both actual and planned jobs created or retained. The figure of 90,263 reported here includes only the “actual” jobs component. An additional 24,926 were “planned” jobs to be created or retained. Since this is only the second year for which performance figures were available, HUD was unaware that planned jobs were being included in grantee reports. Future goals will be adjusted to account for actual jobs created or retained.

Another category of funded activity that supports job creation and retention is the use of CDBG funds to develop public facilities, such as streets and water and sewer projects that serve businesses and allow for new business creation or expansion. Job figures for this category have not been included in this reporting cycle for FY 2001. While grantees have reported job accomplishments for activities under this category, it is not clear from the data provided whether grantees are reporting the total number of persons served by such public facilities, or the actual jobs created or retained. Further refinement and verification of this data is needed before it can be included in performance reporting.

The Section 108 Loan Guarantee program’s measure of jobs created or retained is based upon data gathered at the time an application for a Section 108 Loan Guarantee commitment is submitted. The goal for FY 2002 was 30,000 jobs created or retained from Section 108. Applicants reported that the aggregate total number of jobs that would be created or retained would be 10,092.

In FY 2002, the average cost per job was \$30,814 per job, which was significantly higher than in FY 2001 when the average cost per job was \$9,659. An analysis showed that Section 108 Guaranteed Loans totaling \$169 million were approved for 46 projects funded in FY 2001, and \$151.8 million for 34 projects funded in FY 2002. The analysis also showed that the median number of jobs per project in FY 2001 was 275 jobs created/retained. In FY 2002 the median number of jobs per project was 100 jobs created/retained. There were also a greater number of projects in FY 2001 with a number of large, single projects with large job totals, with the largest being 6,500 jobs. In FY 2002, the largest single project job total was 2,700 jobs.

External factors that may affect the level of accomplishments in the future are the level of CDBG annual appropriations, the choices grantees make among their community, housing and economic development

needs, and the level of availability of other resources, notably local and state funds that are used in conjunction with CDBG assisted housing.

Other factors include a lack of CDBG technical assistance funds and resources to improve the program data system, hampering the CDBG program’s ability to provide CDBG grantee training, technical assistance, and improve data quality.

Data Discussion. The data come from the Integrated Disbursement Information System (IDIS). During FY 2002, the Department undertook a major data clean-up effort to improve the quality of data reported and eliminate duplicate or erroneous entries. Extensive follow-up with grantees to obtain corrections was part of the effort. The data clean-up effort is continuing into FY 2003. Increased reporting from states may be a result of the passage of an additional year of participation in the IDIS system. States began participating in IDIS, on average, two years later than entitlement grantees. FY 2002 represents probably the most extensive year of reporting accomplishments from states. In addition, while the data clean-up focused primarily on entitlement grantees, many states also responded to the requests to improve data quality.

Programmatic Output Indicator 3.2.e: A total of 3,774 youths are trained in construction trades through Youthbuild.

Background. The Youthbuild Program offers 16 to 24 year old high school dropouts general academic and skills training, as well as apprenticeships in housing construction and rehabilitation. For FY 2002, 3,774 youths were projected to be trained based on the number of applications granted and the projections of each.

Results and Analysis. Between October 1, 2001 and September 20, 2002, the *actual* number of youths trained is 3,729—achieving 98.8 percent of the goal. Since the awarding of Youthbuild funding is decided through an annual competition, it is difficult to accurately project how many youths will be trained each year. HUD has no control over the number of fundable applications and the number of youths to be trained as projected in the applications. Additionally, each applicant cannot request funding in two specific categories (rural/underserved and new applicants) for more than 20 potential students. However, the Office of Rural Housing and Economic Development, which is responsible for administering the Youthbuild program, has implemented a data collection process to review all active projects each fiscal year. The process allows for a more accurate analysis of the program to determine the performance and impact of the local projects.

Youth Trained in Construction Trades with Youthbuild



In addition to the number of youths trained through the Youthbuild program, HUD is able to collect data on other successes. Between October 1, 2001 and September 20, 2002, over 1,300 participants were placed in jobs or higher education upon graduation. Approximately 460 new units of housing were constructed along with the rehabilitation of 746 units. In addition to providing Youthbuild participants with job skills, these trainees were also given life skills by improving their reading and math skills. Through the Youthbuild program 587 participants became literate and became more proficient in math.

Programmatic Output Indicator 3.2.f:

Employment of persons while in HUD transitional housing increases by 50 percent.

Background. This programmatic output tracks the rate of employment among adults who leave McKinney-Vento funded transitional housing compared with those who enter. Because homeless persons often have limited marketable job skills and employment history, they are disproportionately affected by economic cycles and are often in need of the supportive services provided in transitional housing to obtain and maintain employment. The employment of homeless persons while in HUD-funded transitional housing is vital as homeless people work toward self-sufficiency and permanent housing. This is a new indicator and is the first time HUD has tracked the increase of employment among adults in HUD-funded transitional housing.

Results and Analysis. In 2002, the number of persons who became employed while in HUD transitional housing increased by 87.5 percent. Approximately 16,520 people who left transitional housing during 2002 obtained employment while in HUD-funded transitional housing. This far exceeds the goal of a 50 percent increase in employment while in transitional housing by 37.5 percent. Increasing income of people who are homeless will continue to be a focus of HUD homeless assistance programs as it is vital for persons who are homeless to move to self-sufficiency.

Data Discussion. Data for this indicator are from HUD Annual Progress Report (APR). Due to the varied operation dates for projects, the APR data for all APR-based indicators represents 32 percent of all projects operating in 2002. The 32 percent includes all data collected as of November 20, 2002.

Programmatic Output Indicator 3.2.f (2):

Conduct 25 Section 3 on-site monitoring reviews of Public Housing Authorities.

Background. 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. Public housing agencies are subject to Section 3 requirements when they receive capital grants. Current sanctions that may be imposed on grantees that fail to comply with the regulations include debarment, suspension, and limited denial of participation in HUD programs.

Results and Analysis. In an effort to expand employment and training opportunities for low-income residents, HUD is responsible for enforcing Section 3 regulations by investigating Section 3 complaints and monitoring Public Housing Authorities for compliance. During FY 2002, HUD conducted 25 Section 3 on-site monitoring reviews. This goal was met.

Programmatic Output Indicator 3.2.g:

By the end of fiscal year, no more than 25 percent of the Section 3 complaints will be aged.

Background. 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. In order to provide residents with fair and adequate treatment when seeking opportunities, HUD must process complaints in a timely manner. 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.

Results and Analysis. At the end of FY 2002, the total number of aged Section 3 complaints was eight, or 100 percent of the eight cases in the inventory. In comparison, seven cases were aged at the end of FY 2001, representing 47 percent of the 15 cases in the inventory. The goal of reducing the proportion of aged cases to 25 percent was missed. HUD expanded enforcement of Section 3 cases during the year, successfully reducing the total inventory.

Data Discussion. This measure uses FHEO administrative data.

Objective 3.3: The elderly and persons with disabilities achieve maximum independence.

Outcome Indicator 3.3.1:

The number of assisted-living units that HUD supports through FHA insurance and conversion of Section 202 elderly units increases from the FY 2001 baseline.

Background. 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. HUD 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 also is developing a third category of support for assisted living: 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.

Results and Analysis. For FY 2002, HUD reviewed its data to determine the number of units it has insured under Section 232 for assisted living developments. Its current "best estimate" is that 325 insured properties contain slightly over 18,000 "units" and "beds."

Data Discussion. The effort to derive this estimate surfaced several data quality issues. A key problem identified is inconsistency across field offices and across pertinent databases in how the terms "unit" and "bed" are defined and/or applied to data collection. Therefore, it is very difficult at this point to assess the reliability of the above estimate. Over the next year, HUD will continue to probe these data quality issues, including potentially re-specifying this measure in a manner that enhances data reliability while still capturing its substantive intent.

Outcome Indicator 3.3.2:

The number of elderly households living in a public or assisted housing development that is served by a service coordinator for the elderly increases by 10 percent for private assisted housing.

Background. Service coordinators improve the quality of life of elders by helping them 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 assisted housing project budgets and reserves, from public housing Operating and Capital Funds, and from other resources raised in the community. The Resident Opportunity and Supportive Services program renews expired elderly coordinator grants for public housing developments.

HUD received a significant increase in funding for service coordinators in assisted multifamily housing, from \$13 million in FY 1999 to \$50 million in FY 2000, to help meet the needs of a growing population that is aging in place. The Service Coordinator program was funded at \$50 million again in FY 2001 and FY 2002.

Results and Analysis. During FY 2002, Service Coordinator grants funded service coordinators for 25,012 additional units in elderly projects. The new grants increased the total number of units in elderly developments with service coordinators by 40 percent to over 88,000. This total includes currently funded developments that were first funded in FY 1998 and following years. A small additional number of units in developments funded prior to FY 1998 has not been determined. The increase substantially exceeded the 10 percent target. Elderly households are defined as families or individuals with a head or spouse aged 62 or older.

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Of the \$50 million appropriation for 2002, \$30 million was used for 223 grants to fund service coordinators in new properties. The balance was used to renew existing properties. The number of units with service coordinators is dependent on appropriation levels and the quality of applications submitted. To increase the number of service-enhanced units, HUD will continue to encourage owners to use residual receipts to leverage federal resources. The Department also will enhance the Service Coordinator program as appropriate on the basis of ongoing program reviews, grantee operations and NOFA responses. The Department also encourages service coordinators to assist low-income elderly families living near, as well as those residing in, Section 202 projects.

Data Discussion. This measure uses data for elderly private multifamily projects with service coordinators from the Office of Housing service coordinator grants database.

Outcome Indicator 3.3.3:

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

Background. The Service Coordinator program funds service coordinators in assisted multifamily housing developments. Service coordinators may 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. 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.

Results and Analysis. In order to develop a baseline in FY 2001, HUD compared resident survey results for 114 elderly projects that had service coordinator grants with 1,210 elderly projects that did not have a coordinator. The preliminary results showed that during Spring 2001 residents in service coordinator projects were slightly more satisfied overall. Of residents in service coordinator projects, 86.0 percent expressed overall satisfaction, compared with 85.1 percent in unfunded elderly projects. However, the difference was not statistically significant.

HUD currently is conducting a similar survey and will be reporting its results in FY 2003.

During the balance of FY 2003, HUD will evaluate how best to ensure, given existing resource constraints, that REAC survey results are available early enough in the fiscal year to permit their incorporation into the PAR.

Data Discussion. Resident satisfaction is measured using a survey conducted by the Real Estate Assessment Center (REAC). The data are linked with administrative data from the Service Coordinator program.

**Programmatic Output Indicator 3.3.a:
Increase the availability of affordable housing for the elderly and persons with disabilities by bringing 291 projects to initial closing under Sections 202 and 811.**

Background. HUD provides a substantial number of housing units for populations with special needs each year. Project sponsors can receive direct loans for multifamily development under the Supportive Housing for the Elderly (Section 202) program and the Supportive Housing for the Disabled (Section 811) program. This indicator tracks the number of projects each year that reach the closing stage (when the project design has been approved and all of the local community requirements have been met).

Results and Analysis. During FY 2002, HUD reached initial closing on 307 Section 202 and 811 projects. The performance exceeded the closings goal by 5 percent.

In recent years, HUD has increased the emphasis on timely closings. Section 202 and 811 projects can be difficult to bring to closing because sponsors usually must find other sources of funding. Some project features are not fundable by the program but are necessary to meet the needs of the population. Sponsors may experience cost increases between the time of application and the projected time for construction. Other delays are encountered because neighborhoods sometimes oppose the developments. As a result of recent progress, the pipeline of fund reservations over two years old has been declining.

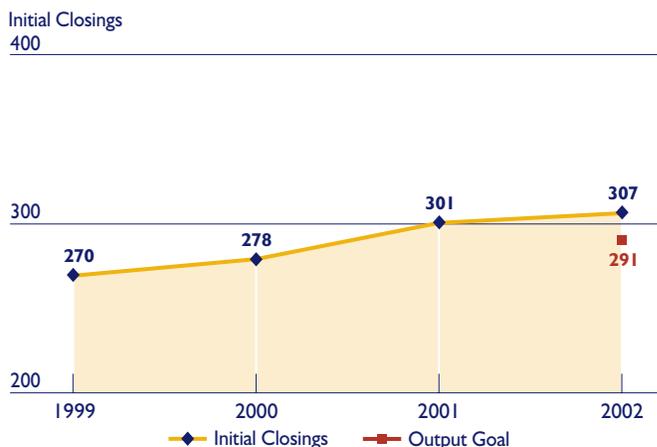
To address this issue, regulations are being developed to expedite processing and more authority is being delegated to field staff. Other strategies are addressing the issue of external sources of funding. In FY 2001, HUD implemented a policy to allow non-profit owners of Section 202 and Section 811 developments to form limited partnerships with for-profit entities. The partnerships will help them compete for low-income housing tax credits for the purpose of increasing the number of affordable housing units available to meet the needs of the elderly and persons with disabilities. Also, in 1999 the Department signed a Memorandum of Understanding with the Federal Housing Finance Board. The memorandum established a policy for how the Federal Home Loan Banks could use Affordable Housing Program funds for subordinate financing of Section 202 and Section 811 projects. The policy streamlined the approval process and decreased the time it takes to finance these projects.

Data Discussion. This measure uses data from the Development Applications Processing (DAP) system. HUD central office receives copies of the closing documents that are used to verify data system entries. DAP data also are used to track management plan goals and accomplishments, which helps ensure that data are accurate.

**Programmatic Output Indicator 3.3.b:
At least 10 Section 202 developments will complete conversion of units to assisted living by FY 2003.**

Background. HUD FY 2002 appropriations included funds to convert Section 202 multifamily projects for the elderly to assisted living. The 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

Initial Closings of Developments Under Sections 202 and 811



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aging of the baby boom generation. Initial closings of conversions 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. The goal is to convert, by the end of FY 2003, ten developments to assisted living.

Results and Analysis. Through the end of FY 2002, HUD has succeeded in converting two developments to assisted living and fully expects to have an additional eight completed by the end of FY 2003.

Programmatic Output Indicator 3.3.c:

By FY 2002, assisted-living facilities in at least five States will house elders using housing vouchers combined with Medicaid or other third-party funding for services.

Background. In FY 2000, HUD was given authorization to allow housing agencies to use housing vouchers in assisted-living developments. This indicator tracks the number of states that implement this important policy to make assisted living affordable.

Results and Analysis. HUD accomplished its goal of ensuring assisted-living facilities in five states would house elders housing vouchers and public housing in combination with Medicaid or other third-party funding. The five states were Alabama, Florida, Massachusetts, Pennsylvania, and Texas.

Data Discussion. An independent survey conducted by PIH staff. Information from the survey was confirmed with the respective housing agencies and Field offices. Cross checking and verification was conducted with PIH programs for HOPE VI and Capital Fund.

Outcome Indicator 3.3.4:

The ratio of homeownership rates between persons with disabilities and other households increases by 0.2 percentage points annually from the 2001 baseline.

Background. This outcome indicator is used to provide persons with disabilities the stability and financial benefits of homeownership. It is included under this objective because of its relation to providing equal opportunity to persons with disabilities. It is discussed more completely as Indicator 2.3.2.

Outcome Indicator 3.3.5:

The share of newly constructed buildings that conform to selected accessibility requirements increases from the 2001 baseline.

Background. This outcome indicator is used to implement the Fair Housing Act by increasing accessibility to constructed multifamily housing for persons with disabilities. It is included under this objective because of its relation to housing stability for persons with disabilities. It is discussed more completely as Indicator 2.1.4 because it also serves as an indicator under Strategic Goal 2.

Programmatic Output Indicator 3.3.d:

The Improving Access Initiative will fund ADA-exempt civic and religious organizations to make their facilities accessible to persons with disabilities.

Background. In FY 2002, HUD proposed the Improving Access Initiative to provide funding for certain organizations (such as civic and religiously-affiliated organizations) that are exempt from the Americans with Disabilities Act (ADA) to make their facilities accessible to persons with disabilities. This performance indicator is inactive because Congress did not appropriate funds for the Improving Access Initiative in FY 2002. Funding was not requested in FY 2003.

**Strategic Goal 4:
Improve Community Quality of Life and Economic Vitality**

Strategic Objectives:

4.1 The number, quality, and accessibility of jobs increase in urban and rural communities.

4.2 Economic conditions in distressed communities improve.

4.3 Communities become more livable.

Performance Report Card – Goal 4

Performance Indicators	1999	2000	2001	2002	2002 Target	Substantially Met	Notes
4.1.1 Ratio of city job growth to city population growth (three-year average)							a
4.1.2 Change in unemployment rate in cities where rate was twice the average						☐	g
4.1.a Percentage of EZ/EC projects achieving goals for resident employment	82%	69%	61%	63%	75%		
4.1.4 Poverty rate of persons in working families		8.3%	7.6%	7.0%	7.3%	☐	a,d
4.1.5 Redundant measure appears elsewhere (PD&R-reported)							See 3.2.8
4.1.d Redundant measure appears elsewhere (PD&R-reported)							See 4.2.f
4.1.e Redundant measure appears elsewhere (PD&R-reported)							See 3.2.d
4.2.1 Number of doubly-burdened cities	74	69	75	66	73	☐	f
4.2.2 Ratio of average income in doubly burdened cities and nationally	0.79						a
4.2.3 The homeownership rate in underserved neighborhoods							a,b
4.2.4 Percentage of impoverished persons in extreme-poverty neighborhoods			10.0%	9.7%			d
4.2.5 Change in conditions in neighborhoods with substantial CDBG investment							a
4.2.6 Change in conditions in neighborhoods with HOPE VI investment							a
4.2.a Number of FHA single-family mortgage endorsements in underserved areas (1000s)	449	357	412	492	433	☐	
4.2.b (a) Fannie Mae surpasses HUD-defined geographic targets for mortgage purchases in underserved areas (% of eligible dwelling units)	27.0%	26.8%	31.0%	32.6%	31.0%	☐	d
4.2.b (b) Freddie Mac surpasses HUD-defined geographic targets for mortgage purchases in underserved areas (% of eligible dwelling units).	26.1%	27.5%	29.2%	31.7%	31.0%	☐	d
4.2.c Redundant measure appears elsewhere.							
4.2.d Redundant measure appears elsewhere.							
4.2.e Implementation of Technology Centers Initiative (# of networks)							b; not funded
4.2.f Number of jobs created through BEDI/108				4,968	5,400		

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Performance Indicators	1999	2000	2001	2002	2002 Target	Substantially Met	Notes	
4.3.l	Share of low/mod residents with a poor or fair opinion of their neighborhoods in cities, suburbs, non-metro areas						e,g	
4.3.2	15.3%		14.9%		14.9%	☐	e	
4.3.3	Ratio of urban land growth to population growth						a,f	
4.3.a	Share of Consolidated Plans with measurable performance goals for housing activities and community development activities			100%		☐	b	
4.3.b	94.1%	93.7%	94.9%	94.4%	92.0%	☐		
4.3.c	Share of State CDBG funds benefiting low/ mod persons		97.4%	96.4%	96.4%	98.0%	☐	
4.3.d	Share of CDBG direct beneficiary funds benefiting low-income persons		62.7%	51.0%	43.9%	62.0%		
4.3.e	Ratio of funds leveraged by COPC grantees above planned amount ☐		32%	26%	36%	31%	20%	☐
4.3.4	5.737	6.078	5.862	6.167	6.038	☐		
4.3.f	The properties rehabilitated with Sec.203(k)		10,612	8,660	7,370	8,660		
4.3.g	Number of MF units in underserved areas newly insured by FHA			13,903	10,002	☐		
4.3.5	Percentage of surveyed public housing residents who report they feel "safe or very safe" in units, buildings, parking areas						g	
4.3.h	74%	91%	84%	86%	85%	☐		

(Values represent fiscal year data unless otherwise noted.)

a – Data not available.

b – No performance goal for this fiscal year.

c – Third quarter of calendar year (last quarter of fiscal year; not the entire fiscal year).

d – Calendar year ending in the current fiscal year.

e – Calendar year ending the previous fiscal year.

f – Other reporting period.

g – Result too complex to summarize. See indicator.

h – Baseline newly established.

Objective 4.1: The number, quality, and accessibility of jobs increase in urban and rural communities.

Outcome Indicator 4.1.1:

Maintain or increase the number of jobs accessible to city residents by keeping the three-year average ratio of city job growth to city population growth at least 100 percent.

Background. This indicator uses a measure of the capacity of cities to provide jobs for their citizens. The measure relies on population estimates from the Bureau of Census as well as special tabulations of the Bureau's County Business Patterns data for 114 central cities, which are available annually with a three-year lag. HUD has determined that the population estimates available from the Bureau of Census are not reliable for use in this measure, so results will no longer be reported. This indicator was discontinued in the FY 2003 APP because numerous economic factors make the outcomes substantially beyond HUD's span of control or influence.

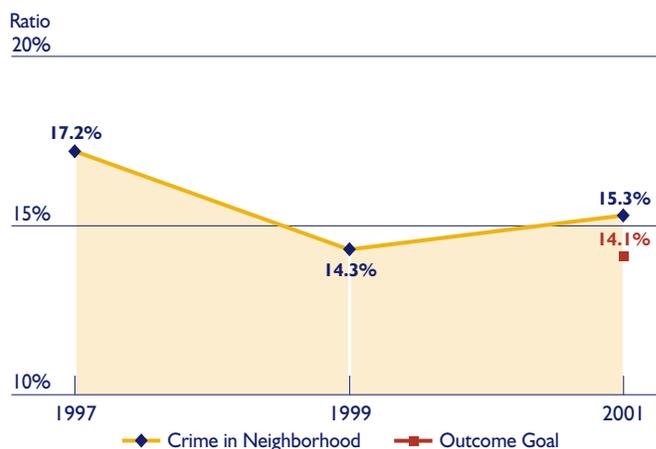
Unreported FY 2001 Outcome Indicator: The share of households reporting “crime in neighborhood” declines by 0.2 percentage points to 16.8 percent in 2001.

Background. This indicator measures the percentage of households who report that there is crime in their neighborhoods in response to the American Housing Survey. The calendar year 2001 data have recently become available to report on this FY 2001 goal. This indicator was discontinued in the FY 2003 Annual Performance Plan because of the difficulty of attributing results to HUD programs.

Results and Analysis. The most recent available data show that in calendar year 2001, 15.3 percent of households reported that there was crime in their neighborhoods. This was an increase of 1.0 percentage points, missing the FY 2001 goal of a decrease of 0.2 points.

The decrease may be related to the decline of the economy from peak levels during the late 1990s. Losses of well-paying jobs affect the relative attractiveness of criminal opportunities for certain populations. Some urban policy experts and criminologists also argue the “broken window” hypothesis, which suggests that crime rates are affected by neighborhood conditions. Creating jobs and improving neighborhood conditions are both important components of several HUD programs.

Households with Crime in Neighborhood

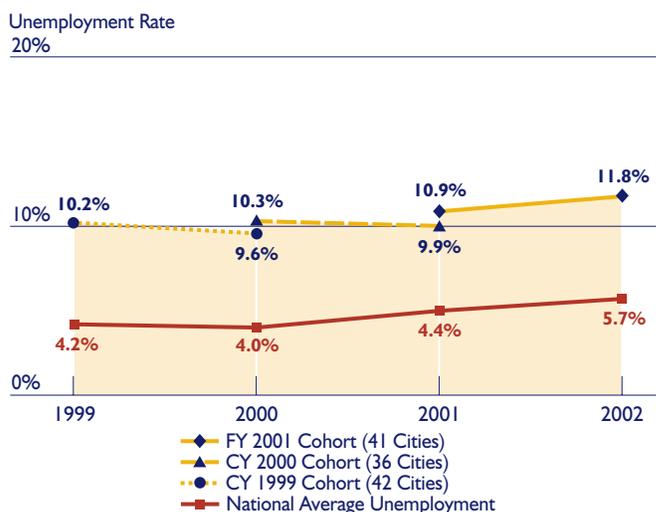


Outcome Indicator 4.1.2: Among jurisdictions where unemployment is twice the national rate, the average unemployment rate decreases over a 12-month period.

Background. This indicator established a goal of improving unemployment conditions in those jurisdictions where the problem is significantly more severe than that faced by the nation as a whole. The FY 2002 goal was to improve unemployment rates in jurisdictions with more than twice the national unemployment rate (as identified using 2001 data) by 0.2 percentage points more than the change in national unemployment rates. This indicator was discontinued in the FY 2003 Annual Performance Plan.

Results and Analysis. During calendar year 2002, unemployment rates in the cities that began the year at twice the national unemployment levels worsened by 0.9 percentage points, from 10.9 percent to 11.8 percent. However, national unemployment worsened by 1.3 percentage points during the same period, from 4.4 percent to 5.7 percent. Because the increase in unemployment among high-unemployment cities was not as great as the increase in the national average, the relative goal was substantially achieved—although the absolute improvement goal was missed.

Change in Unemployment Rates of Cities that Begin the Year at Twice National Unemployment Average



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The FY 2002 result reverses a trend of improvements in high-unemployment cities observed for the 1999 and 2000 cohorts. National and local economic conditions are the primary determinants of unemployment rates. A number of HUD programs support lower concentrations of unemployment, including programs that create jobs in poor communities, promote job mobility, and develop self-sufficiency. For example, the CDBG program provided \$4.9 billion of outlays to grantees in FY 2001. The benefits from CDBG activities flowed primarily to low- and moderate-income residents or neighborhoods. Urban Empowerment Zones, with their EZ grants and associated tax incentives, contribute to reductions in unemployment disparities.

Data Discussion. The measure is based on monthly statistical estimates by the Bureau of Labor Statistics (BLS) using data from the Current Population Survey (CPS). The baseline cohorts shown for 2000 and 2001 use calendar year estimates, but fiscal year estimates were used for 2002 to support timely reporting. The national values are based on calendar years for 1999 and 2000, but fiscal year estimates for 2001 and 2002. BLS does not publish data for central cities that had 1990 populations below 25,000 or for the area defined as the central city of the Honolulu, Hawaii metropolitan area. BLS employs rigorous data quality standards, and it is not feasible for HUD to verify CPS data independently.

Programmatic Output Indicator 4.1.a:

At least 75 percent of EZ and EC projects achieve local goals in helping residents find jobs.

Background. HUD has designated 79 Empowerment Zones (EZs) and Enterprise Communities (ECs). HUD measures their performance in seven areas including providing social services. Data represent the sum of outputs taken from plans that are 95 percent completed divided by the sum of projected outputs for all plans. A more detailed discussion of this measure is included under Indicator 4.2.d.

Results and Analysis. In FY 2002, 63 percent of EZ and EC projects met goals with respect to helping residents find jobs. This level misses the revised target of 75 percent but represents a 2 percent increase from the revised FY 2001 level of 61 percent. HUD has begun to employ a number of management strategies to help the communities become better at setting reachable goals; however, anecdotal evidence also suggest outside factors sometimes make it difficult for the communities to reach the projected target.

Outcome Indicator 4.1.4:

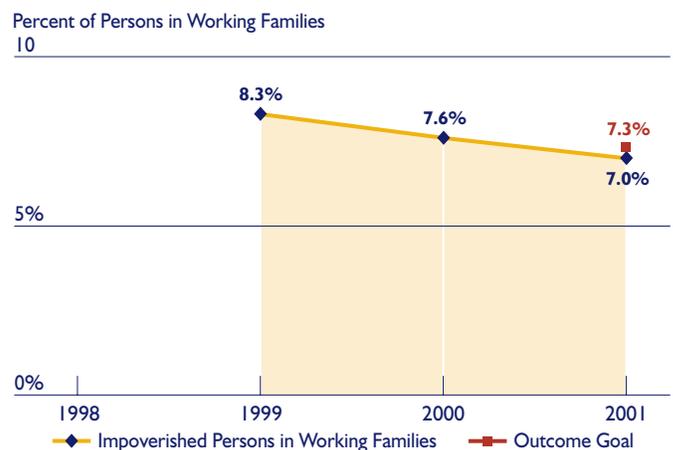
Among persons in families with one or more workers, the share who are in poverty decreases by 0.3 percentage point annually to 7.7 percent in 2001.

Background. As workers are encouraged and assisted to become self-sufficient, it is critical that they are able to escape poverty by working. This measure tracks the share of working households who are in poverty. This indicator was not carried forward in the FY 2003 APP.

Results and Analysis. The latest available data show that in calendar year 2001, 7.0 percent of persons in working families had incomes below the poverty line. The decline of 0.6 percentage points from 2000 levels surpassed the performance goal of a 0.3 point decrease.

The continued decline represents good news in the ongoing effort to make work pay. The improvement occurred despite the recessionary period that began in March 2001.

Poverty Rate of Persons in Working Families



The Community Development Block Grant program is one of HUD's primary tools for fighting poverty. Public housing agencies also help reduce poverty by supporting the self-sufficiency efforts of assisted households who are able to work. The Family Self-Sufficiency program contributes directly to these efforts for about 55,000 households (see Indicator 3.2.4). Rules for excluding increases in earned income when PHAs determine rents also help make work pay. HUD enforcement of Section 3 rules means that the economic benefits of HUD grants provide job opportunities rather than passing by low-income residents.

Data Discussion. The data come from Table 11 of the Current Population Survey Annual Demographic Survey 2001.

**Outcome Indicator 4.1.5:
Unemployment rates among young, entry-level jobseekers
in central cities decline by 0.5 percentage point to 15.4 percent.**

Background. This outcome indicator is used to track unemployment rates for the 16 to 19 year-old labor force in central cities. It is included under this objective because of its relation to entry-level job seekers. It is discussed more completely as Indicator 3.2.8.

**Programmatic Output Indicator 4.1.d:
Brownfields Economic Development Initiative grants combined with
Section 108 loan guarantees will support the creation of 5,400 jobs.**

Background. This programmatic indicator was created to stimulate economic and community development activities as provided in Section 108(q) of the Housing and Community Development act of 1974. It is included under this objective because of its relation to improving the quality of life within communities that are difficult to redevelop because of real or perceived environmental contamination. It is discussed more completely as Indicator 4.2.f, which focuses on improving economic conditions in distressed communities.

**Programmatic Output Indicator 4.1.e:
A total of 124,900 jobs will be created or retained through CDBG
and 30,000 through Section 108.**

Background. This programmatic output indicator is used to measure the number of CDBG jobs that were created or retained during the 2002 fiscal year. It is included under this objective because of its relation to jobs created through CDBG. It is discussed more completely as Indicator 3.2.d.

**Objective 4.2: Economic conditions in
distressed communities improve.**

**Outcome Indicator 4.2.1:
The number of central cities that are doubly burdened with high unemployment
and either a significant population loss or high poverty is reduced by 2 cities.**

Background. HUD developed the concept of "double burdens" as an index of distress in central cities. Doubly burdened cities are defined as those that have unemployment rates 50 percent higher than the national average, combined with either a population loss of 5 percent since 1980 or poverty rates of 20 percent or higher. This measure has not been carried forward in the FY 2003 Annual Performance Plan.

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Results and Analysis. The result surpassed the goal of a reduction of two cities. The most recent available data show that in 2002, 66 of 513 central cities met HUD criteria for being doubly burdened, down from 75 in 2001.

The national economy and local economic conditions are the primary factors affecting this measure. However, several HUD programs contribute to the outcome. Grantees use a sizable proportion of CDBG funds for economic development purposes. Empowerment zones also contribute to job creation and poverty reduction in doubly burdened cities, as do HUD efforts toward increasing family self-sufficiency.

Data Discussion. The value for 2002 is based on poverty rate data from the 1999 Current Population Survey, local unemployment statistics for 2001 from the Bureau of Labor Statistics, and population change from 1980 to 2000 from the decennial Census. Earlier values reflect comparable lags in poverty data and unemployment data. The 2000 value has been updated from the 67 cities reported in the FY 2002 APP. The quality of the source data are maintained according to the data quality standards of the agencies that provide them.

Outcome Indicator 4.2.2:

The average income in doubly burdened cities increases relative to the national average.

Background. This indicator tracks the average incomes of families in distressed cities to determine if their economic prospects are improving. The indicator defines a distressed city as a city that is “doubly-burdened” in the sense that it has unemployment rates 50 percent higher than the national average, combined with either a population loss of 5 percent since 1980 or poverty rates of 20 percent or higher. Because the incomes of families in distressed cities are affected by numerous factors over which HUD has little or no control, this measure has not been carried forward in the FY 2003 Annual Performance Plan.

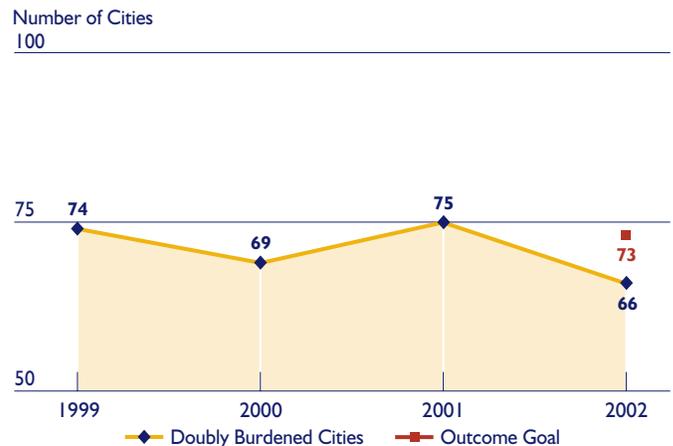
Results, Analysis, and Data Discussion. Had this indicator been carried forward, it would have been measured through the American Community Survey (ACS). Because ACS data are not yet available at the city level, and because the existing Current Population Survey does not support analysis of income at the city level, results could not be determined for 2002.

Outcome Indicator 4.2.3:

The homeownership rate in underserved neighborhoods ceases to decline by 2005.

Background. This indicator relies upon data from the long-form Census 2000, which was not available in time for this report. This indicator has been discontinued for FY 2003 and future years because the outcome is substantially beyond the Department’s span of control.

Number of Doubly Burdened Cities



Outcome Indicator 4.2.4:

The share of impoverished persons who live in neighborhoods with extreme poverty decreases by 2 percentage points from 2000 levels by 2005.

Background. This indicator tracks progress in helping poor residents live in neighborhoods with greater income diversity and in reducing the number of neighborhoods with extreme poverty rates exceeding 40 percent. This measure has been discontinued for FY 2003 and future years because the outcome is substantially beyond the Department's span of control.

Results and Analysis. The most recent available data show that in calendar year 2001, 9.7 percent of poor persons lived in neighborhoods with extreme poverty. This was an improvement from the 2000 baseline level of 10.0 percent. The decrease of 0.3 percentage points is on track to achieve the long-term goal of a 2-point decrease by 2005.

HUD programs contribute to this goal, as grantees use the Department's funds to promote mixed-income housing, and demolish high-rise public housing developments that concentrated poor families. Among neighborhoods that slightly exceed the 40-percent threshold, job-creation, self-sufficiency, and poverty reduction strategies can eliminate entire neighborhoods from extreme-poverty status.

Data Discussion. The data are from Table 5 of the Current Population Survey (2000 Annual Survey and 2001 Annual Survey).

Outcome Indicator 4.2.5:

Neighborhoods with substantial levels of CDBG investment will show improvements in such dimensions as household income, employment, business activity, homeownership and housing investment.

Background. A study conducted by the Urban Institute examined whether readily available data sources could be used to track the outcomes of activities funded with CDBG and whether such indicators could be used as proxies for improvements in quality of life improvements in neighborhood receiving different levels of CDBG investment. The study involved an extensive analysis of information on neighborhood characteristics and CDBG spending from 17 CDBG entitlement cities.

The study concluded that two readily available data elements—median home loan amount and the number of businesses—hold some promise as tools for helping local communities measure the effects of concentrated CDBG expenditures. Generally, the larger the amount of CDBG spending per capita in a neighborhood, the greater the resulting change in these two data elements, and that these indicators could be used as a proxy for quality of life improvements in the areas of CDBG investment. However, the study also concluded that additional research is needed to verify the utility and clarify the limitations of this methodology.

The study concluded that the analysis is a good first step in identifying a relationship between CDBG spending and measurable improvements in neighborhood quality, but this initial work does not support the use of this methodology as the basis for a national performance measure applicable to all CDBG programs.

Outcome Indicator 4.2.6:

Neighborhoods with substantial levels of HOPE VI investment will show improvements in such dimensions as household income, employment, homeownership and housing investment.

Background. The HOPE VI program assists public housing agencies improve the living environment for public housing residents in severely distressed public housing properties through the demolition,

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rehabilitation, reconfiguration or replacement of obsolete properties. This indicator was intended to track the neighborhood impacts of HOPE VI, building on the methodology being developed for tracking the impacts of CDBG investments.

This indicator has not been carried forward in the FY 2003 or FY 2004 APP. Instead, the Office of Public and Indian Housing has commissioned a study of the neighborhood impacts of HOPE VI by the Housing Research Foundation. In addition, the Department's Office of Policy Development and Research is producing a study that includes information on the program's impact on neighborhoods. Both studies are expected to provide a more thorough examination of the topic than would have been possible with this indicator. Results are expected to be available in 2003.

Programmatic Output Indicator 4.2.a: Increase FHA single-family mortgage lending in underserved communities by 5 percent.

Background. 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.

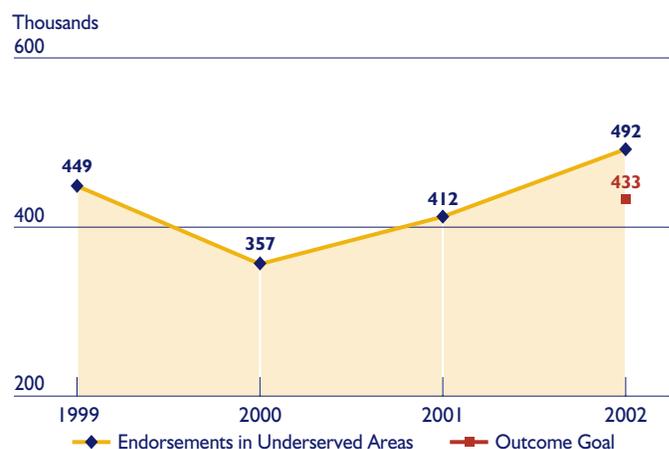
While it is extremely important that FHA loans be available in underserved communities for those who otherwise might not become homeowners, it is also important that FHA be a complement to, and not a substitute for, conventional lending. A healthy housing market requires the availability of conventional 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. For FY 2003, the indicator has a numeric target of 421,000.

Results and Analysis. During FY 2002, FHA endorsed 491,592 single-family mortgages in underserved communities, up from approximately 412,000 endorsements made in FY 2001. The increase of 19.3 percent substantially exceeds the goal of a 5.0 percent increase.

The increase is partially the result of changes in the real estate market that affected most FHA single-family programs, including lower interest rates. There was a general increase in FHA single-family activity in FY 2002. As a percentage of all single-family lending, the number of endorsements in underserved areas was relatively stable. Although improvements are evident in the increased number of endorsements being made, underserved communities tend to be disproportionately affected during economic downturns. FHA endorsements are largely demand driven and substantially affected by overall economic conditions including interest rates. Appropriate emphasis will continue to be given to increasing lending in underserved communities through targeted marketing and outreach events.

Data Discussion. Data for this indicator are from FHA Consolidated Single Family Statistical System (CSFSS, F42).

**FHA Single Family Mortgage Endorsements
in Underserved Areas**



Output Indicator 4.2.b:

Fannie Mae and Freddie Mac meet or surpass HUD-defined geographic targets for mortgage purchases in underserved areas.

Background. One of the four defined targets that HUD sets for Fannie Mae and Freddie Mac (two housing Government-Sponsored Enterprises or “GSEs”) is intended to increase the GSEs’ purchases of mortgages on housing located in central cities, rural areas, and other areas underserved in terms of mortgage credit. Mortgage purchases qualify towards this target as follows: For metropolitan areas, dwelling units count if they are located in census tracts with (1) tract median family income less than or equal to 90 percent of area median income (AMI) or (2) minority composition of at least 30 percent and tract median family income less than or equal to 120 percent of AMI. Dwelling units in non-metropolitan areas count if (1) median family income is less than or equal to 95 percent of the greater of state or national non-metro median income or if (2) minority concentration of the county is at least 30 percent and county median family income is less than or equal to 120 percent of the greater of state or national non-metro median income.

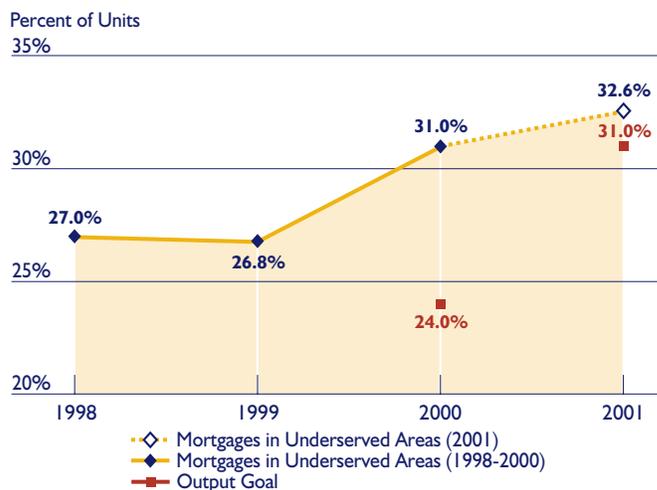
HUD research has shown that such areas have high mortgage denial rates and low mortgage origination rates, suggesting difficulty in obtaining access to mortgage credit. Beginning with calendar year 2001, HUD increased the targeted goal to 31 percent for each GSE and implemented new scoring rules.

Results and Analysis. In calendar year 2001, Fannie Mae and Freddie Mac both surpassed HUD’s target of 31 percent for mortgage purchases in underserved areas. Fannie Mae achieved 32.6 percent and Freddie Mac achieved 31.7 percent.

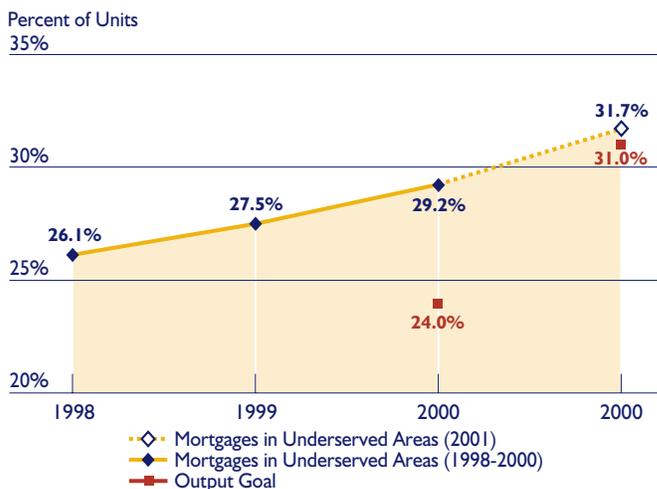
New counting rules effective for 2001, which include awarding bonus points to both GSEs and a temporary adjustment factor for certain Freddie Mac multi-family mortgage purchases, enabled the GSEs to achieve their goal. However, actual performance without the bonus points—the baseline performance—declined in 2001 from the previous year. Fannie Mae’s baseline performance decreased from 31 percent in 2000 to 30.4 percent in 2001. Freddie Mac’s baseline performance fell from 29.2 percent to 28.2 percent.¹³

Despite some decline in overall qualifying purchases, both GSEs improved the affordability composition of their qualifying purchases from the previous year by significantly increasing their purchases of mortgages

Fannie Mae Performance Relative to Geographic Target



Freddie Mac Performance Relative to Geographic Target



¹³In the accompanying graphs, the change from a solid line to a dotted line from 2000 to 2001, and the change in shapes from a solid diamond to a hollow diamond, reflect the changes in HUD scoring rules that became effective in 2001. The squares show the levels of the housing goals at different dates.

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from high-minority tracts (30 percent or greater minority population). Fannie Mae increased high-minority tract purchases by 107 percent (from 360,154 units to 745,875 units) while Freddie Mac posted an increase of 94 percent (from 228,483 units to 442,312 units) over the previous year. With regard to number of qualifying dwelling units that were affordable to families earning 80 percent or less of area median income, both GSEs' purchases were fairly consistent from the previous year. In 2001, 45.4 percent of underserved area mortgages purchased by Fannie Mae and 47.2 percent of mortgages purchased by Freddie Mac were affordable at this level. This represents an increase of just over one-half percent from 2000 for Fannie Mae and a decrease of about one percent for Freddie Mac.

Data Discussion. The data reported under this goal are based on calendar-year performance. There is a one-year reporting lag because the GSEs report to HUD in the year following the performance year.

Programmatic Output Indicator 4.2.c:

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.

Background. This programmatic output indicator is used to track the implementation of HOPE VI re-development plans. It is included under this objective because of its support for community development. It is discussed more completely as Indicator 1.2.b, where it appears because of its contribution to affordable rental housing.

Programmatic Output Indicator 4.2.d:

EZ and EC projects achieve local goals in seven activities.

Background. In 1994, HUD designated 72 distressed urban communities across the country as eight Round I Empowerment Zones (EZs) and 65 Enterprise Communities (ECs). Cleveland had an overlapping EC and EZ and reports accomplishments together. In 1998, an additional 15 Round II urban EZs were designated. Some of the ECs that became EZs transferred their programs over to the new designation and report in PERMS together. On December 31, 2001, the Secretary designated eight Round III EZs and 40 Renewal Communities (RC) as authorized by the Community Renewal Tax Relief Act. By law, 16 urban EC and the Atlanta EZ, conversion sites, lost their original designations when they became RCs this year. Although Atlanta will not be reporting because such functions have been transferred to HHS, the 16 urban ECs that became Renewal Communities have been included in this year's performance data. The total number reporting is 79. Round III EZs and Renewal Communities will report in FY 2003. HUD's input into the program involves the selection of the census tract-based designations based on the quality of the community's strategic planning process, and in the case of Round II EZ actual grant money.

EZs and ECs develop and implement projects and programs with quantified local goals in seven categories. Once a project is completed, the community reports to HUD on whether their goals were achieved. Data for this indicator represent the number of grantees that achieved at least 95 percent of their projected outputs divided by the total number of grantees with applicable completed projects.

Additional funding for Round II EZs was not requested in FY 2004. The office will have a revised set of indicators in FY 2004 in part to emphasize economic development aspects of the program. Some existing indicators may continue with new language or clearer methodology. New indicators will be outcome oriented as recommended by the President's Management Agenda.

Percent of EZ/EC Communities Achieving Planned Goals

	1999 actual	2000 actual	2001 actual ^a	2002 actual	2002 goal
Residents receiving homeownership assistance	80%	81%	88%	76%	90%
New affordable housing completed	93%	91%	88%	79%	90% ^b
Rehabilitated affordable housing completed	71%	88%	86%	76%	85% ^b
Homeless residents served by homeless assistance programs	84%	83%	89%	71%	90%
Residents served by social service programs	80%	73%	83%	79%	85%
Residents find gainful employment	82%	69%	61%	63%	75% ^b
Residents served by public safety and crime prevention programs	74%	91%	84%	86%	85% ^b

^aCorrected with all EZ/ECs reporting.

^bGoal shown was revised in FY 2003 APP

Results and Analysis. Preliminary 2002 data show that EZ/EC performance relative to locally defined goals exceeded HUD's performance targets in one of the seven categories, "residents served by public safety and crime prevention programs." Performance improved from 2001 results in two categories, and went down in five others. The program improved in public safety and gainful employment.

Poor goal setting is the primary reason EZ/ECs continue to complete projects below expectations. EZ/ECs do not generally revise targets midstream. Anecdotal evidence also suggests that local administrative capacity, contractual disputes, shortfalls in leveraged funding and obtaining necessary permits and clearances may reduce expected results.

The program office has employed many management strategies to improve performance. This year, CPD used existing IT resources to modify the data system, PERMS, to make it more user friendly and collect amounts under contract to a third party for the Round II EZs. This was to encourage timely project planning. A follow-up satellite broadcast training session discussed the changes. HUD emphasized performance measurement in a technical assistance workshop last May for all RC/EZs. In line with the President's Management Agenda to make performance measurement more transparent, the office will make performance reports publicly available on the Internet. This will allow grantees to generate reports on the data they input and compare themselves to other EZ/ECs.

HUD finished monitoring all Round II EZs and the HUD OIG audited a sample of EZs. The recommendations of these reports will improve performance in FY 2003. The following HUD products will also be available in FY 2003 to improve performance: a policy desk guide, Dunn and Bradstreet data on businesses, a tax incentive marketing guide and a new best practices manual. Additional technical assistance workshops are also proposed.

Data Discussion. The data come from HUD's Performance Management System (PERMS), into which EZ/ECs annually report accomplishments as of June 30. PERMS tracks over 120 performance indicators, like jobs created or retained, brownfields remediated, and progress towards milestones. HUD monitors a sample of all reported implementation plans each year to verify accuracy. All 79 grantees have reported FY 2002 data.

Related Program Evaluations. GAO conducted evaluations on EZ/ECs in 1996, 1997, 1998 and 1999. They focused on the use of tax incentives in 1998 and 1999. In 2001, Abt Associates completed an internal impact evaluation of Round I Empowerment Zones using time series analysis of unemployment in EZ in comparison to control census tracts. They also did an analysis of PERMS and PERMS data. Despite intrinsic methodological barriers, the researchers concluded that the majority of EZ/ECs had significant impact in job growth and increased minority businesses. The full report is available at www.huduser.org.

**Programmatic Output Indicator 4.2.e:
HUD will implement the Technology Centers initiative
and track the number of centers developed and people served.**

Background. The FY 2002 Budget proposed an \$80 million Community Technology Centers Initiative (CTC). The initiative would enhance the existing Department of Education's CTC program and expand HUD's Neighborhood Networks effort by providing competitive grants to create or expand community technology centers in high poverty urban communities and provide technical assistance to those centers.

In FY 2002, HUD continued to create or expand Neighborhood Networks multiservice community technology centers in low income communities and provide technical assistance to those centers. Neighborhood Networks provide computer access, after-school programs, adult and family literacy, and career and small business development. Computer technology is a critical element of success in today's business world and job market, but many people in low income communities do not have access to adequate computer training or facilities. Technology centers will narrow the gap. At Neighborhood Networks centers, residents of HUD multifamily housing will have opportunities to become employable by acquiring or improving their skills, making them better prepared to aggressively compete for jobs in the marketplace. This indicator was not carried forward for FY 2003 because the funding request was not renewed.

Results and Analysis. The Technology Centers Initiative was not funded in FY 2002 and was not requested for FY 2003 and so there are no direct results to be reported on for this indicator. However, HUD continues the related Neighborhood Networks activity. The Department established a Management Plan goal to create 136 Neighborhood Networks during FY 2002. The actual number of Neighborhood Networks created was 170, exceeding the goal by 25 percent.

Neighborhood Networks conducted extensive outreach to provide technical assistance to emerging centers. Regional technical assistance workshops in Washington D.C., Chicago, and Los Angeles helped centers increase their ability to serve their communities. The National Conference was an opportunity for Neighborhood Networks centers to meet with housing industry experts and discover innovative approaches to community development. These activities heightened the visibility of Neighborhood Networks and assisted in the creation of new centers.

**Programmatic Output Indicator 4.2.f:
Brownfields Economic Development Initiative grants combined with
Section 108 loan guarantees will support the creation of 5,400 jobs.**

Background. The Brownfields Economic Development Initiative (BEDI) grant program was created to stimulate economic and community development activities under Section 108(q) of the Housing and Community Development Act of 1974, as amended. Established in 1998, BEDI grant funds are intended principally for the redevelopment of brownfields sites, which are defined as difficult to redevelop because of real or perceived environmental contamination. Accordingly, BEDI funds combined with Section 108 loan guarantees are used for economic development projects that increase economic opportunity for low-and moderate-income persons or that stimulate or retain businesses or jobs. The BEDI appropriation for FY 2002 was \$25 million.

Results and Analysis. HUD achieved 92 percent of the goal of jobs created, falling short by just over 400 jobs. Through the BEDI program communities are experiencing environmental redevelopment and increased job creation. The actual number of communities awarded brownfield grants for FY 2002 was 23, and the actual number of projected jobs to be created was 4,968. However, the number of committed brownfield sites approved under this program increased from the 19 sites funded in last fiscal year's competition.

The reason the number for job creation projected for grantees was less this year is that HUD took a shorter term view of what will be accomplished by grantees than what had been used before, discounting jobs estimated to occur over ten or more years. Although HUD is interested in awarding brownfield funds to as many distressed communities as possible, our goal is for HUD to finance projects and activities that will provide near-term results and demonstrable economic benefits.

Data Discussion. HUD has begun a two-pronged effort to gather data regarding actual program outcomes: we have asked our field offices to report on the number of jobs produced in the BEDI and 108 programs, and will follow that up with a more extensive effort to track several other performance measures besides jobs, including the number of housing units completed, amount of infrastructure, commercial and industrial space completed, and other public and private sector investment leveraged by the BEDI program. The latter effort should begin producing data by the beginning of the new calendar year.

Objective 4.3: Communities become more livable.

Unreported FY 2001 Outcome Indicator:

The share of households reporting "crime in neighborhood" declines by 0.2 percentage points to 16.8 percent in 2001.

Background. This indicator relies upon data from the 2001 American Housing Survey, which will be completed in time to report in 2003. This indicator will not be reported in FY 2003 and beyond because of the difficulty of attributing results to HUD programs.

Outcome Indicator 4.3.1:

Among low- and moderate-income residents, the share with a good opinion of their neighborhood increases in cities, suburbs, and nonmetropolitan areas.

Background. This indicator assesses whether the Nation's neighborhoods are good places to live. Neighborhood satisfaction of low- and moderate-income residents (incomes less than 80 percent of median) is especially significant to HUD because of the statutory targeting of block grants. "Good opinion of neighborhood" is defined as a response of 7 through 10 on a 10-point scale assessing "overall opinion of neighborhood." The 2003 American Housing Survey data used to assess FY 2002 performance are not yet available, but calendar 2001 data have become available to report against the FY 2001 goals (as presented in the FY 2002 APP). Beginning in FY 2003, this indicator will not be reported because of the difficulty with attributing results to HUD programs.

Results and Analysis. Between calendar years 1999 and 2001, the satisfaction of low- and moderate-income residents with their neighborhoods improved in cities (0.2 percentage points) and non-metropolitan areas (0.5 percentage points). Good opinions of suburban

The Share of Low- and Moderate-Income Residents with a Good Opinion of their Neighborhood

	1997	1999	2001	2001 (goal)
Cities	66.3%	70.2%	70.4%	71.2%
Suburbs	81.1%	83.0%	82.5%	83.4%
Non-metropolitan areas	83.2%	82.3%	82.8%	82.5%

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neighborhoods decreased by 0.5 percentage points. Only in non-metropolitan areas was the FY 2001 performance goal attained.

A majority of low- and moderate-income residents express satisfaction with their neighborhoods, regardless of location, but satisfaction is somewhat lower in city neighborhoods. A substantial proportion of CDBG grantees use their grants for activities intended to improve neighborhood conditions and services and these grants may be one of many factors that influence resident satisfaction within their neighborhood.

Data Discussion. This measure used data from the American Housing Survey (AHS). The Bureau of Census has quality control procedures in place for the AHS.

Outcome Indicator 4.3.2:

The share of central city households reporting accumulations of trash, litter, or junk on the streets decreases by 0.4 percentage points by 2003.

Background. This indicator relies upon data from the 2001 American Housing Survey, which will be completed in time to report in 2003. This indicator will not be reported in FY 2003 and beyond because of the difficulty of attributing results to HUD programs.

Results and Analysis. The latest available data show that in calendar year 2001, the percentage of households who live in central cities and report accumulations of trash on their streets declined by 0.4 percentage points to 14.9 percent, meeting the revised FY 2001 performance goal published in the FY 2002 APP.

This positive outcome is due to numerous factors, primarily external to HUD. However, communities have flexibility to use CDBG funds for neighborhood improvement. Indirect benefits may occur when neighborhood improvements, such as rehabilitation of vacant structures with CDBG or HOME, motivate neighbors to improve their own properties or to take action against illegal dumping.

Data Discussion. This measure used biennial data from the American Housing Survey. Respondents are questioned about accumulations of trash, litter, or junk within a 300-foot radius of their homes. The Bureau of Census has quality control procedures in place for the AHS, including re-interviews of small sub-samples for quality assurance.

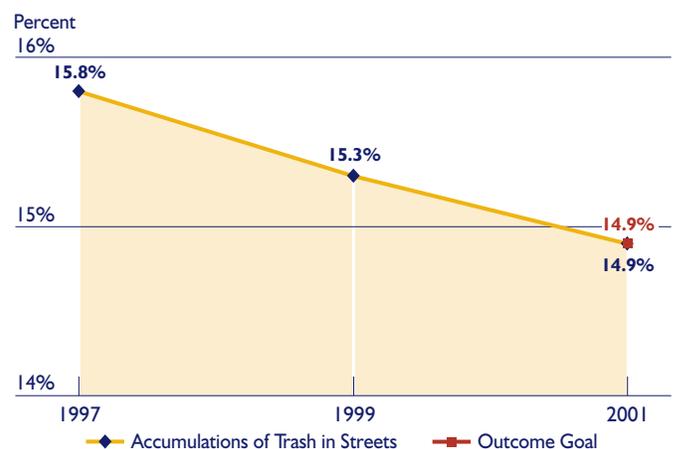
Outcome Indicator 4.3.3:

The rate of growth in urban land per decade or per year decreases to be equal to, or less than, the rate of growth in U.S. population between 2000 and 2005.

Background. This indicator relies upon data from the Census 2000 for the baseline and from future American Community Surveys to track change in one measure of the extent of "sprawl." This indicator is not carried forward in the FY 2003 or FY 2004 APP because the outcome is substantially beyond the Department's span of control.

Results, Analysis, and Data Discussion. Relevant ACS data will not be available until 2005.

Central City Households Living with Accumulations of Trash in Streets



Programmatic Output Indicator 4.3.a:
The share of Consolidated Plans that contain measurable performance goals for housing activities and for community development activities increases.

Background. Communities develop five-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. Housing and community development activities were among the highest activities undertaken by the grantees. The last group of Consolidated Plans was received in FY 2000. The next set of plans will be received in FY 2005. This measure also appears as Indicator 5.1.e.

Results and Analysis. Field offices have examined numerous results from standardized assessments of Consolidated/Action Plans received in FY 2000 and FY 2001. A goal of reviewing 956 Consolidated Plans for measurable performance goals for housing and community activities was established at the beginning of FY 2002. By the end of the fiscal year, the CPD Field Offices had reviewed over 1,000 Consolidated Plans, all of which were found to have contained measurable goals.

The Office of Community Planning and Development has undertaken a review of the Consolidated Planning and Performance Reporting process to determine how it can be streamlined, made more results-oriented and useful to communities for assessing their own progress toward addressing the problems of low-income areas. Six working groups, including representatives from HUD field offices, grantees, and interest groups have been working to identify issues and design pilots for streamlining and performance measurement. The Department’s website has posted this initiative and is soliciting public comment.

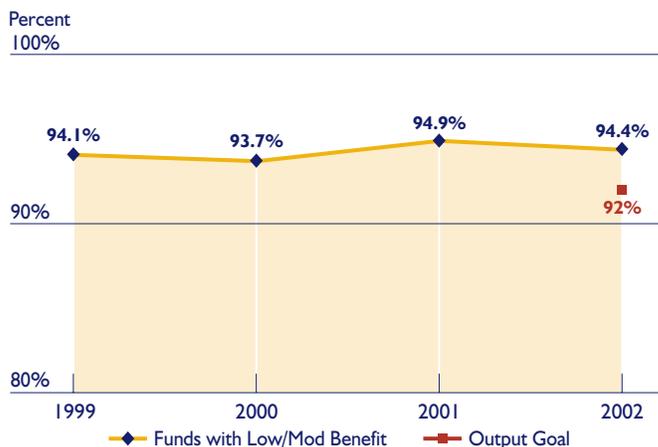
Programmatic Output Indicator 4.3.b:
The share of CDBG entitlement funds that benefit low-and moderate-income persons remains at or exceeds 92 percent.

Background. Entitlement communities are required to use CDBG funds for housing, community and economic development activities of which at least 70 percent benefit low- and moderate-income residents. CDBG grantees historically have exceeded this requirement, and HUD has an interest in encouraging grantees continued strong performance in this area so that the greatest local needs are met.

Results and Analysis. During FY 2002, entitlement communities used 94.4 percent of their CDBG funds for activities that benefit low- and moderate-income persons. The level exceeds the goal of 92 percent, though down slightly from the 2001 level of performance of 94.9 percent.

During FY 2002, the Department undertook a major data clean-up effort to improve the quality of data reported and eliminate duplicate or erroneous entries. Extensive follow-up with grantees to obtain corrections was part of the effort. The data clean-up effort is continuing into FY 2003. Improved data quality may account for the slight decline in the percentage of low- and moderate-income benefit reported.

CDBG Entitlement Funds Benefitting Low and Moderate Income Persons



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HUD has no direct control over the percentage of CDBG funds that communities use for activities that benefit low- and moderate-income residents, other than to enforce the statutory minimum of 70 percent. However, HUD field office staff continually review and advise grantees to encourage the use of funds for the most needy residents.

In addition to local factors affecting grantees' program choices, external factors may also include the decline in the economy as a whole that may also result in the reduction of other non-federal funding sources traditionally used in conjunction with CDBG funds to carryout program activities. Other factors also include a lack of CDBG technical assistance funds and resources to improve the Integrated Disbursement and Information System (IDIS) hampers the CDBG program's ability to provide CDBG grantee training, technical assistance, and improve the quality of program data collection.

Programmatic Output Indicator 4.3.c:

The share of State CDBG funds that benefit low- and moderate-income persons remains at or exceeds 98 percent.

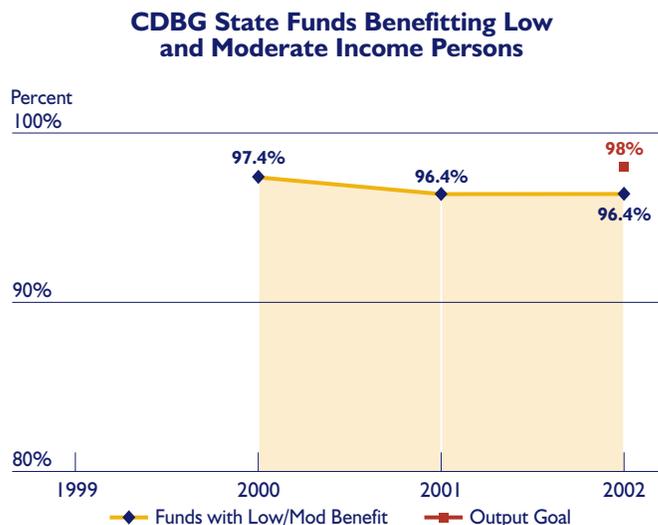
Background. States are required to use CDBG funds for housing and community and economic development activities of which at least 70 percent benefit low- and moderate-income persons. State CDBG grantees historically have exceeded this requirement, and HUD has an interest in encouraging state grantees continued strong performance in this area so that the greatest local needs are met.

Results and Analysis. During FY 2002, State grantees used 96.4 percent of their CDBG funds for activities that benefit low- and moderate-income persons. That level is slightly below the goal of 98 percent, though this level of benefit is the same level achieved during FY 2001, which was also 96.4 percent of all expenditures.

During FY 2002, the Department undertook a major data clean-up effort to improve the quality of data reported and eliminate duplicate or erroneous entries. While this effort focused on entitlement grantees, many states also took the initiative to improve their data entries. Improved data quality may be a reflection that the actual results of 96.4 percent is a more realistic level of achievement than the 98 percent goal stated. The 98 percent goal had been established under a less rigorous data collection, paper based, reporting method. Future results and their evaluations will continue to examine whether the 98 percent goal should be retained as a realistic goal or amended accordingly.

HUD has no direct control over the percentage of CDBG funds that states and communities use for low- and moderate-income residents, other than to enforce the statutory minimum of 70 percent. However, HUD field office staff continually review and advise state grantees to encourage the use of funds for the most needy residents.

In addition to local factors affecting grantees' program choices, external factors may also include the decline in the economy as a whole that results in the reduction of other non-federal funding sources used in con-



junction with CDBG funds to carryout program activities. Other factors include a lack of CDBG technical assistance funds and resources to improve the Integrated Disbursement and Information System (IDIS) hampers the CDBG program’s ability to provide CDBG grantee training, technical assistance, and improve the quality of program data collection.

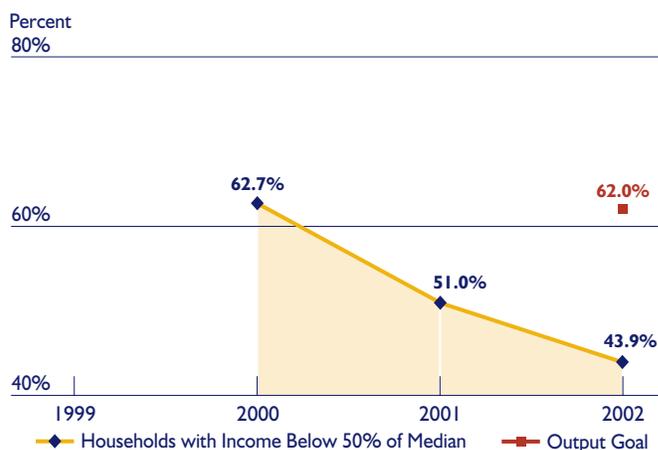
**Programmatic Output Indicator 4.3.d:
Among all CDBG direct beneficiaries identified,
the share that have low incomes remains at or exceeds 62 percent.**

Background. States and entitlement grantees are required to use CDBG funds for activities of which at least 70 percent benefit low- and moderate-income persons. Some CDBG activities serve residents of geographic areas, for example, a water or sewer project, a street, or a neighborhood facility. Other types of CDBG funded activities serve persons directly. These activities are those that benefit low- and moderate-income persons directly rather serving a geographic area. Direct benefit activities include “limited clientele” activities that serve a group that is demonstrated or reasonably presumed to be at least 51 percent low- and moderate-income persons, job creation and retention, and housing rehabilitation activities.

CDBG grantees target CDBG benefits to low-income persons at a level greater than their proportion of the population. Approximately one-third of all households in CDBG cities would qualify as low income (below 50 percent of median). There is no statutory requirement to target direct beneficiary activities to low-income persons. Achievement of this goal depends, in part, on decisions made by over 1,000 CDBG grantees, as well as the incomes of the persons applying for CDBG funded activities.

Results and Analysis. During FY 2002, only 43.9 percent of the direct beneficiaries had low incomes. This misses the target of 62 percent of direct beneficiaries that had incomes equal to or less than 50 percent of median. HUD has no direct control over the percentage of CDBG funds that communities use for these purposes. However, the reason for the reported low percentage of low-income beneficiaries appears to be one of under-reporting by grantees who do not successfully complete the data fields required for this information, rather than a lack of benefit to low-income beneficiaries. During the coming fiscal year, HUD will explore potential remedies to address this issue.

Share of Low-Income Persons Among CDBG Direct Beneficiaries



**Programmatic Output Indicator 4.3.e:
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.**

Background. 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 is to institutionalize the commitment of colleges and universities to their communities and local organizations, build the capacity of community-based organizations, and promote dialog and disseminate information about community/university partnerships. 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.

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Results and Analysis. For the 3 COPC grants that were completed between January and September of 2002, the average amount of non-federal match funds secured during the life of the grant was at least 31 percent more than originally claimed in the grant application. This result exceeds the goal of a 20 percent increase from original estimates.

The grantees secured \$1,404,289 in match funds, compared with \$1,072,318 of matching funds anticipated in their grant applications. The continued success of COPC grantees in attracting other funds demonstrates the value that the contributors perceive in the program activities.

Data Discussion. The COPC program data used for this measure come from grantee performance reports. Results represent the percentage by which matching funds exceeded match commitments for those COPC grantees whose grants closed by the end of HUD's fiscal year. Grants closing during a calendar-year reporting period were reported for FY 2001 and prior years. The change was motivated by OMB's accelerated reporting requirements. During FY 2002, the interim report format was revised to improve retrieval and accuracy of cumulative totals of nonfederal funds raised by grantees.

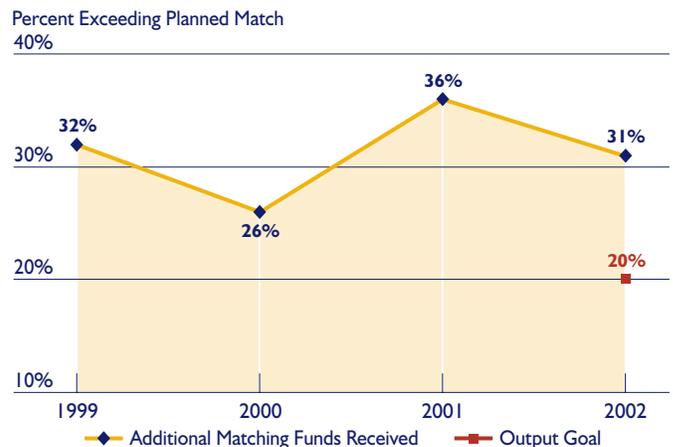
Related Program Evaluations. A COPC evaluation report, "Lessons from the Community Outreach Partnership Center Program," was completed during FY 2002. The report analyzes the experiences of 25 COPC grantees and their partners concerning community engagement, types of partnerships, and the extent to which grantees were able to institutionalize community outreach to make it "self-maintaining." Community outreach was found to be institutionalized to a moderate or high degree in 16 universities. Three additional case studies are completed or forthcoming in FY 2003, and several grantees are evaluating their own outreach programs.

Outcome Indicator 4.3.4: The capital used to rehabilitate housing in underserved neighborhoods increases by 3 percent.

Background. This indicator tracks the volume of private lending in "underserved" neighborhoods, defined in metropolitan areas as census tracts either with a minority population of 30 percent and median family income below 120 percent of the metropolitan area median, or with median family income at or below 90 percent of area median (irrespective of minority population percentage). A similar definition of underserved applies to non-metropolitan areas, using counties rather than tracts. This indicator is being retired for FY 2003 and future years APP because of HUD's limited span of control on private mortgage lending.

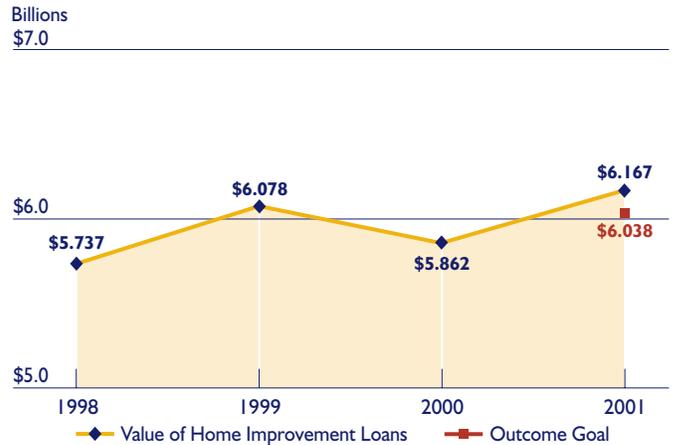
Results and Analysis. The most recent available data show that in calendar year 2001, lenders originated home improvement loans in underserved areas totaling \$6.167 billion, an increase of 5 percent from 2000 levels. The result surpassed the goal of a 3 percent increase.

COPC Matching Funds Received Above the Planned Match



Low interest rates and a strong housing market in 2001 made rehabilitation activity more feasible and a good investment for homeowners. FHA Section 203(k) program provides mortgage insurance to finance the purchase and rehabilitation of single-family properties. The program improves the availability of construction financing for rehabilitation loans, thereby supporting housing rehabilitation in underserved areas. FHA Section 203(k) program had commitment authority to insure \$1.339 billion of rehabilitation loans in FY 2001, and endorsed 8,668 loan guarantees. FHA wrote \$167 million of insurance under Title I programs during FY 2001. The majority of Title I loans support property improvements. HUD also supports housing rehabilitation in underserved areas through CDBG and HOME, which communities often administer in ways that stimulate private lending.

Volume of Home Improvement Loans in Underserved Areas



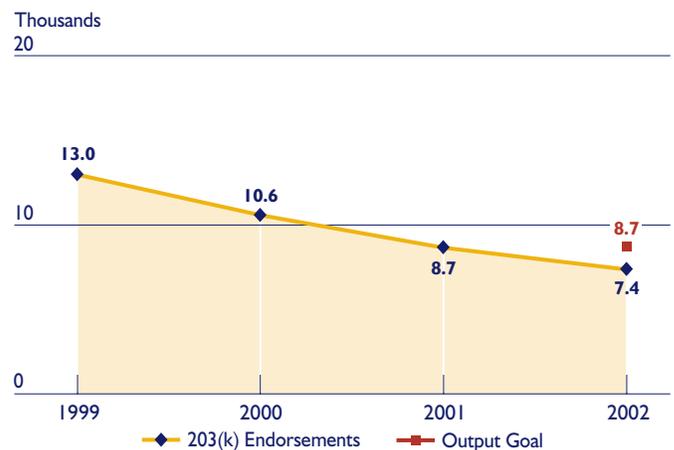
Data Discussion. The Home Mortgage Disclosure Act data used for this measure are believed to understate total volume, but are judged to be sufficiently reliable for performance measurement purposes. HMDA data are submitted by depository institutions and for-profit non-depository institutions (e.g., mortgage companies) to their regulators. The data are not adjusted for inflation, and are known to under-represent total market activity because lending institutions are exempt from reporting if their assets fall below threshold levels, if they are located in rural areas or if they meet certain other criteria that have little impact on this measure. Some loans that are originated by mortgage brokers in the name of affiliated institutions may be excluded if brokers wrongly categorize them as a loan purchases rather than originations. Approximately 3 percent of total loan volume in 2001 did not have adequate geographic data to be included, an improvement from 4 percent in 1999.

Programmatic Output Indicator 4.3.f: Maintain the number of single-family properties rehabilitated under Section 203(k).

Background. The Section 203(k) program has undergone and will continue to undergo significant changes in response to fraudulent activity several years ago. Reconsideration is being given for this indicator for next year with the goal of reducing the number of defaults and foreclosures within the 203(k) program.

Results and Analysis. Section 203(k) endorsements fell from 10,612 in FY 2000 to 8,660 in FY 2001 to 7,370 during FY 2002. The decline in endorsements is due in part to the FHA FY 2000 decision to limit the number of 203(k) properties held in inventory by participating non-profit organizations to ten. This policy change was established to address higher-than-average defaults for non-profits using

FHA Endorsements of Single-Family Home Rehabilitation Loans



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the 203(k) product. In addition, a number of non-profit organizations that participated extensively in the program and experienced high default rates are no longer in the program. It is expected that the drop in 203(k) endorsements will continue for the near future.

Programmatic Output Indicator 4.3.g: The number of multifamily rental units in underserved areas newly insured by FHA increases by 5 percent.

Background. FHA insures loans for new construction and substantial rehabilitation of multifamily rental units under a variety of programs (Sections 220, 221(d)(3), 221(d)(4), and risk-sharing under 542(b) and (c)). FHA also insures mortgages to refinance or purchase existing multifamily properties (Section 223(f)). These programs improve the quality and affordability of rental housing, and increasing their availability in underserved neighborhoods will promote revitalization of those neighborhoods.

For FY 2002, this measure counts the number of units in properties within underserved neighborhoods that are newly endorsed by FHA. Grants under Section 202 and Section 811 are excluded from this measure. The measure has been revised in the FY 2003 APP to include refinancing activity, which creates similar benefits for underserved areas. Refinanced loans include those restructured under the Mark-to-Market program as well as refinancing in support of repair and rehabilitation. Underserved neighborhoods are defined in metropolitan areas as census tracts either with a minority population of 30 percent and median family income below 120 percent of the metropolitan area median, or with median family income at or below 90 percent of area median (irrespective of minority population percentage). A similar definition of underserved applies to non-metropolitan areas, using counties rather than tracts.

Results and Analysis. During FY 2002, 13,903 multifamily units in underserved areas benefited from new FHA mortgage endorsements. This was a 39 percent increase over the FY 2002 goal of 10,002 units.

Outcome Indicator 4.3.5: 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 unit, their building, and their parking area. A similar goal of a 1 percentage point increase has been established for FY 2003.

Residents who feel safe or very safe in:	FY 2000	FY 2001	FY 2002 prelim.	FY 2002 goal
their units	72.3%	73.3%	72.5%	74.3%
their building	67.7%	69.3%	67.1%	70.3%
the parking area	59.6%	62.1%	60.4%	63.1%

Results and Analysis. Preliminary data for the first half of FY 2002, which includes December 31, 2001 and March 31, 2002 FYEs, suggest that perceptions of security by public housing residents may have retreated from the gains observed in FY 2001. Compared with FY 2001 results, preliminary FY 2002 survey results suggest a decline of 0.8 percentage points in the proportion who reported that they felt safe or very safe in regards to their units, a decrease of 2.2 points in regards to their buildings and a decrease of 1.7 points in regards to parking areas. Because preliminary results are only representative of 47 percent of the total PHA population, it is too early to assess the extent to which HUD has reached its goal of a 1.0 point increase.

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The preliminary sample is not representative of residents from all PHAs. However, the results show that a substantial majority of public housing residents continue to feel safe in their units, their buildings, and to a lesser extent, in their parking areas. The results are consistent with the 70.4 percent of low- and moderate-income city residents who report satisfaction with their neighborhoods (indicator 4.3.1). Resident perceptions of security may vary based on PHA-funded security activities as well as local police activity.

Data Discussion. The data represented herein are from REAC's Resident Satisfaction Assessment Sub-System (RASS), based on surveys of a nationally representative random sample of public housing households. Data for FY 2000 and FY 2001 are based on surveys of PHAs with fiscal years ending during HUD's fiscal year. The preliminary FY 2002 data are based on PHAs with fiscal years ending on December 31, 2001 and March 31, 2002, the most recent six months of scores that are currently available. Full FY 2002 will be available in February 2003.

A PD&R study that pre-tested and validated 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.

Programmatic Output 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.

Background. HUD has designated 79 Empowerment Zones (EZs) and Enterprise Communities (ECs). HUD measures their performance in seven areas including public safety and crime prevention programs. Data for this indicator represent the number of grantees that achieved at least 95 percent of their projected outputs divided by the total number of grantees with completed public safety projects or programs. A more detailed discussion of this measure is included under Indicator 4.2.d.

Results and Analysis. In FY 2002, 86 percent of EZ and EC projects met goals with respect to serving residents with public safety and crime prevention programs. This level exceeds the target of 85 percent and represents a 2 percent increase from the revised FY 2001 level of 84 percent.

Strategic Goal 5: Ensure Public Trust in HUD

Strategic Objectives:

5.1 HUD and HUD's partners effectively deliver results to customers.

5.2 HUD leads housing and urban research and policy development nationwide.

Performance Report Card – Goal 5

Performance Indicators	1999	2000	2001	2002	2002 Target	Substantially Met	Notes
5.1.1 Level of empowerment, capability and results focus reported by HUD employees				59%			b
5.1.a REAP implementation				Yes	Yes	<input type="checkbox"/>	
5.1.b Increase representation of Hispanics in HUD workforce.	6.8%	7.0%	7.0%	7.1%	7.3%		
5.1.b Increase representation of white females in HUD workforce.	27.7%	27.0%	26.6%	26.0%	26.9%		
5.1.c Obligations through performance-based contracts				17.8%	20.0%		
5.1.d Achievement of unqualified audit opinion.	No	Yes	Yes	Yes	Yes	<input type="checkbox"/>	
5.1.2 Level of empowerment, capability and performance focus reported by HUD partners.							b,g
5.1.e							See 4.3.a
5.1.f Percent of Consolidated Plan grantees reviewed onsite for compliance.				42.6%	35%	<input type="checkbox"/>	
5.1.g Number of CDBG entitlement grantees who fail regulatory standards for 1.5 timely expenditure.	273	181	152	58	137	<input type="checkbox"/>	
5.1.g Number of CDBG entitlement grantees who fail regulatory standards for 2.0 timely expenditure		64	44	7	37	<input type="checkbox"/>	
5.1.3 Average satisfaction of assisted renters and public housing tenants		87%		89%	88%	<input type="checkbox"/>	f
5.1.4 Share of public housing units managed by troubled HAs				23%	15%	<input type="checkbox"/>	
5.1.5 Percentage of all vouchers that are managed by troubled HAs				6.37%			f,h
5.1.6 (a) Percentage of households in public housing developments with substandard financial management			8.8%	4.0%	3.8%	<input type="checkbox"/>	
5.1.6 (b) Percentage of households in subsidized multifamily developments with substandard financial management		28.6%	30.4%	49%	25%		
5.1.h The unit-weighted average PHAS score		78.7	80.2	85.3	84.2	<input type="checkbox"/>	
5.1.i The household-weighted average SEMAP score				83.4%			f,h
5.1.j Share of vouchers managed by HAs that score highly for income verification				86.77%			f,h
5.1.k Share of vouchers managed by HAs that score highly for determination of rent reasonableness				80.58%			f,h
5.1.L Share of households for which rent determinations are correct in public housing and project-based Section 8							g
5.1.m Closure of multifamily cases referred to DEC						<input type="checkbox"/>	g
5.1.9 Automated data systems are rated more highly for usefulness, ease of use and reliability							a

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Performance Indicators	1999	2000	2001	2002	2002 Target	Substantially Met	Notes
5.1.n Number of mission critical data systems with data quality certifications (cumulative)			2	2	8		
5.1.o Share of HOME-assisted rental units with occupancy data reported	70%	76%	80%	88%	85%	☐	
5.1.p Share of completed CDBG activities for which grantees report accomplishments			87.5%	88.74%	90%	☐	
5.1.q Share of HAs with poor MTCS reporting from which action plans required or forbearance granted							a
5.1.r Share of single-family appraisals that are acceptable							a
5.2.l PD&R work products are rated more highly for usefulness, ease of use, reliability, objectivity and influence			81%				a
5.2.a The number of citations of PD&R work products in the policy literature.	100	48	137				a

(Values represent fiscal year data unless otherwise noted.)

a - Data not available.

b - No performance goal for this fiscal year.

c - Third quarter of calendar year (last quarter of fiscal year; not the entire fiscal year).

d - Calendar year ending in the current fiscal year.

e - Calendar year ending the previous fiscal year.

f - Other reporting period.

g - Result too complex to summarize. See indicator.

h - Baseline newly established.

Objective 5.1: HUD and HUD's partners effectively deliver results to customers.

Outcome Indicator 5.1.1:

HUD employees become more satisfied with the Department's performance and work environment.

Background. 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. Periodic employee surveys will help assess the Department's performance orientation and ensure that staff are satisfied with their work environment and receive the training and support necessary to accomplish their jobs.

Results and Analysis.¹⁴ During a 2002 survey of HUD employees, 59 percent of respondents reported that "considering everything" they were satisfied with their jobs. Future surveys, planned for three-year intervals, will measure improvement from this baseline. While the majority of employees are satisfied, the level of satisfaction among HUD employees lags behind the private sector benchmark (using the same core survey) of 67 percent.

As a result of the survey and the follow-up focus groups, the Department is increasing attention to improving communication and opportunities for training and skills development. HUD also has empowered field staff with authority to make decisions about programs, which increases their satisfaction while improving their ability to be responsive to the needs of local partners.

¹⁴This measure is based on the Organizational Assessment Survey (OAS) of HUD employees, administered by the Personnel Resources and Development Center of the Office of Personnel Management during July 2002. The online survey had a 37 percent response rate.

Related Program Evaluation. During FY 2001, the General Accounting Office (GAO) completed a related survey of HUD managers.¹⁵ GAO reported: “The Department of Housing and Urban Development (HUD) was above the rest of the government in aspects of agency climate, performance measurement, and particularly, in the use of performance information. The agency was statistically significantly higher than the rest of the government in the percentages of managers who reported that employees received positive recognition for helping the agency achieve its strategic goals; managers are held accountable for results; they have output and outcome measures; and they use performance information to set program priorities, allocate resources, coordinate program efforts, and set job expectations. Of the 28 agencies surveyed, HUD had the second greatest number of total items for which the agency was significantly higher than the rest of the government after the General Services Administration and the Small Business Administration, both of which had 1 more. In all other areas, HUD was not significantly different from the rest of the agencies we surveyed.” (p.112).

**Programmatic Output Indicator 5.1.a:
The Resource Estimation and Allocation Process initiative will be fully implemented
and will establish a baseline for estimating resource requirements
and prioritizing staffing allocations by program and office.**

Background. The Department is currently implementing a Departmental resource management process called Resource Estimation and Allocation Process (REAP). The REAP methodology was developed in conjunction with the National Academy of Public Administration. The REAP process will allow the Department to estimate, allocate, and validate resources for effective and efficient program administration and management. REAP will be a key tool in managing staffing resources and workload. REAP also will provide a foundation as the Department develops a comprehensive Strategic Workforce Plan.

Results and Analysis. In FY 2000, the Department began an 18-month effort to perform REAP or work measurement studies on every HUD program area and program. These studies were completed in FY 2002 and provide a baseline for estimating staffing requirements throughout the Department. The results of these studies have been used in the FYs 2003 and 2004 budget processes. The data from the studies has served as input into the FYs 2001 and 2002 Departmental staffing plans requested by the Congress.

In FY 2002, the Department also implemented the Total Estimation and Allocation Mechanism (TEAM). TEAM is an automated information system designed to support REAP. The primary purpose of TEAM is to validate REAP data by capturing actual information on workload accomplishments and time usage by HUD employees. TEAM will accumulate information centrally in a database and provide managers and staff with the capability to query and analyze the stored data.

**Programmatic Output Indicator 5.1.b:
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.**

Background. It is HUD policy to prohibit discrimination in employment because of race, color, religion, sex, national origin, age and disability, and to promote the full realization of equal opportunity. HUD Hispanic representation of 7.1 percent has consistently remained below the Hispanic Civilian Labor Force (CLF) representation of 8.1 percent for the last several years. Similarly, the representation of white females has been declining, and is well below the CLF level of 35.5 percent.

¹⁵ General Accounting Office, May 2001. “Managing for Results: Federal Managers’ Views on Key Management Issues Vary Widely Across Agencies.” (GAO-01-592).

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Results and Analysis. At the end of FY 2002, Hispanic representation among HUD employees was 7.1 percent, approximately the level of FY 2000 and FY 2001. Representation of white females declined from 26.6 percent to 26.0 percent. Both of these levels fell short of the goal of a 0.3 point increase.

In FY 2002, HUD experienced a higher rate of hiring and this level of hiring overwhelmed HUD efforts to increase the diversity of the applicant pool through a targeted information campaign to make HUD employment opportunities more widely known.

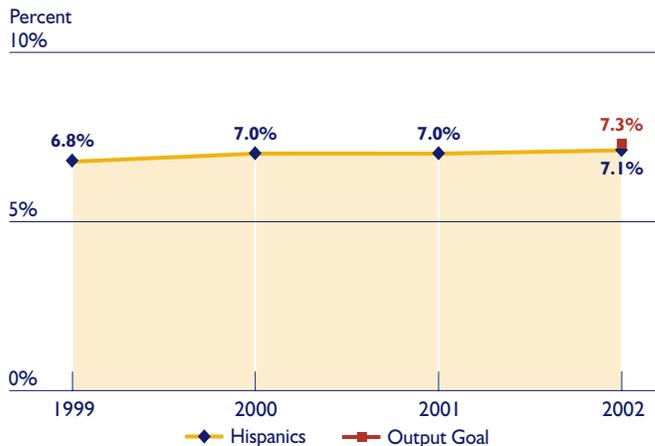
To improve performance in this area, HUD is continuing the Affirmative Employment Program, which involves increasing the diversity of the applicant pool for job openings. When an opening is posted, HUD sends notices to organizations that represent women and minorities and educational institutions with a high rate of female and minority representation. HUD efforts do not include any hiring preference based on race or gender.

Data Discussion. This indicator uses HUD employment data tabulated in the Equal Employment Opportunity Management Analysis System.

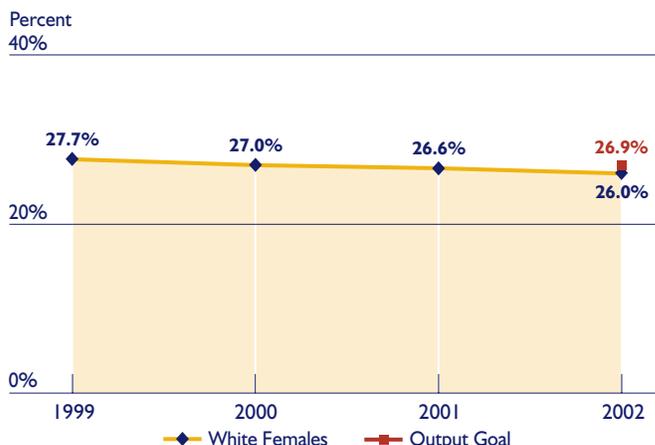
Programmatic Output Indicator 5.1.c:
Ensure that contractors produce results by obligating not less than 20 percent of total eligible service contract dollars using outcome or performance-based service contracting techniques (for new contracts over \$25,000).

Background. Performance-based contracts are designed to ensure that contractors are given the freedom to determine how to meet the Government’s performance objectives and that appropriate levels of quality are achieved, and that payment is made only for services that meet these levels. As part of its Government-wide initiative to increase the use of performance-based contracting, OMB established this performance-based contracting (PBC) goal for FY 2002. It applied to all federal contracting activities. The FY 2002 goal differs from previous PBC goals. From FY 1998 through FY 2001, HUD measured all PBC obligations as a percentage of all contract obligations. The FY 2002 OMB goal measures only PBC obligations for new contract actions as a percentage of all obligations made for new contract actions for services. This goal continues in the FY 2003 APP.

Representation of Hispanics Among HUD Employees



Representation of White Females Among HUD Employees



2. PERFORMANCE INFORMATION

Results and Analysis. In FY 2002, the Office of the Chief Procurement Officer (OCPO) obligated a total of \$257,922,981 for new service contracts. Of that total, \$45,943,591, or 17.8 percent, was for new performance-based contracts (PBCs) over \$25,000, below the target of 20 percent.

A significant amount (\$34.5 million) of the FY 2002 obligations were for modifications and options to existing PBCs that could not be counted toward the goal as OMB redefined it for 2002. Nevertheless, when those obligations are included, OCPO obligated \$80.4 million for PBCs, which is an actual increase of \$5.1 million over FY 2001.

Meeting this goal depends heavily upon cooperation by program offices in redefining their new procurement needs in performance-based terms. While many contracting requirements have been converted to the PBC method, others have not yet moved in this direction. OCPO continues to assist its program office clients in converting their requirements to PBC. In addition, as more contracting requirements are converted and new awards made, the pool of available PBC obligations diminishes, since subsequent modifications and options to those contracts may not be counted.

Programmatic Output Indicator 5.1.d: HUD financial statements receive unqualified audit opinions.

Background. The receipt of an unqualified (or clean) audit opinion on HUD FY 2000 and FY 2001 consolidated financial statements was important in restoring confidence in the Department's financial statements for OMB, Congressional and public users. HUD is 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.

Results and Analysis. In 2003, HUD received an unqualified audit opinion on its FY 2002 financial statements, achieving the goal. This is the third consecutive year the Department has received an unqualified audit opinion. The result reflects growing financial management stability and the collaboration of program and administrative offices to prepare auditable financial statements in timely fashion.

Outcome Indicator 5.1.2: HUD partners become more satisfied with the Department's performance, operations and programs.

Background. This indicator uses the widely-utilized method of customer satisfaction surveys in another context, to assess the quality of the relationship between HUD and the intermediary organizations that partner with the Department to deliver results to the final customers. HUD partners, including government, non-profit and for-profit entities, provide service delivery for a majority of HUD programs. Eight partner groups were surveyed: community development directors, public housing agency directors, Fair Housing Assistance Program directors, mayors, multifamily owners (insured, assisted or Section 202/811), and non-profit housing providers.

Results and Analysis.¹⁶ The 2001 survey establishes the baseline for future performance goals, and revealed that overall satisfaction by partners varied greatly. FHAP directors and mayors were highly satisfied and public housing agency directors and multifamily owners were less satisfied. An important finding was that partner groups—or individuals within partner groups—were substantially more likely to hold unfavorable opinions if they perceived the Department’s role as “mainly regulating” rather than “mainly support” or “equally providing support and regulating.” Nevertheless, majorities within nearly every partner group expressed satisfaction both with the Department’s programs and with the way they are run. The exception was PHA officials, many of whom were dissatisfied with the way HUD was running their programs. The most likely cause of PHA dissatisfaction was the controversy that surrounded development of the Public Housing Assessment System.

FY 2001 Baseline Results of HUD Partner Survey

	Percent satisfied or very satisfied with “the HUD program you currently deal with”	Percent satisfied or very satisfied with “the way HUD currently runs those programs.”
Community Development Department partners	87%	73%
Mayoral partners	88%	79%
Public Housing Agency partners	59%	39%
FHAP Agency partners	85%	68%
HUD-Insured Multifamily Housing partners	69%	60%
HUD-Assisted Multifamily Housing partners	62%	53%
Section 202/811 Multifamily Housing partners	88%	78%
Non-profit Housing partners	62%	52%

Partner satisfaction was generally high for the overall quality of service received from HUD staff, as well as for staff responsiveness and competence. The survey also covered the quality and timeliness of information received from HUD and the quality and consistency of guidance the Department provides.

Programmatic Output Indicator 5.1.e:

The share of Consolidated Plans that contain measurable performance goals for housing activities and for community development activities increases.

Background. 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. This indicator is discussed in greater detail as Indicator 4.3.a, where it appears because of its support of greater livability in the Nation’s communities.

Programmatic Output Indicator 5.1.f:

HUD reviews 35 percent of Consolidated Plan Grantees and 10 percent of grants on site for compliance with their plans.

Background. Communities develop five-year Consolidated Plans to guide their use of CDBG, HOME, Emergency Shelter, and HOPWA formula grants. This indicator was modified from FY 2001 to increase the share of grantees that are reviewed onsite and the share of grants administered by those grantees that are reviewed onsite.

Results, Analysis, and Data Discussion. Of the 1,090 Consolidated Plan grantees, 464, or 42.6 percent, were monitored on site, thus exceeding the target by almost 8 percentage points. The CPD field offices also set additional goals in the Management Plan for other categories of grantees. The field offices anticipated monitoring 161 non-homeless grantees but ended the year having monitored 178 non-homeless grantees, 11 percent more than planned. Additionally, the field offices planned to monitor 454 Continuum of Care

¹⁶The survey data were collected under PD&R contract between December 2000 and June 2001. Results are presented in the report, “How’s HUD Doing? Agency Performance As Judged By Its Partners,” available at www.huduser.org

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(CoC) projects and, like the other two measures, exceeded the targets by 18 percent, having monitored 533 CoCs. Data issues prevent current year reporting related to on-site grant reviews, although HUD staff did review multiple grants that had been awarded to grantees by looking at quality control areas such as finance.

Programmatic Output Indicator 5.1.g:

The number of CDBG entitlement grantees that fail to meet regulatory standards for timeliness of expenditure decreases by 10 percent to 147, and the number that carry balances above 2.0 times their most recent grant decreases by 15 percent.

Background. Entitlement communities have extensive flexibility to use CDBG funds 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 funds in their line of credit exceeding 1.5 times the value of the most recent grant, as measured 60 days before the next subsequent grant.

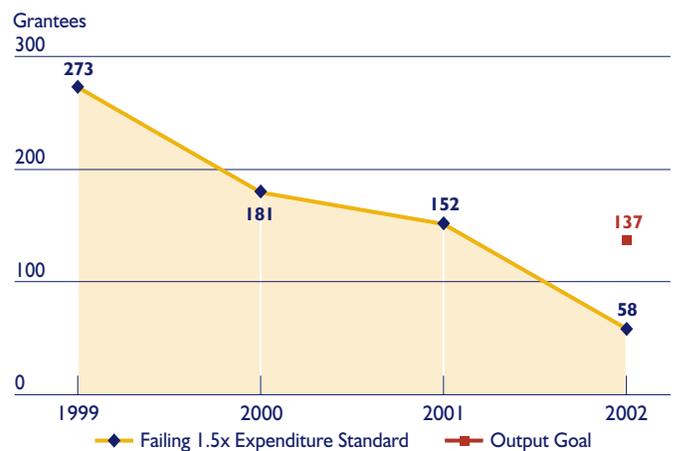
Results and Analysis. The goal for FY 2002 was to reduce the number of untimely grantees by 10 percent. At the beginning of FY 2002, the number of untimely entitlement grantees was 152. By the end of FY 2002, the number of untimely entitlement grantees had been reduced to 58, significantly surpassing the goal.

In November 2001, Assistant Secretary Roy A. Bernardi established an aggressive policy in dealing with untimely grantees. Simply stated, an untimely grantee that failed to make substantial progress in its rate of expenditure by its next measure in FY 2002 (or FY 2003 for January – March grantees) would have their CDBG entitlement grant reduced by a proportion of the amount exceeding the 1.5 threshold. Further, beginning with FY 2003, any grantee that exceeded the 1.5 ratio for a second year in a row would have its grant reduced down to the 1.5 ratio (or FY 2004 for January – March grantees). The policy also established that any grantee that was not previously untimely, but became untimely during the fiscal year, would have until the next measure to become timely or face a grant reduction down to the 1.5 level. The policy has had a direct bearing on the achievement of the goals.

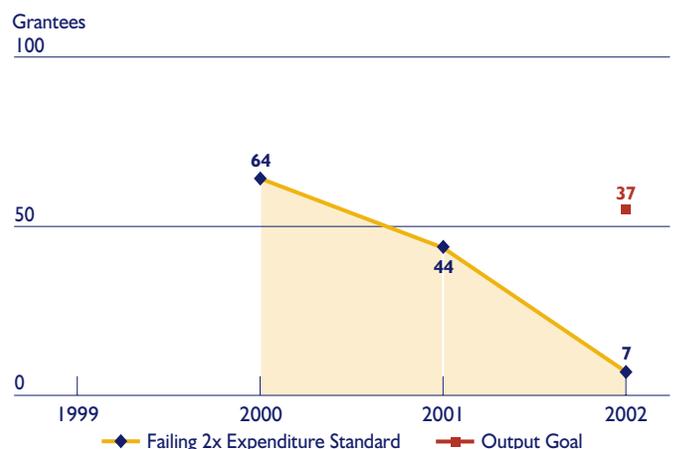
The FY 2002 goal for the number of grantees that exceeded a 2.0 level of untimeliness was to reduce the number by 15 percent from the FY 2001 baseline. This goal was also surpassed. In FY 2001 there were 48 entitlement grantees whose drawdown ratios exceeded 2.0. As of October 2, 2002, that number was 7 grantees, or an 85 percent reduction. Under the current policy that number should be reduced to zero.

HUD expects that all grantees, except those that become newly untimely, will be in compliance by the end of FY 2003.

CDBG Grantees Failing the 1.5 Timeliness Standard



CDBG Grantees Failing the 2.0 Timeliness Standard



Data Discussion. This measure uses data provided by the Integrated Disbursement Information System (IDIS). HUD also began, in FY 2002, to track the number of grantees with undrawn funds of more than 2.0 times the value of the most recent grant.

Outcome Indicator 5.1.3:

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

Background. The recipients of HUD housing assistance form one of HUD's largest groups of customers. Resident satisfaction is influenced by the quality of management by housing agencies and private multi-family development managers. In FY 2002 and 2003, the goal for this indicator is to increase resident satisfaction by 1 percentage point per year.

Results and Analysis. The most recent available data show that during FY 2002, 89 percent of public housing residents were satisfied or very satisfied with their "overall living conditions." The baseline satisfaction level for public housing during FY 2000 was 87 percent. The increase of 2 percentage points in the level of resident satisfaction exceeds the goal of a 1 point increase.

HUD currently is conducting a similar survey for multifamily housing and originally intended to report the results in this Performance and Accountability Report. However, in parallel, the Department needed to advance significantly the timeline for producing the PAR. This action created a conflict with Multifamily's schedule for REAC to conduct the survey, as a result, final FY 2002 data are not available for this Report. The data will be made publicly available when complete.

During the balance of FY 2003, HUD will evaluate how best to ensure, given existing resource constraints, that REAC survey results are available early enough in the fiscal year to permit their incorporation into the PAR.

Data Discussion. Data for this indicator are from the Real Estate Assessment Center's Resident Assessment Subsystem (RASS). The FY 2002 result for public housing represents public housing agencies with fiscal years ending between June 30, 2001 and March 31, 2002.

Outcome Indicator 5.1.4:

The number of public housing units managed by troubled housing agencies that are assigned to a TARC as of October 1, 2001 decreases by 15 percent by September 30, 2002.

Background. Public housing agencies (PHAs) with composite PHAS (Public Housing Assessment System) scores below 60, or scores below 18 in any one component, are classified as substandard or troubled. Prior to FY 2002, at which time PHAS scoring was fully implemented, PHAs were declared troubled based solely on the management operations indicator (MASS) because the other component indicator scores were considered "advisory" pursuant to congressional intent. This indicator tracks the change in the number of units managed by "troubled" agencies that have successfully returned to "standard" status by the end of the fiscal year due to intervention by Troubled Agency Recovery Centers (TARCs).

Results and Analysis. During FY 2002, the number of units managed by "troubled" agencies was reduced by 23 percent, exceeding the 15 percent target. On October 1, 2001, 55 PHAs, which contained 31,549 low rent units, were assigned to TARCs. By September 30, 2002, 16 of these PHAs representing 7,289 units had been returned to their HUBS after TARCs recovery assistance, reducing the number of units to 24,260.

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Data Discussion. The TARC portfolio system captures the date a PHA is transferred to the TARC because of PHAS scores. PHAS comprises scores determined by the Physical, Management, Financial, and Resident satisfaction Assessment Subsystems (PASS, MASS, FASS, and RASS). PASS and RASS are statistically representative of public housing projects and households, respectively. PASS scores are based on independent inspections of the PHAs' properties by HUD, and are verified through HUD's Quality Assurance Program. MASS and FASS submissions are subject to verification by independent audit. PHAs having a fiscal year end prior to September 30, 2001, were declared troubled on the basis of the management operations indicator (MASS) with the other components scored as "advisory" only.

Outcome Indicator 5.1.5:

The share of tenant-based Section 8 units managed by troubled housing agencies decreases by 5 percentage points.

Background. Similar to Outcome Indicator 5.1.4, this indicator tracks the share of assistance under the housing choice voucher program that is vulnerable to mismanagement by troubled housing agencies. Using the Section Eight Management Assessment Program (SEMAP), HUD rates housing agencies based on tenant selection, rent reasonableness determinations, income determination, housing quality standards inspections and enforcement, expanding housing opportunities, deconcentration, lease-up rates, FSS participation, and correct rent calculations.

Results and Analysis. For this goal, a baseline had to be established based on the first year's worth of scores under SEMAP. Out of 2,420 PHAs with final SEMAP ratings for the four quarters from December 2000 through September 2001, 274 scored under 60 points and were declared troubled. This is the baseline and represents 114,850 units out of 1,801,668, or 6.37 percent of assisted units.

Data Discussion. The data come from the Public and Indian Housing Information Center (PIC) system. Ratings for this SEMAP indicator are based on SEMAP certifications submitted by PHAs into PIC for the assessed fiscal year no later than 60 days from the fiscal year end date. PHA-certified data are verified through Independent Public Accountant audits and on-site file reviews performed by the Field Office, or a contracted vendor, based on the Field Office's Management Plan.

Outcome Indicator 5.1.6:

Among households living in public housing and subsidized multifamily properties, the share living in developments that have substandard financial management decreases by 5 percentage points.

Background. HUD evaluates the financial management of both public housing agencies and privately owned multifamily properties on the basis of generally accepted accounting principles. For FY 2003, the target was reduced to a 2.5 percentage point increase.

Results and Analysis. At the end of FY 2002, 7 percent of PHAs representing 4.0 percent of public housing units were rated as financially substandard based on both advisory and interim scores. The proportion of public housing units managed by financially substandard agencies decreased by 2.3 percentage points from the FY 2001 baseline of 8.8 percent, falling short of the goal of a 5 point decrease.

The decrease of 1.8 percentage points in public housing is explained primarily by a change in scoring methodology, as peer-group comparisons are no longer used. The proportion of PHAs rated as substandard decreased from 8.8 percent to 7 percent. In addition, new scores were not available for all PHAs. The FY 2002 goal was aggressively large in proportion to the baseline because it had been established in advance. For FY 2003, the goal was reduced to a 2.5 percentage point improvement.

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For assisted multifamily housing properties, 49 percent experienced financial compliance deficiencies that resulted in referral to either the Departmental Enforcement Center (DEC) or to the Multifamily Program Office (MFH) for investigation. The comparable figure for FY 2001 was 30 percent.

The increase among multifamily properties was driven by much more aggressive efforts to measure/enforce financial compliance. For example, in February 2001, MFH introduced a number of new automated system compliance checks that substantially increased referrals. These compliance checks included measures related to acquisition of liabilities, residual receipts deposits, unauthorized distribution of project funds and unauthorized loans from project funds. Also, in September 2001, the Department increased its capability to identify overdue Annual Financial Statements quickly and systematically and began referring all such cases to DEC for investigation. This resulted in a further significant increase in referrals.

Despite the sharply increased number of referrals, both the DEC and MFH improved their follow-up performance. For DEC, the percentage of open cases decreased from 39 percent to 33 percent, while the percentage of MFH open referral cases decreased from 16 percent to 4 percent.

Data Discussion. The data for this measure come from the Financial Assessment Subsystem (FASS). The public housing data represent housing agencies that submitted their annual reports between October 1, 2001 and September 30, 2002. The results reflect only financially substandard PHAs, not those rated as troubled overall. The multifamily scores represent projects with fiscal years that ended between December 31, 2001 and December 30, 2002. The FASS scores are unit-weighted to better reflect the entire program.

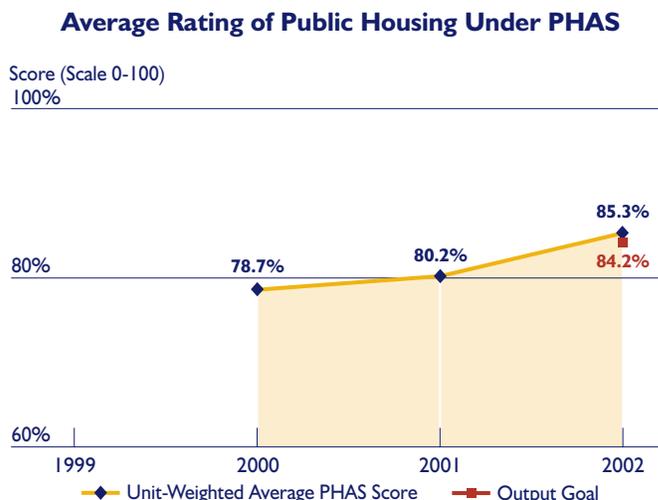
Outcome Indicator 5.1.7: **The share of units that meet HUD-established physical standards increases by 3 percentage points to 73.9 percent of public housing units and 89.5 percent of assisted multifamily units.**

Background. HUD inspects units of public housing and assisted multifamily housing to determine their physical condition. Because compliance with physical standards reflects the ability of HUD partners to effectively deliver results to customers, the indicator has been included under this objective. The measure, the data source and programmatic issues are discussed in greater detail as Indicator 1.3.3 and under the Management Discussion and Analysis section, where it supports Objective 1.3: America's housing is safe and disaster resistant.

Programmatic Output Indicator 5.1.h: **The unit-weighted average PHAS score increases by 5 percent.**

Background. The Public Housing Assessment System (PHAS) assesses the performance of Public Housing Agencies, which can receive scores up to 100 based on their physical and financial condition and their management quality (30 points each), as well as resident satisfaction (10 points). In FY 2003, HUD will maintain a target of a 5 percent increase in PHAS scores.

Results and Analysis. As of the end of FY 2002, the unit-weighted average PHAS score was 85.3, an increase of 6.4 percent from the FY 2001 baseline. The result exceeded the performance goal of a 5 percent increase.



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The increase builds on similar progress observed in FY 2001, and reflects the value of PHAS in stimulating management action by housing agencies. A more complete discussion of PHAS scores is included under Goal 5 of the Management Discussion and Analysis section of this report.

Data Discussion. This measure is developed by multiplying the PHAS scores for each public housing agency by the number of units managed by each agency and dividing by 1,072,145 units in the public housing program. The FY 2002 estimate is based on 3,092 PHAS scores released by REAC between October 1, 2001 and September 30, 2002. Agencies with multiple scores during the period were excluded, totaling 204 agencies.

Programmatic Output Indicator 5.i.i: The household-weighted average SEMAP score increases.

Background. Similar to PHAS scores, Section Eight Management Assessment Program (SEMAP) scores are meant to track the capability and accountability of housing authority partners.

Results and Analysis. For this goal, a baseline had to be established based on the first year's final scores under SEMAP. Of the 2,420 PHAs with final ratings for the four quarters from December 2000 through September 2001, the average weighted SEMAP score was 83.4 percent. This will serve as the baseline for future performance measurement.

Data Discussion. Data come from the Public and Indian Housing Information Center system. Ratings for this SEMAP indicator are based on PHA submitted SEMAP certifications into the PIC for the assessed fiscal year no later than 60 days from the fiscal year end date. PHA-certified data are verified through Independent Public Accountant audits and on-site file reviews performed by the Field Office, or a contracted vendor, based on the Field Office's Management Plan.

Programmatic Output Indicator 5.i.j: The share of tenant-based Section 8 units managed by housing agencies that score highly for income verification increases.

Background. Tenant income verification is a critical tool that housing authorities have to control the costs of providing tenant-based assistance. The income verification component of SEMAP awards a maximum high score of 20 points when the incomes of 90 percent of households have been verified by third party and income and utility allowances are calculated correctly.

Results and Analysis. For this goal, a baseline had to be established based on the first year's worth of scores under SEMAP. Out of 2,420 PHAs with final SEMAP ratings for the four quarters from December 2000 through September 2001, 2,053 scored 20 points under the Determination of Adjusted Income indicator. This represents 1,563,349 units out of 1,801,668, or a share of assistance of 86.77 percent. This will serve as the baseline for future performance measurement.

Data Discussion. Ratings for this SEMAP indicator are based on PHA-submitted SEMAP certifications into the Public and Indian Housing Information Center. PHAs submit their SEMAP certifications into PIC no later than 60 days from the fiscal year end date. PHA-certified data are verified through Independent Public Accountant audits and on-site file reviews performed by the Field Office, or a contracted vendor, based on the Field Office's Management Plan.

Programmatic Output Indicator 5.I.k:

The share of tenant-based Section 8 units managed by housing agencies that score highly for determination of rent reasonableness increases.

Background. Determination of whether rents are reasonable is another tool that housing agencies have to control costs in the housing choice voucher program. Through the rent reasonableness component of SEMAP, HUD awards a maximum score of 20 points when 98 percent or more of randomly selected tenant files have documented determinations that the rent for the unit is reasonable in accordance with the PHA's written methodology in its Administrative Plan.

Results and Analysis. For this goal, a baseline had to be established based on the first year's worth of scores under SEMAP. Out of 2,420 PHAs with final SEMAP ratings for the four quarters from December 2000 through September 2001, 1,879 scored 20 points under the rent reasonableness indicator. This represents 1,451,698 units out of 1,801,668 or a share of assistance of 80.58 percent. This will serve as the baseline for future performance measurement.

Data Discussion. Ratings for this SEMAP indicator are based on PHA-submitted SEMAP certifications into the Public and Indian Housing Information Center. PHAs submit their SEMAP certifications into PIC no later than 60 days from the fiscal year end date. PHA-certified data are verified through Independent Public Accountant audits and on-site file reviews performed by the Field Office, or a contracted vendor, based on the Field Office's Management Plan.

Programmatic Output Indicator 5.I.l:

The share of households for which rent determinations are correct increases by 15 percent from FY 2000 levels for public housing, project-based section 8 and tenant-based section 8 by FY 2003.

Background. Housing agencies and assisted multifamily managers determine tenant incomes and allowable deductions and calculate appropriate rents. Because rents are typically determined as a percentage of income, tenants have an incentive to underreport income and assets, which directly increases subsidy costs. Program sponsors have incentives to simplify the treatment of income and deductions from income, or may do so because of lack of knowledge of HUD requirements.

HUD undertakes periodic quality control studies to measure the accuracy of income and rent determination procedures, which complement efforts to measure income determination errors resulting from tenant fraud. This indicator tracks the results of these rent verification studies for public housing, assisted private multifamily programs, and tenant-based (voucher) programs. Rents are considered to be correct if they are within \$5 of the quality control rent. Tenants who choose to pay flat rents rather than a percentage of income are excluded from this measure.

To accomplish the goal, the Department is implementing the Rental Housing Integrity Improvement Program (RHIIP), a comprehensive initiative for addressing rental subsidy errors. Core components of this multi-faceted strategy include more aggressive monitoring and quality control; education, guidance, and training for HUD field staff and POAs (Public Housing Agencies, Owners, and Agents); facilitating state wage matches and other up-front verification initiatives to obtain accurate independent verification of all tenant income; and simplifying program requirements, where feasible.

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Results and Analysis. HUD estimates of erroneous payments attributed to POA rent calculation and processing errors were based on a HUD Office of Policy Development and Research (PD&R) study of “Quality Control for Rental Assistance Subsidies Determinations,” which was published as a final report in June 2001. This PD&R study verified rent calculations for a representative sample of 2,403 households receiving assistance in 2000. The study found that 60 percent of the calculations had some type of administrative or calculation component error contributing to a subsidy overpayment or underpayment situation. Errors were considered if they exceeded a \$5 impact threshold on monthly subsidy payment amounts. The study projected, with 95 percent confidence, annual subsidy overpayments of \$1.669 billion plus or minus \$251 million and annual subsidy underpayments of \$634 million plus or minus \$151 million, due to errors attributable to program administration by POAs.

In developing the estimates of subsidy overpayments attributed to tenant underreporting of income, the Department used the same PD&R sample of 2,403 households assisted in 2000, and compared earned and unearned household income reported to the POAs to income data from Social Security Administration (SSA) and Internal Revenue Service (IRS) databases. The estimated payment error attributed to tenant underreporting of income considered the impacts of underreported income amounts over a \$1,000 threshold to better reflect program requirements. Identified cases of possible undisclosed income sources exceeding this threshold were verified with employers and further examined to determine if the income discrepancies would affect the computation of the correct HUD rental subsidy amount, or if the income discrepancies were attributed to other causes not affecting the subsidy amount, such as: data entry errors in any of the systems involved in the matching process, timing differences in the income data being considered, or tenant income excluded by program regulation. Validated income discrepancies were further assessed against the original POA error estimates for these sample cases to eliminate any duplication. Based on the results of this review, the Department projected, with 95 percent confidence, that the amount of subsidy overpayments attributed to tenant underreporting of income was \$978 plus or minus \$247 million.

The combined effect of the estimated \$1.669 billion of overpayments and \$634 million of underpayments attributed to POA program processing errors, plus the \$978 million of overpayments attributed to tenant underreporting of income yielded a gross payment error estimate of \$3.281 billion. Offsetting the overpayment and underpayment error estimates yielded a net annual subsidy overpayment estimate of \$2.013 billion, which represented approximately 10.7 percent of the \$18.883 billion in total rental subsidies paid by HUD in FY 2000.

Utilizing research results from this study, a subsidy-billing component has been developed for testing and HUD intends to make this part of the footnote disclosures as soon as the methodology is validated. Starting in FY 2003, HUD intends to include the billing error component if it is determined to be valid and significant.

This goal supports FY 2003 Departmental implementation of the President’s Management Agenda objective to reduce the error rate by 50 percent by FY 2005.

Data Discussion. Assisted housing quality control studies. Base tenant interview and file data are collected periodically by contractors under PD&R management. Income matching and billing study work have been primarily done by HUD Real Estate Assessment Center staff with assistance from PD&R. No studies were undertaken for FY 2002. The next study is planned for FY 2003.

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The quality control study is based on a nationally representative sample of developments in public housing, Section 236, and Section 8 programs. The study will retain an income-matching component to obtain a more comprehensive measure of error and to determine if fraud-prone households can be better identified. In addition an error measurement for POA billing for subsidy payments is under review.

The quality control study provides statistically valid verification of rent calculations by housing agencies and multifamily managers. It represents a complete replication of the income and rent determination process for tenants in the sample, and thus provides a sound basis for evaluating the accuracy of the process other than for problems resulting from tenant fraud.

Programmatic Output Indicator 5.1.m:

The DEC will improve management by multifamily housing partners by reducing the multifamily cases in the DEC as of September 30, 2001 by 80 percent, by closing 75 percent of all cases received in FY 2002 that have been in the DEC for 180 days, and by completing all cases received in FY 2002 and closed in FY 2002 in an average of 180 days.

Background. In FY 2002 the Office of the General Counsel, Departmental Enforcement Center (EC) played a vital role in helping the Department accomplish its two-fold mission of assuring decent and affordable housing and assuring program accountability through the enforcement of HUD FHA Single family and Multifamily Housing regulatory and statutory requirements. The EC aggressively pursued enforcement actions against owners of multifamily housing for physical and financial deficiencies.

During the fiscal year, Multifamily Housing requested that the EC focus its enforcement efforts on owners of multifamily projects who had failed to file required Annual Financial Statements (AFS). HUD reviews owners' financial statements to determine whether project income is used properly. Timely audited AFS are necessary to protect the HUD insurance fund. Risks to the fund can arise when there are unauthorized distributions and misuse of project funds by HUD insured mortgagors. Abuses can lead to significant loss to the taxpayers in the event of defaults. AFS help to assure the financial health of the project, thereby protecting residents from defaults and unnecessary rent increases. AFS provide an independent, professional opinion on the reliability of the project's financial statements as an accurate reflection of the project's condition and performance.

Results and Analysis. This fiscal year, the EC received more than four times the number of referrals received in the previous three years combined. This is due primarily to the addition of cases such as non-filers and late filers of annual financial statements. The EC received 393 physical referrals, 8,199 financial referrals and 7,291 AFS non-filers and late-filers for a total of 15,883 referrals. Despite the changes in the numbers and nature of referrals, the EC met or exceeded all of its performance goals. The Departmental Enforcement Center achieved its goal to reduce Multifamily cases received as of September 30, 2001 by closing 1,296 cases out of 1,597 open referrals (81percent). The EC also met its goal for closing referrals received in FY 2002 that had been in the EC for at least 180 days. There were a total of 3,323 such referrals and, of these, 2,639 (79 percent) were closed before the end of the fiscal year. The EC also met its goal for closing referrals received and closed in FY 2002 in less than an average of 180 days. There was a total of 3,998 referrals received and closed in FY 2002; these referrals were completed in an average of less than 63 days. In addition to the initial referrals for review, the EC received 536 referrals (478 subjects and 58 affiliates) for administrative sanctions during FY 2002. These referrals resulted in 252 suspensions, 290 proposed debarments and 218 debarments.

Data Discussion. In FY 2002, Multifamily Housing requested the Enforcement Center's assistance in addressing referrals of properties with substandard Real Estate Assessment Center (REAC) physical inspection scores. Under the previous protocol, REAC automatically referred properties scoring under 30 to the EC.

However, HUD has committed to the General Accounting Office and the Office of Management and Budget that it will not continue to subsidize tenants in properties scoring less than 60. During FY 2001, approximately 1200 properties scored between 31-59. As a result, the EC will have an even greater workload in FY 03. This coupled with the emphasis on non- and late-filers of financial statements will necessitate a modification of this indicator.

Outcome Indicator 5.1.9:

HUD automated data systems are rated highly for usefulness, ease of use, and reliability.

Background. While HUD workload has grown (about 30 percent over 15 years), its workforce has shrunk severely (about 39 percent over 11 years). HUD would not be able to perform its mission at current staffing levels without automated data systems. These systems are designed, developed, and managed to ensure that the Department is able to address changing business needs, emerging departmental requirements (legislation, regulations, guidance, etc.), and project performance considerations in a timely manner. Additionally, HUD business applications depend continually upon the availability of its mainframe, servers and network to effectively deliver results to customers and business partners. This indicator assesses the quality of these critical assets.

In 1999, HUD began implementing a comprehensive Capital Planning and Investment Control (CPIC) process to ensure that the Department's portfolio of IT projects adequately addresses HUD business and workforce needs. In addition to selecting an optimal portfolio of IT projects or investments, HUD monitors and controls its investments to ensure success. Control mechanisms have been established to minimize the likelihood of project failure or excessive cost and schedule overruns.

The Office of the Chief Information Officer conducts Control Reviews of its IT Portfolio four times a year. During these reviews, every project's cost, schedule and technical performance is tracked against an established baseline. IT projects are evaluated with a focus on mission performance and organizational benefit, either through a post-implementation review or a project performance review conducted by the Project Management Review Board (PMRB) comprised of senior management.

Results and Analysis. In 2002, HUD initiated a new IT Performance Measurement program, establishing a new structure for mission impact performance metrics for the major systems in the information technology portfolio. The impacts on HUD's mission consist of one or more of the following: efficiency, cycle time, and accuracy of HUD processes. This approach, which is different from the original appraisal process identified in the FY 2002 APP, provides a better means of ensuring that all major systems meet user and mission needs across-the-board, in addition to usefulness, levels of user satisfaction, and reliability.

- For the past two years, HUD obtained cost and schedule performance data on IT systems that enabled the evaluation of the attainment of major milestones.
- Program Area goals are now supported by IT application impact metrics, such as increased timeliness, reduced processing time, improved data, and reduced processing costs.
- HUD included performance metrics in the Exhibit 300 IT business cases that are now the IT portion of HUD's FY 2004 budget submission. These metrics now allow HUD to better evaluate the effectiveness of automated data systems.
- This approach also included the five mission-critical systems identified in the FY 2002 APP and was expanded to include all of the major IT systems.

HUD automated data systems are highly dependable. HUD routinely evaluates the dependability of its automated data systems by tracking the availability of its major systems. In 2002, HUD mainframe systems were available on average 99.8 percent or better during prime time (7 a.m. to 8 p.m. ET, Monday through Friday). HUD uses mainframe systems to support the business applications that serve HUD partners and employees as well as to develop and test enhancements to these business applications. HUD internal nationwide network was available on average 99.9 percent of the time (24 hours a day, 365 days a year). The performance of HUD automated systems is constantly monitored by program management and support staff through system and network monitoring tools. Metrics on system reliability, availability, and performance are tracked and compiled weekly for review by senior IT leadership.

In September 2002, the Giga Corporation, a noted global information technology consulting firm, assessed the usability of HUD's website. "Usability" refers to the ease with which the target audiences can find what they want on the website. As a whole, HUD's website scored 81 out of 91. In the area of "knowing our audience," HUD's website scored 10 out of 10. For "purpose of the site"—writing and organizing the site so that its purpose is clear—HUD, again, scored 10 out of 10. The front page scored 80 out of 100; this score compares very favorably with other Federal sites that typically have received scores in the 60s. HUD received the 2001 eCitizen Service Award for Federal agencies, presented by the Massachusetts Institute of Technology and was named by Brown University as one of the top ten (4th out of 58) Federal sites for citizens in its annual E-Gov Report, issued September 2001.

**Programmatic Output Indicator 5.1.n:
During FY 2002, eight mission-critical data systems will be assessed
and those systems will be certified by the end of FY 2003.**

Background. The Department's growing concern with the quality of its program data, along with the Secretary's desire to accurately report where and how HUD dollars are being spent to revitalize the communities across America, led the Department to authorize the establishment of an Enterprise Data Management (EDM) Practice. The EDM Practice provides HUD the ability to manage data as a strategic resource to improve the effectiveness of all HUD initiatives, to measure HUD performance in the execution of its mission, and to demonstrate the Department's effectiveness and impact on America's communities.

Results, Analysis, and Data Discussion. No assessments or certifications were completed in FY 2002. Delays in awarding the contract necessary to complete the work, in addition to the departure of the project manager, resulted in no new assessments and certifications completed during the fiscal year. A new project manager has now been hired, and a contract was awarded on June 21, 2002. HUD remains committed to a Department-wide data management practice that enables the quality, availability, and integration of Departmental data. The Departmental Data Quality Control Board is now reconstituted and is meeting regularly. The Data Quality Improvement project is fully funded in FY 2003. During FY 2003, it is expected that eight mission critical systems will be assessed, and five mission critical systems will be certified.

**Programmatic Output Indicator 5.1.o:
The share of HOME-assisted rental units for which occupancy information
is reported increases by 3 percentage points.**

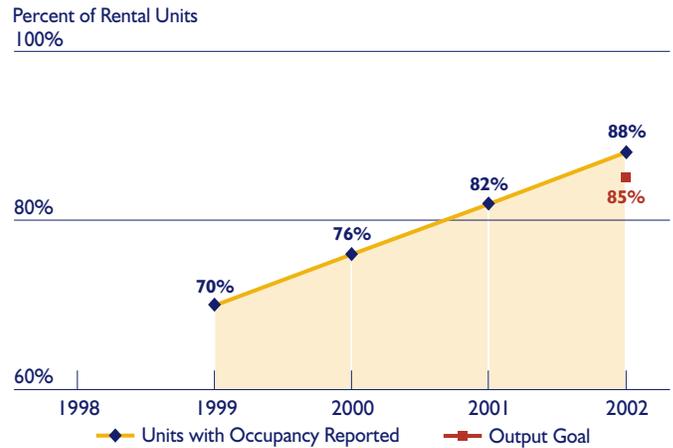
Background. This indicator tracks the reporting by Participating Jurisdictions into the HUD Integrated Disbursement and Information System (IDIS) of data describing the households who occupy HOME-assisted rental units. This information helps HUD assess compliance with HOME-assisted tenant income limits, as well as determine who is benefiting from the HOME program.

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Results and Analysis. During FY 2002, 88 percent of rental units had occupancy information reported in IDIS. This is a 6 percentage point increase over the FY 2001 level of 82 percent, and exceeds the goal of a 3 point increase.

Data Discussion. HUD relies on Participating Jurisdictions to enter data into IDIS, which are used to track quarterly performance. Ongoing HUD-sponsored IDIS training, data clean-up efforts, and innovations such as the individualized performance “report card” tool for participating jurisdictions are used to consistently improve data quality and reliability. Future annual performance plans will continue to track the share of HOME-assisted rental units for which occupancy information is reported.

HOME-Assisted Rental Units with Occupancy Information Reported



Programmatic Output Indicator 5.1.p: The share of completed CDBG activities for which grantees satisfactorily report accomplishments increases to 90 percent.

Background. This indicator tracks the level of reporting of CDBG grant activities into the Integrated Disbursement Information System, which collects data for HUD’s block grant programs that serve local jurisdictions. The CDBG reporting rate is measured by the proportion of completed activities for which grantees have provided accomplishment data for activities that qualify under the three national objectives that serve persons with low- and moderate-incomes: jobs (LM), housing (LMH) and limited clientele (LMC). To meet the threshold for satisfactory reporting, each grantee must report accomplishments for at least 90 percent of activities funded under these objectives within three months after a project’s completion. Typical accomplishments reported for the three objectives are numbers of jobs created, units constructed, and persons or households served. Activities under the remaining national objectives qualifying categories are not included in this indicator.

Results and Analysis. During FY 2002, CDBG grantees reported 44,476 completed activities and reported accomplishments for 39,470 of these activities or a reporting rate of 88.74 percent. While this is slightly below the goal of 90 percent, it is up slightly above the 87.5 percent rate for FY 2001. The FY 2002 reporting rate of accomplishment is approximately 1.25 percent below the proposed goal.

CPD efforts through data clean-up have improved the reporting rates over last fiscal year. The data clean-up efforts will continue during FY 2003.

Additional improvements to the 90 percent level or above may be contingent upon funding to improve the Integrated Disbursement and Information System (IDIS) to provide for error handling software as well as improved data entry methods. Without such resources, there may be limits to the level of reporting completion and accuracy achievable with the system.

Programmatic Output Indicator 5.1.q:

Sanctions are taken or forbearance is granted for cause for every PHA that reports less than 85 percent of its program recipients into the MTCS according to MTCS standards.

Background. HUD PIC-50058 reporting system collects data on residents in public housing and the housing choice voucher program. The data is used in number progress indicators in the Annual Performance Plan. An 85 percent reporting rate has been set as the standard for adequate reporting for housing agencies. Over the last two years, reporting rates have continued to rise.

Results and Analysis. In 2001, HUD PIC-50058 reporting system was scheduled to undergo a major upgrade to improve the structure and content of information available from the system, improve customer satisfaction, and functionality and integration with other HUD businesses systems. In order to facilitate the upgrade, the system was unavailable to receive new tenant records for about a 5-month period. PHAs were still charged with the responsibility of storing forms, which were to be sent when systems came back on line. The sanctions and forbearance policy was suspended, during this period when the system was unavailable to receive electronic submissions and for a grace period afterward. The Department is currently monitoring reporting rates and conducting an assessment of the appropriate timing for reinstating the sanctions and forbearance policy considering technical adjustments affecting both the Department and its business partners (local agencies) relating to the migration to the upgraded system.

In addition, the overall reporting rate in HUD PIC-50058 reporting system has been affected by the number of agencies given reporting waivers as participants in the Moving to Work program and by the reporting waiver given to the New York City Housing Authority because of the September 11, 2001, tragedy. During FY 2002, data for this indicator were collected from PHAs.

Data Discussion. HUD PIC-50058 reporting system contains automated reports that calculate reporting rates for each PHA. The system is capable of providing reporting rates for all individual agencies submitting tenants' records across the nation. Reporting rates can be affected by the baseline used as a denominator and the reporting period. HUD PIC-50058 reporting system has a number of upfront and internal validation checks. In addition, PHAs may access their reporting deficiency reports online, and other various communication methods such as a hotline and electronic forum provide a means of feedback on the measure. Field Office monitoring is another method of validation and verification.

Programmatic Output Indicator 5.1.r:

The share of FHA single-family appraisals determined to be unacceptable is reduced.

Background. In response to widespread concerns that faulty appraisals are facilitating predatory lending, FHA is developing a system to monitor individual appraisers and the rate of early defaults and claims on mortgages. This system, termed Appraiser Watch, will rely on statistical analysis of default and claim rates to identify appraisers whose appraisals were performed on properties securing loans with early defaults and claims. FHA recognizes that appraisers do not perform the underwriting of a mortgage or make the decision to lend. However, when considering the performance of all loans for which an individual appraiser performed the appraisal, FHA has found that the default and claim rates for some of these loans are far in excess of the default and claim rates for the area in which the appraiser operated. Under Appraiser Watch, appraisals performed by appraisers associated with these loans will be examined, and the associated appraisers will be considered for removal from participation in FHA single-family programs.

The Department has issued an Advance Notice of Proposed Rulemaking for Appraiser Watch and has received comments, preparatory to issuing a proposed rule. Meanwhile, FHA is using the statistical analysis to identify appraisers for field reviews. The Department intends to issue a rule establishing Appraiser Watch during FY 2004.

Results and Analysis. The number of poor appraisers removed from the FHA Roster in FY 2002 was 97. This figure compares with a removal number of 23 for FY 2001, under the old SASS system. Given that the new system generated a figure that is significantly higher than the FY 2001 number, another year of data collection is needed to establish a solid baseline. The Department will implement new protocols by September 30, 2004.

Objective 5.2: HUD leads housing and urban research and policy development nationwide.

Outcome Indicator 5.2.1: PD&R work products are rated more highly for usefulness, ease of use, reliability, objectivity, and influence.

Background. The Office of Policy Development and Research (PD&R) is charged with making available housing and urban conditions data to support program operations and external research, evaluating HUD programs, and preparing studies on housing conditions, policy and technology. 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. Reflecting the validation provided through this baseline research, this indicator has been revised in the FY 2003 APP to measure the proportion of users who rate research products as “valuable.” Because this measure is based on a survey, new results will not be available annually.

Results and Analysis. The FY 2001 baseline survey findings indicate that HUD research was rated highly, with 81 percent of respondents rating the products as “valuable.” The research was based on a sample of the most intensive users. Therefore, results may not be representative of all users, especially of infrequent users. Future surveys will include Congressional and other Federal users and stakeholders.

Data Discussion. The data were collected through a survey sponsored by HUD Office of Policy Development and Research. The report is titled “Assessment of the Usefulness of the Products of the Office of Policy Development and Research,” and is available at www.huduser.org.

Programmatic Output Indicator 5.2.a: HUD research products are used more widely, as measured by the number of citations in the policy literature.

Background. The academic community frequently uses the number of citations of a publication in the research literature as an indication of their credibility and usefulness. This indicator tracks the citations of published HUD reports in the policy literature. In FY 2002, PD&R prepared 70 research publications and made them available both to specific research and policy audiences and to the public at large. The primary means of distribution is PD&R’s clearinghouse, HUD USER, which currently serves about 17,600 active customers and 1,500 new users each year. The implementation of the HUD USER web site and marketing efforts through a new listserv contributed to a 60 percent increase in the circulation of top PD&R documents. This indicator was replaced in the FY 2003 APP by measures of publications disseminated and downloadable files accessed through HUD USER. The revised measures provide a more valid representation of PD&R products in an increasingly digital environment.

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Results and Analysis. FY 2002 data are not available to report this measure. A baseline study of PD&R research completed during FY 2001 (see Indicator 5.2.1) found that 137 publications were cited in 57 journals during the period from calendar years 1995-2000. During the last full year covered, 1999, there were 100 PD&R publications cited. A total of 48 publications were cited during the ten-month period ending October 31, 2000, suggesting that the number of citations throughout 2000 would have been lower than in 1999.

Data Discussion. The data were compiled through an automated search of the Institute for Scientific Information's Social Science Citation Index, supplemented by a manual search of major housing, planning and urban development journals not included in the database. The value cited for 2000 does not include the full calendar year.

