Section 2. Performance Information
Overview: Strategic Framework and Performance Data Reliability

*Reporting on Progress Toward Strategic Goals*

The second section of HUD’s FY 2005 Performance and Accountability Report gauges actual performance relating to the program indicators and targets published in the Department’s FY 2005 Annual Performance Plan.⁴ These performance indicators reflect short-term progress toward the Department’s Strategic Goals and Objectives outlined in the Department’s six-year Strategic Plan published in March 2003. Significant performance results have been highlighted in the Management Discussion and Analysis section of this report.

This year’s Performance Section continues general improvement efforts of recent years. The data discussions contained in this section provide more detailed accounts of the quality, validity, and source of data for virtually all performance indicators. A summary report card preceding each strategic goal section indicates, in a transparent way, whether each target has been substantially met (i.e., at least 95 percent achieved).

*Organization of Strategic Goals and Objectives*

The strategic framework in place during HUD’s FY 2005 performance period was the following six-goal structure established by the *HUD Strategic Plan FY 2003–FY 2008*.²

*Budget Resources by Strategic Goal*

Following the Strategic Framework is a breakout of HUD’s FY 2005 and FY 2006 requested net discretionary budget resources and Full Time Equivalent positions by Strategic Goal.

---

¹ Appendix B of HUD’s FY 2006 Annual Performance Plan identifies revisions to a limited number of performance indicators or targets.
² Available at www.hud.gov/offices/cfo/reports/03strategic.pdf
**HUD’S STRATEGIC FRAMEWORK** *

**Mission:** Increase homeownership, support community development, and increase access to affordable housing free from discrimination.

<table>
<thead>
<tr>
<th>Programmatic Strategic Goals</th>
<th>Increase homeownership opportunities</th>
<th>Promote decent affordable housing</th>
<th>Strengthen communities</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Expand national homeownership opportunities.</td>
<td>Expand access to affordable rental housing.</td>
<td>Provide capital and resources to improve economic conditions in distressed communities.</td>
</tr>
<tr>
<td></td>
<td>Increase minority homeownership.</td>
<td>Improve the physical quality and management accountability of public and assisted housing.</td>
<td>Help organizations access the resources they need to make their communities more livable.</td>
</tr>
<tr>
<td></td>
<td>Make the home-buying process less complicated and less expensive.</td>
<td>Increase housing opportunities for the elderly and persons with disabilities.</td>
<td>End chronic homelessness and move homeless families and individuals to permanent housing.</td>
</tr>
<tr>
<td></td>
<td>Fight practices that permit predatory lending.</td>
<td>Transition families from HUD-assisted housing to self sufficiency.</td>
<td>Mitigate housing conditions that threaten health.</td>
</tr>
<tr>
<td></td>
<td>Help HUD-assisted renters become homeowners.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Keep existing homeowners from losing their homes.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cross-Cutting Strategic Goals</th>
<th>Ensure equal opportunity in housing</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Provide a fair and efficient administrative process to investigate and resolve complaints of discrimination.</td>
</tr>
<tr>
<td></td>
<td>Improve public awareness of fair housing laws.</td>
</tr>
<tr>
<td></td>
<td>Improve housing accessibility for persons with disabilities.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cross-Cutting Strategic Goals</th>
<th>Embrace high standards of ethics, management and accountability</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rebuild HUD’s human capital and further diversify its workforce.</td>
</tr>
<tr>
<td></td>
<td>Improve HUD’s management, internal controls and systems, and resolve audit issues.</td>
</tr>
<tr>
<td></td>
<td>Improve accountability, service delivery, and customer service of HUD and its partners.</td>
</tr>
<tr>
<td></td>
<td>Ensure program compliance.</td>
</tr>
<tr>
<td></td>
<td>Improve internal communications and employee involvement.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cross-Cutting Strategic Goals</th>
<th>Promote participation of faith-based and community organizations</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Reduce barriers to participation by faith-based and community organizations.</td>
</tr>
<tr>
<td></td>
<td>Conduct outreach and provide technical assistance to faith-based and community organizations to strengthen their capacity to attract partners and secure resources.</td>
</tr>
<tr>
<td></td>
<td>Encourage partnerships between faith-based and community organizations and HUD’s traditional grantees.</td>
</tr>
</tbody>
</table>

* This chart reflects slight changes to four strategic objectives under goals A, EM, and FC that are being adopted for the FY 2005 Annual Performance Plan and are discussed in Appendix B of the FY 2006 Annual Performance Plan.
Discussion of Performance Indicators
The discussion section for each indicator contains a background explanation of the program being assessed, the measure used to gauge performance, the time period being reported, and results, when measurable.

As results are presented, a clear statement has been included indicating whether the performance goal has been met, exceeded, or substantially met (i.e., 95 percent of goal was achieved), or missed. The accompanying analysis explains the results and outcomes, including discussion of external factors as appropriate and feasible. The Department has made a focused effort to make these discussions understandable to the reader. In instances in which HUD failed to achieve a performance goal, a strategy for improvement is presented.

Reliability of Performance Data
HUD 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. In several cases HUD has made and is continuing to make notable improvements to strengthen and improve reliability of data elements. This does not mean that the data are unreliable, but generally means that the data are being made more reliable.

HUD has made substantial efforts to reveal limitations of completeness and accuracy in this report. Each performance indicator 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, lack of timely data and, in some cases, inadequate availability of fully accurate data, prevent entire reporting 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 is a prime example. CDBG allows grantees 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 U.S. Census Bureau. In point of fact, a focused effort is being conducted to develop superior performance measurement of the CDBG program over the next several years. There are other key areas where improved measurement efforts are underway or being researched. In other cases, performance measures that use survey sampling 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 prevents survey-based data from being produced on an annual basis for selected areas or small populations, such as individual neighborhoods, that are of interest to HUD. Timeliness is also a weakness of external data sources. This Performance and Accountability Report and the FY 2005 and 2006 Annual Performance Plans 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. This Performance and
Accountability Report has been produced on an accelerated basis and that also has presented new challenges in obtaining timely and accurate data.

**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 and is expanding efforts in this area. 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. Evaluations also support a longer-term assessment of program performance that annual performance measures cannot capture.

HUD uses evaluation results 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 relative 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 ongoing “quality control” studies of rent determination errors in HUD’s housing programs led the Department to undertake the Rental Housing Integrity Improvement Project, which has dramatically reduced the level of improper payments in HUD’s rental assistance programs.

The Performance and Accountability Report also continues to include an Appendix that systematically summarizes FY 2005 research efforts and findings.
## Summary of Resources By Strategic Goal

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

<table>
<thead>
<tr>
<th>Strategic Goal</th>
<th>2005 Estimate</th>
<th>2006 Request</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Strategic Goal H: Increase Homeownership Opportunities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Discretionary BA</td>
<td>2,542,592</td>
<td>2,525,586</td>
</tr>
<tr>
<td>FTE</td>
<td>1,035</td>
<td>1,018</td>
</tr>
<tr>
<td>S&amp;E Cost</td>
<td>105,434</td>
<td>106,342</td>
</tr>
<tr>
<td><strong>Strategic Goal A: Promote Decent Affordable Housing</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Discretionary BA</td>
<td>25,749,684</td>
<td>25,790,531</td>
</tr>
<tr>
<td>FTE</td>
<td>3,176</td>
<td>3,162</td>
</tr>
<tr>
<td>S&amp;E Cost</td>
<td>326,856</td>
<td>334,410</td>
</tr>
<tr>
<td><strong>Strategic Goal C: Strengthen Communities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Discretionary BA</td>
<td>5,486,392</td>
<td>2,017,137</td>
</tr>
<tr>
<td>FTE</td>
<td>782</td>
<td>772</td>
</tr>
<tr>
<td>S&amp;E Cost</td>
<td>82,396</td>
<td>86,046</td>
</tr>
<tr>
<td><strong>Strategic Goal FH: Ensure Equal Opportunity in Housing</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Discretionary BA</td>
<td>170,085</td>
<td>163,497</td>
</tr>
<tr>
<td>FTE</td>
<td>610</td>
<td>614</td>
</tr>
<tr>
<td>S&amp;E Cost</td>
<td>62,184</td>
<td>64,624</td>
</tr>
<tr>
<td><strong>Strategic Goal EM: Embrace High Standards of Ethics, Management, and Accountability</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Discretionary BA</td>
<td>2,097,017</td>
<td>2,193,198</td>
</tr>
<tr>
<td>FTE</td>
<td>3,131</td>
<td>3,251</td>
</tr>
<tr>
<td>S&amp;E Cost</td>
<td>526,603</td>
<td>553,488</td>
</tr>
<tr>
<td><strong>Strategic Goal FC: Promote Participation of Faith-Based and Community Organizations</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Discretionary BA</td>
<td>129,595</td>
<td>117,318</td>
</tr>
<tr>
<td>FTE</td>
<td>66</td>
<td>64</td>
</tr>
<tr>
<td>S&amp;E Cost</td>
<td>7,567</td>
<td>7,609</td>
</tr>
<tr>
<td><strong>Total Resources</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total BA</td>
<td>36,175,365</td>
<td>32,807,267</td>
</tr>
<tr>
<td>FTE</td>
<td>8,800</td>
<td>8,881</td>
</tr>
<tr>
<td>S&amp;E Cost</td>
<td>1,111,040</td>
<td>1,152,519</td>
</tr>
</tbody>
</table>
**Goal H: Increase Homeownership Opportunities**

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

<table>
<thead>
<tr>
<th>Performance Indicators</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2005 Target</th>
<th>Met</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>H.1.1 Improve National homeownership opportunities.</td>
<td>68.0%</td>
<td>68.4%</td>
<td>69.0%</td>
<td>68.8%</td>
<td>N/A</td>
<td>N/A</td>
<td>c,d</td>
</tr>
<tr>
<td>H.1.2 The share of all homebuyers who are first-time homebuyers.</td>
<td>N/A</td>
<td>39.1%</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>c,e</td>
</tr>
<tr>
<td>H.1.3 The number of FHA single family mortgage insurance endorsements nationwide.</td>
<td>1,288</td>
<td>1,338</td>
<td>997</td>
<td>556</td>
<td>N/A</td>
<td>N/A</td>
<td>c,j</td>
</tr>
<tr>
<td>H.1.4 The share of first-time homebuyers among FHA-insured home-purchase mortgages.</td>
<td>78.0%</td>
<td>77.1%</td>
<td>72.8%</td>
<td>79.0%</td>
<td>N/A</td>
<td>N/A</td>
<td>c</td>
</tr>
<tr>
<td>H.1.5 The homeownership Downpayment Assistance Initiative will be fully implemented and assist 8,000 new homebuyers.</td>
<td>N/A</td>
<td>N/A</td>
<td>2,263</td>
<td>8,894</td>
<td>8,000</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>H.1.6 GNMA securitizes at least 85 percent of single family FHA and VA loans.</td>
<td>87.5%</td>
<td>92.4%</td>
<td>87.3%</td>
<td>92.7%</td>
<td>85%</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>H.1.7 At least 30 percent of clients receiving pre-purchase counseling will purchase a home or become mortgage-ready within 90 days.</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>42.2%</td>
<td>30%</td>
<td>Yes</td>
<td>i</td>
</tr>
<tr>
<td>H.1.8 Assist 34,806 homebuyers with HOME and American Dream Downpayment assistance.</td>
<td>23,241</td>
<td>25,867</td>
<td>30,780</td>
<td>32,307</td>
<td>34,806</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>H.1.9 The number of homeowners who have used sweat equity to earn assistance with Self-help Homeownership Opportunity Program funding reaches 2,140.</td>
<td>2,063</td>
<td>2,157</td>
<td>1,735</td>
<td>2,277</td>
<td>2,140</td>
<td>Yes</td>
<td>f</td>
</tr>
<tr>
<td>H.1.10 The FHA Mutual Mortgage Insurance Fund meets Congressionally mandated capital reserve targets.</td>
<td>4.52%</td>
<td>5.21%</td>
<td>5.53%</td>
<td>6.02%</td>
<td>2.0%</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>H.1.11 The share of FHA-insurable Real Estate Owned properties that are sold to owner-occupants will be 90.0 percent.</td>
<td>98.4%</td>
<td>98.3%</td>
<td>98.4%</td>
<td>85.1%</td>
<td>90.0%</td>
<td>No</td>
<td></td>
</tr>
</tbody>
</table>
### PERFORMANCE REPORT CARD – GOAL H

**Performance Indicators**

<table>
<thead>
<tr>
<th>Target</th>
<th>Met</th>
<th>Notes</th>
</tr>
</thead>
</table>

#### H.1.12
HUD will continue to monitor and enforce Fannie Mae’s and Freddie Mac’s performance in meeting or surpassing HUD-defined targets for low- and moderate-income mortgage purchases.

<table>
<thead>
<tr>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>51.5%</td>
<td>51.8%</td>
<td>52.3%</td>
<td>53.4%</td>
</tr>
<tr>
<td>53.2%</td>
<td>50.5%</td>
<td>51.2%</td>
<td>52.5%</td>
</tr>
<tr>
<td>50.0%</td>
<td>Yes</td>
<td>f</td>
<td></td>
</tr>
<tr>
<td>50.0%</td>
<td>Yes</td>
<td>f</td>
<td></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>Target</th>
<th>Met</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>48.9%</td>
<td>49.3%</td>
<td>50.9%</td>
<td>51.2%</td>
<td>N/A</td>
<td>N/A</td>
<td>c,d</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>Target</th>
<th>Met</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>51.5%</td>
<td>51.8%</td>
<td>52.3%</td>
<td>53.4%</td>
<td>N/A</td>
<td>73.9%</td>
<td>N/A</td>
</tr>
<tr>
<td>53.2%</td>
<td>50.5%</td>
<td>51.2%</td>
<td>52.5%</td>
<td>N/A</td>
<td>74.3%</td>
<td>N/A</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>Target</th>
<th>Met</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>36.0%</td>
<td>35.0%</td>
<td>32.3%</td>
<td>N/A</td>
<td>34.4%</td>
<td>N/A</td>
<td>f</td>
</tr>
<tr>
<td>39.2%</td>
<td>37.6%</td>
<td>37.2%</td>
<td>34.4%</td>
<td>N/A</td>
<td>34.4%</td>
<td>N/A</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>Target</th>
<th>Met</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>21.6%</td>
<td>21.4%</td>
<td>21.2%</td>
<td>23.6%</td>
<td>21.2%</td>
<td>23.6%</td>
<td>f</td>
</tr>
<tr>
<td>22.6%</td>
<td>20.4%</td>
<td>21.4%</td>
<td>23.0%</td>
<td>21.2%</td>
<td>23.0%</td>
<td>f</td>
</tr>
</tbody>
</table>

#### H.2.5
Minority clients are at least 50 percent of total clients receiving housing counseling in FY 2005.

<table>
<thead>
<tr>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>Target</th>
<th>Met</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>49.6%</td>
<td>49.6%</td>
<td>Yes</td>
<td>i</td>
</tr>
</tbody>
</table>

#### H.2.6
The HOME program, including the American Dream Downpayment Initiative, assists 19,139 minority households to become homeowners.

<table>
<thead>
<tr>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>Target</th>
<th>Met</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>10,934</td>
<td>12,000</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>10,934</td>
<td>17,344</td>
<td>19,139</td>
<td>19,139</td>
<td>19,139</td>
<td>No</td>
<td></td>
</tr>
</tbody>
</table>

#### H.2.7
Section 184 mortgage financing of $150 million is guaranteed for Native American homeowners during FY 2005.

<table>
<thead>
<tr>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>Target</th>
<th>Met</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>$16.7</td>
<td>$17.2</td>
<td>$62.3</td>
<td>$77.0</td>
<td>$150.0</td>
<td>No</td>
<td></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>Target</th>
<th>Met</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>51.9%</td>
<td>52.1%</td>
<td>52.7%</td>
<td>52.8%</td>
<td>N/A</td>
<td>N/A</td>
<td>c,d</td>
</tr>
<tr>
<td>51.9%</td>
<td>52.1%</td>
<td>52.7%</td>
<td>52.8%</td>
<td>N/A</td>
<td>N/A</td>
<td>c,d</td>
</tr>
</tbody>
</table>

#### H.2.9
The homeownership rate in central cities.

<table>
<thead>
<tr>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>Target</th>
<th>Met</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>52.1%</td>
<td>52.3%</td>
<td>53.2%</td>
<td>54.0%</td>
<td>N/A</td>
<td>N/A</td>
<td>c,d</td>
</tr>
<tr>
<td>52.1%</td>
<td>52.3%</td>
<td>53.2%</td>
<td>54.0%</td>
<td>N/A</td>
<td>N/A</td>
<td>c,d</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>Target</th>
<th>Met</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>15.7%</td>
<td>13.7%</td>
<td>15.4%</td>
<td>N/A</td>
<td>15.4%</td>
<td>N/A</td>
<td>a,c,f</td>
</tr>
<tr>
<td>15.7%</td>
<td>13.7%</td>
<td>15.4%</td>
<td>N/A</td>
<td>15.4%</td>
<td>N/A</td>
<td>a,c,f</td>
</tr>
</tbody>
</table>

#### H.2.11
Section 184A mortgage financing will guarantee loans creating 50 housing units for Native Hawaiian homebuyers.

<table>
<thead>
<tr>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>Target</th>
<th>Met</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>10</td>
<td>10</td>
<td>No</td>
<td></td>
</tr>
</tbody>
</table>

#### H.3.1
Respond to 1,000 inquiries and complaints from consumers and industry regarding the Real Estate Settlement Procedures Act and the home buying and mortgage loan process.

<table>
<thead>
<tr>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>Target</th>
<th>Met</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>901</td>
<td>1,000</td>
<td>1,244</td>
<td>1,245</td>
<td>1,000</td>
<td>Yes</td>
<td></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>Target</th>
<th>Met</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>20,722</td>
<td>21,115</td>
<td>21,520</td>
<td>17,912</td>
<td>N/A</td>
<td>N/A</td>
<td>c</td>
</tr>
<tr>
<td>11,424</td>
<td>11,983</td>
<td>9,972</td>
<td>8,305</td>
<td>N/A</td>
<td>N/A</td>
<td>c</td>
</tr>
</tbody>
</table>

#### H.5.1
Increase the cumulative homeownership closings under the Housing Choice Voucher program to 4,000 at the end of FY 2005.

<table>
<thead>
<tr>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>Target</th>
<th>Met</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>531</td>
<td>1,500</td>
<td>2,052</td>
<td>5,121</td>
<td>4,000</td>
<td>Yes</td>
<td></td>
</tr>
</tbody>
</table>

#### H.5.2
By FY 2006, public housing agencies with Resident Opportunity and Self Sufficiency (ROSS) grants increase by 10 percent the number of public housing residents who receive homeownership supportive services.

<table>
<thead>
<tr>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>Target</th>
<th>Met</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>Yes</td>
<td>h</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>Target</th>
<th>Met</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>49.7%</td>
<td>50.0%</td>
<td>54.2%</td>
<td>59.1%</td>
<td>45.0%</td>
<td>Yes</td>
<td></td>
</tr>
</tbody>
</table>

FISCAL YEAR 2005
### PERFORMANCE REPORT CARD – GOAL H

<table>
<thead>
<tr>
<th>Performance Indicators</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2005 Target</th>
<th>Met</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>H.6.2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>50.0%</td>
<td>Yes</td>
<td>i</td>
</tr>
<tr>
<td>More than 50 percent of total mortgagors seeking help with resolving or preventing mortgage delinquency avoid foreclosure.</td>
<td>91.9%</td>
<td>47.1%</td>
<td>60%</td>
<td>60%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notes:

a. Data not available.
b. No performance goal for this fiscal year.
c. Tracking indicator.
d. Third quarter of calendar year (last quarter of fiscal year; not the entire fiscal year).
e. Calendar year beginning during the fiscal year shown.
f. Calendar year ending during the fiscal year shown.
g. Result too complex to summarize. See indicator.
h. Baseline newly established.
i. Result is estimated.
j. Number is in thousands.
k. Number reported in millions.
l. Number reported in billions.
Objective H.1: Expand national homeownership opportunities.

H.1.1: Improve National homeownership opportunities.

Background. The overall homeownership rate represents the share of the nation’s households that have achieved the “American dream” of homeownership. Providing expanded opportunities for homeownership to all Americans, with an emphasis on minority families and other disadvantaged groups, is a Presidential priority. Homeownership is widely believed to encourage commitment to communities and good citizenship. A significant number of HUD’s programs support increases in the homeownership rate. However, a FY 2005 performance target was not established for this tracking indicator because of the substantial limits in HUD’s span of control relative to economic factors.

Results and analysis. During the third quarter of calendar year 2005, the national homeownership rate was 68.8 percent, down 0.2 percentage point from the level of the third quarter a year earlier. No goal has been established for this tracking indicator. Despite the slight decrease in the proportion of households who are homeowners, the nation gained an estimated 816,000 new homeowners during FY 2005. This increase suggests that the decline was because the increase in the number of households was greater proportionately than the increase in the number of homebuyers. When total households remain constant, each 0.1 percentage point increase in the national homeownership rate represents about 100,000 new homeowners.

Despite the reduction in the overall homeownership rate, progress continued among the households that HUD’s programs target, including minorities, those with low and moderate incomes, and central city residents. FHA played an important role, insuring loans for over 280,000 first time homebuyers during FY 2005. Communities have also made aggressive use of funds from CDBG, the HOME Investment Partnerships program, and Self-Help Homeownership Opportunities Program grants to promote homeownership. Low mortgage interest rates also continued to support first time homebuying during FY 2005. A countervailing factor that became more evident during the year was an increase in mortgage defaults. Defaults triggered by Hurricane Katrina may not be fully captured by fiscal year end data, and may affect FY 2006 results. FHA has urged leniency and use of loss mitigation techniques by mortgage lenders to ensure that hurricane impacts are minimized.

Data discussion. The measure is based on averages of monthly Current Population Survey data for the third quarter (the last quarter of the fiscal year). The Current Population Survey data are free of limitations affecting the measure’s reliability. Changes in estimated rates that exceed 0.25 percentage point are statistically significant with 90 percent confidence.

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

Background. Increasing the proportion of homebuyers who are purchasing a home for the first time is a key to higher homeownership rates. This is a tracking indicator with no numeric target.
for FY 2005, reflecting the dominant impact of the macro-economy compared with HUD’s limited span of control over the outcome. The indicator uses data from the biennial American Housing Survey. The most recent available data indicate that 39.1 percent of the homebuyers were first time homebuyers during 2003. Calendar year data will become available to update this indicator during FY 2006.

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

**Background.** This is a tracking indicator. FHA insures mortgages issued by private lenders, increasing access to mortgage capital so homeownership opportunities increase. This indicator tracks FHA’s contribution to the homeownership rate through the annual volume of FHA-insured single family mortgage loans. While the number of FHA single family mortgage endorsements is a key measure of HUD’s contribution to homeownership, the actual rate achieved during FY 2005 was dramatically affected by market forces outside of HUD’s control, especially interest rates. Balancing the importance of reporting this key measure of HUD activity with an appreciation of the substantial role of the market in the final result, the Department decided to track the number of endorsements, but not establish a numeric goal for FY 2005.

**Results and analysis.** During FY 2005, FHA endorsed 555,717 single family mortgages for insurance. Although no goal had been established for FY 2005, this result represents a decrease from the volume of endorsement activity that took place during FY 2004 (997,344). The decrease in single family endorsement volume from FY 2004 to FY 2005 was largely attributable to a much lower number of mortgage refinancings (158,528), which constituted a larger share of FHA business during FY 2004 (374,418). Recent interest rate increases and strong competition from sub-prime and conventional mortgage products may have contributed to reduce the number of traditional consumers who would have otherwise relied on FHA to meet their home financing needs. FHA is in the process of examining impediments to the use of its products by the mortgage industry and is considering the statutory barriers affecting the flexibility of its products to respond to changes in the marketplace.

**Data discussion.** Data for this indicator are drawn from FHA’s Single Family Data Warehouse, based on the Computerized Home Underwriting Management System. There are no data deficiencies affecting this measure. FHA data are entered by direct-endorsement lenders into the Computerized Home Underwriting Management System with monitoring by FHA.

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

**Background.** FHA is a major source of mortgage financing for first time buyers as well as for minority and lower income buyers. HUD will help increase the overall homeownership rate, as
well as reduce the homeownership gap between whites and minorities, by increasing FHA endorsements for first time homebuyers. This indicator tracks the share of first time homebuyers among FHA endorsements for home purchases – thus excluding loans made for home improvements. A FY 2005 performance target was not established for this performance measure because results are strongly influenced by macroeconomic and other factors beyond FHA’s control. Such factors include interest rate changes and choices made by lenders concerning the type of mortgage transactions on which they focus their business.

**Results and analysis.** During FY 2005, 79.0 percent of home purchase endorsements were made to first time homebuyers. This result is substantially higher than last year, reflecting a return to levels not seen since FY 2001. Although the total volume of FHA’s single family business, including the overall number of home purchase transactions, declined considerably from FY 2004 levels, the home purchase business that was conducted was more concentrated on first time mortgagors in FY 2005. FHA will continue its efforts to reach potential first time homebuyers through participation in conferences, seminars and other outreach events, and by working with other organizations in HUD to support the use of Community Development Block Grant and HOME block grant funding for homeownership activities.

**Data discussion.** Data for this performance indicator are drawn from FHA’s Single Family Data Warehouse, based on the Computerized Home Underwriting Management System. FHA data on first time buyers are more accurate than estimates of first time buyers in the conventional market. FHA data are entered by direct endorsement lenders with monitoring by FHA.

**H.1.5: The homeownership Downpayment Assistance Initiative will be fully implemented and assist 8,000 new homebuyers.**

**Background.** This indicator tracks the number of first time homebuyers who have been assisted with American Dream Downpayment Initiative funds during FY 2005. The output tracked by this indicator shows the contribution of the initiative toward increasing the national homeownership rate and the number of minority homeowners, two key Presidential and Secretarial priorities.

Congress passed the American Dream Downpayment Act and the President signed it into law on December 16, 2003. The Initiative is part of the HOME Investment Partnerships Program. Funds are allocated according to the formula specified in the Act. The first allocations to eligible HOME Program participating jurisdictions were made in the fourth quarter of FY 2004. There were 427 HOME participating jurisdictions eligible to receive American Dream Downpayment Initiative funds in FY 2004, out of a total of 630 HOME participating jurisdictions. A 40 percent reduction in funding for the initiative in FY 2005 lowered the number of participating jurisdictions receiving an allocation to 367.
In mid-year the target was revised downward from 10,000 units to reflect a lower than expected FY 2005 appropriation, a higher average cost per unit outlay, and to more closely track actual program results.

**Results and analysis.** This was the first full year of results for the American Dream Downpayment Initiative. During FY 2005, 8,894 households became first time homebuyers through the American Dream Downpayment Initiative. The number of households assisted exceeds the FY 2005 target of 8,000 by 894, or 11 percent. Forty-eight percent of these households were minority. The average amount of downpayment assistance provided was $7,473 per household. During FY 2004, the first partial year of funding under the Initiative, HOME participating jurisdictions assisted 2,263 households in the purchase of their first homes, thus exceeding the 2004 goal of 1,000. Forty-nine percent of these households were minority. Achievement of the goal was aided by an intensive informational campaign that included the development of a special website dedicated to the Initiative, meetings convened across the country, and the wide distribution of printed materials and brochures. While the FY 2005 target was achieved, results were affected by the significant reduction in FY 2005 funding which led to fewer participating jurisdictions receiving an allocation.

**Data discussion.** American Dream Downpayment Initiative accomplishments are tracked through the Integrated Disbursement and Information System in the same way that HOME Program accomplishments are currently recorded. Completion data was submitted with a lag because time was needed for grantees to establish local programs and for recipients to close on new homes. CPD field staff monitor grantees to verify reported results and program compliance.

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

**Background.** The Government National Mortgage Association (Ginnie Mae) is a wholly owned instrumentality of the United States government located 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 FHA, the Department of Veterans Affairs, and the Rural Housing Service. Ginnie Mae’s principal products are mortgage-backed securities.

Ginnie Mae’s Mortgage-Backed Securities program has been a significant contributor to the growth of the mortgage-backed securities market in the United States as well as to the expansion of homeownership opportunities for American families. This participation by Ginnie Mae in the capital markets of our nation has helped to provide an efficient link between Wall Street and homebuyers. By making Ginnie Mae securities attractive to investors, Ginnie Mae ensures that a continuous flow of capital is available throughout the country. Ginnie Mae has been instrumental in nearly eliminating regional differences in the availability of mortgage credit for American families. Under the terms of its Mortgage-Backed Securities program, Ginnie Mae guarantees the timely payment of principal and interest on pools of mortgage loans. Ginnie Mae’s obligations are backed by the full faith and credit of the United States.

When Ginnie Mae was established in 1968, it was given primary responsibility for facilitating an efficient secondary mortgage market for FHA, Veterans Affairs, and Rural Housing Service insured mortgages, all of which serve low- and moderate-income homebuyers. Ginnie Mae provides financial incentives for lenders to increase loan volumes in traditionally underserved areas through its Targeted Lending Initiative. The program was established in October 1996 to
help raise homeownership levels in central city areas and was later expanded to include Rural Empowerment Zones, Rural Enterprise Communities, and Indian lands.

**Results and analysis.** In FY 2005, most of the mortgages Ginnie Mae securitized were from the FHA and Veterans Affairs programs (67.6 percent and 29.4 percent of dollars, respectively). Ginnie Mae’s FY 2005 goal was to securitize at least 85 percent of FHA and Veterans Affairs single family insured or guaranteed loans. Actual figures for FY 2005 indicate that 92.7 percent of all FHA and Veterans Affairs loans were placed into Ginnie Mae securities, a significant accomplishment in light of existing competition in the low- to moderate-income housing market.

Ginnie Mae was able to exceed its goal by offering financial instruments with a structure that provides the best execution from a pricing standpoint. Also important were Ginnie Mae’s continued success in reducing issuers’ back-end processing cost and continued improvement in security disclosures. The amount of outstanding single family securities at the end of FY 2005 is $376.5 billion, compared to $420.4 billion at the end of the previous fiscal year. This decline was primarily because repayments exceeded new issuances.

**Data discussion.** The data source used was Ginnie Mae’s database of FHA and Veterans Affairs loans. The Office of Inspector General audits Ginnie Mae’s data systems each year and Ginnie Mae obtains a clean opinion.

**H.1.7: At least 30 percent of clients receiving pre-purchase counseling will purchase a home or become mortgage-ready within 90 days.**

**Background.** The Department continues to emphasize the critical role of counseling in the home buying process. Clients tracked through this indicator include those receiving housing counseling for pre-purchase reasons, including clients who are preparing to purchase a home or working to become mortgage-ready. The indicator was revised in the FY 2006 Annual Performance Plan to focus on these outcomes. The revised FY 2005 performance goal is to ensure that at least 30 percent of clients receiving pre-purchase counseling will purchase a home or become mortgage-ready within 90 days.

**Results and analysis.** Although actual results are not yet available, HUD expects 42.2 percent of clients receiving pre-purchase counseling from HUD-approved agencies to purchase a home or become mortgage-ready within 90 days. This projection represents the actual results for FY 2004 and exceeds the FY 2005 goal of 30 percent. The final housing counseling activity data needed to report this measure will become available early in FY 2006. HUD-approved housing counseling agencies are given 90 days after the end of a fiscal year to report the results of counseling activity for that fiscal year and to submit requests to HUD for reimbursement for counseling services provided.

**Data discussion.** HUD collects data on clients receiving pre-purchase counseling through Housing Counseling Agency Fiscal Year Activity Reports. These data include the total number...
of clients, the type of counseling they received, and the results of the counseling. A major limitation of the data collection instrument is that it does not differentiate the level of counseling given to each client. The quality and level of counseling can vary significantly. To improve the quality of housing counseling information that is used by HUD, the Department is in the process of implementing a new automated data collection instrument that will enable it to collect client-level data beginning in FY 2007.

H.1.8: Assist 34,806 homebuyers with HOME and American Dream Downpayment assistance.

Background. This indicator tracks the number of homebuyers assisted by the HOME Investment Partnership program and its American Dream Downpayment Initiative in FY 2005. The output tracked by this indicator shows the potential contribution to be made by the HOME Investment Partnerships program and the American Dream Downpayment Initiative toward increasing the national homeownership rate and the number of minority homeowners, two key Presidential and Secretarial priorities. 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-income families to purchase homes and by rehabilitating existing owner-occupied units, reducing the possibility that these homeowners could lose their homes.

This indicator was revised mid-year to revise the target downward from 43,690 homebuyers, consisting of 33,690 for the HOME Investment Partnerships program and 10,000 for the American Dream Downpayment Initiative to reflect a change in the measure; the number of unit “completions” was substituted for the number of “commitments” because it is a more accurate and reliable measure of performance. Based on prior year results, the estimated number of households to be assisted with HOME Investment Partnerships program funds during FY 2005 was 26,806. In addition, the American Dream Downpayment Initiative figure was 8,000 households.

Results and analysis. During FY 2005, participating jurisdictions completed 32,307 new homebuyer units, including 8,894 through the American Dream Downpayment Initiative (see Indicator H.1.5). The number of completions represents 93 percent of the FY 2005 target of 34,806 units. However, these results represent an increase in completions of 1,527 units, or 5 percent, compared with FY 2004. The per-unit HOME cost of providing a homebuyer unit ($10,591) decreased by $630 compared with FY 2004.

Also during FY 2005, participating jurisdictions used HOME Investment Partnerships funds to complete 14,832 existing homeowner rehabilitation units. This exceeds the FY 2005 goal of 9,505 units by 5,327, or 56 percent. It also represents an increase in completions compared to FY 2004 of 47 percent (4,720 units).

The accomplishment of this output indicator is affected by several external factors: the level of annual HOME Investment Partnerships program and American Dream Downpayment Initiative appropriations, the number of new and 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.
Homeowners Assisted

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>HOME</td>
<td>23,241</td>
<td>25,867</td>
<td>28,517</td>
<td>23,413</td>
<td>26,806</td>
</tr>
<tr>
<td>Downpayment Initiative</td>
<td>--</td>
<td>--</td>
<td>2,263</td>
<td>8,894</td>
<td>8,000</td>
</tr>
</tbody>
</table>

Data discussion. Data entered by participating jurisdictions in HUD’s Integrated Disbursement and Information System are used to track performance. The HOME Investment Partnerships program office completed improvements to the system in FY 2004 that have purged inaccurate data and reduced the need for ongoing data cleanup efforts. Screen designs and terminology were simplified. More checks (edits) were added to reduce potential entry errors. The report functions were improved and a search feature added so that users can now easily find information on activities by grantee and by date range. During FY 2005, additional modernization of the Integrated Disbursement and Information System, including incorporating additional performance measurement standards, was proceeding with an initial release planned for the spring of 2006.

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

Background. This indicator tracks the number of housing units completed during the period July 1, 2004, to June 30, 2005, by national and regional nonprofit organizations and consortia receiving Self-help Homeownership Opportunity Program funds. Due to issues of data availability, this indicator tracks accomplishments for an adjusted one year period. The output tracked by this indicator also contributes toward increasing the national homeownership rate and the number of minority homeowners, two key Presidential and Secretarial priorities. The program assists households who would not otherwise be able to afford their own homes.

Program Website: [www.hud.gov/offices/cpd/affordablehousing/programs/shop/index.cfm](http://www.hud.gov/offices/cpd/affordablehousing/programs/shop/index.cfm)

Results and analysis. During the one-year period ending June 30, 2005, Self-help Homeownership Opportunity Program grantees completed 2,277 housing units, exceeding the program goal of 2,140 units by 137, or 6 percent. This represents a 31 percent increase compared with the 1,735 units produced in FY 2004. Another 3,038 Self-Help Homeownership Opportunity Program units were under development at the close of the period. Self-Help Homeownership Opportunity Program grantees in FY 2005 were Habitat for Humanity, the Housing Assistance Council, Northwest Regional Facilitators, ACORN Housing Corporation, Wisconsin Association of Self-Help Executive Directors, and PPEP Microbusiness and Housing Development Corp.
The achievement of this output indicator is directly affected by several external factors: the cost and availability of land, the level of Self-Help Homeownership Opportunity Program appropriations, the “pass-through” nature of program funds to local affiliates, the level of sophistication of local 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 2005, HUD continued to provide technical assistance upon request to grantees to improve the efficiency and capacity of the program.

**Data discussion.** Reports compiled by Self-Help Homeownership Opportunity Program grantees are used to track performance under this indicator. HUD headquarters staff monitors grantees to ensure that reported accomplishments are accurate.

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

**Background.** FHA’s Mutual Mortgage Insurance Fund pays 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 fund’s financial soundness and of its continuing ability to make homeownership affordable to renters even when economic downturns increase insurance claims. The economic value 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). The capital ratio is the current economic value divided by the unamortized insurance-in-force. This measure is based on the capital ratio determined by the independent actuarial review discussed above.

**Results and analysis.** The fund’s capital ratio was 6.02 percent for FY 2005. The ratio exceeded the FY 2004 result of 5.53 percent by 0.49 percentage points. The congressionally mandated goal of 2 percent was surpassed, as it has been since FY 1995. For FY 2005, the economic value of the fund fell slightly (down 1.6 percent), but the capital ratio continued to rise as the insurance-in-force fell more (down 9.7 percent from FY 2004) as low interest rates enabled many FHA borrowers to refinance their loans in the conventional market.

**Data discussion.** The measure is determined through the annual actuarial review. The results are validated through the audit process.
H.1.11: The share of FHA-insurable REO properties that are sold to owner-occupants is 90 percent.

**Background.** Real estate owned properties are homes acquired by HUD as a result of mortgage foreclosures and insurance claim conveyance payments made to lenders. The real estate owned properties held in HUD’s inventory are Department assets and provide a resource for increasing the availability of affordable homes to potential homebuyers. This indicator tracks one measure of the Department’s success in expanding homeownership opportunities and helping stabilize neighborhoods. HUD intends to increase sales of its real estate owned homes directly to families who will occupy them rather than to investors. During the mid-year revision for the FY 2005 Annual Performance Plan, HUD revised this performance indicator to exclude properties that, on the basis of their physical condition, are not appropriate for owner-occupant purchasers. Owner-occupants are more likely to purchase homes that do not require the extensive time and expense associated with repairs that many of HUD’s real estate owned properties would need to become FHA-insurable. HUD regulations require that properties be sold as-is without repairs. Expansion of homeownership opportunities to owner-occupants is therefore better evaluated on the basis of properties that these potential homebuyers are likely to consider. The revised FY 2005 goal was to ensure that at least 90 percent of FHA-insurable real estate owned property sales are to owner-occupants.

**Results and analysis.** During FY 2005, 85.1 percent (3,708 out of 4,356) of FHA-insurable real estate owned single family properties sold were to owner-occupants. The result falls short of the goal of 90 percent and represents a substantial reduction from the 98.4 percent (6,786 out of 6,895) of FHA-insurable properties sold to owner-occupants during FY 2004.

The decline from FY 2004 levels is attributable to a number of factors, which may include a substantial increase in the number of investors in the national housing market over the past year, and a decline in total real estate owned sales during FY 2005 resulting from the Section 601 program, which has meant that more single family insurance claims were sold as notes before HUD took ownership of the properties. The effect of hurricanes during the past two years on HUD’s inventory of insurable properties in the Gulf states region, historically a strong area for real estate owned property sales to owner-occupants, may have also contributed to a decline in sales to this group. Additional factors, such as stronger FHA requirements for pre-sale disclosure of property conditions, in combination with the absence of many such requirements in the overall mortgage industry, may have also drawn potential owner-occupants away from purchasing these properties. FHA has included a performance goal related to sales to owner-occupants in its new Management and Marketing contracts, which is expected to increase sales of FHA-insurable real estate owned properties to owner-occupants and expand homeownership opportunities. Efforts to increase FHA’s market share will also help promote property sales to prospective owner-occupant purchasers.
Data discussion. The data for this indicator are from FHA’s Single Family Acquired Asset Management System. The data will be used as a part of the overall monitoring of FHA’s portfolio and as a component of the internal controls of FHA. Real estate owned data are covered by the Inspector General audit.

H.1.12: HUD will continue to monitor and enforce Fannie Mae’s and Freddie Mac’s performance in meeting or surpassing HUD-defined targets for low- and moderate-income mortgage purchases.

Background. Congress mandated that, as Government-Sponsored Enterprises, the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (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 Government-Sponsored Enterprises that serve low- and moderate-income families. These are families earning incomes at or below area medians. Beginning in 2005, HUD increased the Low- and Moderate-Income goal from 50 percent to 52 percent. The Low- and Moderate-Income goal will increase in stages between 2005 and 2008, capping at 56 percent in 2008.

Results and analysis. In calendar year 2004, both Fannie Mae and Freddie Mac surpassed HUD’s target of 50 percent. Fannie Mae achieved 53.4 percent and Freddie Mac achieved 52.5 percent.³ Although the Government-Sponsored Enterprises may count both multifamily and single family purchases towards the Low- and Moderate-Income target, both Fannie Mae and Freddie Mac achieve the majority of their performance through the purchase of loans on single family owner-occupied housing. An analysis of the composition of units qualifying as low- and moderate-income purchases in 2004 shows that 1.65 million dwelling units, or 

³ In verifying Freddie Mac’s official 2004 goals performance, HUD determined that Freddie Mac counted, for housing goals credit, dwelling units derived from purchases of securities that HUD had not pre-approved as eligible to count as mortgage purchases under the housing goals. Freddie Mac also established its own counting formula for the transactions without HUD’s prior approval. As a penalty for Freddie Mac’s failure to obtain HUD’s prior approval, HUD applied a 50 percent partial credit to the dwelling units derived from mortgages associated with these transactions under the Low- and Moderate-Income Housing goal. The penalty reduced Freddie Mac’s performance by 1.6 percentage points from 54.1 percent to 52.5 percent.
70.9 percent of the dwelling units that qualified under Fannie Mae’s Low- and Moderate-Income goal, served low-income families (i.e., families earning 80 percent or less of area median income). Freddie Mac purchased mortgages for 1.28 million low-income dwelling units, or 72.4 percent of Freddie Mac’s qualifying purchases serving this market.

With regard to the minority composition of the Government-Sponsored Enterprises’ low- and moderate-income performance, 21.8 percent of single family dwelling units that qualified under Freddie Mac’s Low- and Moderate-Income goal were for minority borrowers, including 15.2 percent that were for African-American and Hispanic borrowers. The corresponding percentages for Fannie Mae were 20.9 percent minority and 13.6 percent African-American and Hispanic.

Data discussion. The data reported under this goal are based on calendar year performance. There is a one year reporting lag because the Government-Sponsored Enterprises report to HUD in the year following the performance year. To ensure the reliability of data, Fannie Mae and Freddie Mac apply various quality control measures to data elements provided to HUD. HUD verifies the data through comparison with independent data sources, replication of Fannie Mae’s and Freddie Mac’s goal performance reports, and reviews of their data quality procedures. Fannie Mae’s and Freddie Mac’s financial reports are verified by independent audits.

Objective H.2: Increase minority homeownership.

H.2.1: The minority homeownership rate.

Background. HUD’s Strategic Plan reflects the President’s long-term goal that 5.5 million additional minority households will become homeowners by 2010. Many of HUD’s programs improve homeownership by targeting underserved populations, including minorities. This tracking indicator helps monitor progress toward the long-term goal, but a FY 2005 goal was not established because of the substantial limits in HUD’s span of control relative to economic factors.

Results and analysis. During the last quarter of FY 2005, the minority homeownership rate was 51.2 percent, up by 0.3 percentage points from the same quarter in FY 2004. The number of minority homeowners increased by 455,000 during the year. Although an annual performance goal has not been established, the increase in minority homeownership ensures that the nation remains ahead of pace to meet the President’s long-term goal for 5.5 million additional minority households by 2010, with 43 percent of the goal completed while 41 percent of the time has elapsed.

Hispanic homebuyers made the largest contribution to the positive result during FY 2005, accounting for 47 percent of the new minority homebuyers and increasing their homeownership rate to 49.1 percent. The greatest proportional gains occurred among the group collectively known as “other race, non-Hispanics,” comprising American Indians and Alaska Natives, Asians, Native Hawaiians, and other Pacific Islanders.

Homeownership among Minority Households

<table>
<thead>
<tr>
<th>Year</th>
<th>Minority Homeownership Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>48.9%</td>
</tr>
<tr>
<td>2003</td>
<td>49.3%</td>
</tr>
<tr>
<td>2004</td>
<td>50.9%</td>
</tr>
<tr>
<td>2005</td>
<td>51.2%</td>
</tr>
</tbody>
</table>

Hispanic homebuyers made the largest contribution to the positive result during FY 2005, accounting for 47 percent of the new minority homebuyers and increasing their homeownership rate to 49.1 percent. The greatest proportional gains occurred among the group collectively known as “other race, non-Hispanics,” comprising American Indians and Alaska Natives, Asians, Native Hawaiians, and other Pacific Islanders.
This group, which numbers about half the Hispanic population, accounted for 37 percent of the total increase and raised their homeownership rate to 60.5 percent. The homeownership rate for black, non-Hispanic households slipped by 0.3 percentage points to 48.7 percent during FY 2005, despite their gain of 59,000 new homeowners.

FHA contributed substantially to minority homeownership during FY 2005, insuring over 96,000 loans to first time minority homebuyers. Results were also supported by strategies that include increased outreach and continued enforcement of equal opportunity in housing, and increased funding for housing counseling. Counseling resources help more members of minority and other underserved groups build the knowledge to become homeowners and to sustain their new tenure by meeting the ongoing responsibilities of homeownership.

Differences in homebuying among various groups reflects variation in their locations and their ability to afford homes in their area, especially in view of the increase of 13.4 percent in the median price of an existing home, to $212,000, during FY 2005. Homeownership estimates do not fully reflect the impact of Hurricane Katrina, which occurred after most of the data were collected.

Data discussion. The indicator is based on averages of monthly Current Population Survey data for the last quarter of the fiscal year. The data are free of limitations affecting the measure’s reliability. Changes in the estimated minority homeownership rate exceeding 0.53 percentage points are statistically significant with 90 percent confidence. Beginning with 2003 data, minority categories reflect new survey procedures that allow respondents to select more than one race, and this self-reporting may change slightly as respondents grow accustomed to the new approach.

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

Background. This indicator measures progress in reducing barriers to homeownership among racial and ethnic minorities, as measured by the ratio of minority homeownership rates to homeownership of non-Hispanic whites. The effects of income and household type are controlled by comparing homeownership rates for low- and moderate-income families with children (those with incomes of 51 to 120 percent of area median income). The FY 2004–2005 goal is to increase the ratio by 0.4 percentage points from calendar year 2003 levels by 2005.

This indicator uses data from the biennial American Housing Survey. Calendar year 2005 data are not yet available, but will become available during FY 2006. Beginning with the FY 2006 Annual Performance Plan, this indicator is revised to track the “homeownership gap,” i.e., the difference in percentage points between the homeownership rates of households who are “non-Hispanic white alone” and those who are minority. The minority homeownership gap averaged 25.0 percentage points in 2004.

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

Background. FHA is a major source of mortgage financing for minority as well as low-income buyers. Increasing the number of FHA endorsements for minority homebuyers will help reduce the homeownership gap between whites and minorities as well as increase the overall homeownership rate. This performance indicator helps to track homeownership activities in
support of the President’s commitment to add 5.5 million minority homebuyers by 2010. In an effort to better evaluate the Department’s success in implementing the President’s minority homeownership initiative, during FY 2004 FHA revised this indicator to consider only first time minority homebuyers and exclude from this analysis borrowers whose race is unknown. During the mid-year revision for the FY 2005 Annual Performance Plan, FHA updated the caption for this performance indicator to specify the revised measure’s focus on first time minority homebuyers. FHA has elected to track the progress of this performance measure without establishing a numeric target, due to its limited control regarding minority participation.

**Results and analysis.** During FY 2005, 34.4 percent of FHA home purchase endorsements made to first time homebuyers were for minorities. This result is a 2.8 percentage point decline from FY 2004, and continues the trend of declining minority share of home purchase endorsements. The decline may be attributable to competing mortgage products in the conventional and sub-prime markets in combination with broader declines in home buying as single family homes have become less affordable. Two such competing products are 100 percent financing and “80/20,” whereby a homebuyer finances 80 percent of the value of their home with a first mortgage, using a second mortgage to finance the remaining value (20 percent) of the property as a downpayment. The ability of the conventional and sub-prime markets to develop these and other financing options that either waive insurance premiums or that have few, or no credit or income verification and downpayment requirements, may have drawn many minority homebuyers who would have been able to meet some but not all of FHA’s underwriting criteria. On the basis of this data, FHA will monitor its progress in improving minority homeownership opportunities and will continue to pursue the President’s commitment to reaching minorities and increasing the minority homeownership rate through housing counseling program outreach.

**Data discussion.** The data source for this performance indicator is FHA’s Single Family Data Warehouse, based on data submitted by direct-endorsement lenders to the Computerized Home Underwriting Management System. The data are judged to be reliable for this measure. FHA data are entered by direct-endorsement lenders with monitoring by FHA.

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

**Background.** HUD defines performance targets for Fannie Mae and Freddie Mac (two housing Government-Sponsored Enterprises) in several areas, including mortgage purchases of special affordable housing. This target is intended to achieve increased purchases by Fannie Mae and Freddie Mac of mortgages on rental housing and owner-occupied housing that address the unmet needs of very low- and low-income families. As such, the Special Affordable Housing goal supports HUD’s national objectives for expanding both affordable homeownership and the availability of affordable rental housing. Mortgages qualify as special affordable if they support
dwelling units either for very low-income families (those earning no more than 60 percent of area median income) or for low-income families (those earning no more than 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. Beginning in 2005, HUD increased the Special Affordable Housing goal from 20 percent to 22 percent. The Special Affordable Housing goal will increase in stages between 2005 and 2008, capping at 27 percent in 2008.

**Results and analysis.** In calendar year 2004, Fannie Mae and Freddie Mac both surpassed the 20 percent target. Fannie Mae achieved 23.6 percent, and Freddie Mac achieved 23.0 percent. An analysis of the composition of units qualifying under the Special Affordable Housing goal in 2004 shows that, of all of the dwelling units that qualified for this goal in 2004 for Fannie Mae, 59.4 percent were one-unit owner-occupied properties (including condominium and cooperative units), 4.8 percent were owner-occupied units in two- to four-unit properties, 12.6 percent were rental units in single family (one- to four-unit) properties, and 23.2 percent were multifamily rental units. These percentages did not change substantially from 2003 for Fannie Mae. For Freddie Mac the corresponding percentages in 2004 were 47.4 percent one-unit owner-occupied properties, 5.5 percent owner-occupied units in two- to four-unit properties, 11.6 percent rental units in single family properties, and 35.6 percent multifamily rental units. Freddie Mac’s percentages for multifamily units increased and single family owner units decreased somewhat relative to 2003.

**Data discussion.** The data reported under this goal are based on calendar year performance. There is a one year reporting lag because Fannie Mae and Freddie Mac report to HUD in the year following the performance year. To ensure the reliability of data, Fannie Mae and Freddie Mac apply various quality control measures to data elements provided to HUD. HUD verifies the data through comparison with independent data.

---

4 In verifying Freddie Mac’s official 2004 goals performance, HUD determined that Freddie Mac counted, for housing goals credit, dwelling units derived from purchases of securities that HUD had not pre-approved as eligible to count as mortgage purchases under the housing goals. Freddie Mac also established its own counting formula for the transactions without HUD’s prior approval. As a penalty for Freddie Mac’s failure to obtain HUD’s prior approval, HUD applied a 50 percent partial credit to the dwelling units derived from mortgages associated with these transactions under the Special Affordable Housing goal. The penalty reduced Freddie Mac’s performance by 1.2 percentage points from 24.2 percent to 23.0 percent.
sources, replication of Fannie Mae’s and Freddie Mac’s goal performance reports, and reviews of their data quality procedures. Fannie Mae’s and Freddie Mac’s financial reports are verified by independent audits.

**H.2.5: Minority clients are at least 50 percent of total clients receiving housing counseling in FY 2005.**

**Background.** The housing counseling assistance program is an integral part of helping increase the minority homeownership rate. In order to specifically target and increase the overall amount of funding benefiting the minority community, the Department is setting aside housing counseling appropriations specifically for counseling in conjunction with the Housing Choice Voucher program, agencies serving colonias, and predatory lending. Clients tracked through this indicator include those receiving various forms of housing counseling – from homebuyer education, pre-purchase, and loss mitigation/default counseling to rental, fair housing, and homeless counseling.

HUD revised this performance indicator mid-year to report the percentage of total clients receiving HUD-funded housing counseling who are minorities. The goal for FY 2005 is to ensure that minority clients are at least 50 percent of total clients receiving HUD-funded housing counseling.

**Results and analysis.** Although actual results for FY 2005 are not yet available, HUD expects 49.6 percent of all clients receiving HUD-funded housing counseling to be minorities. This projection represents the actual results for FY 2004 and substantially meets the FY 2005 goal of 50 percent. Final housing counseling activity data for FY 2005 will become available early in FY 2006. HUD-approved housing counseling agencies are given 90 days after the end of a fiscal year to report the results of counseling activity for that fiscal year and to submit requests to HUD for reimbursement for counseling services provided.

**Data discussion.** The data source for this performance indicator is the Housing Counseling Agency Fiscal Year Activity Reports. A major limitation of the data for this indicator is that it is difficult for counselors to collect demographic data from individuals participating in group education sessions. The lack of confidentiality and privacy discourages many responses. HUD is working with counselors to encourage them to discreetly collect this information, in an effort to improve reporting rates.

**H.2.6: The HOME program, including the American Dream Downpayment Initiative, assists 19,139 minority households to become homeowners.**

**Background.** This indicator tracks the number of new minority homeowners assisted with HOME Investment Partnerships program and its American Dream Downpayment Initiative funds during FY 2005. The output tracked by this indicator shows the potential contribution to be made by the HOME Investment Partnership program toward increasing the national homeownership rate and the number of minority homeowners, two key Presidential and Secretarial priorities. 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 HOME Investment Partnerships program funds to promote homeownership. Since 1992, over 52 percent of the homebuyer commitments have been made.
to minority households. The FY 2005 goal was based on a minority share of 52 percent of the total homebuyers assisted by participating jurisdictions during this period.

Mid-year this goal was revised downward from 24,466 minority households to reflect a change in the measure; the number of unit “completions” was substituted for the number of “commitments” because it is a more accurate and reliable measure of performance. Based on a similar revision to indicator H.1.8, the resulting number of minority households to be assisted with HOME Investment Partnerships program funds, including American Dream Downpayment Initiative assistance funds, was reduced to 19,139.

Results and analysis. During FY 2005, participating jurisdictions assisted 17,344 minority households in becoming homeowners. This number represents 91 percent of the FY 2005 target of 19,139 completions, a shortfall of 1,795 households. This is an increase, however, of 6,410 households (59 percent) compared to the FY 2004 results. The shortfall was largely a consequence of the lower number of minority households assisted in FY 2005 as a percentage of all families assisted (48 percent) compared to the historic average for the HOME Investment Partnerships program since 1992 of 52 percent. HUD’s ability to influence the demographics of beneficiaries in a block grant program is limited.

Data discussion. Data entered by participating jurisdictions in HUD’s Integrated Disbursement and Information System are used to track performance. The HOME Investment Partnerships program office completed improvements in FY 2004 to the Integrated Disbursement and Information System, which have purged inaccurate data and reduced the need for ongoing data cleanup efforts. Screen designs and terminology were simplified. More checks (edits) were added to reduce potential entry errors. The report functions were improved and a search feature added so that users can now easily find information on activities by grantee and by date range. During FY 2005, additional modernization of the Integrated Disbursement and Information System, including incorporating additional performance measurement standards, was proceeding with an initial release planned for the spring of 2006.

H.2.7: Section 184 mortgage financing of $150 million is guaranteed for Native American homeowners during FY 2005.

Background. This indicator tracks the annual dollar amount guaranteed by HUD to finance homeownership loans under the Section 184 program. This indicator was revised mid-year to measure the dollar volume of mortgage guarantees as a better metric of program growth.

Because this program supports the President’s goal of increasing homeownership, the Department ambitiously sought a goal for FY 2005 of $150 million. In July 2002, census data indicated that the homeownership rate for Native Americans was 55 percent, 13 percent below the national rate. Homeownership rates on reservations are historically low because lenders have been hesitant to assume the risk of providing mortgage financing for tribal land that cannot be used as collateral. The Section 184 program
provides a federal loan guarantee as an inducement to lenders. Native Americans who wish to live on tribal lands can then more easily obtain financing to purchase a home.

Program website: www.hud.gov/progdesc/insec184.cfm

Results and analysis. During FY 2005, loans totaling approximately $77 million (an increase of 24 percent from FY 2004) were guaranteed and thus the Department did not achieve its FY 2005 goal of $150 million in mortgage guarantees. In FY 2005, $102.5 million in loans were approved, but only $77 million closed. The remainder of these transactions should close in early FY 2006.

Data discussion. The Office of Loan Guarantee compiles data on the number of loan guarantee certificates issued. The Director of the Office of Loan Guarantee validates the data on a monthly basis. The Public and Indian Housing Budget Office verifies this count. For the purposes of this indicator, the guarantees are tracked when the loan is closed and not when it is approved.

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

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. A target was not established for this tracking indicator in FY 2005, reflecting limits in HUD’s span of control.

Results and analysis. During FY 2005, the homeownership rate among households with incomes below the national median increased slightly by 0.1 percentage point to 52.8 percent in the third quarter. The result is a new record high, although no goal has been established for this tracking indicator.

The continuing trend of homeownership gains for households with incomes below the median is encouraging in view of the recent rapid increases in median home prices. During FY 2005, the median price of existing homes increased 13.4 percent to $212,000, and the median price of new homes increased 1.9 percent to $215,700. Interest rates that remained near 6 percent during the year helped keep the affordability of such homes within reach.

HUD will continue to promote higher homeownership rates among low-income households through improved partnering, marketing, and outreach in the single family FHA programs. Homeownership vouchers and the homeownership downpayment assistance initiative will play a growing role in achieving this goal. HUD’s block grant programs, CDBG and HOME Investment Partnerships, also provide

<table>
<thead>
<tr>
<th>Year</th>
<th>Homeownership Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>51.9%</td>
</tr>
<tr>
<td>2002</td>
<td>52.6%</td>
</tr>
<tr>
<td>2003</td>
<td>52.1%</td>
</tr>
<tr>
<td>2004</td>
<td>52.7%</td>
</tr>
<tr>
<td>2005</td>
<td>52.8%</td>
</tr>
</tbody>
</table>
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 data from the third quarter of the calendar year, corresponding to the end of HUD’s fiscal year. The data are free of limitations affecting the measure’s reliability. Changes in estimated rates that exceed 0.43 percentage points are statistically significant with 90 percent confidence.

**H.2.9: The homeownership rate in central cities.**

**Background.** Central cities have below-average rates of homeownership, in part because of higher density development and multifamily housing, but also because of losses of middle-class families in past decades. Low homeownership can contribute to neighborhood decline because absentee landlords and their tenants put forth less maintenance effort than homeowners. In such cases, low homeownership often leads to a shrinking municipal tax base. The central city homeownership rate reflects the progress in reestablishing central cities as desirable places for long-term individual investment. A FY 2005 performance target was not established for this tracking indicator because of the substantial limits in HUD’s span of control relative to economic factors.

**Results and analysis.** The homeownership rate in central cities showed continued strength during 2005, advancing by 0.8 percentage points to 54.0 percent in the third quarter. The result builds on a comparable gain of 0.9 percentage point during FY 2004, setting a new high for third quarter rates. No performance goal has been established for this indicator.

The increase in central city homeownership continues a recent trend that reflects renewed confidence in cities and demand for urban living. A number of HUD’s programs contribute to homeownership in central cities. FHA single family mortgage insurance serves many central city households. CDBG and HOME Investment Partnerships program block grants are among the Department’s largest programs, and each has a sizable homeownership component. Over one-third of households who receive HOME Investment Partnerships program assistance receive homebuyer assistance, or roughly 30,000 homebuyers annually.

HUD also has increased 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 Government-Sponsored Enterprises include central city criteria to help ensure that mortgage capital is available. HUD’s Good Neighbor initiative allows police officers, school teachers, nonprofits, and local governments to purchase HUD-owned homes at significant discounts, thus strengthening distressed urban communities while providing homeownership opportunities for public service professionals. HUD expanded this program to firefighters and other first responders during FY 2005. Cities also are making efforts to increase homeownership rates, as
grantees increasingly use HOME Investment Partnerships program funds to promote homeownership.

**Data discussion.** The measure uses Current Population Survey data from the third quarter of the calendar year, corresponding to the end of HUD’s fiscal year. The data are free of limitations affecting the measure’s reliability. Re-benchmarked estimates are provided for 2002 and 2003 to reflect Census 2000 population information and housing unit controls.

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

**Background.** This is a tracking indicator for minority mortgage disapproval rates, an important early indicator of trends in minority homeownership. Equal access to home loans is critical for decreasing disparities in homeownership. This measure 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. A FY 2005 performance goal was not established because of HUD’s limited span of control relative to external factors.

**Results and analysis.** The most recent data for calendar year 2004 show that minority mortgage applications continue to be denied at higher rates than applications by white households. Among primary borrowers reported as a single race, black alone households experienced the highest denial rate of 19.8 percent. Denial rates were 16.6 percent for American Indian/Alaskan Natives alone, 11.8 percent for Asian alone, 14.0 percent for Native Hawaiian/Pacific Islander alone, 16.6 percent for Hispanics, and 12.8 percent for two or more races, compared with 10.0 percent for white alone.

A number of technical changes, discussed below, limit the comparability of the 2004 results with previous data. Nevertheless, denial rates apparently are higher for all categories of borrowers.

**Data discussion.** This indicator uses Home Mortgage Disclosure Act data collected from lenders on a calendar year basis. Calendar year 2005 data are not yet available. The mortgage applications counted are conforming loans or loans insured by FHA, Veterans Affairs, or Rural Housing Service, and are limited to owner-occupied single family homes purchased in core-based statistical areas for 2004, in 2000-based metropolitan areas for 2003, and in 1990-based metropolitan areas for preceding years. Loan denials at the pre-approval stage are excluded, although new but incomplete data suggest that initially denied or unaccepted pre-approvals may account for at least one percent of all loans. Refinance loans and manufactured housing loans are excluded, as were loans by sub-prime lenders or manufactured home loan specialists until 2004. The new Census race and ethnicity categories are used for this indicator beginning with 2004.

HUD assessed the impact of several technical factors on the reported results. First, new data for 2004 made possible the direct exclusion of manufactured home loans rather than loans by manufactured home loan specialists. This change contributes 0.6 percentage point to the denial rate of white alone households, reducing disparities in denial rates. Second, estimates for 2003 and 2004 are based on rounding the “conforming” loan limit for Government-Sponsored Enterprise mortgage purchases up to the nearest $1,000, which would have decreased the 2002 denial rate by 0.1 percentage point. Finally, about 11.5 percent of applications had missing or unknown race and ethnicity data in 2004, down from 13.7 percent missing in 2002.
H.2.11: Section 184A mortgage financing will guarantee loans creating 50 housing units for Native Hawaiian homebuyers.

**Background.** This indicator tracks the number of housing units built or acquired using the Section 184A loan guarantee program. The Section 184A program facilitates private sector investment in housing and encourages lenders to finance housing (1) through the State of Hawaii’s Department of Hawaiian Home Lands and (2) directly with Native Hawaiians eligible to reside on Hawaiian Home Lands.

This indicator was added in mid-year to track the performance of this new program.

**Results and analysis.** FY 2005 saw the first loans guaranteed using the Section 184A program. Although the Department did not meet its goal, these loans will finance 10 homes to be built on Hawaiian Home Lands, with HUD guaranteeing approximately $1.5 million in financing. In FY 2006 this program will be available to individual Native Hawaiians (during FY 2005 it was only available for institutional transactions) and thus activity is expected to greatly increase in FY 2006.

**Data discussion.** The Office of Loan Guarantee compiles data on the number of loan guarantee certificates issued. The Director of the Office of Loan Guarantee validates the data on a monthly basis. The Public and Indian Housing Budget Office verifies this count.

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

H.3.1: Respond to 1,000 inquiries and complaints from consumers and industry regarding the Real Estate Settlement Procedures Act and the home buying and mortgage loan process.

**Background.** The Real Estate Settlement Procedures Act is a consumer protection statute enforced by HUD. This Act helps consumers be better shoppers in the home buying and mortgage loan process by requiring that consumers receive disclosures at various times in the transactions and by prohibiting practices, such as paying kickbacks, that increase the cost of settlement services. The Act also provides consumers with protections relating to the servicing of their loans, including proper escrow account management. The Department currently receives inquiries and complaints from consumers, industry, and other state and federal regulatory agencies by mail, telephone, and e-mail.

HUD’s Office of Real Estate Settlement Procedures Act and Interstate Land Sales tracks responses to inquiries and complaints regarding the home buying, home financing, and settlement process, as well as inquiries from industry and state and federal regulators regarding practices that may violate the Act. The FY 2005 goal was to respond to 1,000 of these inquiries and complaints. This goal was set in early FY 2004, and was based on the average of 673 complaints closed during

![RESPA Complaints Responded To](image-url)
FY 2001, FY 2002, and FY 2003. The office anticipated that by increasing public awareness of enforcement, an increasing number of consumers, industry, and other regulatory agencies would file complaints alleging violations of the Act. This has helped bring additional violations of the Act to the attention of the Department, and enabled the Department to provide greater assistance to the public, particularly consumers.

**Results and analysis.** The Office of Real Estate Settlement Procedures Act and Interstate Land Sales responded to 1,245 complaints during FY 2005. This number reflects the number of formal complaint cases closed and exceeds the goal by 25 percent. In part, the increase reflects an increased enforcement of the Act through aggressive investigation of complaints.

The overall increase in public awareness of enforcement generated an additional 1,227 e-mail and 2,051 telephone consumer and industry inquires. These were not included in assessing the office’s performance against this FY 2005 goal because the great majority of these were less formal than the complaints, which are formally addressed and do count towards the goal. However, these additional inquiries and associated workload will be taken into account in setting future Annual Performance Plan goals.

**Data discussion.** The data are compiled from the Office of Real Estate Settlement Procedures Act’s Case Management System, which maintains an electronic record of complaints and telephone calls received by the Office. In addition, e-mail responses are maintained in Lotus Notes via the Real Estate Settlement Procedures Act e-mailbox. Management reviews this tracking system and e-mail on an ongoing basis.

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

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

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

**Results and analysis.** Out of 17,912 loans reviewed that were originated by FHA-approved lenders in FY 2005, 8,305, or 46.4 percent, were determined to have findings. By comparison, the incidence of findings among single family mortgage loans originated by FHA-approved lenders in FY 2004 was equal to that in FY 2005 (46.4 percent), although the number of loans reviewed and findings noted were slightly higher. This stability indicates that with lower numbers of lender monitoring reviews conducted by Quality Assurance Division, and therefore fewer FHA-insured single family mortgage loans reviewed, that FHA is focusing its monitoring efforts more closely on those lenders that are high and moderate risks, thereby allowing for
consistent patterns of risk and material violations to be identified and more effective remedies to be developed. More effective remedies to program violations mean that FHA’s insurance funds remain fiscally sound and in a position to help current homeowners and prospective homebuyers.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans reviewed</td>
<td>22,138</td>
<td>20,942</td>
<td>20,722</td>
<td>21,115</td>
<td>21,520</td>
<td>17,912</td>
</tr>
<tr>
<td>Loans with findings</td>
<td>9,867</td>
<td>11,483</td>
<td>11,424</td>
<td>11,983</td>
<td>9,972</td>
<td>8,305</td>
</tr>
</tbody>
</table>

Data discussion. Loan review and findings data are drawn from the Approval Re-certification/Review Tracking System. Data are generated independently and entered into this system by Quality Assurance Division monitors operating throughout the country, with secondary review and verification by FHA Homeownership Centers. Quality Assurance Division functions and data are included in the annual FHA Financial Statements audit.

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

H.5.1: Increase the cumulative homeownership closings under the homeownership option of the Housing Choice Voucher program to 4,000 at the end of FY 2005.

Background. Increasing homeownership among low-income and minority households is one of the Department’s most important initiatives. The homeownership option under the Housing Choice Voucher program helps accomplish this objective by allowing PHAs to provide voucher assistance to low-income first time homebuyers for monthly homeownership expenses rather than for monthly rental payments, the most typical use of voucher assistance.

This indicator was revised mid-year to reflect better than anticipated performance in FY 2004, and reworded to include a numeric target rather than a percentage increase as the goal.

Results and analysis. At the end of FY 2005, 5,121 families have become homeowners through the Housing Choice Voucher, Family Self Sufficiency and Moving to Work Homeownership programs, compared to the goal of 4,000 cumulative homeownership closings. This is an increase of 3,069 homeowners, or approximately 150 percent, over the previous fiscal year. This major increase was the result of an extensive nationwide outreach to PHAs that provided a step-by-step instruction package to assist in developing the program, the holding of 15 well-attended conferences nationwide to communicate the program goals, and the implementation of a bonus program that provided $5,000 to the PHA to establish a program and $1,000 per closing.

Data discussion. At the end of FY 2005, the number of homeownership closings under the Housing Choice Voucher Program was determined through the PIH Inventory
Management System database. The Department is committed to ensuring that all homeownership closings are recorded in the Inventory Management System before paying calendar year 2005 administrative fee funding incentives to PHAs for homeownership program implementation and closings.

**H.5.2:** By Fiscal Year 2006, public housing agencies with Resident Opportunity and Self Sufficiency grants increase by 10 percent the number of public housing residents who receive homeownership supportive services.

**Background.** This indicator measures the amount of homeownership counseling received by residents in connection with the Resident Opportunity and Self Sufficiency Homeownership Supportive Services grants.

The Resident Opportunity Self Sufficiency program, through the Homeownership Supportive Services grant category, provides funds to PHAs, tribes/tribally designated housing entities, and qualified nonprofit organizations to deliver homeownership training, counseling, and other supportive services to residents of public and Indian housing. The Homeownership Supportive Services grants are designed to build upon other self-sufficiency efforts by providing supportive services to participating residents to support them transitioning from rental housing to homeownership.

The target was revised mid-year to reflect that implementation of the goal has been delayed from FY 2005 until FY 2006 due to the need to establish a baseline in FY 2005.

**Program Website:** [www.hud.gov/offices/pih/programs/ph/ross/about.cfm](http://www.hud.gov/offices/pih/programs/ph/ross/about.cfm)

**Results and analysis.** As of the end of FY 2005, data have been collected by the program office that establishes the baseline for this goal as 3,363 residents. The program office collected the data through communication with the field offices and grantees. Accordingly, grant activity occurring during FY 2006 will be measured against this baseline.

**Data discussion.** Data currently come from reports that Homeownership Supportive Services grantees submit to field offices. Grantees establish their baselines from their approved work plan and report results as of January 31 and July 30 of each grant year. The Department plans that, in the future, grantees will report through an Internet-based logic model system. As of the end of FY 2005, the Department continues to refine this reporting system. Until such a system is instituted, the program office will continue to collect data independently on FY 2003 and FY 2004 grantees in order to track this goal.

Data validity is addressed as a function of field office monitoring and program office analysis. As this is a newer indicator (baseline recently established), there has not been an independent evaluation to verify data. Any data problems will be addressed by the program office in coordination with the field offices and grantees as needed.

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

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

**Background.** This indicator measures the success of FHA loan servicers in implementing statutorily required loss mitigation techniques when borrowers default on their FHA mortgages.
PERFORMANCE AND ACCOUNTABILITY REPORT

A borrower can resolve a default (90-day delinquency) in several ways short of foreclosure -- for example, by paying down the delinquency (cure), by a pre-foreclosure sale with FHA paying an insurance claim in the amount of the shortfall, or by surrendering a deed in lieu of foreclosure. Better loss-mitigation efforts, such as enhanced borrower counseling, help borrowers keep their current homes or permit them to buy another home sooner. Avoidance of foreclosure also reduces FHA’s insurance losses, making FHA more financially sound and enabling it to help more borrowers. For both reasons, by achieving this goal HUD will help increase the overall homeownership rate. The FY 2005 goal is to ensure that at least 45 percent of claims are resolved through loss mitigation.

Results and analysis. During FY 2005, 59.1 percent of FHA mortgage defaults were resolved through loss mitigation alternatives to foreclosure, exceeding the goal of 45 percent and the performance level of 54.2 percent achieved in FY 2004. The result represents a continuation of the trend of increases. Loss mitigation actions do not permanently stabilize many borrowers’ financial status. However, about 60 percent of borrowers who receive the benefits of loss mitigation remain current on their mortgage for at least a 12-month period. This reduction in foreclosure claim expenses is a key component of Departmental budget estimates for FY 2006. Our programmatic objective is to sustain the high level of participation in loss mitigation even as the Office of Housing tightens programmatic requirements designed to increase the ultimate success rate of loss mitigation in helping borrowers avoid foreclosure.

Data discussion. FHA’s Single Family Data Warehouse, Loss Mitigation table is the data source for this performance indicator. The resolutions that are counted as loss mitigation are: forbearance agreements, loan modifications, partial claims, pre-foreclosure sales, and deeds-in-lieu of foreclosure. A small and decreasing number of “other” resolutions that were previously counted were excluded beginning in FY 2003. Total claims comprise loss mitigation claims plus conveyance claims. No data limitations are known to affect this indicator. FHA data are entered by the loan servicers with monitoring by FHA. The results reported for this performance indicator are consistent with those reported in the FHA Management Report for FY 2005. FHA expects to collect 30- and 60-day default data during FY 2006, which will provide better information about typical default patterns and improve loss mitigation efforts.

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

Background. Clients tracked through this indicator include homeowners with mortgages who are at risk of default, or have already defaulted, and are seeking assistance in order to remain in their home and meet the responsibilities of homeownership. By limiting delinquency and foreclosure, default counseling is a cost-effective way to reduce HUD’s exposure to risk while contributing to the growth and stability of families and communities across the country. Moreover, default counseling is increasingly important during periods of economic downturn,
when job losses and low wages make it difficult for families to meet their financial obligations, and default rates rise. This indicator measures the share of total mortgagors who, after seeking help with resolving or preventing mortgage delinquency, have successfully avoided foreclosure. After analyzing the initial summary data collected under a revised data collection form and the results of its recent loss mitigation efforts, HUD revised the numeric target for this performance indicator during the mid-year revision period for the FY 2005 Annual Performance Plan to more closely parallel the actual rate of successful mortgage delinquency resolution. The revised FY 2005 performance goal is to ensure that more than 50 percent of total mortgagors seeking help with resolving or preventing mortgage delinquency successfully avoid foreclosure.

**Results and analysis.** While results for clients counseled during FY 2005 cannot be fully assessed, HUD anticipated that approximately 60 percent of total mortgagors seeking help with resolving or preventing mortgage delinquency would successfully avoid foreclosure. This projection represents the actual results for FY 2004 and exceeds the FY 2005 goal of 50 percent. These results reflect an improvement in default counseling and loss mitigation tools and techniques, and the increased training of counselors from HUD-approved agencies. Final housing counseling activity data for FY 2005 will become available early in FY 2006. HUD-approved housing counseling agencies are given 90 days after the end of a fiscal year to report the results of counseling activity for that fiscal year and to submit requests to HUD for reimbursement for counseling services provided.

**Data discussion.** The data source for this performance indicator is the Housing Counseling Agency Fiscal Year Activity Reports. One limitation of the data is that mortgagors can, and often do, go in and out of default. Consequently, a mortgagor whose counseling outcome was recorded as “reinstated” in a given year could actually result in “foreclosure” in another year. To improve the quality of the counseling data and make it useful for this type of performance measure, HUD significantly revised its data collection form in 2002 to facilitate identification of the client’s specific counseling needs and the improved tracking of outcomes, such as mortgage delinquency resolution, among other updates. The updated form was implemented in October 2002 to coincide with the FY 2002 grant cycle, with the first summary results becoming available during the second quarter of FY 2004. In an effort to further improve its ability to collect detailed information about the families and individuals seeking help with resolving or preventing mortgage delinquency, among other data, the Department is in the process of implementing an automated data collection instrument that will enable it to collect client-level information beginning in FY 2007.
Goal A. Promote Decent Affordable Housing

Strategic Objectives:

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

PERFORMANCE REPORT CARD - GOAL A

<table>
<thead>
<tr>
<th>Performance Indicators</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2005 Target</th>
<th>Met</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>A.1.1 The number of households with worst case housing needs among families with children, the elderly, and person with disabilities.</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>a,b,c</td>
</tr>
<tr>
<td>A.1.2 The number of households receiving housing assistance with CDBG, HOME, Housing Opportunities for Persons With AIDS, Self-help Housing Opportunity Program, Indian Housing Block Grant and Native Hawaiian Housing Block Grant.</td>
<td>332,888</td>
<td>344,618</td>
<td>319,696</td>
<td>347,480</td>
<td>316,152</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>A.1.3 The number of HOME production units that are completed within the fiscal year will be maximized.</td>
<td>52,344</td>
<td>62,549</td>
<td>64,284</td>
<td>80,751</td>
<td>66,309</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>A.1.6 FHA endorses at least 1000 multifamily mortgages.</td>
<td>1,105</td>
<td>1,331</td>
<td>1,497</td>
<td>1,017</td>
<td>1,000</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>A.1.7 GNMA securitizes at least 80 percent of eligible FHA multifamily mortgages.</td>
<td>100%</td>
<td>91%</td>
<td>92%</td>
<td>91.1%</td>
<td>80%</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>A.1.8 HUD will complete 80 percent of the initial FY 2005 Mark-to-Market pipeline during the fiscal year, reducing rents and restructuring mortgages where appropriate.</td>
<td>66%</td>
<td>75%</td>
<td>72%</td>
<td>82%</td>
<td>80%</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>A.1.9 HUD will continue to monitor and enforce Fannie Mae’s and Freddie Mac’s performance in meeting or surpassing HUD-defined targets for special affordable multifamily mortgage purchases.</td>
<td>$7.36</td>
<td>$7.57</td>
<td>$12.23</td>
<td>$7.32</td>
<td>$2.85</td>
<td>Yes</td>
<td>f,l</td>
</tr>
<tr>
<td>A.1.10 At least 70 percent of clients receiving rental or homeless counseling either find suitable housing or receive social service assistance to improve their housing situation.</td>
<td>N/A</td>
<td>N/A</td>
<td>72.9%</td>
<td>72.9%</td>
<td>70%</td>
<td>Yes</td>
<td>i</td>
</tr>
<tr>
<td>A.1.11 Fully implement actions included in the Departmental Energy Action Plan by FY 2005.</td>
<td>N/A</td>
<td>N/A</td>
<td>7</td>
<td>16</td>
<td>21</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>A.2.1 The average satisfaction of assisted renters with their overall living conditions increases by 1 percentage point in multifamily housing.</td>
<td>87%</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>88%</td>
<td>N/A</td>
<td>a</td>
</tr>
<tr>
<td>A.2.2 The share of public housing units that meet HUD-established physical standards will be at least 85 percent.</td>
<td>87.1%</td>
<td>85.9%</td>
<td>85.0%</td>
<td>85.1%</td>
<td>85.0%</td>
<td>Yes</td>
<td></td>
</tr>
</tbody>
</table>
## SECTION 2. PERFORMANCE INFORMATION

### PROMOTE DECENT AFFORDABLE HOUSING

### PERFORMANCE REPORT CARD - GOAL A

<table>
<thead>
<tr>
<th>A.2.3</th>
<th>The share of assisted and insured privately-owned multifamily properties that meet HUD established physical standards are maintained at no less than 95 percent.</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>Target</th>
<th>Met</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>94.4</td>
<td>N/A</td>
<td>95.5%</td>
<td>96%</td>
<td>95%</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>85.3</td>
<td>87.3</td>
<td>86.9%</td>
<td>85.8%</td>
<td>86.9%</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>95%</td>
<td>N/A</td>
<td>98%</td>
<td>98%</td>
<td>95%</td>
<td>Yes</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>A.2.4</th>
<th>The unit-weighted average PHAS score remains at least 86.9 percent.</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>Target</th>
<th>Met</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>4,668</td>
<td>6,859</td>
<td>4,618</td>
<td>4,702</td>
<td>1,446</td>
<td>Yes</td>
<td>f</td>
</tr>
<tr>
<td></td>
<td></td>
<td>8,346</td>
<td>7,468</td>
<td>4,919</td>
<td>8,765</td>
<td>2,602</td>
<td>Yes</td>
<td>f</td>
</tr>
<tr>
<td></td>
<td></td>
<td>6,468</td>
<td>8,611</td>
<td>4,132</td>
<td>9,632</td>
<td>6,267</td>
<td>Yes</td>
<td>f</td>
</tr>
<tr>
<td></td>
<td></td>
<td>6,205</td>
<td>7,512</td>
<td>4,210</td>
<td>8,467</td>
<td>6,070</td>
<td>Yes</td>
<td>f</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>A.2.9</th>
<th>The percent of units under management of troubled housing agencies at the beginning of FY 2005 decreases by 15 percent by the end of the fiscal year.</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>Target</th>
<th>Met</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>23.1%</td>
<td>71.8%</td>
<td>43.5%</td>
<td>33.0%</td>
<td>15.0%</td>
<td>Yes</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>A.3.2</th>
<th>The number of assisted-living units that HUD supports through Assisted Living Conversion program increases by completing conversion of 10 Section 202 properties.</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>Target</th>
<th>Met</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>N/A</td>
<td>12</td>
<td>7</td>
<td>16</td>
<td>10</td>
<td>Yes</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>A.3.3</th>
<th>The number of elderly households living in private assisted housing developments served by a service coordinator for the elderly increases by 5 percent.</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>Target</th>
<th>Met</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>88</td>
<td>111.2</td>
<td>125.3</td>
<td>N/A</td>
<td>131.6</td>
<td>N/A</td>
<td>a</td>
</tr>
</tbody>
</table>

Notes:

a Data not available.
b No performance goal for this fiscal year.
c Tracking indicator.
d Third quarter of calendar year (last quarter of fiscal year; not the entire fiscal year).
e Calendar year beginning during the fiscal year shown.
f Calendar year ending during the fiscal year shown.
g Result too complex to summarize. See indicator.
h Baseline newly established.
i Result is estimated.
j Number is in thousands.
k Number reported in millions.
l Number reported in billions.
Objective A.1: Expand access to affordable rental housing.

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

**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. These are either severely inadequate housing or, more commonly, housing costs exceeding 50 percent of monthly income.

Calendar year 2003 data from the American Housing Survey became available during FY 2004. However, HUD has not released the housing needs estimates pending completion of HUD’s report to Congress on worst case needs in 2003. In preparing this report, the Office of Policy Development and Research continues to review independent recommendations for strengthening the definition and reporting of worst case needs, and also is exploring ways to validate the American Housing Survey data with the Survey of Income and Program Participation and other data. The results, including the results for this indicator, are expected to be released early in FY 2006.

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

**Background.** This indicator tracks the number of households that receive affordable housing assistance through the identified programs in FY 2005. The outputs 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).

The **HOME Investment Partnerships program** is one of HUD’s major affordable housing production programs. The HOME Investment Partnerships 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-income households. The American Dream Downpayment Initiative component of the HOME Investment Partnerships program provides downpayment assistance to expand homeownership. The FY 2005 goal for the HOME Investment Partnerships program was revised in the FY 2006 Annual Performance Plan from 85,115 units to 76,702 to reflect a change in the measure; the number of unit “completions” was substituted for the number of “commitments” because it is a more accurate and reliable measure of performance.

The **Community Development Block Grant program** is another tool for providing housing assistance, although it is only one of several eligible activities from which Community Development Block Grant grantees may choose. For FY 2005, CDBG assistance under this indicator was broken down to separate the use of CDBG funds to rehabilitate rental housing from...
the use of funds for homeowner assistance, i.e., providing homeownership assistance and rehabilitating owner-occupied housing. The number of households expected to be assisted through the use of CDBG funds under this indicator in FY 2005 was revised from 173,486 households to 154,757 in the FY 2006 Annual Performance Plan. That change was based on actual FY 2004 accomplishments, a reduction in the FY 2005 appropriation, estimated spend-out rates, and a 3 percent reduction for inflation.

The Housing Opportunities for Persons with AIDS program provides local and state government and nonprofit organizations with the resources and incentives to develop long-term comprehensive housing strategies for meeting the housing and related supportive service needs of low-income persons living with HIV/AIDS and their families. The program supports the goals of increasing the availability of decent, safe, and affordable housing in America’s communities by providing permanent housing with coordinated supportive services through tenant-based rental assistance, short-term rent, mortgage or utility payments which help maintain the current residence of beneficiaries, and support for community facilities that provide residential care and other needed support. The FY 2005 target was 73,700 households assisted.

The Self-help Homeownership Opportunity program provides funding to qualified national and regional nonprofit organizations to facilitate and encourage innovative homeownership opportunities through self-help housing where the homebuyer contributes a significant amount of sweat equity toward the construction of the new dwelling. Self-help Homeownership Opportunity Program funds may be used to pay for the land acquisition and infrastructure improvements associated with the development of the self-help housing. The FY 2005 target was 2,140 units.

The Indian Housing Block Grant and the Native Hawaiian Housing Block Grant programs provide housing block grants to federally recognized Indian tribes, or their tribally designated housing entities, and to the Department of Hawaiian Home Lands. These grants meet locally determined, low-income housing needs, including maintaining and rehabilitating existing units (if applicable), providing housing management services, funding crime prevention and safety activities, providing housing counseling services, and/or developing new homeownership and rental units. Indian Housing Block Grant recipients receive funds on the basis of an annual formula allocation. The Department of Hawaiian Home Lands is the only grant recipient of the Native Hawaiian Housing Block Grant program funds.

The measure for the Indian Housing Block Grant families assisted was replaced mid-year with separate goals reflecting new construction, acquisition, and rehabilitations. The two goals were that 2,415 households would be assisted for rentals and 6,240 households would be assisted for homeownership.

The Title VI program, authorized by the Native American Housing Assistance and Self-Determination Act, assists Indian Housing Block Grant program recipients that want to use private financing for affordable housing activities. Future years’ block grant funds can be used as security for the loans, and borrowers have successfully used this as leverage to access other sources of funds. The loans have been used to finance housing infrastructure, housing construction, public facilities, acquisition, and maintenance activities.

Results and analysis. The HOME Investment Partnerships program, CDBG and Self-help Homeownership Opportunity Program exceeded their goals. However, Housing Opportunities
for Persons with AIDS, Indian Housing Block Grants (homeownership and rental), Title VI Federal Guarantees, and Native Hawaiian Housing Block Grants each missed their goals.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>CDBG rental households a/</td>
<td>--</td>
<td>20,547</td>
<td>31,186</td>
<td>34,918</td>
<td>23,214</td>
</tr>
<tr>
<td><strong>CDBG households – Total</strong></td>
<td><strong>187,380</strong></td>
<td><strong>184,611</strong></td>
<td><strong>159,703</strong></td>
<td><strong>166,992</strong></td>
<td><strong>154,757</strong></td>
</tr>
<tr>
<td>HOME tenant-based assistance</td>
<td>10,239</td>
<td>10,731</td>
<td>15,479</td>
<td>20,554</td>
<td>10,393</td>
</tr>
<tr>
<td>HOME rental units completed</td>
<td>19,076</td>
<td>25,977</td>
<td>23,392</td>
<td>33,612</td>
<td>21,998</td>
</tr>
<tr>
<td>HOME homebuyer units completed</td>
<td>23,241</td>
<td>25,867</td>
<td>30,780</td>
<td>32,307</td>
<td>34,806</td>
</tr>
<tr>
<td>HOME existing homeowner units completed</td>
<td>10,027</td>
<td>10,705</td>
<td>10,112</td>
<td>14,832</td>
<td>9,505</td>
</tr>
<tr>
<td><strong>HOME households – Total</strong></td>
<td><strong>62,583</strong></td>
<td><strong>73,280</strong></td>
<td><strong>79,763</strong></td>
<td><strong>101,305</strong></td>
<td><strong>76,702</strong></td>
</tr>
<tr>
<td>HOPWA households</td>
<td>74,964</td>
<td>78,467</td>
<td>70,779</td>
<td>70,325</td>
<td>73,700</td>
</tr>
<tr>
<td>Self-help Homeownership Opportunity Program</td>
<td>2,063</td>
<td>2,157</td>
<td>1,735</td>
<td>2,277</td>
<td>2,140</td>
</tr>
<tr>
<td>PIH Indian Housing Block Grant households—homeownership</td>
<td>5,563</td>
<td>4,732</td>
<td>5,864</td>
<td>5,455</td>
<td>6,240</td>
</tr>
<tr>
<td>PIH Indian Housing Block Grant households—rental</td>
<td>331</td>
<td>1,365</td>
<td>1,848</td>
<td>1,050</td>
<td>2,415</td>
</tr>
<tr>
<td>PIH Title VI Federal Guarantees program (number of loans)</td>
<td>4</td>
<td>6*</td>
<td>4*</td>
<td>4</td>
<td>10</td>
</tr>
<tr>
<td>PIH Native Hawaiian Housing Block Grant households</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>72</td>
<td>188</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td><strong>332,888</strong></td>
<td><strong>344,618</strong></td>
<td><strong>319,696</strong></td>
<td><strong>347,480</strong></td>
<td><strong>316,152</strong></td>
</tr>
</tbody>
</table>

*Numbers reflect annual activity whereas the FY 2004 Performance and Accountability Report reflected cumulative numbers.

a/ Reflects updated data for previous years and an updated goal of 23,214 versus a published goal of 11,200.

**Community Development Block Grant.** For FY 2005, the total number of households assisted under this indicator was 166,992, 8 percent more than the goal of 154,757. This consisted of 34,918 rental units rehabilitated with CDBG and 132,074 households receiving CDBG assistance to become homeowners or for the rehabilitation of owner-occupied housing. The FY 2005 actual is a 5 percent increase over the FY 2004 actual accomplishment of 159,703 households assisted. The total expenditures for all housing activities tracked by this indicator increased by three percent compared to FY 2004. Housing rehabilitation assisted under the CDBG program ranges from the rehabilitation of major household systems, such as roofing, heating and siding, to small weatherization improvements and emergency repairs. CDBG homeownership
assistance may range from relatively large amounts to provide mortgage write-downs to smaller amounts for downpayment assistance and/or closing costs.

**HOME.** The HOME Investment Partnerships program met its goals for both rental housing production and tenant-based rental assistance in FY 2005. HOME participating jurisdictions completed 33,612 rental housing units in FY 2005, exceeding the goal of 21,998 units by 11,614 units, or 53 percent. The FY 2005 performance represents an increase of 10,220 units, or 44 percent from the 23,392 units completed in FY 2004. The 20,554 households assisted with HOME Investment Partnerships program-funded tenant-based rental assistance in FY 2005 exceeded the goal of 10,393 by 10,161 households, or 98 percent. This represents an increase of 5,075 households or 33 percent from FY 2004 levels. (For further discussion of HOME Investment Partnerships program assistance to homebuyers and existing homeowners in FY 2005, see Indicator H.1.8.)

Based on commitments, the average per-unit HOME cost of producing a rental unit in FY 2005 increased by $2,679 to $25,123, or approximately 12 percent, from FY 2004 levels. The annual cost of providing tenant-based rental assistance to a household stood at $3,269 in FY 2005, a decrease of $147, or 4 percent. Participating jurisdictions committed $51.7 million to tenant-based rental assistance during FY 2005, compared with $44.1 million in FY 2004.

The improved results are due in part to an aggressive effort to follow up with participating jurisdictions that were shown to be lagging in performance. HUD issues monthly production reports and a quarterly HOME Investment Partnerships program performance SNAPSHOT to identify these participating jurisdictions. The SNAPSHOTs compare the performance of the participating jurisdictions to each other on eight factors and assign a performance ranking. The SNAPSHOTs have succeeded in focusing attention on production and the completion of units. Enhancements to the SNAPSHOTs, including additional information on beneficiaries, were made during FY 2005.

HUD continued its efforts this year to provide training and technical assistance, including web-based assistance, to participating jurisdictions to improve their program performance. For example, a new demand/response system for scheduling and delivering 12 HOME Investment Partnerships program training courses and 8 seminars throughout the country began in FY 2005, with approximately 30 deliveries planned in the coming 18 months.

Of course, because grantees have discretion about which housing activities they choose to fund, there may be fluctuations among the individual components of this indicator from year to year reflecting the emphasis given to one activity over another at the local level. In FY 2005, for example, there was a significant increase in the use of tenant-based rental assistance, which was at least partly attributable to the impact of Hurricane Katrina in September 2005.

The accomplishment of this output indicator is also affected by several external factors: the level of annual HOME Investment Partnerships program appropriations, the number of new, less experienced, participating jurisdictions entering the program, and general economic conditions affecting the cost and availability of housing and the income levels of potential homebuyers.

**Housing Opportunities for Persons with AIDS.** The Housing Opportunities for Persons with AIDS program assisted 70,325 households in FY 2005, 5 percent below the goal of 73,700 households. Part of the explanation for this shortfall is due to a recently completed comprehensive data verification of performance reporting data from grantees and comprehensive
financial data on expenditures from all grantees. This data verification validated and updated the number of households reported being assisted by 111 formula grantees, and completed a review of reports from 85 competitive grantees covering their most recent program operating year. This data verification corrected data reported in the Integrated Disbursement and Information System that artificially inflated results in this performance year, which influenced the estimate for FY 2005. Additionally, the number of households assisted in FY 2004 has been revised from 78,000 to 70,779 following this verification effort. A significant challenge to providing accurate performance data is to compile a complete set of statistical data in the Integrated Disbursement and Information System and other reports on the variety of grant programs operated by these grantees through local networks involving around 500 Housing Opportunities for Persons with AIDS project sponsors. The completion of the verification efforts helps to ensure more consistent, accurate and timely reporting. Implementation of the new Consolidated Annual Performance and Evaluation Report and Annual Performance Report performance reporting along with enhancements in the Integrated Disbursement and Information System are anticipated to commence during the second quarter of FY 2006.

**Self-help Homeownership Opportunity Program.** During the one-year period ending June 30, 2005, Self-help Homeownership Opportunity Program grantees completed 2,277 housing units, exceeding the program goal of 2,140 units by 137, or 6 percent. This represents a 31 percent increase compared to the number of units produced in FY 2004 (1,735). Another 3,038 Self-help Homeownership Opportunity Program units were under development at the close of the period. Self-help Homeownership Opportunity Program grantees in FY 2005 were Habitat for Humanity, the Housing Assistance Council, Northwest Regional Facilitators, ACORN Housing Corporation, Wisconsin Association of Self-Help Executive Directors, and PPEP Microbusiness and Housing Development Corp.

The achievement of this output indicator is directly affected by several external factors: the cost and availability of land, the level of Self-help Homeownership Opportunity Program appropriations, the “pass-through” nature of program funds to local affiliates, the level of sophistication of local 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 2005, HUD continued to provide technical assistance upon request to grantees to improve the efficiency and capacity of the program.

**PIH Programs.** Indian Housing Block Grant recipients attained 87 percent of the homeownership goal and 44 percent of the goal for rental assistance. The Department of Hawaiian Home Lands achieved 38 percent of the FY 2005 goal. The results reflect several factors: The targets in general were aggressive given previous performance; program activities reflect the complexities of housing activity in Indian Country, including difficult local economic conditions; and grantees under the block grant program have wide flexibility as to what categories they want to emphasize each year.

**Data discussion.** Data for CDBG, the HOME Investment Partnerships program, and Housing Opportunities for Persons with AIDS are reported in the Integrated Disbursement and Information System. During the last quarter of FY 2004, the Department deployed substantial data entry edits in the Integrated Disbursement and Information System that should result in continuing improvements to data quality. HUD has scheduled future improvements of the system over the next few years that should continue to improve data quality, streamline data
entry, extend the scope of output data as well as introduce additional outcome performance measures. Reports compiled by Self-help Homeownership Opportunity Program grantees are also used to track performance under this indicator.

CDBG data is based on actual assistance reported by grantees in the Integrated Disbursement and Information System as of September 30, 2005. The reliability of the data reported by grantees continues to improve as a result of CPD’s data clean-up effort, which continued during FY 2005, and the implementation of substantial data entry edits in the Integrated Disbursement and Information System in the last quarter of FY 2004. Future improvements will both streamline data entry and introduce additional performance measure outcomes to the CDBG program.

The Housing Opportunities for Persons with AIDS Program’s validation process supplements the use of the Program Accounting System, the Integrated Disbursement and Information System, and annual performance reports submitted by all grantees to ensure the completeness of data shown for actual program accomplishments and expenditures. This effort also involves the implementation of reporting and information technology system changes and related training for the use of the new Housing Opportunities for Persons With AIDS performance outcome measures. During FY 2006, the program expects that the upgraded performance report requirements and related Integrated Disbursement and Information System enhancements will allow for full implementation of new outcome reporting requirements by both formula and competitive grantees. The enhanced reports will enable grantees and HUD to capture and review relevant information on client outcomes in achieving stable housing that reduces the risks of homelessness, and improves access to health care and other support.

**Indian and Native Hawaiian Housing Block Grant** data for this indicator in FY 2005 represent the number of homeownership and rental units that were built, acquired, or rehabilitated, as reported by the grant recipients in their Annual Performance Reports. This indicator excludes rehabilitation work performed on older units that were built or acquired before 1998, using other program funds. Data are entered and aggregated in a database by staff in the Office of Native American Programs, which has made improvements to its system for measuring program accomplishments. The recently established tracking system aggregates data reported by the grant recipients on their Annual Performance Reports. In prior years, performance for this indicator represented the number of households that had been provided any housing related service by a tribe or a tribally designated housing entity; in some cases, this resulted in households being counted multiple times. For FY 2005, this indicator was refined to count only the number of homeownership or rental units that were constructed, acquired, or rehabilitated using Indian or Native Hawaiian Housing Block Grant funds. It excludes rehabilitation work on older units that were built or acquired before 1998, using other program funds.

The Office of Loan Guarantee compiles data on the number of Title VI loan guarantees issued. The Director of the Office of Loan Guarantee validates the data on a monthly basis. The Public and Indian Housing Budget office verifies this count.

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

**Background.** This indicator tracks the production number of HOME Investment Partnerships program-assisted units of all tenure types (i.e., rental, homebuyer, homeowner rehabilitation) that have been completed and put into service in FY 2005. The HUD strategic goals of increasing
homeownership opportunities and promoting decent affordable housing are directly supported by
the program efforts tracked through this indicator.

*Program Website:* www.hud.gov/offices/cpd/affordablehousing/programs/home/index.cfm

**Results and analysis.** During FY 2005, participating jurisdictions completed 80,751 HOME
Investment Partnerships program-assisted production units, 22 percent more than the goal of
66,309 units. Of this total, 33,612 units were rental housing, 32,307 units were homebuyer
housing and 14,832 units were existing homeowner rehabilitation housing. The number of
completed units in FY 2005 exceeded the number in FY 2004 (64,284) by 16,467, an increase of
26 percent. Participating jurisdictions disbursed $1.46 billion in HOME Investment Partnerships
program funds to affordable housing projects during FY 2005.

Contributing to the accomplishments this year was HUD’s continuing efforts to provide training
and technical assistance, including web-based assistance, to participating jurisdictions to improve
their HOME Investment Partnerships program performance. For example, a new
demand/response system for scheduling and delivering 12 HOME Investment Partnerships
program training courses and 8 seminars throughout the country began in FY 2005, with
approximately 30 deliveries planned in the coming 18 months.

The improved results are due in part to an aggressive effort to follow up with participating
jurisdictions that were shown to be lagging in performance. HUD issues monthly production
reports and a quarterly HOME Investment Partnerships program performance SNAPSHOT to
identify these participating jurisdictions. The SNAPSHOTs compare the performance of HOME
Investment Partnerships program’s participating jurisdictions to each other on eight factors and
assign a performance ranking. The SNAPSHOTs have succeeded in focusing attention on
production and the completion of units. Enhancements to the SNAPSHOTs, including additional
information on beneficiaries, were made during FY 2005.

The accomplishment of this output indicator is also affected by several external factors: the level
of annual HOME Investment Partnerships program appropriations; the number of new, less
experienced, participating jurisdictions entering the program; the choices that participating
jurisdictions make among types of projects and 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.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>HOME rental units produced</td>
<td>19,076</td>
<td>25,977</td>
<td>23,392</td>
<td>33,612</td>
<td>21,998</td>
</tr>
<tr>
<td>HOME new homebuyers</td>
<td>23,241</td>
<td>25,867</td>
<td>30,780</td>
<td>32,307</td>
<td>34,806</td>
</tr>
<tr>
<td>HOME existing homeowners</td>
<td>10,027</td>
<td>10,705</td>
<td>10,112</td>
<td>14,832</td>
<td>9,505</td>
</tr>
<tr>
<td>HOME total households assisted</td>
<td>52,344</td>
<td>62,549</td>
<td>64,284</td>
<td>80,751</td>
<td>66,309*</td>
</tr>
</tbody>
</table>

* The overall goal of 66,309 units reflects an upward revision from the original goal of 60,133.
Data discussion. Data entered by participating jurisdictions in HUD’s Integrated Disbursement and Information System are used to track quarterly performance. The HOME Investment Partnerships program office completed improvements in FY 2004 to the system that has eliminated inaccurate data, mostly related to “commitments” as opposed to actual “completions,” and reduced the need for ongoing data cleanup efforts. Screen designs and terminology were simplified. More checks (edits) were added to reduce potential entry errors. The report functions were improved and a search feature added so that users can now easily find information on activities by grantee and by date range. During FY 2005, additional modernization of the Integrated Disbursement and Information System, including incorporating additional performance measurement standards, was proceeding with an initial release planned for the spring of 2006.

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

This goal was deleted as changes in the program largely ensure full dollar utilization.

A.1.5: The share of the Housing Choice Voucher/Housing Certificate Fund program administered by housing agencies with substandard utilization rates.

This goal was deleted as changes in the program largely ensure full dollar utilization.

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

Background. FHA multifamily mortgage insurance is vitally important to a number of segments in the housing industry, including small builders, buyers or owners of aging inner-city properties, and nonprofit sponsors. FHA 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 2005 goal was 1,000 multifamily mortgage initial endorsements.

Results and analysis. For FY 2005, FHA endorsed 1,017 FHA-insured loans and exceeded the goal of 1,000 endorsements. This compares with 1,497 loans in FY 2004 and 1,331 loans made in FY 2003.

HUD’s 51 Multifamily Hubs and Program Centers initially endorsed 903 loans equal to $4.8 billion, which financed 108,643 housing units/beds in multifamily housing properties. This includes 23,100 units and beds financed under Section 232 for health care facilities such as nursing homes and assisted living facilities. In addition, FHA shared the risk with state housing finance agencies for an additional 114 loans totaling $719 million for 13,824 units.

The lower level of overall multifamily insurance activity this fiscal year was due to uncertain and fluctuating interest rates during the year, a significant drop in number of loans refinanced, and generally softened markets for new
construction as low interest rates spurred homeownership for families who otherwise would qualify for market rate rental properties.

While there was an overall drop in FHA endorsements, HUD saw an increased level of lender interest and confidence in Multifamily Accelerated Processing, particularly for Section 202 and Section 236 refinancings. Multifamily Accelerated Processing places responsibility on the lenders for underwriting the loan and responsibility for the review of their work and final approval for mortgage insurance to HUD. HUD anticipates increased activity in FY 2006 when the Office of Multifamily Housing issues clarifications on underwriting FHA refinances of Section 202/Section 8 direct loans and Section 236 insured mortgages, and streamlines the Section 223(a)(7) refinancing requirements.

The Department’s Lender Qualification and Monitoring Division reviews Multifamily Accelerated Processing transactions in accordance with FHA underwriting requirements and recommendations from the GAO.

**Data discussion.** This measure is based on data from FHA’s Real Estate Management System, based on lender-submitted data. The data, which are based on a straightforward and easily verifiable count of endorsements completed, are judged to be reliable for this measure. FHA monitors the quality of data submitted by lenders. A data quality assessment completed for this system in FY 2001 identified no problems that compromise this measure.

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

**Background.** Ginnie Mae is a wholly owned instrumentality of the United States government located 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 Multi-class Securities.

Ginnie Mae’s Mortgage-Backed Securities program has been a significant contributor to the growth of the Mortgage-Backed Securities market in the United States as well as to the expansion of homeownership opportunities for American families. This participation by Ginnie Mae in the capital markets of our nation has helped to provide an efficient link between Wall Street and homebuyers. By making Ginnie Mae securities attractive to investors, Ginnie Mae ensures that a continuous flow of capital is available throughout the country. Ginnie Mae has been instrumental in nearly eliminating regional differences in the availability of mortgage credit for American families. Under the terms of its Mortgage-Backed Securities program, Ginnie Mae guarantees the timely payment of principal and interest on pools of mortgage loans. Ginnie Mae’s obligations are backed by the full faith and credit of the United States.

When Ginnie Mae was established in 1968, it was given primary responsibility for facilitating an efficient secondary mortgage market for FHA, Veterans Affairs, and Rural Housing Service-insured mortgages, all of which serve low- and moderate-income homebuyers. Ginnie Mae provides financial incentives for lenders to increase loan volumes in traditionally underserved areas through its Targeted Lending Initiative. The program was established in October 1996 to help raise homeownership levels in central city areas and was later expanded to include Rural Empowerment Zones, Rural Enterprise Communities, and Indian lands.
Results and analysis. During a period of growth in its multifamily portfolio, Ginnie Mae securitized 91.1 percent of eligible FHA multifamily mortgages. This performance in FY 2005 exceeded the goal of 80 percent market share.

Ginnie Mae’s multifamily program continued to grow through FY 2005, but at a slower pace than in previous years. As a result, multifamily issuances decreased 19 percent from $10.5 billion in FY 2004 to $8.5 billion in FY 2005. Despite a slower growth rate in FY 2005, the multifamily program’s remaining principal balance increased by 8 percent, from $32.7 billion to $35.3 billion. This increase reflects the appeal of multifamily government-guaranteed loans to investors.

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. The Office of Inspector General audits Ginnie Mae’s data systems each year and Ginnie Mae obtains a clean opinion.

A.1.8: HUD will complete 80 percent of the initial FY 2005 Mark-to-Market pipeline during the fiscal year, reducing rents and restructuring mortgages where appropriate.

Background. The Mark-to-Market 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. Under the Mark-to-Market program, the Office of Affordable Housing Preservation analyzes FHA-insured multifamily properties for which Section 8 rents exceed comparable market rents, and reduces Section 8 rents to bring them in line with comparable market rents or levels that preserve financial viability. Properties also are eligible for full debt restructuring that involves a write-down of the existing mortgage in conjunction with the reduced rent levels. This indicator measures completions and closings as a percentage of projects in the pipeline at the beginning of the fiscal year.

Results and analysis. During FY 2005, the Office of Affordable Housing Preservation completed/closed 411 properties under the Mark-to-Market program resulting in annual Section 8 savings (non-incurrence of cost) of over $34 million. The Office of Affordable Housing Preservation’s initial active pipeline on October 1, 2004, was 503 assets; the office exceeded its goal and completed 82 percent of its initial FY 2005 pipeline.
Throughout FY 2005, the Office of Affordable Housing Preservation continued efforts to reach out and improve communication and coordination with HUD staff, performance based contract administrators, owners, and industry groups. The purpose was to educate owners, HUD staff, and other stakeholders about the Mark-to-Market program. As a result, 160 new referrals were received into the Mark-to-Market program and 94 properties re-entered the Mark-to-Market program, for a total of 254 referrals for the fiscal year. Under the “Once Eligible, Always Eligible” provision in the statute, any property that was initially eligible for the Mark-to-Market program but failed to close as a full debt restructuring remains eligible to re-enter the program. The Office of Affordable Housing Preservation continues its efforts under the Mark-to-Market program to preserve the affordability and availability of low-income rental housing and reducing long-term project-based Section 8 rental assistance costs. Overall, an average of 34 projects per month were completed/closed and an average of 13 new referrals were received per month. Over 2,700 properties, resulting in Section 8 savings (non-incurrence of cost) of approximately $216 million per year, have been completed/closed under the Mark-to-Market program since FY 2000.

The Office of Affordable Housing Preservation Rehabilitation Escrow office, working with the nonprofit owner Colorado Housing and Finance Agency, oversaw the completion of work under Island Grove Village’s sizeable rehabilitation escrow. This escrow resulted from a successful Mark-to-Market full debt restructuring on Island Grove Village, a 108-unit development in Greeley, Colorado. The rehabilitation escrow of over $1.3 million had its work completed in April 2005. The property was transformed with a complete makeover; improvements included replacement of exterior siding as well as windows, and a HVAC was installed in every unit where one had not existed previously. Furthermore, the property was made safer by the removal of asbestos-containing materials located throughout the property.

Data discussion. This measure uses data from the Mark-to-Market Management Information System. Results are reported on a fiscal year basis. Values reflect status as of September 2005, including revisions to previously-reported results caused by properties re-entering the Mark-to-Market program under the “Once Eligible, Always Eligible” provision. The Office of Affordable Housing Preservation has put into place various data quality checks to ensure that the information stored in the Mark-to-Market Management Information System is reliable and complete. Monthly data integrity meetings are held between the Office of Affordable Housing Preservation’s system manager and its Production Office staff. These meetings focus on timeliness in updating the system as the various milestones of the properties are completed, and reviewing system reports to ensure that dates and data are within established parameters. During the audits of Participating Administrative Entities the performance dates are reviewed against three sources: dates entered into the Mark-to-Market Management Information System; dates recorded in the their final files; and dates shown on supporting documents such as the date the appraisal was completed. For those properties that received a full debt restructuring, staff also examine three separate data sources to be sure all entered data are consistent. The sources include data entered into the Mark-to-Market underwriting model, information reported in the closing dockets, and data entered into the Mark-to-Market Management Information System. Internal reports are generated to assist staff in their reviews.
A.1.9: HUD will continue to monitor and enforce Fannie Mae’s and Freddie Mac’s performance in meeting or surpassing HUD-defined targets for special affordable multifamily mortgage purchases.

Background. This indicator tracks the performance of Fannie Mae and Freddie Mac (two housing Government-Sponsored Enterprises) in providing capital for special affordable multifamily housing. The Special Affordable Multifamily Housing goal supports HUD’s mission of promoting the creation of new affordable dwelling units by ensuring that both Fannie Mae and Freddie Mac provide market liquidity through multifamily purchase programs targeted to the housing needs of low-income and very low-income families. Fannie Mae and Freddie Mac purchase, guarantee, or acquire interests in multifamily mortgages secured by residential properties that contain at least five dwelling units. When a Government-Sponsored Enterprise acquires a multifamily mortgage, or an interest in such mortgages, it is entitled to count the mortgage towards the calculation of the Special Affordable Multifamily target to the extent that the dwelling units financed by the mortgage meet HUD’s eligibility requirements. Qualifying multifamily mortgages are those that fund dwelling units affordable to families earning incomes not exceeding 60 percent of the area median income, or that are affordable to families earning incomes not exceeding 80 percent of the area median income and who are living in low-income areas. Beginning in 2005, HUD increased the Special Affordable Multifamily goal from $2.11 billion to $3.92 billion for Freddie Mac and from $2.85 billion to $5.49 billion for Fannie Mae.

Results and analysis. In calendar year 2004, both Government-Sponsored Enterprises exceeded the Special Affordable Multifamily goal. Fannie Mae purchased $7.32 billion of qualifying multifamily mortgages, while Freddie Mac purchased $7.77 billion.\footnote{In verifying Freddie Mac’s official 2004 goals performance, HUD determined that Freddie Mac counted, for goal credit, the purchase of mortgages backing securities that HUD had not pre-approved as eligible to count as a mortgage purchase under the housing goals. As a penalty for Freddie Mac’s failure to obtain HUD’s prior approval, HUD applied a 50 percent partial credit to the mortgages from these transactions under the Special Affordable Multifamily goal. The penalty reduced Freddie Mac’s performance by $1.99 billion from $9.76 billion to $7.77 billion.}

Small (5-50 unit) multifamily properties are an important share of the Government-Sponsored Enterprises’ purchases because these properties typically serve lower-income families. In 2003, 26.5 percent of Fannie Mae’s qualifying multifamily purchases was for small multifamily properties. However, in 2004, Fannie Mae’s percentage of qualifying small multifamily properties dropped to 11.9 percent of all its qualifying multifamily purchases. In 2003 Freddie Mac’s qualifying small multifamily purchases were 32.2 percent of all qualifying multifamily purchases. In 2004, the corresponding percentage was 9.7 percent.
Data discussion. The data reported under this goal are based on calendar year performance. There is a one year reporting lag because the Government-Sponsored Enterprises report to HUD in the year following the performance year. To ensure the reliability of data, Fannie Mae and Freddie Mac apply various quality control measures to data elements provided to HUD. HUD verifies the data through comparison with independent data sources, replication of Fannie Mae’s and Freddie Mac’s goal performance reports, and reviews of their data quality procedures. Fannie Mae’s and Freddie Mac’s financial reports are verified by independent audits.

A.1.10: At least 70 percent of clients receiving rental or homeless counseling either find suitable housing or receive social service assistance to improve their housing situation.

Background. The Department is placing more emphasis on housing counseling, including counseling for homeless clients and families seeking affordable rental housing. This indicator tracks the share of clients receiving rental or homeless counseling that either find suitable housing or receive social service assistance to improve their housing situation. The indicator was revised in the FY 2006 Annual Performance Plan to focus on these outcomes. The revised FY 2005 performance goal is to ensure that at least 70 percent of clients receiving rental or homeless counseling either find suitable housing or receive social service assistance to improve their housing situation by the end of the fiscal year.

Results and analysis. Although actual FY 2005 results are not yet available, HUD expects 72.9 percent of clients receiving rental or homeless counseling to either find suitable housing or receive social service assistance to improve their housing situation. This projection represents first time reporting on the actual results for FY 2004 and exceeds the FY 2005 goal of 70 percent. The actual FY 2005 outcome data will become available early in FY 2006. HUD-approved housing counseling agencies are given 90 days after the end of a fiscal year to report the results of counseling activity for that fiscal year.

Data discussion. HUD collects data on renters and homeless clients counseled through Housing Counseling Agency Fiscal Year Activity Reports. The data include the total number of clients, the type of counseling received and the results of the counseling. A major limitation of the data collection instrument is that it does not differentiate the level of counseling given to each client. The quality and level of counseling can vary significantly. To improve the quality of housing counseling data, HUD is implementing a new automated data collection instrument that will enable it to collect client-level data beginning in FY 2007.

Background. In FY 2002, HUD adopted a 21-point, Department-wide Energy Action Plan in support of the President’s National Energy Policy. A task force was established to identify measures that HUD could take to support these goals, and included every program area with a current or potential role in supporting energy efficiency. The Energy Action Plan is primarily operational, aimed at upgrading the energy efficiency of existing housing using proven energy-efficient products and appliances that can be put to work immediately in HUD programs. This involves consumer education and outreach, interagency cooperation, market-based incentives, and public-private partnerships. The Action Plan was intended to be fully implemented over a two-year period, with 50 percent of the actions to be implemented in FY 2004, and the balance in FY 2005.

Results and analysis. The FY 2005 goal was not met, although 16 of the 21 actions in the Energy Action Plan were fully implemented and the five remaining actions were partially completed. For further information, consult www.hud.gov/energy.

Achievements during FY 2005 include the announcement by Secretary Alphonso Jackson of the Partnerships for Home Energy Efficiency between HUD, the Environmental Protection Agency, and the Department of Energy. The Partnership has the goal of reducing energy costs in existing homes by 10 percent, and builds on HUD’s 2002 interagency agreement with these agencies to promote Energy Star in HUD buildings.

A number of other efforts resulted in successes during FY 2005:

- Establishing state-level partnerships for weatherizing multifamily housing and initiating training for multifamily building operators in energy efficient management and maintenance techniques;
- Encouraging public housing authorities to purchase Energy Star equipment when cost-effective, and to adopt Energy Star for New Homes as the standard for HOPE VI;
- Streamlining energy performance contracting in public housing;
- Issuing a new Mortgagee Letter for FHA’s Energy Efficient Mortgage product that consolidated and clarified underwriting procedures;
- Establishing priority rating points for energy efficiency in determining awards for all of HUD’s competitive grant programs;
- Incorporating, for the first time, energy performance measures in the Department’s and Field Office Management Plans;
- Offering more than 250 field office training and technical assistance activities, as well as several regional conferences sponsored jointly with Headquarters;
- Establishing an effective network of Regional Energy Coordinators to facilitate field and regional outreach activities related to energy efficiency;
- Implementing a new web-based energy efficiency training curriculum for the HOME Investment Partnerships program grantees and providing Energy Star information to all CDBG grantees.
Performance indicators are being developed to measure energy savings resulting from energy efficiency actions in FY 2006 and FY 2007. In addition, Congress enacted the National Energy Policy Act of 2005, which requires HUD to develop an “integrated energy strategy” for public and assisted housing, and contains a number of provisions related to energy efficiency in public housing that PIH will implement in FY 2006.

**Data discussion.** Field program offices record outreach activities identified in the Management Plan in HUD’s Integrated Performance Reporting System. Remaining activities are reported separately each quarter by program or field offices to the Office of Policy Development and Research. The Office of Departmental Operations and Coordination, working with the Offices of Policy Development and Research and CPD, verify and report whether actions are fully implemented.

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

*A.2.1: The average satisfaction of assisted renters with their overall living conditions increases by 1 percentage point in multifamily housing.*

**Background.** The recipients of HUD housing assistance are one of HUD’s largest groups of customers. Resident satisfaction is influenced by the quality of management by housing agencies and private multifamily development managers. In FY 2005, the goal for this indicator was to increase resident satisfaction by 1 percentage point per year in multifamily housing.

The public housing component of this indicator was deleted mid-year because the goal of having high rent satisfaction is considered substantially accomplished. For the last five years, the reported satisfaction rates have hovered in the range of 87 to 90 percent.

**Results and analysis.** HUD did not measure this outcome because a survey of assisted multifamily renters was not conducted during FY 2005 due to limited resources.

*A.2.2: The share of public housing units that meet HUD-established physical standards will be at least 85 percent.*

**Background.** HUD requires PHAs to inspect and maintain public housing to ensure compliance with HUD-established standards for physical condition, or with local codes if they are more stringent. Private owners of assisted housing also have a contractual obligation to meet physical standards. This indicator tracks the proportion of units in public housing facilities that meet these physical standards, helping the Department to monitor its success in improving the physical conditions in public and assisted housing.

The target was revised mid-year to reflect more realistic estimates, based on the introduction of revised criteria for inspections and budget constraints.

*Program Website:* www.hud.gov/offices/rea/products/prodphas.cfm
SECTION 2. PERFORMANCE INFORMATION
PROMOTE DECENT AFFORDABLE HOUSING

Results and analysis. In FY 2005, 91.5 percent of the properties representing 85.1 percent of public housing units met or exceeded HUD’s physical condition standards and the goal was met.

Data discussion. Data for this indicator are from the Real Estate Assessment Center’s Physical Assessment Subsystem. Inspections at PHAs are conducted by contractors and are based on a statistically valid random sample of selected buildings and dwelling units within a property. Inspections are scored by the Real Estate Assessment Center system at the property level. The results of project inspections are then aggregated at the PHA level into a Public Housing Assessment System Physical Indicator score and reported as one of four components of the Public Housing Assessment System rule scoring process.

A.2.3: The share of assisted and insured privately-owned multifamily properties that meet HUD established physical standards are maintained at no less than 95 percent.

Background. The President’s Management Agenda has established this performance indicator as a priority for the Department. Private owners of HUD-involved multifamily housing have a contractual obligation to meet physical standards. For FY 2005, the target has been set at maintaining the proportion of properties that meet acceptable physical condition standards.

Results and analysis. In FY 2005, 28,061 of 29,254 properties in Multifamily’s portfolio (96 percent) were found to have acceptable physical condition upon inspection, exceeding the target of 95 percent. The properties in acceptable condition contain approximately 95 percent of the multifamily units. The multifamily program is on a “3-2-1” inspection schedule, so that the higher-performing properties are not reinspected every year like troubled properties; their scores carry forward until a new inspection is conducted.

For properties that fail to meet physical condition standards, Multifamily Housing has implemented a stringent program to bring them into compliance through certain, consistent, timely follow-up action with severe consequences for failure. Properties scoring below 60 receive immediate attention. Upon the first inspection score below 60, the owner’s history of performance, the property’s physical condition, and severity of the deficiencies are reviewed to determine whether the responsible program participants should be flagged for non-compliance/performance in HUD’s Active Partners Performance System and/or referred to the Departmental Enforcement Center. If referred to the Departmental Enforcement Center, the Center issues a Notice of Violation, and/or a Notice of Default, and meets with the owner to put the owner on notice that failure to correct the deficiencies will result in severe action. The owner is given 60 days to make necessary repairs to bring the property into compliance. If upon reinspection, the property again fails to meet standards, severe actions are taken. For those properties that the owner either cannot or will not bring into compliance, the alternatives are to force a change in ownership that can bring the property up to standard, to assess substantial monetary penalties, or to sever HUD’s association with the property by abating any subsidies.

![Graph showing the share of units located in assisted multifamily developments that meet physical standards from 2002 to 2005. The graph indicates a consistent improvement with values ranging from 93.2% to 96.0%.](image)
Between June 1, 2002, and September 30, 2005, HUD identified 598 properties nationally (about 2 percent of its portfolio) that continued to be substandard by twice failing a Real Estate Assessment Center physical inspection. Of these, 160 were resolved in prior fiscal years. At the beginning of FY 2005, 112 properties were being monitored to assure compliance with Compliance Disposition Enforcement plans and 137 were being actively reviewed to be put under a Compliance Disposition Enforcement plan. During the fiscal year, an additional 189 properties were added by twice failing a Real Estate Assessment Center physical inspection. At the end of the fiscal year, of the 438 under active review for resolution, 174 were brought up to standard condition or removed from HUD’s portfolio, and an additional 126 properties have Compliance Disposition Enforcement Plans active. The balance (138 properties) remains under review and face pending actions, or are in litigation or bankruptcy, have third inspections pending, or await other actions.

Data discussion. Data for this indicator are from the Real Estate Assessment Center’s Physical Assessment Subsystem. For private multifamily properties, results for FY 2005 reflect the most recent inspections available as of September 30, 2005. Under the inspection protocols, a substantial share of properties are not scheduled to receive a new inspection during FY 2005; therefore, earlier scores were carried forward.

A.2.4: The unit-weighted average Public Housing Assessment Score remains at least 86.9 percent.

Background. The Public Housing Assessment System scores provide an indication of the quality of the housing stock and the management conditions within which each public housing resident lives. This indicator tracks HUD’s progress toward increasing the capability and accountability of PHA partners and increasing the satisfaction of residents. The Public Housing Assessment System assesses the performance of PHAs based on their physical and financial condition and their management quality (30 points each), as well as on resident satisfaction (10 points), for a total score of up to 100 points. Housing agencies with composite scores below 60 points or scores below 18 points for any one component are classified as “troubled” agencies.

The FY 2005 target was revised mid-year for public housing to reflect actual FY 2004 performance.

Program Website:  www.hud.gov/offices/reac/products/prodphas.cfm

Results and analysis. By the end of FY 2005, the unit-weighted average Public Housing Assessment Score was 85.8 and, thus, the Department did not meet its goal. This decrease in full performance resulted from the evolving scoring mechanism and greater oversight by HUD field offices.

FY 2004 is the first full year all PHAs were evaluated against all elements of the four Public Housing Assessment Score standards. Prior year evaluations were based on a mix of the interim scores, which did not evaluate
all financial and physical components of Public Housing Assessment Score and may have resulted in inflated scores. Because of the Department’s concern that the interim scores may not accurately portray the true condition of the housing authority, the field office applied a greater focus on certifying Public Housing Assessment System score results. As result of these efforts, management scores were reduced. For example, after comprehensive Public Housing Assessment System score validation reviews in 2005, the Newark, New Jersey and the Detroit, Michigan housing authorities’ overall scores were reduced by 52 and 25 points, respectively. The Newark and the Detroit authorities collectively have over 12,000 units and represents over 1 percent of the total number of units in the Department’s public housing inventory.

<table>
<thead>
<tr>
<th>Scoring Data</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Unit Count</td>
<td>1,077,876</td>
<td>1,128,385</td>
<td>1,117,169</td>
</tr>
<tr>
<td>Unit-Weighted Average Scores</td>
<td>87.3</td>
<td>86.9</td>
<td>85.8</td>
</tr>
</tbody>
</table>

Source: Real Estate Assessment Center

Data discussion. The data sources are the Real Estate Assessment Center-Public Housing Assessment System database. Some PHAs were excluded from this analysis. These consisted of agencies designated as “Moving to Work,” “Invalidated,” and “Advisory.”

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

This goal was deleted. HUD will be replacing the Section Eight Management Assessment Program as a measure of the management of the Housing Choice Voucher program. During FY 2005, the transition period, HUD monitored compliance using Indicator A.2.10.

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

This indicator was deleted because the Department no longer considers it a required measure given the substantial progress in recent years and coverage through the Public Housing Assessment Score.

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

Background. The Real Estate Assessment Center evaluates the financial management of HUD-involved, privately-owned multifamily properties. Through the Center’s Financial Assessment Subsystem, multifamily owners electronically submit financial information. Data are validated, reviewed, and compliance checks performed. The Real Estate Assessment Center financial analysts review the compliance flags and may make referrals to the Departmental Enforcement Center or to Multifamily Housing on compliance issues.

Results and analysis. For FY 2005, Multifamily field offices brought 98 percent of the properties they financially reviewed into compliance, exceeding the goal of 95 percent. For the
reporting period in 2005, the share of properties reviewed that had no financial compliance findings was 76 percent. HUD’s multifamily project managers in the field offices quickly resolve the preponderance of compliance findings.

The Financial Assessment Subsystem also scores financial statements for every HUD-involved property (i.e., those properties with insured mortgages and/or that have Section 8 contracts or receive other subsidies (including subsidized uninsured properties)). This score is used as only one criterion in the ranking of a field office’s or a project manager’s portfolio. The ranking is done as triage to focus attention on the weaker properties or properties that have a higher degree of risk.

In addition, owners not submitting their audited financial statements in a timely manner are referred to the Departmental Enforcement Center. The management plan goal for multifamily housing is that 95 percent of the properties submitting a financial statement either: 1) have no compliance issues or have had such issues corrected, or 2) the owner is referred to the Departmental Enforcement Center.

**Data discussion.** Initial compliance findings are identified by the Real Estate Assessment Center’s Financial Assessment Subsystem. The Real Estate Management System is used for tracking the Office of Multifamily Housing’s corrective actions. The Financial Assessment Subsystem financial assessment is a process validated by the American Institute of Certified Public Accountants. The Real Estate Assessment Center performs Quality Assurance Reviews of the audited financial statements submitted by independent public accountants. These reviews provide assurance that the audited statements are accurate and reliable and that audits are conducted in accordance with government and professional standards. The Financial Assessment Subsystem incorporates extensive data checks and both targeted and random review by independent auditors.

A.2.8: The HOPE VI Revitalization program for public housing relocates 1,446 families, demolishes 2,602 units, completes 6,267 new and rehabilitated units, and occupies 6,070 units.

**Background.** The HOPE VI Revitalization program has been HUD’s primary program for redeveloping the worst public housing by demolishing unsustainable developments and rebuilding communities in accordance with community-sensitive principles. 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 annual goals reflect planned achievements based on HOPE VI plans submitted to HUD by PHAs.

**Program Website:** www.hud.gov/offices/pih/programs/ph/hope6/about/description.cfm

**Results and analysis.** As of June 30, 2005, the HOPE VI Revitalization program had exceeded its redevelopment plans in all of the four key outputs. Grantees relocated 4,702 households to
permit redevelopment, approximately 225 percent above the goal of 1,446 relocations. The HOPE VI program demolished 8,765 units, almost 237 percent more than the goal of 2,602. Completions of new or rehabilitated units totaled 9,632, achieving 54 percent more than the 6,267-unit goal. Families occupied 8,467 units, reaching approximately 40 percent over the goal of 6,070 occupied units.

Additionally, previous years’ grantees continue to be tracked against achievement standards. The Achievement Standard is based on grantees’ planned achievements, taking into consideration Grant Agreement deadlines and factors influencing performance. Based on the 54 month implementation period for HOPE VI grants, since program inception a cumulative total of 60,923 households had been relocated, achieving 95 percent of the 64,477 achievement standard; 76,766 units had been demolished, reaching 90 percent of the 85,244 unit achievement standard; 43,397 units (new and rehabilitated) had been completed, achieving 55 percent of the 79,003 unit achievement standard; and 39,931 completed units had been occupied, achieving 51 percent of the achievement standard of 79,003.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Households Relocated</td>
<td>4,668</td>
<td>6,859</td>
<td>4,618</td>
<td>4,702</td>
<td>1,446</td>
</tr>
<tr>
<td>Units Demolished</td>
<td>8,346</td>
<td>7,468</td>
<td>4,919</td>
<td>8,765</td>
<td>2,602</td>
</tr>
<tr>
<td>Units Completed (Construction or Rehab)</td>
<td>6,468</td>
<td>8,611</td>
<td>4,132</td>
<td>9,632</td>
<td>6,267</td>
</tr>
<tr>
<td>Units occupied</td>
<td>6,205</td>
<td>7,512</td>
<td>4,210</td>
<td>8,467</td>
<td>6,070</td>
</tr>
</tbody>
</table>

The HOPE VI program office continues to emphasize timeliness and accountability in the implementation of HOPE VI grants in order to achieve its goals. The primary tool 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 all aspects of the HOPE VI program, risk assessment of grantees, and a range of programs and policy guidance.

**Data discussion.** The data are submitted quarterly to HUD by PHAs 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. The system has been subject to routine integrity checks by the system administrator. Although the OIG and the GAO have not audited the system itself, they have used its data in their reviews of the HOPE VI program.
PERFORMANCE AND ACCOUNTABILITY REPORT

Supplemental Information – Cumulative Achievements

<table>
<thead>
<tr>
<th></th>
<th>FY 2002</th>
<th>FY 2003</th>
<th>FY 2004*</th>
<th>FY 2005**</th>
<th>Achievement Standard***</th>
</tr>
</thead>
<tbody>
<tr>
<td>Households Relocated</td>
<td>44,744</td>
<td>51,603</td>
<td>56,221</td>
<td>60,923</td>
<td>64,477</td>
</tr>
<tr>
<td>Units Demolished</td>
<td>55,614</td>
<td>63,082</td>
<td>68,001</td>
<td>76,766</td>
<td>85,244</td>
</tr>
<tr>
<td>Units Completed (Construction or Rehab)</td>
<td>21,022</td>
<td>29,633</td>
<td>33,765</td>
<td>43,397</td>
<td>79,003</td>
</tr>
<tr>
<td>Units Occupied</td>
<td>19,742</td>
<td>27,254</td>
<td>31,464</td>
<td>39,931</td>
<td>79,003</td>
</tr>
</tbody>
</table>

* The FY 2004 cumulative data is as of the quarter ending June 30, 2004, as reported in the FY 2004 PAR.
** To accommodate the accelerated deadline, the most recent four quarters of data are provided, covering July 1, 2004, through June 30, 2005.
*** The Achievement Standard is based on grantees’ planned achievements, taking into consideration Grant Agreement deadlines and factors influencing performance. Standards are: Relocation and demolition should be 100 percent complete for FY 1993-2002 grantees, and 50 percent complete for FY 2003 grantees. Unit completion and occupancy should be 100 percent complete for FY 1993-1998 grantees, and partially completed, based on decreasing percentages, for FY 1999-2002 grantees.

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

Background. PIH and the Real Estate Assessment Center use the Public Housing Assessment System to evaluate the performance of PHAs based on four components: physical condition, management operations, financial condition, and resident satisfaction. Housing agencies with composite scores below 60 percent, or scores below 18 percent in any one component, are classified as “substandard” or “troubled.” This indicator tracks the change in the number of units managed by “troubled” PHAs at the beginning of the fiscal year that successfully return to “standard” status by the end of the fiscal year due to intervention by the Department.

Results and analysis. During FY 2005, the number of units managed by “troubled” PHAs was reduced by 33 percent, exceeding the 15 percent target. On October 1, 2004, 136 PHAs, containing 66,424 low-rent units, were assigned to the PIH field offices. By September 30, 2005, 21,936 of those units were no longer troubled after receiving assistance from the PIH field offices and the Recovery and Prevention Corps. The PIH Office of Field Operations continues to provide effective monitoring of the field offices’ troubled portfolio and quick intervention to recover troubled PHAs. The Recovery and Prevention Corps supports the Public Housing field offices by providing technical assistance, training, and consultation services.
**Data discussion.** The Troubled List is issued monthly and reports the status of troubled PHAs. PHAs will remain on the Troubled List until they receive a passing Public Housing Assessment System score (i.e., are recovered). For purposes of this analysis the Department only examines data related to low-rent units. To calculate the percent of troubled housing units that are no longer managed by troubled PHAs, the Department compared the PHAs that were listed on the September 2004 report to the PHAs that are shown on the September 2005 list. Those PHAs that were not reported on the September 2005 list are considered recovered. The number of units managed by the recovered PHAs was used to calculate the percentage decrease in units managed by troubled agencies.

The analysis only represents a “snap-shot” of the Department’s ability to assist troubled PHAs. Because of reporting delays, appeals, or quality assurance reviews, PHA scores are not always released in a timely fashion. Because of these fluctuations in the release or changes to the scores, this analysis only reflects variations between scores and units of the control group (September 2004 Troubled List) and the PHAs that were deemed troubled as of September 30, 2005.

Scores from the management operations and financial conditions components are subject to independent audit, and the physical conditions component scores are based on independent inspections of the PHAs’ properties and are verified through HUD’s Quality Assurance Program.

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

**Background.** By maintaining a low share of vouchers managed by troubled housing agencies, the Department hopes to ensure that all vouchers are used effectively. 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, HUD rates the PHAs based on, but not limited to, waiting list management, rent reasonableness determinations, adjusted income verification, housing quality standards inspections and enforcement, expanding housing opportunities, lease-up rates, Family Self-Sufficiency program participation, and correct tenant rent calculations. PHAs are designated as troubled when they receive less than 60 percent of the maximum points they can achieve.

The target was revised mid-year from 7.4 percent to 3.96 percent due to better than forecasted performance in FY 2004.

**Results and analysis.** The unit goal was not met, but the number of PHAs that were classified as troubled declined significantly. There was a decrease of 27.5 percent in the number of troubled PHAs (103 versus 142); however, since the PHAs declared troubled during the current period were, on the average, larger than the prior period the number of units covered by these PHAs increased from 3.96 percent to 4.72 percent. Of the 2,104 PHAs that received the Section Eight Management Assessment Program ratings for the four quarters ended December 2004, 103 scored under 60 percent and were declared troubled. This represented 91,444 units out of 1,935,716, or a share of assistance of 4.72 percent.

Out of the 2,030 PHAs that received the Section Eight Management Assessment Program ratings for the four quarters ended December 2003, 142 scored under 60 percent and were declared troubled.
troubled. This represents 76,299 units out of 1,927,662, or a share of assistance of 3.96 percent. The results indicate that although fewer PHAs were declared troubled in 2004, their respective inventories of voucher units were greater.

Data discussion: PHAs submit their Section Eight Management Assessment Program certifications into the PIH Inventory Management System for their assessed fiscal year no later than 60 days from the end of the PHA’s fiscal year. Since there is another two-month period between the submission deadline and HUD field office scoring, with additional time required by Headquarters to ensure data completeness, HUD assesses its Section Eight Management Assessment Program-related performance goals based on calendar year results rather than fiscal year results. Data are verified through (1) independent public accountant audits and/or (2) on-site file reviews performed by the field office, or a contracted vendor, based on the Field Office Management Plan.

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

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

Background. HUD provides a substantial number of housing units for populations with special needs each year. Project sponsors can receive capital advances for multifamily development under the Supportive Housing for the Elderly (Section 202) program and the Supportive Housing for the Persons with Disabilities (Section 811) program. This indicator tracks the number of projects each year that reach the initial closing stage (when the project design was approved, all of the local and legal requirements have been met, and construction is expected to start in 30 days).

Results and analysis. During FY 2005, HUD reached initial closing on 303 Section 202 and 811 projects resulting in an additional 6,425 Section 202 units and 1,605 units for persons with disabilities. The performance exceeded the closings goal by 20 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 to supplement the Section 202 or Section 811 capital advances. Some project...
features are not fundable by the program but are necessary to meet local requirements for the project to blend into the neighborhood. Sponsors may also experience cost increases due to delays between the time of application and the projected time for construction. Other delays are encountered because neighborhood residents sometimes oppose the developments.

The Section 202 Demonstration Planning Grant Program is expected to reduce or at best eliminate any delay in the development process. In FY 2004, the Department provided predevelopment grant funding to 104 of the 148 sponsors that received Fund Reservation Awards pursuant to the FY 2004 Super Notice of Funding Availability for the Section 202 Supportive housing for the Elderly Program. Sponsors that participate in the Section 202 Demonstration Planning Grant Program are expected to reach initial closing within 18 months or less.

To address the delay issues and to expedite processing, more authority was delegated and classroom training was conducted for field staff for the first time in over a decade. This training was to reinforce the requirements of Notice 96-102, which streamlined the processing for 202 and 811 projects.

To address the issue of sponsors needing external sources of funding, since FY 2001 nonprofit owners of Section 202 and Section 811 developments could indicate their intention to form limited partnerships with for-profit entities. The partnerships help them compete for low-income housing tax credits for the purpose of providing additional capital and/or increasing the number of affordable housing units available to meet the needs of the elderly and persons with disabilities. Additionally, in FY 2005, HUD began a study of the costs of developing Section 202 and Section 811 projects. HUD is currently reviewing the options proposed in the study and anticipates implementing any recommended changes during FY 2006.

Data discussion. This measure uses data from the Development Applications Processing system. Data from this system also are used to track management plan goals and accomplishments, which helps ensure data are accurate. Field offices regularly review data to assure their accomplishments are accurately reflected.

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

**Background.** HUD’s 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 affordable assisted living accommodations caused by the aging of the baby boomer generation. The conversions are subject to state licensing requirements, creating potentially lengthy conversion timetables. The goal was to convert another 10 projects to assisted living by the end of FY 2005.
Results and analysis. During FY 2005, the Department successfully accomplished 160 percent of its goal. HUD and the grantees completed the conversion process for 16 projects and provided an additional 411 units of assisted living. The 18 grants involved 16 projects, as 2 projects received more than one grant to convert the units in the project. The goal of converting 10 projects was accomplished despite the fact that these properties are difficult to complete because construction is often delayed by unanticipated construction changes, the amount of time needed to get building permits, and the need to get additional funds to pay for changes required by the locality and/or increased construction costs.

Data discussion. This measure is based on the Assisted Living conversion grant database, consisting of annual progress reports submitted by grantees. The Office of Housing verifies grantee reports by monitoring.

A.3.3: The number of elderly households living in private assisted housing development served by a service coordinator for the elderly increases by 5 percent.

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 assisted housing projects are funded through grants made by the Office of Housing and from assisted housing project budgets and reserves.

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, FY 2002, FY 2003, and FY 2004. However, in FY 2005, only $30 million was appropriated.

This indicator was revised mid-year from 10 percent because more funding than initially expected is being used for program renewals.

Results and analysis. The analysis cannot be completed at this time because the FY 2005 Notice Of Funding Availability was reopened. As a result, the service coordinator awards will not be made until the end of the first quarter of FY 2006.

Of the $50 million appropriated for FY 2005, approximately $16 million will be used to fund service coordinators in new properties, with the balance renewing existing properties. In future fiscal years, the percentage of the appropriated funds needed to extend the service coordinators in the previously funded projects is expected to increase to the extent that no funds will remain for new coordinators. However, HUD will continue to encourage owners to use residual receipts to leverage federal resources in order to increase the number of service-enhanced units. The Department also will enhance the Service Coordinator program as appropriate on the basis of ongoing program reviews, grantee operations, and Notice of Funding Availability responses.
The Department also encourages service coordinators to assist low-income elderly families living near, as well as those residing in, multifamily elderly projects.

**Data discussion.** This measure uses data for elderly private multifamily projects with service coordinators from the Office of Housing service coordinator grants database. Data validation is ongoing with the field offices active in using the program.

**Objective A.4: Transition families from HUD-assisted housing to self sufficiency.**

**A.4.1: By FY 2008, increase the proportion of those who “graduate” from HUD’s public housing and Housing Choice Voucher programs by 5 percent and decrease the proportion of active participants who have been in HUD’s housing assistance programs for 10 years or more by 10 percent.**

**Background:** HUD’s public and assisted housing programs provide low-income families with transitional housing that affords an opportunity for families to gain self-sufficiency. This indicator emphasizes the movement of families to adequate shelter of their own, which allows HUD to serve more families in need of housing assistance. The objective of this indicator is to improve the annual “graduation” proportion from the FY 2003 baseline of 11.1 percent to at least 11.6 percent in FY 2008 and reduce the proportion of households who have been in HUD’s public housing and Housing Choice Voucher programs for 10 years or more from 20.6 percent in FY 2003 to 18.5 percent or less by FY 2008.

This indicator, originally adopted in HUD’s FY 2003-2008 Strategic Plan, has been modified mid-year to track the percentage of all recipients who leave public and assisted housing each year for any reason as well as the reduction of long-term dependence.

**Results and analysis.** The first year of tracking these data shows encouraging results. There has been positive movement in the end of participation measure. Based on FY 2003 data, the goal for the five-year period is 11.6 percent (11.1 percent of participants ended their participation in both the public housing and Housing Choice Voucher programs times 105 percent). At the end of FY 2005, 12.8 percent, or 49,348 additional households, were able to leave subsidized rental housing for the private market. Accordingly, the five-year goal had been surpassed after the second year.

As additional evidence that families are using the programs as a transitional benefit, the percentage of current participants with a length of stay greater than or equal to 10 years has decreased when compared to FY 2003 numbers. In FY 2003, 20.6 percent of active households had participated in the program for 10 years or more. Accordingly, the goal by FY 2008 is 18.5 percent (20.6 percent times 90 percent). By FY 2005, 19.2 percent of households have been in the programs for 10 years or more -- which exceeds this goal. This reduction is a reflection of many macro- and micro-economic factors, many of which are beyond HUD’s ability to impact. As examples, the unemployment rate, local housing market, and vacancy rates all play a significant role in the decision making process for households considering whether to leave assisted housing programs for the private market. The data may also reflect PHA efforts to encourage transition, such as through the Voucher Homeownership program.

**Data discussion.** HUD uses occupancy data taken from the Inventory Management System database to track and report these measures. PHAs submit these data on each household in their
program. Graduation is defined as the proportion of households who were active in the public housing and Housing Choice Voucher programs during the fiscal year and left rental assistance at any point during the year. For the Voucher program, participants who enter the Homeownership component are counted as exiting the “rental assistance” program.

Resident length of stay is based on continuous program participation from the date of program admittance to the end of the fiscal year. The length of stay measure does not accurately capture tenure for the small number of families who transfer between programs because their length of stay restarts at zero.

The Inventory Management System is the most complete data source available on low-income assisted households. However, it is susceptible to the limitations found in all administrative data. Incomplete reporting to the Inventory Management System may introduce some error to these measures. In addition, data are continuously updated into the system. The data have minimal sampling error because they represent a census of assisted households. High reporting rates limit non-response error. However, PHAs that participate in the Moving to Work Demonstration project have not been required to submit household data into the Public and Indian Housing Information Center and are not represented by these data.

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

This goal was eliminated because the public housing and Housing Choice Voucher program do not have sufficient occupancy policies or grant programs to provide the impetus to move residents toward meeting the goal of increasing earnings from year to year.

A.4.3: Increase by 5 percent the number of FSS families whose predominant source of income is earned income.

This goal was deleted. The effect of external factors beyond the control of HUD and PHAs administering the program make this indicator a poor measure of program performance. External factors include job market conditions and the varying education and skill levels of families that choose to enroll in the Family Self-Sufficiency program.

A.4.4: Increase by 3 percent the total number of PHAs administering Family Self-Sufficiency programs.

This goal was deleted because PHAs are reluctant to implement new Family Self-Sufficiency programs in the current climate of Housing Choice Voucher program limitations.
Goal C: Strengthen Communities

Strategic Objectives:

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

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

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

C.4 Mitigate housing conditions that threaten health.

<table>
<thead>
<tr>
<th>Performance Report Card - Goal C</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance Indicators</td>
</tr>
<tr>
<td>C.1.1 A total of 76,432 jobs will be created or retained through CDBG.</td>
</tr>
<tr>
<td>C.1.2 RC, EZ and EC areas achieve community renewal goals in three areas – new or rehabilitated affordable housing units completed, homeless persons assisted, and residents finding or retaining a new or existing job. Cumulative goals.</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>C.1.3 A total of 3,728 at-risk youths are trained in construction trades through Youthbuild.</td>
</tr>
<tr>
<td>C.2.1 Streamline the Consolidated Plan to make it results-oriented and useful to communities.</td>
</tr>
<tr>
<td>C.2.2 The share of CDBG entitlement funds for activities that principally benefit low- and moderate-income persons remains at or exceeds 92 percent.</td>
</tr>
<tr>
<td>C.2.3 The share of State CDBG funds for activities that principally benefit low- and moderate-income persons remains at or exceeds 96 percent.</td>
</tr>
<tr>
<td>C.2.4 For CDBG entitlement grantees, increase the number of approved Neighborhood Revitalization Strategy Areas by five percent.</td>
</tr>
<tr>
<td>C.2.5 At least 35 percent of single family mortgages endorsed for insurance by FHA are in underserved communities.</td>
</tr>
<tr>
<td>C.2.6 The number of multifamily properties in underserved areas insured by FHA is maintained at 25 percent of initial endorsements.</td>
</tr>
<tr>
<td>C.2.7 HUD will continue to monitor and enforce Fannie Mae's and Freddie Mac's performance in meeting or surpassing HUD-defined geographic targets for mortgage purchases in underserved areas.</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>C.2.8 Section 4 funding will stimulate community development activity totaling ten times the Section 4 investment.</td>
</tr>
</tbody>
</table>

FISCAL YEAR 2005
### Performance Report Card - Goal C

<table>
<thead>
<tr>
<th>Performance Indicators</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2005 Target</th>
<th>Met</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>C.3.1 At least 386 functioning CoC Communities, or 93 percent of our Continuum of Care communities, will have a functional Homeless Management Information Systems by FY 2005.</td>
<td>24</td>
<td>75</td>
<td>288</td>
<td>382</td>
<td>386</td>
<td>Yes</td>
<td>i</td>
</tr>
<tr>
<td>C.3.2 The number of chronically homeless individuals declines by up to 50 percent by FY 2008.</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>b</td>
</tr>
<tr>
<td>C.3.4 The percentage of formerly homeless individuals who remain housed in HUD permanent housing projects for at least 6 months will be 70 percent.</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>70%</td>
<td>70%</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>C.3.5 The percentage of homeless persons who have moved from HUD transitional housing into permanent housing will be 60 percent.</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>61%</td>
<td>60%</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>C.3.6 The employment rate of persons exiting HUD homeless assistance projects will be 10 percentage points greater than the employment rate of those entering.</td>
<td>N/A</td>
<td>N/A</td>
<td>45,066</td>
<td>7%</td>
<td>10%</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>C.3.7 Overcrowded households in Indian country shall be reduced by one percent.</td>
<td>N/A</td>
<td>N/A</td>
<td>4.5%</td>
<td>4%</td>
<td>1%</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>C.3.9 The percentage of HOPWA clients who maintain housing stability, avoid homelessness and access care increases through the use of annual resources with the goal that this reaches 80 percent by 2008.</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>b</td>
</tr>
<tr>
<td>C.4.1 The average number of observed exigent deficiencies per property does not exceed 1.85 for public housing and 1.40 for multifamily housing.</td>
<td>1.50</td>
<td>1.52</td>
<td>1.85</td>
<td>1.92</td>
<td>1.85</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>C.4.2 The share of units that have functioning smoke detectors and are in building with functioning smoke detectors will be 92.8 percent or greater for both public housing and multifamily housing.</td>
<td>91.4%</td>
<td>91.8%</td>
<td>92.8%</td>
<td>92.9%</td>
<td>92.8%</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>C.4.3 The number of children under the age of 6 who have elevated blood lead levels will be less than 152,000 by 2005, down from 434,000 in 1992-2000 and 890,000 in 1991-1994.</td>
<td>N/A</td>
<td>434,000</td>
<td>N/A</td>
<td>N/A</td>
<td>152,000</td>
<td>Yes</td>
<td>g,i</td>
</tr>
<tr>
<td>C.4.4 As part of a 10-year effort to eradicate lead hazards, the Lead Hazard Control Grant program will make 9,500 units lead safe in FY 2005.</td>
<td>8,040</td>
<td>9,098</td>
<td>8,811</td>
<td>9,500</td>
<td>9,500</td>
<td>Yes</td>
<td>i</td>
</tr>
<tr>
<td>C.4.5 At least 2,500 housing units undergoing construction or rehabilitation will use Healthy Homes principles.</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>4,476</td>
<td>2,500</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>C.4.6 Upon advice from the Consensus Committee, HUD will publish rules for dispute resolution and installation programs mandated by the Manufactured Housing Improvement Act of 2000 by September 30, 2005.</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>1</td>
<td>2</td>
<td>No</td>
<td></td>
</tr>
</tbody>
</table>

Notes:
- a Data not available.
- b No performance goal for this fiscal year.
- c Tracking indicator.
- d Third quarter of calendar year (last quarter of fiscal year; not the entire fiscal year).
- e Calendar year beginning during the fiscal year shown.
- f Calendar year ending during the fiscal year shown.
Objective C.1: Provide capital and resources to improve economic conditions in distressed communities.

C.1.1: A total of 76,432 jobs will be created or retained through CDBG.

Background. This measure tracks the number of jobs grantees report as created or retained as a result of using CDBG funds for economic development activities. Such use reflects the CDBG statutory objective of the “development of viable urban communities…by expanding economic opportunities…principally for persons of low and moderate income.” The use of CDBG funds for activities that create or retain jobs also helps achieve the statutory objective of providing “a suitable living environment” principally for low- and moderate-income persons because of the long-term benefits that permanent employment opportunities bring to individuals and communities alike. While grantees continue to use CDBG funds for activities that will create or retain jobs, this goal was revised mid-year, which reduced the goal from 82,378 jobs to 76,432. This reduction was based on actual accomplishments reported for FY 2004, the actual FY 2005 CDBG appropriation, estimated spend-out rates, and a 3 percent reduction for inflation.

Results and analysis. CDBG grantees (states and units of local government) reported that 91,287 full-time equivalent jobs were created or retained from the use of CDBG funds in FY 2005. The total number of jobs reported is 19 percent greater than the projected goal of 76,432, and a 16 percent increase from the 78,828 full-time equivalent jobs that were created or retained with CDBG funds in FY 2004. A significant percentage of the increase is due to innovative activity in one community.

Although the total amount of CDBG funds used each year for economic development activities has averaged about nine percent of total expenditures over the past five years, the number of jobs created or retained can vary considerably from year to year. CDBG spending levels for economic development activities decreased by less than one percent from FY 2004 to FY 2005. While the CDBG program exceeded its goal, several factors make it difficult to accurately estimate the number of jobs that will be created or retained in any given year. First, job creation/retention is frequently the national objective selected by the grantee to be met by an economic development activity, but it is not the only national objective that may be met by such an activity. When a different objective is selected, information on jobs created or retained is not required. Second, when assistance is identified as meeting the job creation national objective, there is typically a lag between when the investment is made and when persons are hired for the newly created jobs. The lag between investment and job creation is not generally predictable and varies significantly with the nature and scope of the project. Additionally, each year HUD’s analysis of the data reported by grantees in the Integrated Disbursement and Information System is more thorough. Each year improved processing of the data allows for more in-depth quality control. As a result, HUD is able to identify a greater number of reporting problems and refine criteria as needed. Edits that have been added to the Integrated Disbursement and Information System help to eliminate
PERFORMANCE AND ACCOUNTABILITY REPORT

double-counting and reduce incorrect reporting, but HUD’s additional data review is critical for identifying reporting inaccuracies that cannot be detected electronically.

**Data discussion.** The data used for this measure are based on information reported by grantees in the Integrated Disbursement and Information System during FY 2005. While data clean-up efforts continued in FY 2005 and edits to the system have improved data quality, additional guidance will be issued to grantees on reporting on CDBG-assisted activities that create or retain jobs. HUD will also determine what additional changes can be added to improve reporting in this area in the re-engineering of the Integrated Disbursement and Information System, which will streamline data entry and introduce new performance measurement outcomes -- associated with the outputs already reported -- to the CDBG program.

**C.1.2: Renewal Community, Empowerment Zone and Enterprise Community areas achieve community renewal goals in three areas.**

**Background.** Renewal Communities, Empowerment Zones, and Enterprise Communities are distressed geographic areas designated by the Secretary to receive certain federal benefits, including tax incentives. By tracking residents that find gainful employment, HUD has evidence that the capital and program resources improved economic conditions. Tracking of new and rehabilitated affordable housing construction and homeless services provides evidence of the movement of individuals to permanent housing.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>New or rehabilitated affordable housing units completed</td>
<td>32,514</td>
<td>34,835</td>
<td>39,693</td>
<td>38,603</td>
<td>41,853</td>
</tr>
<tr>
<td>Homeless persons assisted</td>
<td>50,487</td>
<td>47,657</td>
<td>60,786</td>
<td>56,088</td>
<td>60,674</td>
</tr>
<tr>
<td>Residents finding or retaining a new or existing job</td>
<td>169,935</td>
<td>189,416</td>
<td>238,166</td>
<td>219,352</td>
<td>230,048</td>
</tr>
</tbody>
</table>

1/ Results do not include data from 10 reports not yet submitted.
2/ Results include data from pre-2004 prior year reports for 27 reports not yet submitted.
3/ Results include data from pre-2005 prior year reports for 39 reports not yet submitted. The FY 2005 data includes updated reporting on prior year accomplishments.

**Results and analysis.** Empowerment Zones and Enterprise Communities met or exceeded targets in all three cumulative goals. Compliance was achieved in building affordable housing, assisting homeless persons, and creating jobs.

- The number of housing units (41,853) is 8 percent above the goal of 38,603 new or rehabilitated housing units completed.
- The number of homeless persons assisted (60,674) is 8 percent above the goal of 56,088 homeless persons assisted.
- The number of residents finding jobs (230,048) is 5 percent above the goal of 219,352 residents finding or retaining a new or existing job.

As a result of data clean up efforts this past year, HUD now requires that the designees maintain backup documents to be able to support reported information. This may be causing more
conservative reporting, and we are aware of particular instances where designees lowered the numbers previously reported as actual. This data clean up is a program management improvement that will continue during 2006. In the past, HUD observed that some Empowerment Zones and Enterprise Communities overestimated their goals and also tended to over report their accomplishments because of the complexity of administering comprehensive strategic plans with leveraged partnerships. The initial 10-year strategic plan period for seven Round I urban Empowerment Zones and all 65 urban Enterprise Communities ended in 2005, and HUD believes that this contributed to some over reporting in 2004 and subsequent data corrections in 2005, resulting in lower cumulative reported outputs. Additionally, with smaller appropriations in FY 2004 and FY 2005, each Round II Empowerment Zone was awarded less than $1 million, approximately $990,000 in FY 2004 and $660,000 in FY 2005, leading to decreased economic development activity with grant funding. Jobs and investments resulting from the Empowerment Zone and Renewal Community tax incentive packages for businesses are not captured in HUD’s data.

In order to improve performance, CPD will continue to provide technical assistance on improving management, monitoring and performance measurement. This includes training new designee staff resulting from frequent turnover. To date, 40 of 79 Empowerment Zones and Enterprise Communities have reported for 2005. Other management improvements in process are catching up with overdue reports and ensuring data timeliness. Finally, CPD will adjust the annual reporting schedule for Empowerment Zones, Enterprise Communities, and Renewal Communities to bring them into line with new government-wide reporting and budget cycles.

**Data discussion.** CPD’s online Performance Measurement System allows Empowerment Zones and Enterprise Communities to submit annual progress reports. HUD aggregates the data to calculate the indicator results. The data represent the actual number of reported cumulative accomplishments and are compared to the previous year to give the progress for the year.

Currently, Empowerment Zones and Enterprise Communities have a July 1 – June 30 reporting year. To date, only 40 of 79 Empowerment Zones and Enterprise Communities have reported, although full reporting is expected by December 31, 2005.

HUD designated Round I Enterprise Communities for a 10 year period that ended in December 2004. CPD anticipates that some Round I Enterprise Communities will continue reporting in 2006. In addition, for Round I Empowerment Zones, periodic reporting will be required for reporting progress in implementing the Tax Incentive Utilization Plan.

In order to verify accuracy of information in the Performance Measurement System, HUD field staff review a sample of all Empowerment Zones and Enterprise Communities reported implementation plans in a given year. In addition, CPD issued a desk officer guidebook for Round II and Round III Empowerment Zones to provide instructions on all functions relating to Empowerment Zone program management.

HUD is still working with interagency partners to develop sound data on the use of $11 billion in earmarked tax incentives and the impact on community revitalization. HUD will include such a measure in the Annual Performance Plan when these efforts come to fruition. Hundreds of individual Renewal Communities, Empowerment Zones and Enterprise Communities achievements will also be featured in our upcoming *Spotlight on Results* publication.
C.1.3: A total of 3,728 at-risk youths are trained in construction trades through Youthbuild.

**Background.** The Youthbuild Program offers 16 to 24 year old high school dropouts general academic and construction skills training, resulting in housing construction or rehabilitation. For FY 2005, 3,728 youths were projected to be trained based on the number of applications granted and the projections of each.

**Program Website:**
www.hud.gov/offices/cpd/economicdevelopment/programs/youthbuild/index.cfm

**Results and analysis.** Between July 1, 2004, and June 30, 2005, the actual number of youths trained was 4,366, 17 percent above the goal. As the Youthbuild program has matured, awards are being made to previous grantees. Having established programs and experience running a Youthbuild program, these grantees are more efficient in enrolling students, resulting in a greater number of youths trained. The Office of 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.

**Accomplishments of Youthbuild**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Persons trained</td>
<td>3,729</td>
<td>4,123</td>
<td>3,896</td>
<td>4,366</td>
<td>3,728</td>
</tr>
<tr>
<td>GED</td>
<td>NA</td>
<td>1,260</td>
<td>1,375</td>
<td>1,525</td>
<td>NA*</td>
</tr>
<tr>
<td>Housing units constructed</td>
<td>NA</td>
<td>346</td>
<td>373</td>
<td>876</td>
<td>460</td>
</tr>
<tr>
<td>Housing units rehabilitated</td>
<td>NA</td>
<td>1,409</td>
<td>1,069</td>
<td>1,089</td>
<td>746</td>
</tr>
<tr>
<td>Literacy &amp; Numeracy goals</td>
<td>NA</td>
<td>1,755</td>
<td>1,327</td>
<td>4,086</td>
<td>587</td>
</tr>
</tbody>
</table>

*No specific target established for general equivalency diplomas (GED).

In addition to the number of youths trained through the Youthbuild program, HUD is able to collect data on other successes. Between July 1, 2004, and June 30, 2005, 1,525 participants achieved high school general equivalency diplomas. Approximately 876 units of housing were constructed along with the rehabilitation of 1,089 units. Overall, the number of housing units made available for habitation exceeded the total of 1,206 units projected by 63 percent; however, the mix of actual units rehabilitated or newly constructed differed from the goals because they were based on projections provided by applicants. Once projects were underway, plans changed, resulting in a different mix of units rehabilitated or newly constructed. A reported 4,086 Youthbuild participants increased their literacy and numeracy skills during the year. This number is significantly higher that what has been reported in prior years. This is due to the methodology used to track the literacy and numeracy skills. Data were collected on a quarterly basis. If a student increased in skill over two quarters, that person’s increase was counted each quarter. The Youthbuild program is working on developing guidance to eliminate this double counting.
Data discussion. Grantees submit semi-annual reports of accomplishments to CPD field offices. Grantees are monitored by their respective field offices for performance and compliance with HUD guidelines.

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

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

Background. Communities use the Consolidated Plan to identify community and neighborhood needs, actions that will address those needs, and measures necessary to gauge their performance. The PMA directed HUD to work with local stakeholders to streamline the Consolidated Plan, making it more results-oriented and useful to communities in assessing their own progress towards addressing the problems of low-income areas. CPD sought to implement this requirement through the Consolidated Plan Improvement Initiative that encouraged the use of the plan as a management tool for tracking results. During FY 2004, CPD carefully considered ideas generated by several stakeholder-working groups that were established to explore alternative planning requirements and suggestions for improving the Consolidated Plan process.

During FY 2005, CPD worked with stakeholders to implement suggestions for streamlining the plan, making the plan more results-oriented and useful in assessing progress toward addressing problems of low-income areas, and improving the performance measurement and reporting process. CPD worked with national public interest groups, including the Council of State Community Development Agencies, the National Community Development Association, and the National Association of County, Community and Economic Development, to develop a standardized approach to outcome measurement that could aggregate results at a national level. By December 2004, CPD was to propose legislative and/or regulatory changes to fulfill the directive contained in the PMA.

Results and analysis. During FY 2005, the Department began implementing the reformed, results-oriented planning and reporting process. HUD made significant progress in achieving this goal through proposed changes in regulations, guidance, and tools that are designed to improve the management of programs, increase accountability, and reduce the burden on grantees. On December 30, 2004, CPD issued a proposed Consolidated Plan rule that makes clarifying and streamlining changes, and makes the Consolidated Plan process more useful for tracking results. CPD implemented a new Consolidated Plan Management Process tool that streamlined the Consolidated Plan submission process and allowed grantees to track results for up to five Annual Action Plans and Consolidated Annual Performance and Evaluation Reports. On June 10, 2005, CPD also issued a Federal Register notice that requested comment on an outcome measurement framework that could aggregate results at a national or local level. A draft final rule was sent to the OMB for review on October 28, 2005. During FY 2006, CPD will be implementing regulatory changes to the consolidated plan and the first phase of the modernization of the Integrated Disbursement and Information System.
C.2.2. The share of CDBG entitlement funds for activities that principally benefit low- and moderate-income persons remains at or exceeds 92 percent.

Background: Entitlement grantees are required to use at least 70 percent of the CDBG funds they expend for eligible activities that benefit low- and moderate-income persons. This threshold may be met over a one, two or three year period of each grantee’s choosing, but CDBG grantees, as a whole, have historically exceeded this requirement on an annual basis.

HUD does not have direct control over the percentage of CDBG funds that communities use for activities that benefit low- and moderate-income persons, but this is the primary objective of the CDBG program. Therefore, a major focus in monitoring is to ensure the compliance of activities undertaken under this national objective. In addition, HUD has emphasized the importance of targeting the use of CDBG funds for activities that benefit low- and moderate-income persons, including those who are extremely low-income.

Program Website:
www.hud.gov/offices/cpd/communitydevelopment/programs/entitlement/index.cfm

Results and analysis. In FY 2005, CDBG entitlement grantees used 95.3 percent of their CDBG funds for activities that benefit low- and moderate-income persons. Not only does this level exceed the goal of 92 percent, it is an increase over the FY 2004 level of 94.9 percent, reflecting the efforts of grantees to target their use of CDBG funds to serve those most in need in their communities.

Data discussion: The data for this measure are based on information reported by entitlement grantees in the Integrated Disbursement and Information System. CPD field staff verifies program data when monitoring grantees.

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

Background. This indicator measures the targeting of CDBG funds by states, who, like entitlement communities, are required to use at least 70 percent of CDBG funds they expend for activities that benefit low- and moderate-income persons. CDBG grantees historically have exceeded this requirement, and HUD encourages the continuation of this high level of performance to ensure that the needs of those who are disadvantaged are met.

HUD does not have direct control over the percentage of CDBG funds that communities use for activities that benefit low- and moderate-income persons, but this is the primary objective of the CDBG program. Therefore, a major focus in monitoring is to ensure the compliance of activities undertaken under this national objective. In addition, HUD has emphasized the importance of targeting the use of CDBG funds for activities that benefit low- and moderate-income persons, including those who are extremely low-income.
Results and analysis. In FY 2005, state grantees used 96.77 percent of their CDBG funds for activities that benefit low- and moderate-income persons. This meets the goal for this fiscal year and is a slight increase above the FY 2004 level of 96.4 percent and the FY 2003 level of 96.72 percent.

Data discussion. The data for this measure are based on information reported by state grantees in the Integrated Disbursement and Information System. CPD field staff verifies program data when monitoring grantees.

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

Background. In January 1995, HUD described Neighborhood Revitalization Strategy Areas in the Consolidated Plan regulations at 24 CFR Part 91. Neighborhood Revitalization Strategy Areas are comprehensive strategies carried out in identified, limited geographic areas that are expected to achieve substantial physical improvements and create meaningful economic opportunities for residents in the area. In the CDBG regulations at 24 CFR Part 570, HUD provided certain regulatory incentives to grantees for certain types of activities carried out in HUD-approved Neighborhood Revitalization Strategy Areas.

Results and analysis. This goal was met. HUD approved an additional 13 Neighborhood Revitalization Strategy Areas in FY 2005, which is a 5.3 percent increase. The identification and approval of a distressed area as a Neighborhood Revitalization Strategy Area allows more targeting of CDBG funds to address the needs of the area and its residents. Further, the regulatory flexibilities HUD provided for certain types of activities help grantees achieve comprehensive revitalization of the area, with a focus on the creation of partnerships that involve the private sector, community organizations and neighborhood residents.

Data discussion. The data for this measure are based on information reported by entitlement grantees in the Integrated Disbursement and Information System. Grantees identify Neighborhood Revitalization Strategy Areas in the Integrated Disbursement and Information System after approval by HUD. Each grantee may associate individual activities reported in the Integrated Disbursement and Information System with a Neighborhood Revitalization Strategy Area, and one report in the system summarizes activities identified by the grantee as being in a Neighborhood Revitalization Strategy Area.

C.2.5: At least 35 percent of single-family mortgages endorsed for insurance by FHA are in underserved communities.

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 the conventional mortgage market does not serve lower income and minority neighborhoods as well as more...
affluent and non-minority neighborhoods. FHA lending in disadvantaged neighborhoods increases the homeownership rate. To strengthen this indicator’s focus on outcomes despite variations in the volume of single family endorsements, this indicator was revised in the FY 2006 Annual Performance Plan. The revised FY 2005 goal is to ensure that at least 35 percent of all single family mortgages endorsed for insurance by FHA during the year are in underserved areas. An underserved area is defined as census tracts with below average income and/or above average shares of minority households. These neighborhoods historically have been underserved by the mortgage market, as shown by high mortgage denial rates and low mortgage origination rates.

**Results and analysis.** During FY 2005, 41.3 percent (229,204 out of 555,717) of all single family mortgages endorsed for insurance by FHA were in underserved communities. The result exceeded the target of 35 percent, maintaining FHA’s success in expanding home ownership opportunities. The performance also surpasses the program’s recent levels of success in targeted service to underserved areas, and may have been influenced by marketing and outreach activities in these communities. FHA will continue its efforts to reach underserved communities through participation in conferences, seminars and other outreach events.

**Data discussion.** This measure uses data from FHA’s Consolidated Single Family Statistical System. This measure may fluctuate when the census tracts constituting underserved areas are redefined using the latest census data. The fluctuations are not expected to substantially reduce the reliability of this national summary measure. HUD verifies FHA data for underserved communities by comparison with Home Mortgage Disclosure Act data.

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

**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 availability, quality, and affordability of rental housing, thus promoting revitalization in underserved neighborhoods.

This measure counts the number of properties within underserved neighborhoods that are newly endorsed by FHA. Grants under Section 202 and Section 811 are excluded from this measure. The measure was revised in the FY 2003 Annual Performance Plan 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

![FHA Single Family Mortgage Endorsements in Underserved Areas](chart)

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Endorsements in Underserved Areas</th>
<th>Percent of Endorsements</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>30%</td>
<td>40%</td>
</tr>
<tr>
<td>2003</td>
<td>34.7%</td>
<td>39.4%</td>
</tr>
<tr>
<td>2004</td>
<td>41.3%</td>
<td>40%</td>
</tr>
<tr>
<td>2005</td>
<td>35.0%</td>
<td>60%</td>
</tr>
</tbody>
</table>

The output goal is shown by the pink square. The actual performance is shown by the blue line.
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 2005, 438 multifamily properties with 54,017 units in underserved areas benefited from new FHA mortgage endorsements totaling $2.14 billion. This amounted to 43 percent of HUD’s total level of initial endorsements being in such areas -- 18 percentage points higher than the goal. This is higher than the ratio of activity in FY 2004 and exceeds the Department’s goal.

In large part, this accomplishment reflects FHA outreach to underserved areas, both for new construction and substantial rehabilitation as well as refinancing, to contribute to the stock of decent, safe, and sanitary affordable housing. Most refinancing results in rehabilitation and upgrading of properties.

**Data discussion.** The unit project locations and unit counts used to determine this measure are from FHA’s Real Estate Management System. FHA performs computerized checks of data quality, and FHA staff verifies multifamily mortgage transactions. Census data are used to establish underserved areas.

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

**Background.** One of the four defined targets that HUD sets for Fannie Mae and Freddie Mac (two housing Government-Sponsored Enterprises) is intended to increase their purchases of mortgages on housing located in central cities, rural areas, and other areas underserved in terms of mortgage credit. This indicator helps support HUD’s goal of expanding homeownership opportunities, especially for minority home purchasers.

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 in 2005, HUD increased the Underserved Areas goal from 31 percent to 37 percent. The Underserved Areas goal will increase in stages, reaching 39 percent in 2008.

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) or (2) minority composition of at least 30 percent and tract median family income less than or equal to 120 percent of area medium income. Dwelling units in non-metropolitan areas count if (1) median family income of the census tract is less than or equal to 95 percent of the greater of state or national non-metropolitan median

---

6 The 31 percent goal in 2004 is equivalent to 36 percent in 2005, taking account of the effects of the 2000 Census and designation of Metropolitan Statistical Areas based on the 2000 Census.
income or if (2) minority concentration of the census tract is at least 30 percent and tract median family income is less than or equal to 120 percent of the greater of state or national non-metropolitan median income.

**Results and analysis.** In calendar year 2004, Fannie Mae and Freddie Mac surpassed HUD’s target of 31 percent for mortgage purchases in underserved areas. Fannie Mae achieved a performance of 33.5 percent, while Freddie Mac’s performance was 32.3 percent.7

An analysis of the composition of units that qualified to count toward the Underserved Areas goal in 2004 shows that 1.05 million dwelling units, or 65.4 percent of the dwelling units that qualified towards Fannie Mae’s performance under the goal, were on properties located in high-minority census tracts (i.e., tracts with 30 percent or greater minority population). Freddie Mac purchased mortgages for 737,000 properties in high-minority census tracts, or 63.7 percent of Freddie Mac’s qualifying purchases serving this market. For both Government-Sponsored Enterprises, these percentages show increases from the 2003 figures that were 62.4 percent for Fannie Mae and 52.6 percent for Freddie Mac.

With regard to the percentage of dwelling units qualifying for the Underserved Areas goal that were affordable to low-income families (i.e., those earning 80 percent or less of area median income), Freddie Mac’s purchases increased from 44.1 percent in 2003 to 47.4 percent in 2004, while Fannie Mae’s purchases increased from 42.6 percent in 2003 to 43.6 percent in 2004.

**Data discussion.** The data reported under this goal are based on calendar year performance. There is a one year reporting lag because the Government-Sponsored Enterprises report to HUD in the year following the performance year. To ensure the reliability of data, the Fannie Mae and Freddie Mac apply various quality control measures to data elements provided to HUD. HUD verifies the data through comparison with independent data sources, replication of Fannie Mae’s and Freddie Mac’s goal performance reports, and reviews of their data quality procedures. Fannie Mae’s and Freddie Mac’s financial reports are verified by independent audits.

7 In verifying Freddie Mac’s official 2004 goals performance, HUD determined that Freddie Mac counted, for housing goals credit, dwelling units derived from purchases of securities that HUD had not pre-approved as eligible to count as a mortgage purchase under the housing goals. Freddie Mac also established its own counting formula for the transactions without HUD’s prior approval. As a penalty for Freddie Mac’s failure to obtain HUD’s prior approval, HUD applied a 50 percent partial credit to the dwelling units derived from mortgages associated with these transactions under the Underserved Areas goal. The penalty reduced Freddie Mac’s performance by 2.1 percentage points from 34.4 percent to 32.3 percent.
C.2.8: Section 4 funding will stimulate community development activity totaling ten times the Section 4 investment.

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

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

Results and analysis. In FY 2005, the Enterprise Foundation and the Local Initiatives Support Corporation were paid $30.7 million in vouchers by HUD, which stimulated community development totaling $1.478 billion in the areas where Section 4 was implemented. This equates to a 48:1 investment ratio, greatly exceeding the goal of a 10:1 ratio.

Data discussion. Data were drawn from actual production of affordable housing development in cities where Section 4 funds were awarded. Investment values grew in part due to significant appreciation of development costs in urban and rural areas, in particular the cost of land and building acquisition, labor, insurance and some materials.

Regarding the status of the intermediaries’ efforts to build out their data management infrastructure, rollout of these systems has been delayed due to significant vendor challenges to meet the broad scope of the effort. A significant upgrade to the existing product is being developed this fall to resolve many of the previous challenges. In the event that issues cannot be resolved by the upgrade, the initiatives will have to look elsewhere for their technology solutions.

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

C.3.1: At least 386 functioning Continuum of Care communities, or 93 percent of our Continuum of Care communities, will have a functional Homeless Management Information System by FY 2005.

Background. Congress has directed HUD on the need for data and analysis regarding the extent of homelessness and the effectiveness of the McKinney-Vento Homeless Assistance Act programs. This directive includes developing unduplicated counts of clients served at the local level; analyzing patterns of use of people entering and exiting the homeless assistance system; and evaluating the effectiveness of these systems. To assist communities in reaching this goal, HUD has undertaken an extensive in-depth training and technical assistance initiative. In
addition to providing Continuum of Care communities with the tools necessary to generate data, Homeless Management Information Systems assist with informed policy decisions and resource allocation. These systems allow communities to provide important community-level, aggregate information to HUD to further understand the nature and extent of homelessness at the national level.

Results and analysis. Based on reporting in the 2005 Continuum of Care competition, 334 Continuums of Care, or 71 percent, reported that they had started entering data in their homeless management information system as of June 2005. Although the goal of 386 functional Homeless Management Information Systems was not met, an additional 48 Continuums, or 10 percent, indicated that they would begin entering data into their systems between July and September 2005, bringing the total to 382. This information will be confirmed in next year’s applications and reported on in the FY 2006 Performance and Accountability Report. HUD is working toward capturing more standardized bed coverage information. The number of communities in the early stages of planning a homeless management information system and selecting software has decreased accordingly between 2004 and 2005.

Data discussion. Rated questions on the FY 2005 McKinney-Vento Homeless Assistance Act community homeless application ask for information about Homeless Management Information Systems. This is the fourth time HUD has collected data on local systems for Homeless Management Information Systems, and the third time scoring points have been awarded based on Homeless Management Information Systems progress. In addition to homeless application reporting, HUD deployed a Status Assessment and Evaluation process to assess the progress of each implementing community throughout the country, with the goal of identifying best practices and barriers to implementation.

C.3.2: The number of chronically homeless individuals declines by up to 50 percent by FY 2008.

Background. While there is currently no direct measurement of the number of chronically homeless individuals, HUD is working with communities to develop methods for measuring the extent of chronic homelessness using Homeless Management Information Systems. Last year, with more than 382 communities implementing an operational homeless management system, HUD began collecting data from the systems to track this indicator. However, with many communities entering data on the chronic population for the first time, the data verification process remains ongoing. Preliminary analyses indicate that there will be challenges with respect to the percentage of facilities within communities that are covered by management systems, as well as differences in definitions of chronic homelessness across communities. This year, communities were provided with national technical assistance on collecting data related to chronically homeless persons.

Program Website: http://www.hmis.info

Results and analysis. In FY 2003, homeless assistance applicants were required to report on their number of chronically homeless persons. These baseline numbers were verified through the FY 2004 homeless assistance application, and inconsistencies were identified. Based on these findings, additional guidance was issued in FY 2005 and can be found on the HUD Homeless Management Information System web site cited in the Background section. Given the current
data challenges, reporting will be postponed to a future timeframe that is still under review and reflects that this goal is several years in the future.

**Data discussion.** See Background discussion above.

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

This goal was eliminated because the statutory change was not enacted.

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

**Background.** The ultimate goal of homeless assistance is to help homeless families and individuals achieve permanent housing and self-sufficiency. This measure tracks the number of formerly homeless persons who remain in permanent housing for at least six months in beds funded by HUD under the McKinney-Vento Homeless Assistance Act.

The residents of permanent housing are often chronically homeless individuals. One of HUD’s programs, Shelter Plus Care, uses funding to support housing related expenses. Communities secure an equal level of funding for a variety of supportive services. This combination ensures that residents receive the housing and services they need to maintain stable permanent housing and make progress towards self-sufficiency. Other HUD programs that provide permanent housing, including the Supportive Housing Program and the Moderate Rehabilitation/Single Room Occupancy program, help to meet other needs related to homelessness. Many communities are increasing their permanent housing stock as a direct result of the statutory requirement that 30 percent of HUD’s homeless assistance funding be allocated to permanent housing.

**Results and analysis.** During FY 2005, HUD achieved its goal of having 70 percent of formerly homeless persons remain in permanent housing for at least six months. This achievement can be attributed to HUD’s emphasis on increasing the number of permanent housing units available for people who are homeless, and combining these units with appropriate supportive services. HUD emphasizes the goal of reaching permanent housing in national broadcasts, the Notices of Funding Availability, and the homeless assistance grant application.

**Data discussion.** Data for this indicator are collected from HUD’s Annual Progress Report. This report is submitted by the grantee to HUD as a means of reporting on their HUD-funded homeless assistance project. Field staff monitor grantees on a sample basis to assess quality of data in grantee reports. HUD intends to improve reliability of this measure by developing an electronic Annual Progress Report that will eliminate transaction lag of the paper based reporting system and increase response rates. The Annual Progress Report is submitted yearly for each homeless assistance project at the end of the operating year. Because projects begin annual operations at different times, the data reflect projects that ended their operational year by September 30, 2005. Due to the varied operation dates for projects, the data for all Annual Progress Report-based indicators represent 28 percent of all projects operating in 2005.
C.3.5: The percentage of homeless persons who have moved from HUD transitional housing into permanent housing will be 60 percent.

Background. An important steppingstone toward permanent housing for many homeless persons is the availability of transitional housing with supportive services to stabilize their lives. This measure tracks the number of homeless persons who move from HUD-funded transitional housing projects into permanent housing and homeless persons who move directly into permanent housing. The ultimate objective of homeless assistance is to help homeless families and individual achieve permanent housing and self-sufficiency. The needs of the homeless subpopulations within a particular community are varied. Some need extensive supportive services while in permanent housing to maintain self-sufficiency. For others, market-rate housing with minimal service is adequate. These projects are funded with several prior years’ appropriations.

Results and analysis. In FY 2005, HUD exceeded its goal of 60 percent and moved 61 percent of homeless persons in HUD-funded transitional housing into permanent housing. The result is also an increase from the FY 2004 level of 60 percent. 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 persons in need of transitional housing and accompanying supportive services.

Data discussion. Data for this indicator are collected from HUD’s Annual Progress Report. This report is submitted by the grantee to HUD as a means of reporting on their HUD-funded homeless assistance project. Field staff monitor grantees on a sample basis to assess quality of data in grantee reports. HUD intends to improve reliability of this measure by developing an electronic Annual Progress Report that will eliminate transaction lags of the paper based reporting system and increase response rates. The Annual Progress Report is submitted yearly for each homeless assistance project at the end of the operating year. Because projects begin annual operations at different times, the data reflect projects that ended their operational year by September 30, 2005. Due to the varied operation dates for projects, the data for all Annual Progress Report-based indicators represent 28 percent of all projects operating in 2005.

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

Background. Stable employment is a critical step for homeless persons to achieve greater self-sufficiency. HUD encourages communities to provide comprehensive housing and services to homeless individuals and families. Clients receiving HUD’s McKinney-Vento assistance receive support, which can include employment training and job search assistance, to help them achieve greater self-sufficiency. This indicator tracks the number of adult clients who become employed while in HUD-funded homeless assistance projects. The measure is defined as the difference between the number of employed adults who left a HUD-assisted project during a program year and the number of those adults who were not employed when entering the project. One of the eligible activities under the Supportive Housing Program includes employment assistance. This category, combined with case management, has allowed many communities to focus their services efforts on employment activities.
Results and analysis. In FY 2005, the number of homeless persons receiving employment income at entry was 10 percent and those with employment income at exit were 17 percent. While HUD fell short of meeting its goal by 3 percentage points, this shortfall can be attributed to a greater number of persons with employment income at entry than in previous years. HUD will continue to monitor the employment rate in its Annual Progress Report.

The percentage of homeless funds used for housing activities is increasing each year compared to the percentage used for supportive services. With limited resources available, HUD’s emphasis on housing activities has achieved efficiencies by encouraging and rewarding Continuum of Cares that create housing, and seek services such as employment training from mainstream service providers.

Data discussion. Data for this indicator are collected from HUD’s Annual Progress Report. This report is submitted by the grantee to HUD as a means of reporting on their HUD-funded homeless assistance project. Field staff monitor grantees on a sample basis to assess quality of data in grantee reports. HUD intends to improve reliability of this measure by developing an electronic Annual Progress Report that will eliminate transaction lag of the paper based reporting system and increase response rates. The Annual Progress Report is submitted yearly for each homeless assistance project at the end of the operating year. Because projects begin annual operations at different times, the data reflect projects that ended their operational year by September 30, 2005. Due to the varied operation dates for projects, the data for all Annual Progress Report-based indicators represent 28 percent of all projects operating in 2005.

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

Background. The Department has identified overcrowding in American Indian and Alaska Native households as a concern. During FY 2003, the Office of Native American Programs and several participating tribes developed baseline estimates based on Census data of the extent of overcrowding in Indian Country. They concluded that an estimated 47,169 households were overcrowded in FY 2003. The Department’s goal is to reduce the number of overcrowded households by one percent each year.

Results and analysis. Indian Housing Block Grant funds contributed to the construction of 1,902 new homeownership and rental housing units in FY 2005 and projections reflect that the goal was exceeded by 3 percentage points in FY 2005. Although Indian Housing Block Grant grantees are given flexibility to design and administer their own unique housing programs, the Department encourages grantees to focus on areas of need such as overcrowding.

Data discussion. Because a precise measurement tool has not been identified, and it is cost prohibitive to conduct a new census, the exact number of the new units built that specifically went toward reduction of the overcrowded household percentage cannot be determined. However, the Office of Native American Programs is consulting and working with tribes to determine a better method of tracking the reduction of overcrowded households. A new methodology will likely require revisions to the primary data collection instrument, the Annual Performance Report. A joint tribal/HUD working group, formed in FY 2005, is analyzing the tribal reporting and planning instruments, and will make recommendations to improve the measurement of this indicator.
C.3.8: At least 110,000 households will receive emergency rental or mortgage payment assistance through the Emergency Food and Shelter program to prevent homelessness.

This indicator was deleted because the statutory change was not enacted.

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

**Background.** This is an important measure for the Department because it is an outcome indicator that reflects the priority for providing stable and permanent housing assistance to the most vulnerable populations -- very low-income persons living with HIV or AIDS -- who face homelessness and other challenges. To help reach this goal, there is an important new Housing Opportunities for Persons with AIDS grants management tool for evaluating the effectiveness of grantee’s efforts in establishing and maintaining stable housing for this special needs population of persons living with HIV/AIDS. During FY 2005, the updating of annual performance requirements for formula grantees that submit a Consolidated Annual Performance and Evaluation Report and competitive grantees that submit an Annual Progress Report have been completed. These extensive revisions to the reporting forms and CPD information technology systems incorporate the new long-term performance focus on client outcomes that will assess program’s accomplishments in assisting clients achieve and maintain housing stability, avoid homelessness, and improve access to HIV treatment and other care. Grantee reporting on these elements will enable the grantees and HUD to evaluate the progress towards achieving the goal of housing stability for 80 percent of clients by FY 2008. Both Housing Opportunities for Persons with AIDS formula and competitive grant recipients must conduct activities consistent with their approved plans for annual housing assistance output goals, objectively measure actual achievements against their anticipated accomplishments, and annually report on these results.

The Department has conducted training on these new performance requirements and has consulted with national organizations on common outcomes for related CPD programs. The office has worked with a group of Housing Opportunities for Persons with AIDS formula and competitive grantees to test the practical use of new data elements that will provide the basis for evaluating and determining client housing stability. With full implementation, the new reporting tools will enhance the national and local assessments of performance in providing stable housing to program beneficiaries. In addition, this new reporting effort will enable grantees to aggregate program results along with other CPD programs to evidence the effectiveness of the community-wide coordination and delivery of these federal resources.

**Results and analysis.** The Office collaborated with 17 grantees to test the use of the new reporting tools for collecting information on client outcomes. Data were provided on 1,267 households that had received support from rental assistance programs or in facility-based housing programs. For these households, housing stability was achieved for 91 percent (including 81 percent who will continue to receive the Housing Opportunities for Persons with AIDS assistance and about 10 percent who have moved to other permanent housing arrangements). However, data on other households receiving short-term support were not collected in a complete or consistent manner under the new outcome measure and the use of the data requires further review.
Data discussion. Data will be collected consistent with the implementation of the new Consolidated Annual Performance and Evaluation Report and Annual Performance Report performance reporting along with enhancements in the Integrated Disbursement and Information System, which are anticipated to commence during the second quarter of FY 2006.

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

C.4.1: The average number of observed exigent deficiencies per property does not exceed 1.85 for public housing and 1.40 for multifamily housing.

Background. The Real Estate Assessment Center conducts physical inspections that identify exigent health and safety or fire safety deficiencies. Exigent health and safety hazards include, but are not limited to: (1) air quality, gas leaks; (2) electrical hazards, exposed wires/open panels; (3) water leaks on or near electrical equipment; (4) emergency/fire exits/blocked/unusable fire escapes; (5) blocked egress/ladders; and (6) carbon monoxide hazards. Fire safety hazards include: (1) window security bars preventing egress; and (2) fire extinguishers expired. (Smoke detectors are excluded from exigent health and safety or fire safety deficiencies for this measure because they are covered in Indicator C.4.2.)

This indicator measures the reductions in exigent health and safety or fire safety deficiencies nationwide as HUD applies its physical inspection protocol, Uniform Property Condition Standards, to properties inspected. The use of physical inspections by the Real Estate Assessment Center has effected a reduction in exigent health and safety hazards. This trend is likely to continue. However, this indicator is based on identification of such conditions when inspected.

This goal was revised mid-year to reflect better than anticipated performance in FY 2004.

Results and analysis. The average number of exigent health and safety or fire safety deficiencies for public housing was 1.92 for FY 2005 versus a goal of 1.85. Therefore, this goal was not accomplished. Notwithstanding the overall result, substantial progress was made on sectors of the population. PIH generally has targeted its limited monitoring resources on PHAs with the highest error rates. For example, for PHAs with scores of 0 to 59 (substandard), the current inspection yielded 6.10 defects per property while the previous inspection found 7.56 defects per property (an improvement of 19.3 percent). For the PHAs with scores of 60-89, a 9.1 percent improvement was experienced. Conversely, the highest scoring PHAs (90-100) currently had 1.00 defects per property versus 0.35 previously. Although this group’s results
worsened significantly, the overall error rate was still very low. PIH will explore modifying this goal for FY 2006 to better target where monitoring resources can provide the greatest impact.

For multifamily properties, which are privately-owned, the average number of exigent health and safety or fire safety deficiencies was maintained at 1.40 per property inspected, meeting the goal. Because of the implementation of the “3-2-1” protocol it was estimated that the average defects would rise sharply, because the lower scoring properties (those with more defects) would be visited more frequently. The results indicate that the impact of this change on the goal has not been as great as expected. HUD continues to refine the inspection process. Data definitions have been expanded to address increased types of deficiencies. Under the “3-2-1” protocol for inspection scheduling, lower scoring projects are inspected and acted on every year to motivate greater improvement in physical conditions. When life threatening health and safety deficiencies are detected during HUD’s 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 2005, nationwide, HUD’s field staff continued to assure that 99 percent of these multifamily deficiencies were corrected or mitigated. Many types of defects covered by the process may be attributable to tenant behavior or local risk decisions rather than maintenance issues.

Data discussion. Data for this indicator are from the Real Estate Assessment Center’s Physical Assessment Subsystem, based on the inspection protocol DCD v.2.3 only. The data represent inspections conducted through September 30 of each year. A number of properties do not receive new inspections every year if their scores pass the thresholds under the “2-1” inspection schedule for public housing and the “3-2-1” schedule for multifamily properties.

C.4.2: The share of units that have functioning smoke detectors and are in buildings with functioning smoke detectors will be 92.8 percent or greater for both public housing and multifamily housing.

Background. HUD’s Real Estate Assessment Center inspects the quality of HUD-involved housing, including the presence of functioning fire detection systems including smoke detectors. This indicator tracks the share of units that have both 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.

This goal was revised mid-year to reflect better than anticipated performance in FY 2004, as well as reductions in travel funding for monitoring in FY 2005, and represents a more realistic target.

Results and analysis. The Department was successful in meeting its goal related to the share of units with functional smoke detection systems in public housing and assisted multifamily housing. As of the end of FY 2005, the share of public housing units that had functioning smoke detectors and were in buildings with functioning smoke detection systems was 92.9 percent versus 92.8 percent in FY 2004. This result includes the most recent physical conditions inspections of the quarter cut-off date for each year. In FY 2005, the number of units totaled 1,224,988, of which 1,137,840 (or 92.9 percent) had functioning smoke detectors and were in buildings with functioning smoke detectors.

As of the end of FY 2005, 94 percent of assisted multifamily units had functioning smoke detectors and were in buildings with functioning smoke detection systems. These data represent a 0.6 percent increase for assisted multifamily housing. These results show that the share of
HUD-assisted households that are adequately protected with smoke detectors exceeds the three-quarter share of all U.S. households that 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.

**Data discussion.** Data for this indicator are from the Real Estate Assessment Center’s Physical Assessment Subsystem, based on a sample of units from each project, and weighted to represent the entire stock. For private multifamily properties, results for FY 2005 reflect the most recent inspections available as of September 30, 2005. Properties are inspected at intervals of one, two or three years, depending on the results of the previous inspection, so a substantial share of properties do not receive a new inspection annually.

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

**Background.** Approximately 890,000 children under the age of 6 were estimated by the Centers for Disease Control and Prevention to have elevated blood lead levels in the period from 1991-1994. In FY 2003, they reported that this number had declined to 434,000 children during 1999-2000. For this indicator, elevated blood lead level is defined as being at or above 10 micrograms per deciliter. Other local data from 19 states showed that the proportion of children under the age of 6 who had elevated blood lead levels decreased from 10.5 percent in 1996 to 7.6 percent in 1998, according to the Centers for Disease Control and Prevention’s most recent published report on state surveillance data (see www.cdc.gov/mmwr/preview/mmwrhtml/mm4950a3.htm).

Elevated blood lead levels are more common among low-income children, urban children, and those living in older housing. 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.

**Results and analysis.** In May 2005, the Centers for Disease Control and Prevention estimated that 310,000 children had elevated blood lead levels during 1999-2002, the most recent reporting period of its National Health and Nutrition Examination Survey. This decrease is principally due to improvements in the nation’s housing (see www.cdc.gov/nceh/lead/research/kidsBLL.htm). Although the Centers for Disease Control and Prevention’s report for the period covering FY 2005 will not be published until 2008, the Department is on target to meet the goal.

In addition to HUD’s lead-based paint hazard control grant program and regulations concerning federal housing, other factors causing the decreased number of children with elevated blood lead levels are demolition, substantial rehabilitation, enforcement of lead safety laws, and ongoing public education. The Centers for Disease Control and Prevention is continuing its National
Health and Nutrition Examination Survey, with additional data through 2003 projected to be available in the 2nd quarter of calendar year 2006.

**Data discussion.** The National Health and Nutrition Examination Survey, conducted by the Centers for Disease Control and Prevention, is costly because it uses actual physical examinations of a large, nationally representative sample of children to determine blood-lead levels, among other things. The survey cannot identify the source of elevated blood lead levels. HUD does not verify the survey results independently. The National Health and Nutrition Examination Survey is regarded as providing the best national estimate of a number of health outcomes, and incorporates a variety of quality control and verification procedures.

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

**Background.** The HUD Office of Healthy Homes and Lead Hazard Control provides grants to state and local government agencies to control lead and housing-related hazards in privately owned low-income housing. The Lead Hazard Control 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. The primary output measure of the program is the number of homes made lead-safe by the grantee.

**Results and analysis.** As of October 30, 2005, Office of Healthy Homes and Lead Hazard Control Grant Program grantees had reported completing 7,240 lead-safe units. However, only 72 percent of the grantees had reported their full FY 2005 results by that date. Based on this partial reporting, the Office anticipates that the grant program will meet its goal of making 9,500 units lead safe among all of its lead hazard control programs. Full data will be available by the end of the first quarter of FY 2006. The grant program continues its primary focus on interim controls of lead hazards, which have been shown to be effective for up to at least six years (as opposed to abatement, which is conducted rarely, upon recommendation of the lead risk assessor in particularly high-risk situations), and on a significant fraction of homes where children with elevated blood lead levels have resided. The grant program continues to promote training of local workers in lead-safe work practices and educating the public on lead safety in housing.

**Data discussion.** This measure uses the Office of Healthy Homes and Lead Hazard Control administrative data derived from grant agreements, quarterly and final reports from grantees, collected from grantees by web-based reporting, as well as from monitoring. Grantee reporting is quarterly and provides detailed quantitative and qualitative information regarding progress, achievements, and barriers to performance to maximize grantee performance and to protect the largest number of children possible. The reporting system is supplemented by telephone and written communication, as well as on-site monitoring by HUD field and

![Estimated Housing Units made Lead-Safe](image-url)
headquarters staff. 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 efforts; 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 Healthy 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 generally remain well within applicable HUD/Environmental Protection Agency hazard standards up to six years, the period studied, after the treatments have been completed.

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. In addition to the Centers for Disease Control and Prevention data on elevated blood lead levels in children (discussed above), 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, because 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.

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

Background. The Healthy Homes program contributes to the achievement of HUD’s strategic goals by reducing multiple housing-related hazards that result in preventable childhood illnesses and injuries, such as lead poisoning and asthma. For FY 2005, it was anticipated that at least 2,500 housing units undergoing construction or rehabilitation interventions through Healthy Homes Demonstration grants and Healthy Homes Technical Studies grants would use Healthy Homes principles.

Results and analysis. To date, 4,476 units have undergone construction or rehabilitation using Healthy Homes principles, exceeding the goal by 79 percent. The Healthy Homes program gives particular emphasis to the mitigation of asthma triggers, such as mold and allergens (from exposure to debris from dust mites, cockroaches, and rodents). Project activities include inspecting residences and providing physical interventions such as smoke/carbon monoxide detectors, pillow and mattress covers, pest control (through integrated pest management with roach traps and gels), repairs to correct plumbing leaks, moisture incursion through building envelopes, lead hazards, proper ventilation of appliances such as stoves and furnaces, and dust control (through high-efficiency filters and vacuums).

Data discussion. Grantee reporting is quarterly and provides detailed quantitative and qualitative information regarding progress, achievements, and barriers to performance to maximize grantee performance and to protect the largest number of children possible. The reporting system is supplemented by telephone and written communication as well as on-site monitoring by HUD field and headquarters staff.
C.4.6: Upon advice from the Consensus Committee, HUD will publish rules for dispute resolution and installation programs mandated by the Manufactured Housing Improvement Act of 2000 by September 30, 2005.

Background. The Manufactured Housing Improvement Act of 2000 establishes new responsibilities and procedures for the Department with respect to its role in regulating manufactured housing. As mandated by the statute, HUD procured the services of an Administering Organization. The Department monitors the performance of this organization in supporting the Manufactured Housing Consensus Committee, also established by statute. Through the Administering Organization and within 18 months of their initial appointments, the Act requires the Consensus Committee to propose model manufactured housing installation standards to the Department. The Department is to publish final standards and regulations for the installation of manufactured homes, and regulations for dispute resolution, within five years of date of the Act. HUD’s FY 2005 performance goal was to publish rules for the dispute resolution and installation programs upon advice from the Committee by September 30, 2005.

Results and analysis. HUD partially achieved the performance goal for FY 2005 by publishing the proposed rule for the Model Manufactured Home Installation Standards (the Model Installation Standards) during the fiscal year. The proposed rule for the Manufactured Housing Dispute Resolution Program was published on October 20, 2005. The Department received over 100 public comments on the proposed rule for the Model Installation Standards, and is nearing completion of the final rule.

The Department worked extensively with the Consensus Committee to develop the rules for the Model Installation Standards and the Dispute Resolution Program, and provided additional time for the Committee to review and comment on a draft of the Model Installation Standards rule prior to its submission to OMB.

The program office lost more than 70 percent of its technical and engineering staff who were involved in the development of the Model Installation Standards, Installation Program and Dispute Resolution rules, and additional rules that will revise and update the Department’s Manufactured Home Construction and Safety Standards (the Construction and Safety Standards). Hiring limitations did not allow the program to fill these positions. Upon recommendation and consultation with the Consensus Committee, the Department also published a proposed rule revising the Construction and Safety Standards during FY 2005, and will publish a final rule in FY 2006.

Data discussion. Accomplishments are assessed through weekly reports submitted to the Assistant Secretary for Housing – Federal Housing Commissioner, and are verifiable by consulting the Federal Register.
# Goal FH: Ensure Equal Opportunity in Housing

## Strategic Objective:

**FH.1** Provide a fair and efficient administrative process to investigate and resolve complaints of discrimination.

**FH.2** Improve public awareness of fair housing laws.

**FH.3** Improve housing accessibility for persons with disabilities.

## PERFORMANCE REPORT CARD - GOAL FH

<table>
<thead>
<tr>
<th>Performance Indicators</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2005 Target</th>
<th>Met</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>FH.1.1 Increase the percentage of non-complex fair housing complaints closed in 100 days to 75 percent.</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>77%</td>
<td>75%</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>FH.1.2 Increase the percentage of Fair Housing Assistance Program complaints closed in 100 days to 45 percent.</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>48%</td>
<td>45%</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>FH.1.4 In order to increase the nation’s capacity to provide coordinated enforcement of fair housing laws, certify one new substantially equivalent agency under the Fair Housing Act.</td>
<td>96</td>
<td>98</td>
<td>101</td>
<td>103</td>
<td>102</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>FH.2.3 Recipients of Fair Housing Initiatives Program education and outreach grants will hold 150 public events, to include outreach to faith-based and grassroots organizations reaching, at least, 120,000 people.</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>405</td>
<td>150</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FH.3.1 HUD will conduct 75 Section 504 disability compliance reviews of HUD recipients.</td>
<td>80</td>
<td>75</td>
<td>113</td>
<td>80</td>
<td>75</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>FH.3.2 At least 1,000 housing professionals will be trained on how to design and construct multifamily housing that complies with the Fair Housing Act.</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>1,443</td>
<td>1,000</td>
<td>Yes</td>
<td></td>
</tr>
</tbody>
</table>

Notes:

- Data not available.
- No performance goal for this fiscal year.
- Tracking indicator.
- Third quarter of calendar year (last quarter of fiscal year; not the entire fiscal year).
- Calendar year beginning during the fiscal year shown.
- Calendar year ending during the fiscal year shown.
- Result too complex to summarize. See indicator.
- Baseline newly established.
- Result is estimated.
- Number is in thousands.
- Number reported in millions.
- Number reported in billions.
Objective FH.1: Provide a fair and efficient administrative process to investigate and resolve complaints of discrimination.

FH.1.1: Increase the percentage of non-complex fair housing complaints closed in 100 days to 75 percent.

**Background.** The efficiency of complaint processing is an important factor in assessing the effectiveness of HUD’s fair housing enforcement. When cases are processed in a timely manner, evidence is preserved, witnesses are more readily available, and other victims of discrimination are more likely to file a complaint.

This case processing efficiency indicator measures HUD’s ability to process routine complaints within the statutory timeframe. More specifically, this indicator tracks the percentage of non-complex complaints that HUD closed within 100 days during the fiscal year. A non-complex complaint is any fair housing complaint that contains issues other than discriminatory financing, discriminatory brokerage service, refusal to provide insurance, redlining, steering, failure to meet senior housing exemption criteria, non-compliance with design and construction requirements, and failure to permit a reasonable modification. (These types of cases are expected to take more than 100 days to resolve.) It is important to note that there are instances in which it may be impracticable to complete non-complex complaints within 100 days, such as illness of the complainant or respondent.

This indicator was revised mid-year to focus on efficiency in closing new cases, rather than on closures of aged cases, which have been reduced significantly to this point.

**Results and analysis.** In FY 2005, HUD closed 77 percent of its non-complex fair housing complaints within 100 days, exceeding its goal by 2 percentage points. This is an increase from 73 percent in FY 2004.

The result of this accomplishment plays a key role in building public confidence in the responsiveness of the system and encouraging victims of discrimination to file complaints. The Office of Fair Housing and Equal Opportunity will continue to work diligently to complete its cases within 100 days while ensuring fair and impartial judgment to the parties involved.

**Data discussion.** Data are maintained in the Title Eight Automated Paperless Office Tracking System. That system incorporates internal controls to ensure quality assurance.

Results for this indicator were calculated by dividing the number of non-complex cases closed between October 1, 2004, and September 31, 2005, that had been open less than 100 days, by the total number of cases closed during that time frame. Cases open at the end of the year will be reported on in the next fiscal year. This count excludes cases filed prior to October 1, 2003.

FH.1.2: Increase the percentage of Fair Housing Assistance Program complaints closed in 100 days to 45 percent.

**Background.** HUD provides funding through the Fair Housing Assistance Program to state and local government agencies who enforce laws that are substantially equivalent to the federal Fair Housing Act. The efficiency of these agencies in processing complaints of discrimination is an important factor in assessing the effectiveness of their enforcement efforts. When Fair Housing Assistance Program agencies process complaints in a timely manner, there is greater assurance
that evidence is preserved, witnesses are more readily available, and victims are more likely to file a complaint. This indicator tracks the percentage of complaints in the Fair Housing Assistance Program inventory that are completed within the statutory timeframe of 100 days. The measure includes all types of cases processed by Fair Housing Assistance Program agencies, potentially including complex cases that require more than 100 days to investigate.

This indicator was revised mid-year to focus on efficiency in closing new cases, rather than on closures of aged cases, which have been reduced significantly to this point.

**Results and analysis.** In FY 2005, Fair Housing Assistance Program agencies closed 48 percent of their housing complaints within 100 days, exceeding the goal by 3 percentage points. The increase also represents a 6.4 percentage point increase from performance in FY 2004. The result of this accomplishment plays a key role in building public confidence in the responsiveness of the system and encouraging victims of discrimination to file complaints. HUD will continue to provide training and technical assistance to Fair Housing Assistance Program agencies to help them increase the percentage of complaints closed within 100 days.

**Data discussion.** The data are maintained in the Title Eight Automated Paperless Office Tracking System. This system incorporates controls for quality assurance. Results for this indicator were calculated by dividing the number of cases closed between October 1, 2004, and September 30, 2005, that had been open less than 100 days, by the total number of cases closed during that time frame. Cases open at the end of the year will be reported on in the next fiscal year.

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

This goal was deleted as part of the Department’s shift toward efficiency and outcome goals (see the revised FH.1.2) rather than outputs.

**FH.1.4: In order to increase the nation’s capacity to provide coordinated enforcement of fair housing laws, certify one new substantially equivalent agency under the Fair Housing Act.**

**Background.** HUD provides funding through the Fair Housing Assistance Program to state and local government agencies that enforce laws that are substantially equivalent to the federal Fair Housing Act. This indicator tracks the number of state and local government agencies that have been certified as substantially equivalent during the fiscal year.

The wording of this indicator was revised mid-year to reflect actual performance in FY 2004. The targeted cumulative number of agencies was increased from 100 to 102.

**Program Website:**
www.hud.gov/offices/fheo/partners/FHAP/index.cfm
Results and analysis. In FY 2005, HUD admitted two agencies into the Fair Housing Assistance Program, exceeding its goal by one agency. This brought the number of Fair Housing Assistance Program agencies from 101 to 103. The newly certified agencies -- the City of North Olmstead (Ohio) Department of Law and the Geneva (New York) Human Rights Commission -- represent an increase in the nation’s capacity to provide coordinated enforcement of fair housing laws.

Data discussion. Fair Housing Assistance Program administrative data are maintained in the Title Eight Automated Paperless Office Tracking System. This indicator uses a straightforward and easily verifiable count of Fair Housing Assistance Program agencies. Determinations of substantial equivalency are made by the Assistant Secretary for Fair Housing and Equal Opportunity in accordance with the regulations at 24 CFR Part 115.

FH.1.5: Provide protected classes under the federal Fair Housing Act with increased access to sale and rental housing with discrimination by completing at least 1,200 fair housing conciliation/settlement agreements in FY 2005.

This goal was deleted as part of the Department’s shift toward efficiency and outcome goals (see the revised FH.1.1) rather than outputs.

Objective FH.2: Improve public awareness of fair housing laws.

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

This indicator, originally intended to promote a Departmental priority, was removed as priorities shifted. The Office of Faith-Based and Community Initiatives continues its broader departmental activities, which include fair housing groups.

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

The Department deleted this indicator because no data were available.

FH.2.3: Recipients of Fair Housing Initiatives Program education and outreach grants will hold 150 public events, to include outreach to faith-based and grassroots organizations reaching, at least, 120,000 people.

Background. The Fair Housing Initiatives Program provides grants to public, private, and nonprofit groups to conduct education and outreach activities within particular communities. These activities typically include developing and distributing educational materials, and training housing industry professionals on fair housing.

Such activities go hand-in-hand with effective enforcement of fair housing laws, as many people in the United States lack awareness of those laws and ways in which to report violations. The 2002 HUD study, “How Much Do We Know?” (www.huduser.org/publications/fairhsg/hmwk.html), examined the public’s awareness of the Fair Housing Act’s prohibitions against housing discrimination. This study found that many Americans still do not recognize unlawful discrimination when it occurs. For example, 46 percent of people surveyed did not know that it is illegal for real estate agents to limit a home search to certain neighborhoods based on the race
of the home seeker and the racial composition of the neighborhood. It also found that 83 percent of respondents who believed they had experienced discrimination took no action against it and that almost one in five people who believe they have experienced discrimination did not know their rights or where they should go to complain.

This indicator was added mid-year to better demonstrate HUD’s efforts to improve public awareness of fair housing laws during FY 2005.

Program Website: www.hud.gov/offices/fheo/partners/fhip/fhip.cfm

Results and analysis. During FY 2005, Fair Housing Initiatives Program grantees far surpassed this goal by conducting 405 public events that reached approximately 519,317 people. This was the first year that HUD has compiled aggregate data for education and outreach activities and these figures will serve as a baseline for future reporting. The education and outreach activities conducted by Fair Housing Initiatives Program grantees will continue to be one of the primary ways HUD will increase public awareness of fair housing law.

Data discussion. HUD requires Fair Housing Initiatives Program recipients to report their education and outreach activities. HUD calculated the total number of events held and persons reached based on information submitted by the grantees on the required forms. HUD also requires that Fair Housing Initiatives Program grantees submit copies of items, such as the programs and attendance sheets from education and outreach activities, to verify their activities.

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

FH.3.1: HUD will conduct 75 Section 504 disability compliance reviews of HUD recipients.

Background. The Office of Fair Housing and Equal Opportunity reviews PHAs, providers of HUD-assisted housing, and other HUD grantees for compliance with Section 504 of the Rehabilitation Act of 1973, which prohibits discrimination based on disability in federally assisted programs and activities. Section 504 compliance reviews examine the program accessibility and physical accessibility of HUD-funded housing and non-housing programs and activities.

This goal was adjusted downward mid-year from 100 reviews to reflect reduced resources available to support this effort.

Results and analysis. During FY 2005, HUD issued letters of finding in 80 Section 504 compliance reviews, which is 5 more than HUD anticipated. A letter of finding contains the finding of fact, a finding of compliance or non-compliance, and a description of appropriate remedies for any violations identified. HUD will continue to ensure that persons with disabilities have an equal opportunity to fully benefit from HUD housing and non-housing programs.

Data discussion. This measure uses data from the Title Eight Automated Paperless Office
PERFORMANCE AND ACCOUNTABILITY REPORT

Tracking System and HUD’s Integrated Performance Reporting System. The database counts the various compliance reviews conducted, but does not track the various stages or provide qualitative information about results of the reviews. HUD managers conduct periodic quality assurance reviews of the results.

FH.3.2: At least 1,000 housing professionals will be trained on how to design and construct multifamily housing that complies with the Fair Housing Act.

Background. The Fair Housing Act outlines seven basic design and construction requirements that multifamily dwellings built for first occupancy after March 13, 1991, must meet in order to be accessible to and usable by persons with disabilities. HUD educates housing professionals on these requirements through the Fair Housing Accessibility FIRST (Fair Housing Instruction, Resources, Support, and Technical Guidance) program. HUD contracted with Bearing Point to administer this program, which was launched in January 2003. The Fair Housing Accessibility FIRST program consists of training events, a Web site (www.fairhousingfirst.org), and a technical guidance hotline (1-888-341-7781).

This indicator was adjusted mid-year to reflect an annual goal, rather than a cumulative goal of 3,000 trained.

Results and analysis. From August 24, 2004, through August 24, 2005, the Fair Housing Accessibility FIRST program trained 1,443 housing professionals through 24 training events nationwide, surpassing its goal by over 40 percent. This brings the cumulative total of people trained to 5,003 since January 2003. The Fair Housing Accessibility FIRST training sessions during this program year have potentially added at least 357,501 accessible units -- the number of multifamily units that training attendees reported they were currently assisting with development, design, or construction.

Data discussion. The data are from monthly reports provided by Bearing Point. Bearing Point reports data by program year, which is from August 24, 2004, to August 24, 2005. As a monitoring measure, the HUD Government Technical Representative attended Bearing Point’s training events to verify and validate the contractor’s monthly attendance reports.
Goal EM: Embrace High Standards of Ethics, Management, and Accountability

Strategic Objectives:

EM.1 Rebuild HUD’s human capital and further diversify its workforce.
EM.2 Improve HUD’s management, internal controls and systems and resolve audit issues.
EM.3 Improve accountability, service delivery, and customer service of HUD and its partners.
EM.4 Ensure program compliance.
EM.5 Improve internal communications and employee involvement.

<table>
<thead>
<tr>
<th>Performance Indicators</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2005 Target</th>
<th>Met</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>EM.1.1 The Resource Estimation and Allocation Process and Total Estimation and Allocation Mechanism will complete three milestones in support of strategic human capital management.</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>3</td>
<td>3</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>EM.1.2 HUD will reduce skill and competency gaps in mission-critical occupations in Public and Indian Housing (PIH).</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>g</td>
<td>10%</td>
<td>Yes</td>
<td>g</td>
</tr>
<tr>
<td>EM.1.3 Sixty-eight percent of HUD’s successfully performing interns are retained after completing their intern program.</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>84%</td>
<td>68%</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>EM.2.1 FHA will continue to address financial management and system deficiencies through the phased implementation of an integrated financial system to better support FHA’s business needs, with full completion by December 2006.</td>
<td>N/A</td>
<td>Yes</td>
<td>Yes</td>
<td>g</td>
<td>g</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>EM.2.2 HUD is proceeding with plans to eliminate non-compliant financial management systems.</td>
<td>17</td>
<td>4</td>
<td>4</td>
<td>2</td>
<td>3</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>EM.2.3 HUD financial statements receive unqualified audit opinions, and the preparation and audit of HUD’s financial statements is accelerated.</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>EM.2.4 Ensure timely management decisions and final actions on audit recommendations by the HUD Office of Inspector General.</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0.005%</td>
<td>0%</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>EM.2.5 HUD will assess eight additional major systems for data quality.</td>
<td>107</td>
<td>120</td>
<td>33</td>
<td>35</td>
<td>17</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>EM.2.6 HUD will achieve SA-CMM Level 2 for five additional mission critical systems.</td>
<td>N/A</td>
<td>N/A</td>
<td>6</td>
<td>6</td>
<td>5</td>
<td>Yes</td>
<td></td>
</tr>
</tbody>
</table>

FISCAL YEAR 2005
### PERFORMANCE AND ACCOUNTABILITY REPORT

<table>
<thead>
<tr>
<th>EM.2.7</th>
<th>HUD will maintain Information Technology Investment Management (ITIM) Maturity Stage 3 achieved in FY 2004 and progress toward ITIM Maturity Stage 4 by the end of FY 2005.</th>
<th>Stage 2</th>
<th>N/A</th>
<th>Stage 3</th>
<th>Stage 3</th>
<th>Stage 3</th>
<th>Yes</th>
</tr>
</thead>
<tbody>
<tr>
<td>EM.2.8</td>
<td>HUD will complete its target architecture by the end of FY 2005.</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>Target EA</td>
<td>Target EA</td>
<td>Yes</td>
</tr>
<tr>
<td>EM.2.9</td>
<td>HUD will implement policies and controls to reduce computer security risks, including certifying and accrediting 100 percent of HUD’s IT systems by December 31, 2005.</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>100%</td>
<td>100%</td>
<td>Yes</td>
</tr>
<tr>
<td>EM.2.10</td>
<td>The Accelerated Claim and Asset Disposition demonstration program (Section 601) will exceed the rate of net recovery received through the conveyance program on the sale of single family assets.</td>
<td>N/A</td>
<td>N/A</td>
<td>76.9%</td>
<td>77.4%</td>
<td>71.2%</td>
<td>Yes</td>
</tr>
<tr>
<td>EM.3.1</td>
<td>HUD partners become more satisfied with the Department’s performance, operations, and programs.</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>a</td>
</tr>
<tr>
<td>EM.3.2</td>
<td>At least 80 percent of key users (including researchers, state and local governments, and private industry) rate PD&amp;R’s work products as valuable.</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>87%</td>
<td>80%</td>
<td>Yes</td>
</tr>
<tr>
<td>EM.3.3</td>
<td>More than 3.2 million files related to housing and community development topics will be downloaded from PD&amp;R’s website.</td>
<td>4.0</td>
<td>5.0</td>
<td>5.3</td>
<td>5.9</td>
<td>3.2</td>
<td>Yes</td>
</tr>
<tr>
<td>EM.4.1</td>
<td>The high incidence of program errors and improper payments in HUD’s rental housing assistance programs will be reduced.</td>
<td>N/A</td>
<td>15%</td>
<td>30%</td>
<td>67%</td>
<td>50%</td>
<td>Yes</td>
</tr>
<tr>
<td>EM.4.2</td>
<td>The national average PIH Information Center (PIC) reporting rates for public housing and Housing Choice Voucher households will be 95 percent or better.</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>89%</td>
<td>95%</td>
<td>No</td>
</tr>
<tr>
<td>EM.4.3</td>
<td>The share of completed CDBG activities for which grantees satisfactorily report accomplishments increases to 93 percent.</td>
<td>88.7%</td>
<td>93.0%</td>
<td>95.0%</td>
<td>97.3%</td>
<td>93.0%</td>
<td>Yes</td>
</tr>
<tr>
<td>EM.4.4</td>
<td>A minimum of 20 percent of active CPD program grantees will be monitored on-site or remotely for compliance with statutory and regulatory requirements.</td>
<td>N/A</td>
<td>N/A</td>
<td>30%</td>
<td>21%</td>
<td>20%</td>
<td>Yes</td>
</tr>
<tr>
<td>EM.4.5</td>
<td>The share of HOME-assisted rental units for which occupancy information is reported shall be maintained at a level of 90 percent.</td>
<td>88%</td>
<td>90%</td>
<td>91%</td>
<td>92%</td>
<td>90%</td>
<td>Yes</td>
</tr>
<tr>
<td>EM.4.6</td>
<td>By FY 2005, the Departmental Enforcement Center will increase the percentage of residents living in acceptable insured and/or assisted multifamily housing to 95 percent by taking aggressive civil or administrative enforcement actions. This will be accomplished by closing 85 percent of the physical referral cases in the DEC as of October 1, 2004, by September 30, 2005.</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>95.0%</td>
<td>95.0%</td>
<td>Yes</td>
</tr>
<tr>
<td>EM.4.7</td>
<td>HUD will conduct 56 Title VI and/or Section 109 compliance reviews.</td>
<td>58</td>
<td>50</td>
<td>93</td>
<td>69</td>
<td>56</td>
<td>Yes</td>
</tr>
<tr>
<td>EM.4.8</td>
<td>Conduct monitoring and compliance reviews or provide technical assistance under Section 3 to 20 housing authorities and other recipients of HUD financial assistance.</td>
<td>25</td>
<td>46</td>
<td>66</td>
<td>22</td>
<td>20</td>
<td>Yes</td>
</tr>
</tbody>
</table>
### SECTION 2. PERFORMANCE INFORMATION
EMBRACE HIGH STANDARDS OF ETHICS, MANAGEMENT, AND ACCOUNTABILITY

<table>
<thead>
<tr>
<th>EM.4.9</th>
<th>Increase the percentage of Section 3 complaints closed in 100 days to 75 percent.</th>
<th>N/A</th>
<th>N/A</th>
<th>73%</th>
<th>100%</th>
<th>75%</th>
<th>Yes</th>
</tr>
</thead>
<tbody>
<tr>
<td>EM.4.10</td>
<td>Ensure appropriate use of funds among 100 percent of Fair Housing Initiative Program and Fair Housing Assistance Program grantees by monitoring cooperative and grant agreements.</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>100%</td>
<td>100%</td>
<td>Yes</td>
</tr>
<tr>
<td>EM.5.1</td>
<td>Increase by 10 percentage points the level of employee satisfaction on four targeted dimensions of the Organizational Assessment Survey.</td>
<td>N/A</td>
<td>N/A</td>
<td>12</td>
<td>1%</td>
<td>10</td>
<td>No</td>
</tr>
</tbody>
</table>

**Notes:**
- a  Data not available.
- b  No performance goal for this fiscal year.
- c  Tracking indicator.
- d  Third quarter of calendar year (last quarter of fiscal year; not the entire fiscal year).
- e  Calendar year beginning during the fiscal year shown.
- f  Calendar year ending during the fiscal year shown.
- g  Result too complex to summarize. See indicator.
- h  Baseline newly established.
- i  Result is estimated.
- j  Number is in thousands.
- k  Number reported in millions.
- l  Number reported in billions.
Objective EM.1: Rebuild HUD’s human capital and further diversify its workforce.

EM.1.1: The Resource Estimation and Allocation Process and Total Estimation and Allocation Mechanism will complete three milestones in support of strategic human capital management.

Background. HUD implemented a Departmental resource management process called the Resource Estimation and Allocation Process in FY 2001. This management process is a priority investment that allows HUD to allocate resources in a highly effective and efficient manner to improve performance and also coordinate policy, performance and staffing-related budget resources. The Resource Estimation and Allocation Process methodology was developed in conjunction with the National Academy of Public Administration. The Resource Estimation and Allocation Process allows the Department to estimate, allocate, and validate resources for effective and efficient program administration and management. The Resource Estimation and Allocation Process is being used as a key tool in managing staffing resources and workload.

Results and analysis. The Department refreshed the Resource Estimation and Allocation Process baseline based on the studies completed during FY 2004. This revised baseline was a key tool in developing the FY 2006 President’s Budget Request. The Resource Estimation and Allocation Process was used in the budget formulation process to match policy choices and staffing-related budget resources to maximize efficiency and performance results. The Resource Estimation and Allocation Process analyses provide a baseline for estimating staffing requirements throughout the Department.

The Department complements the Resource Estimation and Allocation Process with the Total Estimation and Allocation Mechanism. The Total Estimation and Allocation Mechanism is an automated information system designed to validate the Resource Estimation and Allocation Process baseline data or pinpoint areas for re-evaluation. The primary purpose of the Total Estimation and Allocation Mechanism is to validate the Resource Estimation and Allocation Process data by capturing actual information on workload accomplishments and time usage by HUD employees. The Total Estimation and Allocation Mechanism accumulates information in a central database and provides managers and staff with the capability to query and analyze the stored data. Total Estimation and Allocation Mechanism data was used in developing the FY 2006 Budget request. Additionally, as part of the budget execution process, Total Estimation and Allocation Mechanism data was one tool used by the HUD program managers as part of the process of assessing hiring needs and making hiring decisions.

Data discussion. Data in the two systems are maintained by the Office of the CFO’s Office of Budget. Total Estimation and Allocation Mechanism data are based on random sampling of time usage and actual workload accomplishments.

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

Background. In March 2003, HUD issued its Strategic Human Capital Management Plan. One of the major strategies contained in the Plan is conducting a comprehensive workforce analysis and developing a workforce plan for each program office to address mission critical skill gaps.
In FY 2004, HUD completed a workforce analysis and finalized plans for the following offices: Public and Indian Housing; Housing; Fair Housing and Equal Opportunity; and Community Planning and Development. In FY 2005, HUD established a baseline of existing skill gaps in mission critical occupations for PIH by completing the PIH Workforce Plan. As part of the Department’s continuing effort to strengthen its human capital, HUD has established a goal of reducing the mission critical competency gaps identified in the PIH workforce plan through a combination of both training and recruitment. PIH identified the 0560 Budget Analysis series as an important mission critical job series and cited the following mission critical competencies for closure: (1) Knowledge of the federal appropriations process; (2) Knowledge of financial systems; and (3) Budget analysis. Reducing the identified competency gaps within this series will strengthen PIH’s human capital and better enable them to achieve their mission. Effective management of resources, both human and budgetary, supports the Departmental strategic goal of “Embracing high standards of ethics, management, and accountability.” As an extension of this goal, PIH set a target to reduce technical skill gaps in this mission critical occupation by 10 percent.

Results and analysis. PIH used the limited resources available to achieve success on this goal. Two positions were filled with qualified Budget Analysts in the GS-0560 series. Training resources were focused in the Office of Budget. Through this combination of both training and recruitment, PIH achieved the following reduction in the mission critical competency gaps for the Budget Analysis GS-0560 series.

<table>
<thead>
<tr>
<th>Mission Critical Competency</th>
<th>Baseline Gap</th>
<th>Employees Hired</th>
<th>Employees Trained</th>
<th>Skill Gap Reduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Knowledge of federal appropriations process</td>
<td>58.6%</td>
<td>2</td>
<td>0</td>
<td>35.0%</td>
</tr>
<tr>
<td>Knowledge of financial systems</td>
<td>22.8%</td>
<td>2</td>
<td>1</td>
<td>15.0%</td>
</tr>
<tr>
<td>Budget analysis</td>
<td>46.6%</td>
<td>2</td>
<td>2</td>
<td>5.0%</td>
</tr>
</tbody>
</table>

PIH managers established the baselines during the workforce analysis conducted in FY 2003. The reduction of these skill gaps has resulted in more efficient operations and better service to all of PIH’s programs involving budget analysis activities. PIH also established baselines for skill gap reduction in the Contract Specialist series and the Public Housing Revitalization Specialist series. Further skill gap reductions will be detailed in FY 2006.

Data discussion. The data source for the reduction percentages was an analysis by the same PIH managers who originally identified the gap in the workforce analysis studies. The data are reliable, as it was developed at a strategic level based on the managers’ knowledge of the capability of existing staff. For future assessments, PIH will be working more closely with Training Services to complete individual employee skills assessments and identify other specific competency gaps by employee.
PERFORMANCE AND ACCOUNTABILITY REPORT

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

**Background.** As part of its Strategic Human Capital Management Plan, HUD is addressing succession planning, which has been identified by the GAO as a “weakness” throughout the government. The HUD Intern Program attracts exceptional individuals as a part of its succession planning efforts to recruit and train a talent pool of qualified professionals to fill mission-critical occupations for the Department’s future operations. The program offers interns professional experiences and formal training opportunities that are tailored to meet their educational and professional goals and interests, and to fill mission-critical skill gaps as senior HUD staff retire. Continued successful implementation of the Intern Program is crucial to maintain a constant flow of promising, talented individuals to support a productive workforce. The Department has priority interest in tracking the retention of all intern hires, because successful, long-term retention of employees from the intern programs will ensure a smooth transition from one generation of HUD employees to the next. Accordingly, the Department has established a goal of retaining 68 percent of all successfully performing interns.

**Results and analysis.** HUD has surpassed the target for this goal by retaining 84 percent of the interns hired in FY 2002 using three critical intern programs: Presidential Management Fellows; Federal Career Interns; and Legal Honors Interns. In FY 2002, the Department hired 249 interns. Of the 249 interns, 210 were converted to full-time employees during FY 2004. The Department, through proper placement, rotational assignments, training, and mentoring programs was able to surpass the 68 percent intern retention goal and achieved a retention rate of 84 percent as documented below:

<table>
<thead>
<tr>
<th>Intern Program</th>
<th>Intern Hires FY 2002</th>
<th>Interns Converted FY 2004</th>
<th>Retention Rate FY 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Presidential Management Fellows</td>
<td>32</td>
<td>22</td>
<td>69%</td>
</tr>
<tr>
<td>Federal Career Interns</td>
<td>177</td>
<td>158</td>
<td>89%</td>
</tr>
<tr>
<td>Legal Honors Interns</td>
<td>40</td>
<td>30</td>
<td>75%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>249</strong></td>
<td><strong>210</strong></td>
<td><strong>84%</strong></td>
</tr>
</tbody>
</table>

A number of the interns that were converted to career appointments are now participating in leadership development training and have become members of the potential leadership talent pools within their respective program offices. The ability of the Department to recruit and retain highly qualified individuals increases the program specific knowledge readily available to fulfill mission requirements in the future. The high retention rate also addresses the success of the Department’s intern programs and can be used as a marketing tool, enabling HUD to continue to attract outstanding new candidates and continue effective succession planning.

**Data discussion.** The data were gathered through manual performance reports provided by HUD program offices and data from the National Finance Center. The Deputy Assistant Secretary for Human Resource Management, within the Office of Administration, closely administers the HUD Intern Program. Status reports on intern activities, training, mentoring, and rotational assignments are received regularly from HUD program offices. The Training Services
staff monitors the completion of individual development plans and is responsible for monitoring and measuring results against the intern program retention and performance goals.

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

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

**Background.** The FHA Comptroller developed a Blueprint for Financial Management that provides for a phased implementation of an integrated core financial management system to address financial management and system deficiencies documented by HUD’s Inspector General, FHA and HUD financial statement auditors, OMB examiners, and GAO auditors.

Implementing the system is a priority of the Secretary and the President’s Management Agenda for HUD. The system will strengthen program controls and address material weaknesses and reportable conditions identified in FHA’s annual financial statement audits and reports to the Congress. The Blueprint for Financial Management also provides corrective action for 14 different FHA systems that were previously non-compliant with federal financial systems requirements.

The FHA Blueprint for an Integrated Financial Management System has the following key objectives:

- Implement the U.S. Government Standard General Ledger and credit reform accounts in the FHA general ledger;
- Implement automated funds control processes using the FHA general ledger;
- Automate FHA’s interface with HUD’s departmental general ledger;
- Produce FHA financial statements and regulatory reports directly from the FHA general ledger;
- Enhance FHA cash accounting and Treasury reconciliation with automated support from the integrated financial management system;
- Enhance FHA contract accounting with automated support from the integrated financial management system; and
- Eliminate manual accounting processes and improve integration of FHA financial and program systems, including daily or real-time funds control for insurance operations.

This systems project has a phased implementation. In Phase I, FHA identified its financial management requirements, defined and built translation software to produce financial transactions in a common format from 19 different automated sources, and acquired a Joint Financial Management Improvement Program-compliant, commercial-off-the-shelf product to serve as its new core financial system. In September 2000, FHA selected the financial software offered by PeopleSoft, and named the new system the FHA Subsidiary Ledger.

In Phase II, FHA implemented the new PeopleSoft financial software to perform central accounting functions of the FHA Comptroller’s office, such as general ledger operations and
PERFORMANCE AND ACCOUNTABILITY REPORT

cash management. FHA accomplished the first major milestone of Phase II in October 2002 by implementing the general ledger module of the FHA Subsidiary Ledger system. With this step, FHA acquired the capability for the first time to record and track budgetary resources using the U.S. Government Standard General Ledger at the transaction level, to control expenditures against available resources (on a monthly basis), and to produce financial statement reports directly from the general ledger. In October 2003, FHA upgraded the software for web operation to improve critical accounting processes such as funds control.

FHA completed parallel operations for the final Phase II milestones in June 2004, implementing accounts payable, accounts receivable, procurement, and projects modules to perform central accounting functions. HUD’s goal is to complete Phase III by December 2006.

Results and analysis. Phase III of the project accomplished several major milestones in FY 2005. These included upgrading PeopleSoft from version 8.4 to version 8.8, enhancing system reporting, and improving system performance by reducing batch and online processing times for key business activities. The continued integration of legacy systems into the FHA Subsidiary Ledger was advanced by documenting “as-is” and “to-be” business processes, by identifying how program office functionality will be implemented, and by developing customizations necessary to support unique business requirements of the program offices.

Phase III will complete the integration of FHA insurance operations with the new core financial system, including integration of Single Family premium refunds, Multifamily premium billing and collection, and Multifamily claims operations.

Data discussion. Successful performance is assessed by HUD’s Inspector General and reported in the annual audit of FHA’s financial statements. The performance measures for the project are subject to independent assessment and depend on readily verifiable information such as number of findings (material weaknesses and other reportable conditions) eliminated from the auditor’s annual opinion and number of legacy systems replaced. The project will identify new annual milestones as work on each phase is completed.

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

Background. The Federal Financial Management Improvement Act of 1996 requires federal agencies to implement and maintain financial management systems that comply with federal reporting requirements and accounting standards, and to support the U.S. Government Standard General Ledger at the transaction level. At the end of FY 2000, HUD had 67 financial management systems, of which 17 failed criteria for compliance with federal requirements. By the end of FY 2004, the total number of financial management systems dropped to 46, and the Department achieved a significant reduction in the number of non-compliant financial systems from 17 to 4.

Results and analysis. At the end of FY 2005, HUD had a total of 44 financial management
systems. HUD successfully reduced the number of non-compliant systems to 2, down from 4 reported at the end of FY 2004. The Department continues to report the Office of the CFO’s Loan Accounting System as non-compliant. The Office of the CFO is currently in the process of replacing the Loan Accounting System with a commercial-off-the-shelf replacement system. Implementation is projected to occur during the first quarter of FY 2006. The other non-compliant system is the Office of Administration’s Facilities Integrated Resources Management System. In its 2005 FMFIA assurance statement, the Office of Administration reported the Facilities Integrated Resources Management System as non-compliant with Section 4 of FMFIA.

While the Office of Administration has compensating controls to periodically reconcile the property inventory maintained in the Facilities Integrated Resources Management System with the various purchasing activities, there are corrective actions in process to address systemic internal control deficiencies to better assure the Facilities Integrated Resources Management System maintains a current, accurate and complete property inventory. HUD’s overall financial management systems environment is now deemed substantially compliant with the Federal Financial Management Improvement Act and OMB Circular A-127. The long-standing material systems non-conformance has been downgraded to a reportable condition.

Data discussion. The Office of the CFO maintains the financial management systems inventory, with input from systems sponsors and cyclical compliance reviews of systems. The data are reliable for this measure. HUD performs financial management systems compliance reviews on a three-year cycle, or in conjunction with major systems changes, and the Inspector General also verifies compliance of HUD financial systems through audits.

EM.2.3: HUD financial statements receive unqualified audit opinions, and the preparation and audit of HUD’s financial statements is accelerated.

Background. The Department introduced this indicator in order to continue its focus on improving and enhancing HUD’s financial stewardship. An unqualified audit opinion is a strong indicator to OMB, the Congress, and the public on the accuracy of HUD’s consolidated financial statements, the reliability of the underlying financial management systems and controls over financial reporting, and the strength of HUD’s financial management team. An independent financial statement audit is an important tool to instill confidence in HUD’s financial operations and reporting for the Department’s external stakeholders. Establishing and maintaining this trust requires a long-term commitment to financial integrity, including progress toward eliminating the material internal control weaknesses and reportable conditions identified in the financial statement audit.

HUD had received an unqualified audit opinion for four consecutive fiscal years (2000-2003) -- an indicator of financial management discipline and stability. However, as a financial management improvement in FY 2004, OMB mandated the preparation and audit of federal agency financial statements within 45 days after the end of the fiscal year on November 15. The Inspector General’s original report on their audit of HUD’s FY 2004 financial statements stated that they were unable to express an audit opinion due to insufficient time to complete their work by the accelerated deadline. That report also identified three auditor-reported material weaknesses and seven reportable conditions.

HUD’s FY 2005 goals were to: prepare and issue its audited FY 2004/2005 consolidated financial statements by the 45 day deadline of November 15, 2005, with an unqualified audit
opinion; continue corrective actions to reduce the number of material weakness and reportable condition issues; and continue to meet OMB goals for the preparation of quarterly financial statements within 21 days after the end of the quarter.

**Results and analysis.** HUD met its goal of receiving an unqualified audit opinion on its FY 2005 financial statements within 45 days after the end of the fiscal year. In addition, audit work was completed on the FY 2004 financial statements that also led to an unqualified opinion. HUD has now received an unqualified audit opinion on its consolidated financial statements for six consecutive fiscal years.

HUD also continued efforts to strengthen internal controls in FY 2005, resulting in the downgrading of two longstanding auditor-reported material weaknesses -- controls over rental housing assistance and compliance with financial systems requirements -- to reportable conditions. However, one prior reportable condition was elevated to a material weakness issue, resulting in a net reduction of one material weakness. Also, while two reportable conditions were eliminated and one was elevated, the addition of two downgraded material weaknesses resulted in a net reduction of one reportable condition at year-end. HUD ended FY 2005 with two material weaknesses and six reportable conditions.

HUD met its goal for accelerating the production of the quarterly financial statements to within 21 days after the end of the quarter, and continued to provide timely financial data for managers to use in making program decisions. HUD intends to continue producing quarterly financial statements within 21 days after the end of each quarter in future years.

**Data discussion.** The OIG, along with contracted personnel under their direction, conducts the annual financial statement audit. This audit examines the adequacy of HUD’s financial management systems, the effectiveness of internal controls over financial reporting, and compliance with laws and regulations that could have a material effect on the financial statements. The OIG also identifies material weaknesses and reportable conditions, and recommends appropriate corrective actions. OIG audits are independent of HUD management, are performed in accordance with GAO auditing standards, and adhere to the OMB and other guidelines and standards governing the preparation and audit of agency financial statements.

**EM.2.4: Ensure timely management decisions and final actions on audit recommendations by the HUD OIG.**

**Background.** The large body of internal and external audit work conducted by the HUD OIG results in a significant volume of recommendations involving recovery of disallowed and questioned costs, opportunities to put funds to better use, and improvements to management controls to reduce the risk of fraud, waste and abuse, and improve program performance. The Inspector General Act of 1978, as amended, establishes requirements for the timely resolution and reporting on OIG audit recommendations by agency managers. By statute, agency managers have six months from the date of issuance of an audit report to reach acceptable management decisions with OIG on all audit recommendations. HUD’s goal is to have “no” overdue management decisions every six-month reporting period. As part of an approved management decision on an audit recommendation, a target date is established for completing final action on that recommendation. HUD management tracks the status of final actions and established a FY 2004 and FY 2005 goal for a 50 percent reduction in final actions more than 12 months overdue.
Results and analysis. For the year ended September 30, 2005, HUD made timely management decisions on 790 OIG audit recommendations and met 99.5 percent of its goal of no overdue management decisions for the sixth and seventh consecutive periods. Four management decisions were overdue at the close of the year. The OIG and the Office of Housing agreed to the four management decisions just seven days after the close of the fiscal year.

HUD did not meet its goal for reducing overdue final actions. At the beginning of FY 2005, the Department established annual performance sub-goals for each program office within HUD to reduce the opening balance of final actions that were more than 12 months overdue by 50 percent. There were 33 final actions that were more than 12 months overdue. There were an additional 95 overdue recommendations that, through aging, could have become more than 12 months overdue, for a total of 128 recommendations potentially in the 12 months overdue category at the end of the year. However, 93 of the 128 recommendations were closed during the year, leaving a balance of 35 final actions that were more than 12 months overdue at the end of FY 2005. While the Department did not meet its goal of halving the number of these significantly overdue recommendations, all program offices, except the Office of Housing, ended the year with zero recommendations overdue by 12 months or more. In addition, the Department reduced its total inventory of overdue recommendations from a beginning balance of 163 to just 53 at year’s end.

Data discussion. HUD’s new Audit Resolution and Corrective Action Tracking System was implemented in FY 2003 as the data source for this indicator. The data are reliable for these measures. The HUD Inspector General and the Departmental Audit Liaison in the Office of the CFO reconcile and confirm the accuracy of the data.

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

Background. The Department’s growing concern with the quality of its program data, and 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 establish an Enterprise Data Management Practice. The Enterprise Data Management Practice provides HUD the ability to:

1. manage data as a strategic resource to improve the effectiveness of all HUD initiatives;
2. measure HUD’s performance in achieving its mission; and
3. demonstrate the Department’s effectiveness and impact on America’s communities.

In 2000, HUD launched the Data Quality Improvement Program to ensure that the quality of Annual Performance Plan performance indicator data in HUD information technology systems is enhanced. The Data Quality Improvement Program includes a three-step process: 1) independent assessment; 2) data quality cleanup and improvement; and 3) certification. HUD systems used for Annual Performance Plan reporting are required to receive an independent assessment. Based on the results of its independent assessment, HUD staff provides findings and recommendations to the system owners, who are accountable for Step 2 - data quality cleanup and improvement. When implemented, Step 2 actions correct deficiencies and ensure data quality. When data quality is
corrected and improvements are completed, the Office of the Chief Information Officer will then perform an independent certification. Step 3 (certification) repeats Step 1 by verifying that intended improvements were made and are working.

**Results and analysis.** Three of the eight Annual Performance Plan data sources originally designated to be supported by HUD information systems were in fact manual record-keeping systems, and were therefore not in scope for data quality assessment. In FY 2005, HUD staff therefore assessed five systems instead of the eight that were planned, and by so doing, fully met the goal. By the end of FY 2005, HUD met its goal of assessing all systems currently supporting Annual Performance Plan performance indicators, which now number 24 (instead of the 27 assumed at the beginning of the fiscal year). Over the last four years, 28 separate systems or subsystems have been assessed and 24 certified, as shown in the following chart:

<table>
<thead>
<tr>
<th>System Acronym</th>
<th>System Name</th>
<th>Certification Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>LOCCS</td>
<td>Line of Credit Control System</td>
<td>Certified 2001</td>
</tr>
<tr>
<td>PAS</td>
<td>Program Accounting System</td>
<td>Certified 2001</td>
</tr>
<tr>
<td>SAMS</td>
<td>Single Family Asset Management System</td>
<td>Certified 2002</td>
</tr>
<tr>
<td>MTCS</td>
<td>Multifamily Tenant Characteristics System</td>
<td>Certified 2002</td>
</tr>
<tr>
<td>HUDCAPS</td>
<td>HUD Central Accounting Payment System</td>
<td>Certified 2003</td>
</tr>
<tr>
<td>REMS</td>
<td>Real Estate Management System</td>
<td>Certified 2003</td>
</tr>
<tr>
<td>TRACS</td>
<td>Tenant Rental Assistance Certification System (see NOTE)</td>
<td>Certified 2004</td>
</tr>
<tr>
<td>RASS</td>
<td>Residential Assessment Subsystem</td>
<td>Certified 2003</td>
</tr>
<tr>
<td>NASS</td>
<td>iNtegrated Assessment Subsystem</td>
<td>Certified 2003</td>
</tr>
<tr>
<td>PASS</td>
<td>Physical Assessment Subsystem</td>
<td>Certified 2003</td>
</tr>
<tr>
<td>FASS</td>
<td>Financial Assessment Subsystem</td>
<td>Certified 2003</td>
</tr>
<tr>
<td>MFIS</td>
<td>Multifamily Insurance System</td>
<td>Certified 2003</td>
</tr>
<tr>
<td>IDIS-HOME</td>
<td>Integrated Disbursement and Information System (HOME)</td>
<td>Certified 2003</td>
</tr>
<tr>
<td>IDIS-CDBG</td>
<td>Integrated Disbursement and Information System (CDBG)</td>
<td>Assessed 2003</td>
</tr>
<tr>
<td>CHUMS</td>
<td>Computerized Home Underwriting Management System</td>
<td>Assessed 2003</td>
</tr>
<tr>
<td>PIC-SEMAP</td>
<td>SEMAP Module of the PIH Information Center</td>
<td>Certified 2004</td>
</tr>
<tr>
<td>PIC-50058</td>
<td>50058 Module of the PIH Information Center (see NOTE)</td>
<td>Certified 2004</td>
</tr>
<tr>
<td>TRACS</td>
<td>Tenant Rental Assistance Certification System</td>
<td>Certified 2004</td>
</tr>
</tbody>
</table>
SECTION 2. PERFORMANCE INFORMATION
EMBRACE HIGH STANDARDS OF ETHICS, MANAGEMENT, AND ACCOUNTABILITY

<table>
<thead>
<tr>
<th>System</th>
<th>Description</th>
<th>Certification Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>DAP</td>
<td>Development Application Processing System</td>
<td>Certified 2004</td>
</tr>
<tr>
<td>TEAPOTS</td>
<td>Title VIII Automated Paperless Office Tracking System</td>
<td>Certified 2004</td>
</tr>
<tr>
<td>CPD/APR</td>
<td>CPD Administrative Database (APR)</td>
<td>Certified 2004</td>
</tr>
<tr>
<td>CSFSS</td>
<td>Consolidated Single Family Statistical System</td>
<td>Certified 2004</td>
</tr>
<tr>
<td>CLAIMS</td>
<td>Single Family Insurance System-Claims Subsystem</td>
<td>Certified 2004</td>
</tr>
<tr>
<td>PERMS</td>
<td>EC/EZ Performance Measurement System</td>
<td>Certified 2005*</td>
</tr>
<tr>
<td>HCS</td>
<td>Housing Counseling System</td>
<td>Certified 2005*</td>
</tr>
<tr>
<td>ARCATS</td>
<td>Audit Resolution and Corrective Action Tracking System</td>
<td>Certified 2005*</td>
</tr>
<tr>
<td>HOPE VI</td>
<td>PIH’s HOPE VI Progress Reporting</td>
<td>Assessed 2005</td>
</tr>
<tr>
<td>ARRTS</td>
<td>Approval Recertification/Review Tracking System</td>
<td>Preliminary assessment 2005</td>
</tr>
</tbody>
</table>

NOTE: Multifamily Tenant Characteristics System was re-platformed creating a new data management environment (Public and Indian Housing Information Center-50058). Therefore, a new assessment was completed in FY 2004. The Tenant Rental Assistance Certification System was reassessed in FY 2004 in order to focus on data that supports Annual Performance Plan reporting.

*Denotes systems that were both assessed and certified in FY 2005.

Of the FY 2005 systems, the EC/EZ Performance Measurement System, Housing Counseling System, Audit Resolution and Corrective Action Tracking System, and HOPE VI assessments were completed on schedule. Other than the HOPE VI system, the others meet the future target data quality standard of 6 sigma (indicating that the data is 99.99996 percent accurate). In the case of HOPE VI, system certification will be delayed until the system is hosted in the HUD environment and its data architecture independently validated. In the case of the Approval Recertification/Review Tracking System, the assessment against identified business rules has been completed, and the system will be certified at 3 sigma (indicating that the data is 93.3 percent accurate) on November 11, 2005, when the final assessment report is published.

Data discussion. In its most recent financial statements audit (2005-FO-0003), the Inspector General named performance measures data reliability a reportable condition. Completion of the 24 data quality assessments supporting the current Annual Performance Plan fulfills the Office of the Chief Information Officer’s corrective action plan for the reportable condition. During FY 2006, the Enterprise Data Management Practice will transition from an assessment-focused team to a certification-focused one. In that role, the Enterprise Data Management Practice will evaluate new performance indicators and ensure that the supporting systems are certified at HUD’s quality standard. The Office of the Chief Information Officer is currently proposing that HUD’s target data quality standard be revised to 4 sigma (indicating that the data is 99.379 percent correct). Based on lessons learned during earlier assessments, the Office believes that the 4 sigma standard is more appropriate, because it will not be feasible in all cases to design the system edits that would enable quickly achieving 6 sigma data quality.
PERFORMANCE AND ACCOUNTABILITY REPORT

EM.2.6: HUD will achieve SA-CMM level 2 for five additional mission critical systems.

**Background:** During FY 2005, HUD built upon the work previously performed under the Software Acquisition-Capability Maturity Model. Additional projects were trained to practice the model at level 2. The Software Acquisition-Capability Maturity Model Level 2 (repeatable) maturity is primarily focused on projects. At this level, repeatable software acquisition project management is established, software acquisition project management processes are documented and followed, organizational policies guide the projects in establishing management processes, and successful practices developed on earlier projects can be repeated.

**Results and analysis.** In FY 2005, the GAO visited HUD to evaluate the implementation of their recommendations cited in GAO-01-962 report of September 2001. The report recommended HUD adopt the model as a practice to assure risk free software development acquisition. The GAO concluded in their FY 2005 visit that HUD had successfully implemented the practice and projects were following the practice and closed the findings.

As part of HUD’s continued effort to improve the model, six mission critical systems were trained in the practice and mentored into a repeatable practice. These projects include:

- Computerized Homes Underwriting Management System
- FHA Connection
- HUD Client Information and Policy System
- Integrated Disbursement and Information System
- Single Family Insurance System
- Single Family Insurance System – Claims Subsystem

The six mission critical systems were chosen for assessment of the model. Each support team, project manager, business sponsor and integrated product team were trained on the model and then appraised on their conformance with the model. The assessment was an Internal Process Improvement Assessment and followed the latest protocol promulgated by Carnegie Mellon University Software Engineering Institute for appraisals. A Software Engineering Institute-authorized lead assessor executed the assessments.

The overall results of this assessment were good. A number of improvements were made since the previous assessment conducted last year. The creation of the Project Management Plan template, implementation of internal HUD project best practices, lessons learned from the previous phase and development of the Project Management Guide created a roadmap to success. Each contributed to define the roles and responsibilities of project personnel and project management practice employed.

The progress made by the projects selected for this appraisal was notable, and reflects on the direction provided by the Project Management Center of Excellence. The Center has provided guidance to the process improvement program.

**Data discussion.** HUD successfully implemented practices toward achieving a Level 2 designation for six additional systems, and continued to assist projects at Level 2 to advance to Level 3. Successful government and industry organizations involved in software development
SECTION 2. PERFORMANCE INFORMATION
EMBRACE HIGH STANDARDS OF ETHICS, MANAGEMENT, AND ACCOUNTABILITY

have adopted proven practices to reduce risk in their software development. HUD has adopted the Carnegie Mellon Capability Maturity Model as a practice to enforce repeatable, defined, optimized and performance measured processes to sustain a successful risk free software development effort. Between FY 2004 and FY 2005, HUD has continued to improve on its adoption of this model and has used third party assessments such as Carnegie Mellon assessors and the GAO auditors to verify the benefits of the adoption.

EM.2.7: HUD will maintain Information Technology Investment Management (ITIM) Maturity Stage 3 achieved in FY 2004 and progress toward ITIM Maturity Stage 4 by the end of FY 2005.

Background. In FY 2005, HUD obligated over $320 million on an information technology portfolio of 120 projects. These projects primarily involve maintaining legacy systems and small to major modifications. These systems are designed, developed, and managed so HUD can timely address changing business needs, emerging Departmental requirements (e.g., legislation, regulations, guidance, court orders), and project performance considerations.

HUD’s Capital Planning and Investment Control process, required by the Clinger-Cohen Act, lays the foundation for a mature approach to Information Technology Investment Management. In 2000, HUD began following the GAO Information Technology Investment Management Maturity Framework to improve its Capital Planning and Investment Control process, because a mature process will reduce project cost overruns, schedule slippages, and unproductive systems. The Maturity Framework improves the selection and management of HUD’s information technology portfolio by addressing business strategies and workforce needs. HUD also established controls over investments to minimize project failure or excessive cost and schedule overruns.

There are five levels of maturity to the GAO Information Technology Investment Management Maturity framework:

Stage 1 – Creating investment awareness;
Stage 2 – Building an investment foundation;
Stage 3 – Developing a complete investment portfolio;
Stage 4 – Improving the investment process;
Stage 5 – Leveraging information technology for strategic outcomes.

Results and analysis. HUD successfully maintained Information Technology Investment Management Maturity Stage 3 achieved in FY 2004, and progress toward Maturity Stage 4 by the end of FY 2005. In September 2005, HUD conducted an ITIM Maturity Assessment against the GAO ITIM Framework released in March 2004 to identify the current maturity stage and identify recommendations for moving forward. HUD is evaluated at stage 3. Going forward, the Office of the Chief Information Officer will evaluate the recommendations and adopt/pursue key processes consistent with Departmental objectives and priorities to improve the information technology portfolio management and work towards the next level of maturity (stage 4).

Data discussion. The independent assessment was conducted by an outside consultant (Synthesis Technologies, Inc.) using the 2000 version of the GAO Information Technology Investment Management Maturity Framework from September through mid-December 2003.
PERFORMANCE AND ACCOUNTABILITY REPORT

The assessment included the review of HUD’s current Information Technology Investment Management policies, procedures and practices; interviews with key HUD stakeholders; and analysis of historical documents and data.

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

Background. In 2000, HUD established an enterprise architecture program to promote sound business and information technology decisions through comprehensive understanding of HUD’s complex computing environment. The primary purpose of enterprise architecture is to inform, guide, and govern the decisions at the enterprise level, especially those related to information technology investments. The enterprise architecture describes the current and planned design of the Department’s business, information and technology. With enterprise architecture, HUD identifies its needs and defines the technology needed to support those needs. Across the Department, enterprise architecture: (1) illustrates the implications of business and information technology decisions; (2) ensures the acquiring technologies adequately support business and information needs; (3) facilitates information sharing among the program offices; (4) promotes a reduction in duplicative system functionality; and (5) highlights opportunities for building greater flexibility into applications.

Results and analysis. HUD’s FY 2005 goal was to complete its target architecture by the end of FY 2005, and this goal was successfully achieved. During FY 2005, HUD’s enterprise architecture team completed development of Target Architecture Version 1.0 and Version 2.0, meeting the goal. Target Enterprise Architecture Version 1.0 included architectural principles, drivers, common requirements and enterprise-wide business, services, and technology architecture. Target Enterprise Architecture Version 2.0 augmented Version 1.0 through the addition of enterprise-wide data architecture. In addition, HUD’s enterprise architecture team completed development of an Enterprise Architecture Transition Plan. This plan defines a logical sequencing plan to implement HUD’s target enterprise architecture.

HUD’s enterprise architecture team executes the transition plan by supporting development of detailed segment architecture for HUD’s strategic lines of business, common business functions, and core information technology services. The following segment architectures have been completed or are under development: Single Family Housing, Rental Housing Assistance, Multifamily Housing, Financial Management, Human Resources Management, Grants Management, and Tracking and Workflow.

Additional work will be completed in FY 2006 to develop an enterprise-wide performance architecture and to augment HUD’s technical architecture to support information technology modernization. In addition, the Enterprise Architecture team will continue to support execution of the Enterprise Architecture Transition Plan through the development and maintenance of segment architecture.

Data discussion. Enterprise architecture activities are included in HUD’s Information Technology Strategic Plan for FY 2005 – FY 2010. Status reports provide accurate tracking information on planned activities. Program managers regularly review the status reports to ensure that planned actions occur. Additionally, these activities are reported in the PMA. HUD’s Chief Architect regularly reviews the PMA status reports to ensure that planned actions occur and are reported in the PMA process.
In June 2005, HUD’s Enterprise Architecture program was assessed at a level of 3.44 out of 5.0 relative to OMB assessment framework. This score reflects a higher level of product maturity (completeness) and demonstrated use of HUD’s enterprise architecture to support information technology investment management (utility), as well as represents a significant improvement over an initial enterprise architecture program assessment of 1.81 out of 5.0 (August 2004).

**EM.2.9: HUD will implement policies and controls to reduce computer security risks, including certifying and accrediting 100 percent of HUD’s IT systems by December 31, 2005.**

**Background.** The Federal Information Security Management Act establishes certification and accreditation as the government’s primary risk management process. The Act stipulates that each agency information technology system classified as a major application or general support system will undergo certification testing to assess the adequacy of its security controls and will be accredited by a senior agency management official prior to operation. Currently, HUD has designated in its Inventory of Automated Systems 7 general support systems, and 146 major applications systems, all of which are in operation and are required to be certified and accredited.

**Results and analysis.** HUD has successfully completed the vast majority of this goal, and projects fully meeting the goal by the target date of December 31, 2005. The Office of Information Technology Security has published a handbook which establishes policies and controls relating to risk management and system certification and accreditation. This includes requirements for mitigation of risks. The Office has also published the HUD Certification and Accreditation Process guide, which has served as the basis for the certification and accreditation of 143 major applications as of September 30, 2005. Certification of the remaining three major applications is planned for the 1st Quarter FY 2006, and accreditation is anticipated by November 30, 2005. Additionally, all of HUD’s seven general support systems are now undergoing certification, and their accreditation is anticipated by October 31, 2005. According to plans and initiatives currently in place, 100 percent of HUD’s information technology systems will be certified and accredited by December 31, 2005.

**Data discussion.** Weaknesses identified through the certification and accreditation process and the status of corrective actions are tracked on a quarterly basis by the Office of Information Technology Security staff in coordination with system owners. If weaknesses are identified, staff will develop corrective action plans with program offices.

**EM.2.10: The Accelerated Claim and Asset Disposition demonstration program (Section 601) will exceed the rate of net recovery received through the conveyance program on the sale of single family assets.**

**Background.** A key element to FHA’s business is the payment of claims on defaulted insured loans. Title VI, Section 601 of the Veterans Administration, HUD, and Independent Agencies Appropriations Act (1999) reformed the single family claims and property disposition process. The legislation enables HUD/FHA to: (1) pay claims upon assignment of mortgages rather than upon conveyance of the properties; (2) take assignment of notes and transfer them to private parties for servicing, foreclosure avoidance, foreclosure, property management and asset disposition; and (3) participate as an equity partner with private entities in asset disposition. The overall initial goal of the Accelerated Claim and Asset Disposition Demonstration was to
PERFORMANCE AND ACCOUNTABILITY REPORT

increase the value of the single family assets, and therefore the recovery to FHA, while ensuring that FHA’s public policy issues are addressed. If this methodology proves successful, FHA can resolve a substantial percent of defaulted mortgages by transferring mortgages to private partners rather than acquiring properties. This indicator tracks the rate of recovery on claims under the Section 601 demonstration program between FY 2002 and FY 2005.

Results and analysis. As the Accelerated Claim and Asset Disposition Demonstration matures and final disposition outcomes are made, the Department anticipates that the recoveries from the program will continue to exceed the Conveyance Recoveries of 71.2 percent. Recoveries as of August 31, 2005, for the three Single Family Sales Initiatives:

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Cost Adjusted as of 8/31/05</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single Family – Sale 1 October 2002 (assets sold FY 2003)</td>
<td>68.2%</td>
</tr>
<tr>
<td>Single Family – Sale 2 September 2003 (assets sold FY 2004)</td>
<td>72.3%</td>
</tr>
<tr>
<td>Single Family – Sale 3 August 2004 (assets sold FY 2005)</td>
<td>82.6%</td>
</tr>
</tbody>
</table>

The most recent available FY 2005 data show that as of August 31, 2005, the average net recovery rate for the second and third joint venture note sales completed under the demonstration program was 77.4 percent. Additional recoveries will be realized as the remaining assets of the portfolios are sold. The recovery for the first Joint Venture is 68.2 percent; the assets sold under this partnership were located in the Philadelphia and Atlanta Homeownership Centers and, as such, this recovery rate is not comparable with recovery numbers based on nationwide claims.

The winning bid percentage continued to increase for the most recent sale, Single Family Joint Venture 2005.

Data discussion. The data source is the Single Family Insurance System -- Claims Subsystem, which is audited by the Inspector General.

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

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

Background. HUD partners are critical to the Department’s overall performance. These partners, which include government, nonprofit, and for-profit entities, provide service delivery for a majority of HUD programs. Increasing their satisfaction with HUD makes them more willing to support HUD and achieve common objectives. During FY 2001, the Office of Policy Development and Research surveyed eight partner groups to assess partner satisfaction with the Department and perceptions of management changes at HUD. The partner groups included community development directors, PHA directors, Fair Housing Assistance Program directors, mayors, multifamily owners, and nonprofit providers. Overall satisfaction by partners varied greatly, with mayors and Fair Housing Assistance Program directors highly satisfied, and PHA directors and multifamily owners less satisfied. The Department’s goal is to observe an increase in satisfaction among partner groups when the 2001 baseline study is replicated.
Results and analysis. The Office of Policy Development and Research contracted a second stakeholder survey during FY 2004 but the data are not yet available. The researchers completed data collection during FY 2005. They attained an overall response rate of 73 percent, substantially higher than typical levels for comparable surveys. Results will become available after the data are analyzed and the report is prepared early in FY 2006. The report for the baseline survey, “How’s HUD Doing? Agency Performance as Judged by Its Partners,” is available at www.huduser.org.

Data discussion. The survey instruments used in FY 2001 and FY 2005 each were pre-tested to validate the data collection. The surveys differ slightly in focus because the management environment has changed. The new effort maintains a core set of questions to ensure comparability with the earlier survey.

EM.3.2: At least 80 percent of key users (including researchers, State and local governments, and private industry) rate PD&R’s work products as valuable.

Background. The Office of Policy Development and Research is charged with providing data on housing and urban conditions to support program operations and external research, evaluating HUD programs, and preparing studies on housing conditions, policy, and technology. A FY 2001 baseline set of discussions with key stakeholders and selected research users found that 81 percent rated research products as “valuable.” The stakeholders and users interviewed during the baseline research included academics, nonprofit researchers, building professionals, trade and manufacturing associations, financial institutions, and housing advocacy groups.

During FY 2005, follow-up surveys focused on customers of the Office of Policy Development and Research’s online distribution center, HUD USER, which receives about 2.5 million visits annually. The survey respondents represented three groups of customers: visitors to the HUD USER website, subscribers to the HUD USER News and American Housing Survey listservs, and users of the Regulatory Barriers Clearinghouse listserv and website. Listserv customers generally may be considered key users.

Results and analysis. Among the FY 2005 survey respondents, 87 percent were highly satisfied or moderately satisfied with the quality of the information available on HUD USER. This result exceeds the goal of 80 percent finding the information “valuable,” which is slightly narrower in concept. Satisfaction with the quality of information was even higher among the key users of the listserv groups, reaching 94 percent for each group.

Regarding the HUD USER website itself, 84 percent of respondents expressed satisfaction. Sixty percent of these users typically use the information for research. Overall website satisfaction was higher among the key users, reaching 92 percent among News and American Housing Survey listserv respondents and 93 percent among Regulatory Barriers Clearinghouse respondents.

Overall satisfaction with the HUD USER website and Office of Policy Development and Research products was very high. Most respondents were very satisfied with the content of the website, the quality and adequacy of research, and the adequacy of the data sets. However, they also offered a large number of suggestions for improving the website, notably including stronger search capabilities. The results of the survey are presented in full in the final report, “Assessment of the Office of Policy Development and Research Website.”
PERFORMANCE AND ACCOUNTABILITY REPORT

Data discussion. The data consist of 10,795 valid responses to the website survey and 1,832 valid responses to the listserv surveys (995 for News and American Housing Survey listservs and 837 for the Regulatory Barriers Clearinghouse listserv). All users between October 7 and December 10, 2004, were asked to participate. To boost the rate of response to the survey, respondents were offered Policy Development and Research publications valued at up to $10. An analysis conducted to validate the sample revealed no significant differences between respondents and non-respondents, nor between visitors during the survey period and the rest of the year.

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

Background. In 1978, the Office of Policy Development and Research established HUD USER, an information resource for housing and community development researchers and policymakers. HUD USER is one of the principal sources for federal government reports and information on housing policy and programs, building technology, economic development, urban planning, and other housing-related topics. HUD USER also creates and distributes a wide variety of useful information products and services and provides research support in the form of an email- and phone-based Help Desk. Substantial HUD USER activity is an indication of the value of the Office of Policy Development and Research’s work, and of HUD USER’s coordination and outreach activities on behalf of HUD’s customers. The performance target was increased to 4.8 million downloads for FY 2006.

Results and analysis. During FY 2005, users of the HUD USER research clearinghouse downloaded 5.9 million electronic files, surpassing the goal of 3.2 million downloads. The result represents a new record for annual volume. The number of downloads varies from month to month, reflecting the timing and popularity of new reports and information.

Data discussion. The data are gathered in monthly reports from Sage Computing, HUD’s web hosting and content management provider for HUD USER. Beginning in mid-2003, the counts have been generated with WebTrends software, a standard analytical application in the web hosting industry. No counting errors are expected. However, users may download multiple files while obtaining the information they were seeking, and a single user may download the same product more than once. An effort has been made to exclude partial downloads, but a small proportion of partial downloads are known to remain in the total. A survey of HUD USER customers during FY 2005 (see indicator EM.3.2) provided independent qualitative and quantitative information for validating usage patterns from automated data.
Objective EM.4: Ensure program compliance.

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

Background. The rental housing assistance programs (public housing, Housing Choice Vouchers, and project-based assistance programs) constitute HUD’s largest appropriated activity, with over $26 billion in annual expenditures. There are three major sources of error in these complex programs:

- Program administrator error: the program administrator’s failure to properly apply income exclusions and deductions and correctly determine income, rent, and subsidy levels;
- Tenant income reporting: the tenant beneficiary’s failure to properly disclose all income sources; and
- Billing error: errors in the billing and payment of subsidies between third party program administrators and HUD.

In FY 2000, HUD estimated that 60 percent of all subsidized rent calculations were done in error, and that there were approximately $2 billion in net annual subsidy overpayments attributable to program administrator error and tenant income reporting error. (The baseline studies for the third component, billing error, were completed later.) HUD’s OIG has identified rental assistance payment errors as a material weakness in past audits of the Department’s financial statements, and in response, HUD has committed to specific and aggressive corrective actions as part of the Eliminate Improper Payments initiative of the PMA.

In conjunction with OMB, HUD established a goal for a 50 percent reduction in both the frequency of errors and the $2 billion in net annual overpayments by FY 2005. HUD set interim error reduction goals of 15 percent for FY 2003 and 30 percent for FY 2004, which the Department significantly exceeded with a 71 percent reduction in net subsidy overpayments by the end of FY 2003, as reported in the FY 2004 Performance and Accountability Report.

However, the reduction of errors and improper payments is not expected to have a significant impact on budget outlays, as HUD’s experience has been that many higher income tenants, as well as tenants who have been underreporting their incomes, will leave subsidized housing and be replaced with lower income tenants requiring increased rent subsidies. The Department’s error reduction efforts are still vitally important, regardless of budgetary savings, because they help to ensure that program funds are directed toward households that properly qualify for rental assistance.

To address the FY 2000 baseline estimate of improper payments, HUD established the Rental Housing Integrity Improvement Project. This project was led by a multi-organizational working group that developed a comprehensive corrective action plan that provided for:

- Structured forms, training, and automated tools needed to determine rents and subsidies correctly;
- Education on program processes and benefits;
- Increased use of automated sources of income data during rent and subsidy determinations;
PERFORMANCE AND ACCOUNTABILITY REPORT

- Increased monitoring of program processing by HUD’s intermediaries, using risk-based targeting indicators;
- Automated billing verifications;
- Stronger performance incentives and sanctions for HUD’s intermediaries and tenants;
- An on-going quality control program; and
- Statutory and regulatory simplification of the program.

In FY 2004, HUD developed and began implementation of the Upfront Income Verification System (now the Enterprise Income Verification System) to share state wage data matching information with PHAs for use in verifying tenant income. In FY 2004, HUD received statutory authority to conduct an ongoing computer matching program with the National Directory of New Hires, administered by the Department of Health and Human Services. The National Directory of New Hires is a central source of wage, unemployment benefit, and new hires information for most employed individuals in the United States. Throughout FY 2005, HUD completed the necessary system developments to prepare for the implementation of National Directory of New Hires data into the Enterprise Income Verification System in October 2005. This new capability will allow PHAs to conduct more effective and timely income verification of tenants.

In FY 2006, HUD plans to consolidate all available income match data sources into the Enterprise Income Verification System so that HUD program administrators can access the data in a central location. HUD also plans to expand access to the system to all private owners and contract administrators of multifamily properties in FY 2006. This increased computer matching capability has the potential to eliminate the majority of the remaining improper payments related to program administrator errors and tenant underreporting of income.

HUD also continued its increased monitoring focus in FY 2005 through PIH’s Rental Integrity Monitoring reviews, and the Office of Multifamily Housing’s increased monitoring through the expanded use of Performance-Based Contract Administrators.

**Results and analysis.** HUD has already surpassed its FY 2005 goal for a 50 percent reduction in net subsidy overpayments with a 67 percent reduction from FY 2000 through FY 2004. More significantly, HUD reduced gross improper payments by 61 percent during the same period. The following table summarizes the reductions in improper payments attributable to program administrator and tenant income reporting errors based on the FY 2000, FY 2003, and FY 2004 studies:
SECTION 2. PERFORMANCE INFORMATION
EMBRACE HIGH STANDARDS OF ETHICS, MANAGEMENT, AND ACCOUNTABILITY

Reductions in Improper Payments Due to Program Administrator and Tenant Income Reporting Errors

<table>
<thead>
<tr>
<th>Period</th>
<th>Percent of Cases In Error</th>
<th>Over Payments*</th>
<th>Under Payments*</th>
<th>Net Over-Payments*</th>
<th>Gross Improper Payments*</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>60</td>
<td>2.594</td>
<td>0.622</td>
<td>1.972</td>
<td>3.216</td>
</tr>
<tr>
<td>2003</td>
<td>41</td>
<td>1.087</td>
<td>0.519</td>
<td>0.568</td>
<td>1.606</td>
</tr>
<tr>
<td>2004</td>
<td>34</td>
<td>0.947</td>
<td>0.306</td>
<td>0.641</td>
<td>1.253</td>
</tr>
<tr>
<td>Reduction from 2000 to 2004</td>
<td>26</td>
<td>1.647</td>
<td>0.316</td>
<td>1.331</td>
<td>1.963</td>
</tr>
</tbody>
</table>

% Reduction from 2000 to 2004

43% 63% 51% 67% 61%

* Dollars in billions

The reductions in program administrator errors resulted from HUD’s efforts to work with its housing industry partners at PHAs and multifamily housing projects through enhanced program guidance, training, oversight, and enforcement. The reduction of erroneous payments due to tenant under-reporting of income was due to:

- Improved income verification efforts by housing program administrators;
- Increased voluntary compliance by tenants due to promotion of the issue;
- HUD’s initiation of improved computer matching processes for upfront verification of tenant income, and
- Improved methodology for reviewing income discrepancies identified through computer matching to better determine actual cases of underreported income impacting subsidy levels.

HUD also completed baseline studies for the third error component, billing error, in FY 2005. Billing errors are discrepancies between the proper subsidy level (based on the actual rent charges) and the amount that HUD is actually billed. The following baseline estimates pertain to FY 2003 activity.

Results of Billing Error Studies (FY 2003)

<table>
<thead>
<tr>
<th>Program</th>
<th>Subsidies Overpaid*</th>
<th>Subsidies Underpaid*</th>
<th>Gross Billing Error*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Housing</td>
<td>$56</td>
<td>$28</td>
<td>$84</td>
</tr>
<tr>
<td>Section 8 Vouchers</td>
<td>$15</td>
<td>$15</td>
<td>$30</td>
</tr>
<tr>
<td>Project-based Assistance</td>
<td>$56</td>
<td>$44</td>
<td>$100</td>
</tr>
<tr>
<td>Total All Programs</td>
<td>$127</td>
<td>$87</td>
<td>$214</td>
</tr>
</tbody>
</table>

* Dollars in millions

HUD’s increased review of program payment vouchers and on-site monitoring of support for these vouchers will lead to reductions in these estimates.
Data discussion. Periodic error measurement studies directed by the Office of Policy Development and Research provide the basis for measuring this indicator. The data are reliable for this measure, assuming availability of funding to cover the cost of the study. The independent HUD OIG reviews the error measurement methodology and support, as well as management controls over the related program activity, as part of its audit of HUD’s annual financial statements. In compliance with OMB implementing guidance for the Improper Payments Information Act of 2002, future measures of improper payments and goals for reducing improper payments will be expressed in terms of gross improper payment estimates as a percentage of total annual program payments. Both overpayments and underpayments of subsidies adversely affect intended program beneficiaries, since a subsidy overpayment means that less assistance is available for other eligible families and a subsidy underpayment means that a family in need is paying more rent than they should. Furthermore, the focus on net subsidy overpayments can be misleading in situations where both subsidy overpayments and underpayments decrease, but the net error actually increases because the difference between the two has increased. This occurred between FY 2003 and FY 2004 in HUD’s rental housing assistance programs. These results could present a misleading summary of actual performance, and incorrectly imply that the Department's performance level is regressing, when in actuality the Department showed improvements in reducing both under- and over-payments.

EM.4.2: The national average PIH Information Center (PIC) reporting rates for public housing and Housing Choice Voucher households will be 95 percent or better.

Background. Accurate and complete information about the households participating in HUD housing programs is necessary to allow HUD to monitor the effectiveness of the programs, assess agency compliance with regulations, and analyze the impacts of proposed program changes. Several outcome indicators in the Performance and Accountability Report use data about public housing or voucher households that housing agencies submit to the PIH Information Center system via electronic submissions, as required by program regulations.

The PIH Information Center system provides the primary source of data on participation in these programs, and field staff uses the data to monitor and evaluate housing agencies and as a criterion in the Section Eight Management Assessment Program.

This indicator was revised mid-year to reflect better than anticipated performance in FY 2004. The initial reporting goal of 85 percent was based on the minimum reporting rate established for PHAs in the late 1990s. At that time the reporting rate was much lower than it is now. PHAs with reporting rates lower than 95 percent are subject to sanctions.

Results and analysis. The reporting rate, based on records submitted between June 1, 2004, and September 30, 2005, was 89 percent, which is six percentage points below the 95 percent target and represents a similar decline from FY 2004’s reporting rate. The data excludes PHAs that participate in the Moving to Work demonstration program. PHAs experienced a decline in reporting rates as a result of HUD switching to the Voucher Management System to calculate Housing Choice Voucher reporting rates. PIH expects an increase in reporting rates as PHAs prepare for their annual reporting rate assessment.

Data discussion. PHAs experienced a decline in reporting rates as a result of a change in the source of the denominator for Housing Choice Voucher households to the Voucher Management
System. PIH expects reporting rates to increase once all PHAs complete the adjustment of their public housing reporting rate denominators to indicate the appropriate unit status type in the Public and Indian Housing Information Center Building & Unit module. PIH issued a notice in June 2005 that implements a sanctions policy for PHAs with reporting rates under 95 percent. The notice goes into effect starting with the December 31, 2005, fiscal year end PHAs. Consequently, PIH expects an increase in reporting rates as PHAs prepare for their annual reporting rate assessment.

Late reporting is identified by automated PIH Information Center module reports that specify late re-certifications for each housing agency and flag poor reporters. The tenant data and summary statistics are electronically available to PHAs and field offices for verification, validation, analysis, and monitoring purposes. The reporting rate was based on records submitted between June 1, 2004, and September 30, 2005.

EM.4.3: The share of completed CDBG activities for which grantees satisfactorily report accomplishments increases to 93 percent.

**Background.** This indicator tracks the level of reporting of accomplishments for completed CDBG activities in the Integrated Disbursement and Information System. Grantees use the system to report to HUD on their use of CDBG and other CPD formula program funds (i.e., HOME Investment Partnerships, Emergency Shelter Grants, and Housing Opportunities for Persons with AIDS). This indicator is important because it reflects a benchmark of the overall quality of the information grantees report, and this data is used to determine whether the performance goals established by HUD in its Annual Performance Plan for the CDBG program have been met.

**Results and analysis.** In FY 2005, grantees reported accomplishments for 97.3 percent of completed activities in the Integrated Disbursement and Information System, exceeding the goal by slightly more than four percent. During FY 2005, of the 38,639 activities reported as completed, 37,587 had reported accomplishments. This is a 2 percent increase from the 95 percent achieved in FY 2004, and reflects continued improvement under this indicator since 2002.

**Data discussion.** The improvement in the reporting of accomplishments for completed CDBG activities is primarily a result of HUD’s ongoing data clean-up efforts, as well as edits added to the Integrated Disbursement and Information System that provide greater consistency in reporting and require grantees to enter certain accomplishment data prior to reporting an activity as completed. HUD continues to look for additional improvements that can be made to the Integrated Disbursement and Information System to improve data quality and consistency, as well as the ease of entering data.

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

Background. CPD grantees are recipients of formula and competitive grants designed to assist communities to build viable neighborhoods, expand homeownership and affordable housing, and provide economic opportunities. Specific goals and beneficiaries are identified for consolidated plans and competitive grant applications.

This indicator tracks the extent of monitoring activity by HUD field staff to ensure that grantees are appropriately carrying out CPD programs, helping low- and moderate-income families, and developing distressed neighborhoods. HUD monitors both active formula and competitive CPD program grantees for compliance. Grantees are monitored on-site and remotely.

Results and analysis. CPD field staff monitored 977 grantees, or 21 percent of 4,710 active grantees, exceeding the target of 942 grantees, or 20 percent. Grantees are assessed for risk on an annual basis using CPD’s Risk Analysis Notice. Field offices use the results of the risk analysis to identify grantees targeted for monitoring during the fiscal year. Monitoring conforms to both sound quality assurance practices and risk-based principles that focus on weak performers.

Data discussion. CPD field offices report how many grantees were reviewed in the Department’s internal tracking system, HUD Integrated Performance Reporting System. Remote monitoring activities are carried out in compliance with guidelines established in the HUD Monitoring Desk Guide (Training Edition). Field supervisors review monitoring activity and reporting by field staff.

EM.4.5: The share of HOME-assisted rental units for which occupancy information is reported shall be maintained at a level of 90 percent.

Background. This indicator tracks the reporting by HOME Investment Partnerships program participating jurisdictions into HUD’s Integrated Disbursement and Information System of data describing the households that occupy the assisted rental units. This information helps HUD assess compliance with the HOME Investment Partnerships program-assisted tenant income limits, as well as determine who is benefiting from the program.

Results and analysis. During FY 2005, 92 percent of rental units had occupancy information reported in the Integrated Disbursement and Information System. This is a one percent increase over the FY 2004 level of 91 percent, and met the FY 2005 goal for maintaining the percentage of rental units for which occupancy information is reported at a minimum of 90 percent.

HUD relies on the HOME Investment Partnerships program’s participating jurisdictions to enter data into the Integrated Disbursement and Information System. HUD will continue to use ongoing data clean-up, intensive follow-up with participating jurisdictions, and the individualized participating jurisdictions performance “SNAPSHOT” discussed under indicator A.1.3 to monitor and improve grantee accountability, and to encourage more complete data entry.
Data discussion. Data entered by participating jurisdictions in HUD’s Integrated Disbursement and Information System are used to track performance. Future annual performance plans will continue to track the share of HOME-assisted rental units for which occupancy information is reported. CPD field staff verifies program data when monitoring grantees, and grantee reports are subject to independent audits.

EM.4.6: By Fiscal Year 2005, the Departmental Enforcement Center (DEC) will increase the percentage of residents living in acceptable insured and/or assisted multifamily housing to 95 percent by taking aggressive civil or administrative enforcement actions. This will be accomplished by closing 85 percent of the physical referral cases in the DEC as of October 1, 2004, by September 30, 2005.

Background. The Departmental Enforcement Center, under the direction of the General Counsel and in coordination with HUD Program Offices, has central responsibility for taking enforcement action against troubled multifamily properties that fail to fully comply with all HUD regulatory and business agreements. The Departmental Enforcement Center, working with legal support from the Office of General Counsel’s Office of Program Enforcement, also processes suspensions and debarments and refers civil cases to the Department of Justice and criminal cases to HUD’s Inspector General. The sum of these actions brings resolution to the most egregious non-compliance issues among recipients of HUD program resources and ensures compliance with legal requirements to preserve decent, safe and sanitary housing for low- and moderate-income households.

As in FY 2004, physical referrals continued to be the priority for the Departmental Enforcement Center during FY 2005. In the area of administrative sanctions, the Center processed over 700 notices of proposed suspensions, debarments or final determinations. Administrative sanctions were imposed against participants from all program areas.

This measure was revised mid-year to include a target for Departmental Enforcement Center case closures, which demonstrates its contributions in achieving the housing quality goal.

Results and analysis. For FY 2005, the Departmental Enforcement Center’s goal was to increase the percentage of residents living in acceptable insured and/or assisted multifamily housing to 95 percent by closing 85 percent of the physical referral cases in the inventory as of October 1, 2004. Accordingly, by September 30, 2005, the percentage of residents living in acceptable condition in multifamily insured/assisted housing was 95 percent. The Departmental Enforcement Center closed 204 of the 228 physical referral cases in its inventory, for a closure rate of 89.5 percent. The first measure in the indicator was met and the second was exceeded.

Data discussion. The Departmental Enforcement Center’s data source for the goal is the Real Estate Management System, which is a database system that maintains data on properties in the multifamily housing inventory. The Departmental Enforcement Center Management System is the system by which standardized reports are generated using data in the Real Estate Management System. These reports reflect the goal accomplishments on a fiscal year-to-date basis. Most of the data are manually entered into the Real Estate Management System and thus are subject to human error. Monthly reviews of the goal accomplishments by headquarters staff provide some quality control, as does the closeout process within each field office.

The Compliance Tracking System is also a database created to track the status of referrals to the Departmental Enforcement Center for administrative sanctions. This system is crosschecked
PERFORMANCE AND ACCOUNTABILITY REPORT

manually against paper files and against reports submitted by offices making referrals to the Departmental Enforcement Center.

During FY 2005, considerable work has been taken to transition from the Compliance Tracking System to a new system called the Enforcement Center Program Compliance Integration System. This new system will contain modules used by the Departmental Enforcement Center and the Office of General Counsel’s Office of Program Enforcement to ensure duplicate data entry is eliminated and coordinated reports tracking the status of cases processed by both offices are readily available.

EM.4.7: HUD will conduct 56 Title VI and/or Section 109 compliance reviews.

Background. The Office of Fair Housing and Equal Opportunity reviews PHAs, providers of HUD-assisted housing, and other HUD recipients to determine whether their programs and activities comply with Title VI of the Civil Rights Act of 1964 and Section 109 of Title I of the Housing and Community Development Act of 1974. Title VI prohibits discrimination on the basis of race, color, or national origin in programs or activities receiving federal financial assistance. Section 109 prohibits discrimination on the basis of race, color, national origin, religion, or sex in any program or activity funded by the Community Development Block Grant program. HUD completes a compliance review by issuing a letter of finding, which contains the findings of fact, a finding of compliance or noncompliance, and a description of an appropriate remedy for each violation identified, if any.

This goal was revised downward mid-year from 98 in response to reductions in staff and travel resources.

Results and analysis. During FY 2005, HUD issued letters of finding in 11 Section 109 compliance reviews and 58 Title VI compliance reviews, exceeding its goal by 23 percent. HUD will continue to review its programs to ensure that they are administered in a nondiscriminatory manner.

Data discussion. The data are maintained in the Title Eight Automated Paperless Office Tracking System. HUD managers provide quality assurance by reviewing the results on an intermittent basis.
EM.4.8: Conduct monitoring and compliance reviews or provide technical assistance under Section 3 to 20 housing authorities and other recipients of HUD financial assistance.

Background. Section 3 of the Housing and Urban Development Act of 1968 requires that the employment and other economic opportunities generated by federal financial assistance for housing and community development programs shall, to the greatest extent feasible, be directed toward low- and very low-income persons, particularly those who are recipients of government assistance for housing. Recipients of funds covered by the law are required to report the number of Section 3 residents receiving employment, training, and contract opportunities each year.

HUD provides PHAs and other recipients of HUD federal assistance with technical assistance in implementing methods for achieving the employment, contracting, and other economic objectives of Section 3, and conducts compliance reviews to determine the extent to which they have met these objectives.

The goal for this indicator was revised downward mid-year from 40 monitoring and compliance reviews/technical assistance visits to reflect a reduction in resources available to support monitoring.

Results and analysis. During FY 2005, HUD conducted 22 monitoring/compliance reviews or technical assistance visits, exceeding its goal by two. Efforts were targeted toward sites of previous complaints and existing Section 3 Voluntary Compliance Agreements. These activities have ensured that the recipients are providing more training, employment, and contracting opportunities for low- and very low-income persons.

Data discussion. The data are based on the Office of Fair Housing and Equal Opportunity administrative records. The office verifies the data through manual review of records, which is reliable, given the small number of records.

EM.4.9: Increase the percentage of Section 3 complaints closed in 100 days to 75 percent.

Background. Section 3 of the Housing and Urban Development Act of 1968 requires that the employment and other economic opportunities generated by federal financial assistance for housing and community development programs shall, to the greatest extent feasible, be directed toward low and very low-income persons, particularly those who are recipients of government assistance for housing.

Any person or business that qualifies as a Section 3 resident or business concern (or their representative) may file a complaint with HUD if they believe that employment or contracting opportunities generated from the expenditure of Section 3 covered assistance are not being
awarded in accordance with Section 3 requirements. HUD reviews complaints and may initiate an investigation if such an action is merited to bring resolution to the complaint. HUD considers a complaint investigation closed when it makes a determination of compliance or noncompliance. When these cases are resolved in a timely manner, evidence is preserved, witnesses are more readily available, and violations are more likely to be reported.

This indicator was revised mid-year to measure efficiency in closing new cases, rather than closures of aged cases, which have been reduced significantly to this point.

**Results and analysis.** In FY 2005, HUD received 15 Section 3 complaints. Of those, HUD closed nine during FY 2005. One hundred percent of the cases closed were completed within 100 days. This compares to 73 percent of the cases filed and subsequently closed in FY 2004. Of the six cases filed during FY 2005 that were still open at the end of the fiscal year, two had aged past 100 days while four had not yet passed the 100-day mark. During FY 2005, HUD also closed outstanding cases filed during previous years, lowering its backlog of cases. HUD will continue to work diligently to resolve Section 3 complaint investigations in a timely manner.

**Data discussion.** The indicator is based on a manual count of administrative records. This method is reliable because of the small number of records involved.

**EM.4.10: Ensure appropriate use of funds among 100 percent of Fair Housing Initiatives Program and Fair Housing Assistance Program grantees by monitoring cooperative and grant agreements.**

**Background.** Fair Housing Initiatives Program grantees and Fair Housing Assistance Program agencies provide services to all segments of society in support of equal opportunity in housing. The Office of Fair Housing and Equal Opportunity conducts annual reviews of all open grants and cooperative agreements. HUD monitors the program compliance of all grantees; however, in-depth agency specific monitoring is conducted on all high-risk grantees. To the extent there are significant issues, concerns, or findings identified during monitoring and technical assistance, HUD will develop and require corrective action of the grantee.

This indicator was reworded mid-year to emphasize proper use of funds, and to specify the significance of monitoring as a means for ensuring compliance.

**Results and analysis.** In FY 2005, HUD monitored 100 percent of its Fair Housing Initiatives Program grant agreements and Fair Housing Assistance Program cooperative agreements for appropriate use of funds. The number of Fair Housing Initiatives Program grantees and Fair Housing Assistance Program agencies determines the number of monitoring reviews that will be conducted during the year. HUD completed 225 Fair Housing Initiatives Program and 131 Fair Housing Assistance Program monitoring reviews. These amounts exceed the total number of open Fair Housing Initiatives Program grants and Fair Housing Assistance Program cooperative agreements because, in some instances, grantees were monitored several times throughout the fiscal year.

**Data discussion.** The Office of Fair Housing and Equal Opportunity sets its annual goals for its monitoring reviews based on the number of Fair Housing Initiatives Program grantees and Fair Housing Assistance Program agencies. Upon completion of each monitoring review, the regional offices report information in HUD’s Integrated Performance Reporting System.
Objective EM.5: Improve internal communications and employee involvement.

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

Background. HUD is moving toward a more customer-oriented workforce and a greater emphasis has been placed on an employee’s ability to interact with customers, both internal and external. Research shows a strong correlation between employee satisfaction and customer satisfaction. HUD uses periodic employee surveys to gauge staff satisfaction with their work environment, the training and support they receive, and HUD’s performance orientation measured along several dimensions. The most recent Organizational Assessment Survey was conducted in FY 2005, and the Department has established a goal of improving employee satisfaction by ten percentage points in the following four dimensions: (1) Communication; (2) Rewards and Recognition; (3) Training and Development; and (4) Use of Resources.

Employee responses to the FY 2005 Organizational Assessment Survey have been compared to the responses from the one conducted in FY 2002. In FY 2004, the Office of Personnel Management revised the survey, making it shorter and clarifying some of its dimensions. Therefore, HUD’s previous Organizational Assessment Survey scores, as reported in the FY 2005 Annual Performance Plan, were adjusted to fit the revised Organizational Assessment Survey structure. A satisfied workforce translates to a strong workforce and helps to support two of the Department’s human capital goals, which are to become a mission-focused agency and to maintain a high quality workforce.

Results and analysis. The results of the FY 2005 Organizational Assessment Survey, while encouraging, did not meet the established goal of a 10 percentage point increase in employee satisfaction in the four dimensions, as documented below:

<table>
<thead>
<tr>
<th>Targeted Dimension</th>
<th>FY 2002 Baseline</th>
<th>FY 2005 Goal</th>
<th>FY 2005 Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Communications</td>
<td>40%</td>
<td>50%</td>
<td>46%</td>
</tr>
<tr>
<td>Use of Resources</td>
<td>39%</td>
<td>49%</td>
<td>41%</td>
</tr>
<tr>
<td>Training and Career</td>
<td>36%</td>
<td>46%</td>
<td>39%</td>
</tr>
<tr>
<td>Development</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rewards and Recognition</td>
<td>39%</td>
<td>49%</td>
<td>40%</td>
</tr>
</tbody>
</table>

The highest increase, shown in Communications, reflects the conscious effort throughout the Department to promote discussions with employees about the mission of HUD and to increase their understanding of how their work contributes to the success of that mission. While the increases in the remaining dimensions were not as high, they are still indicative of continuous improvement in these areas. Training and Career Development showed an increase of three percentage points, despite this year’s severe reductions in the Department’s training budget. Use of Resources showed a two-percentage point increase, reflecting the Department’s commitment to becoming more efficient. While Rewards and Recognition increased by only one percentage
point, the Department is working with the Office of Personnel Management to revise its performance management programs and expects the revisions to have a positive impact on both performance appraisal and employee recognition. HUD remains committed to continuous improvement in all dimensions of the Organizational Assessment Survey.

Data discussion. The Personnel Resources and Development Center of the Office of Personnel Management administers the Organizational Assessment Survey. These data are not significantly affected by sampling error because all employees receive the survey. However, because of the low response rate, the results may not be representative of the entire staff. It should also be noted that the survey had a 1.3 percent margin of error, which is a very good performance standard. The Organizational Assessment Survey was tested by the Office of Personnel Management, with additional pre-testing for HUD. A committee guided development of the survey administration framework and survey design to ensure valid and useful results. In FY 2004, the Office of Personnel Management revised the Organizational Assessment Survey, making it shorter and clarifying some of its dimensions. Therefore, HUD’s Organizational Assessment Survey scores prior to this, as reported in the FY 2005 Annual Performance Plan, were adjusted to fit the revised Organizational Assessment Survey structure.
Goal FC: Promote Participation of Faith-Based and Community Organizations

Strategic Objectives:

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

**FC.2** Conduct outreach and provide technical assistance to faith-based and community organizations to strengthen their capacity to attract partners and secure resources.

**FC.3** Encourage partnerships between faith-based and community organizations and HUD’s traditional grantees.

### PERFORMANCE REPORT CARD - GOAL FC

<table>
<thead>
<tr>
<th>Performance Indicators</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2005 Target</th>
<th>Met</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>FC.1.1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The Center will measure the potentially increased participation by new and past participating faith-based and community organizations in the Department’s FY 2005 SuperNOFA process compared to 2004.</td>
<td>$479</td>
<td>$532</td>
<td>$545</td>
<td>N/A</td>
<td>N/A</td>
<td>a,g</td>
<td></td>
</tr>
<tr>
<td>FC.2.1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The Center will conduct comprehensive outreach to faith-based and community organizations by attending and participating in conferences, workshops and maintaining an exhaustive database.</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>47</td>
<td>N/A</td>
<td>Yes</td>
<td>g</td>
</tr>
<tr>
<td>FC.2.2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>In order to ensure that faith-based and community organizations have equal access to HUD and private funding opportunities, the Center will conduct 20 free grant writing training sessions across the country that provide participants with approaches to obtaining federal funds, information on how to successfully write grants, and strategies for developing coalitions.</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>69</td>
<td>20</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>FC.3.1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The Center will analyze successful strategies in six U.S. cities involving faith-based and community organizations in affordable housing and homeownership plans, and will educate more than 50 mayors on the strategies and how to implement them in their respective cities.</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>7</td>
<td>6</td>
<td>Yes</td>
<td>a</td>
</tr>
<tr>
<td>FC.3.2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The Center will work with at least one HUD program office to implement a pilot program to strengthen partnerships between faith-based and community groups and HUD programs.</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>50</td>
<td>N/A</td>
<td>a</td>
</tr>
<tr>
<td>FC.3.3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CPD Joint Notice of Funding Opportunity with the Department of Labor.</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>Yes</td>
<td>g</td>
</tr>
</tbody>
</table>

Notes:

- a Data not available.
- b No performance goal for this fiscal year.
- c Tracking indicator.
- d Third quarter of calendar year (last quarter of fiscal year; not the entire fiscal year).
- e Calendar year beginning during the fiscal year shown.
- f Calendar year ending during the fiscal year shown.
- g Result too complex to summarize. See indicator.
- h Baseline newly established.
- i Result is estimated.
- j Number is in thousands.
- k Number reported in millions.
- l Number reported in billions.
Objective FC.1: Reduce barriers to participation by faith-based and community organizations.

FC.1.1: The Center will measure the potentially increased participation by new and past participating faith-based and community organizations in the Department’s FY 2005 Super Notice of Funding Availability process compared to 2004.

Background. The Center for Faith-Based and Community Initiatives compares currently available fiscal year data against available data from past fiscal years, in order to check for growth against the immediately preceding year and to look for long-term trends. The Center has no involvement in grant decisions and management, but it does conduct outreach to equip faith-based and community organizations for more effective participation in Super Notice of Funding Availability competitions. One way to measure the effectiveness of the Center’s outreach is to look at the number of both first time and repeat awards to faith-based and community organizations in the Super Notice of Funding Availability process. The Center measures this number in fulfillment of its White House mandate to report on results.

Results and analysis. Final data for FY 2005 grant awards are not currently available, and FY 2004 data were not available for the publication of the FY 2004 Performance and Accountability Report. HUD can now report that in FY 2004 faith-based and community organizations secured $545 million in competitive funding, compared to $532 million in 2003 and $479 million in FY 2002, an overall increase of 14 percent from FY 2002 to FY 2004. The number of grantees rose from 659 in 2002, to 765 in 2003, to 836 in 2004, an increase of 27 percent from FY 2002 to FY 2004. First time grantee numbers have increased from 37 in 2002, to 52 in 2003, to 77 in 2004, an increase of 108 percent from 2002 to 2004. In FY 2004, while faith-based organizations accounted for 15 percent of all grantees, they accounted for 24 percent of dollars received in select competitive funding. Faith-based and community organizations’ increased participation in HUD’s awards is attributable to their more effective participation in the Super Notice of Funding Availability application process.

Data discussion. Data were collected through the program offices using a variety of methods to best collect the most accurate information. The Center is confident that the collection process has become more refined and accurate each year, as program offices are thoroughly familiar with the reporting requirements and the Center has been able to provide longer lead-time for data collection and assembly. Any questions regarding accuracy are referred back to the program office, and when necessary, submitted to the organization in question for final resolution.

Objective FC.2: Conduct outreach and provide technical assistance to faith-based and community organizations to strengthen their capacity to attract partners and secure resources.

FC.2.1: The Center will conduct comprehensive outreach to faith-based and community organizations by attending and participating in conferences, workshops and maintaining an exhaustive database.

Background. To help nonprofit organizations meet the challenges of securing resources, it is important to educate faith-based and community organizations about the government programs
that are available from HUD. This targeted effort reflects the knowledge that such organizations are often unaware of grants and other opportunities that may be available to support their work. In support of the Center’s outreach goal, the Center continued to work with Faith-Based and Community Initiatives liaisons located in each of HUD’s regional and field offices. The liaisons are charged with educating faith-based organizations and community organizations in their community on the Initiative and HUD opportunities. The Center also continued the use of various media, including mass mailings and web casts, to distribute information, and continue the development of a database that currently contains more than 5,000 faith-based and community-based organizations. In addition, Center staff and Faith-Based and Community Initiatives liaisons participated in national, regional, and state conferences across the country, resulting in outreach to a broad range of social service providers, including many of the nation’s largest and most effective providers.

Results and analysis. In FY 2005, the Center built on the effective activities of previous years, and successfully met the goal of conducting comprehensive outreach to inform potential parties of HUD opportunities. Between October 1, 2004, and September 30, 2005, the number of conferences and public events attended by Center staff and Faith-based & Community liaisons was 47. During these events, representatives from the Center for Faith-Based and Community Initiatives addressed a variety of audiences, conducted workshops, and participated on panels. In addition, HUD representatives staffed networking tables to answer questions, give directions, and distribute information from HUD’s major program offices: PIH, CPD, Housing, Fair Housing and Equal Opportunity, Healthy Homes and Lead Hazard Control, and Policy Development and Research. Approximately 14,800 people attended these conferences, compared to approximately 3,000 in FY 2004. The Center continues to maintain an exhaustive database of faith based and community development organizations.

Data discussion. The Center tracks the participation of all Faith-Based and Community Initiatives liaisons at conferences and public events by requiring the liaisons to submit event-scheduling forms. Numbers for conference attendance are generated by registration forms, which may be adjusted based on other measures of actual attendance.

FC.2.2: In order to ensure that faith-based and community organizations have equal access to HUD and private funding opportunities, the Center will conduct 20 free grant writing training sessions across the country that provide participants with approaches to obtaining federal funds, information on how to successfully write grants, and strategies for developing coalitions.

Background. The Center believes that it is important to equip faith-based and community organizations with the knowledge and skills necessary for attaining resources to address the many needs of the community. Accordingly, the Center had instituted a two-day, intensive grant writing training session, entitled “The Art & Science of Grant Writing,” which educates faith-based and community organizations about the sources that are available to them from HUD, other government agencies, foundations, and corporate funding streams. HUD staff conducts the training across the country. At the conclusion of the training session, every participant receives a “Certificate of Completion.”

Results and analysis. Due to high demand, HUD’s Center For Faith-Based and Community Initiatives dramatically exceeded its goal of 20 sessions, as 69 sessions were completed
nationwide. Participants at the grant writing training sessions received and filled out a registration form and organizational survey, which identified their organization in terms of budget, planning strategy, mission, and number of employees. Participants also completed an evaluation form, which Policy Development and Research staff uses to evaluate the effectiveness of each session. This process allows for a more accurate analysis of the program, determining the level of performance and impact of the grant writing training sessions.

In FY 2005, the Center trained over 13,000 individuals. According to HUD’s Office of Policy Development and Research, the sum of $48 million in new grant dollars is directly attributable to the training people received from the Center for FY 2004. In addition, this training is very cost effective. In FY 2004, the average cost per session was under $1,700, a very responsible stewardship of taxpayer dollars.

Data discussion. Accomplishments will be assessed and documented by HUD’s Center For Faith-Based and Community Initiatives and Policy Development & Research. Attendances of all training sessions are documented through registration, sign-in sheets, organizational surveys, and evaluation sheets.

Objective FC.3: Encourage partnerships between faith-based and community organizations and HUD’s traditional grantees.

FC.3.1: The Center will analyze successful strategies in six U.S. cities for involving faith-based and community organizations in affordable housing and homeownership plans, and will educate more than 50 mayors on the strategies and how to implement them in their respective cities.

Background. Since its inception, the Center has aimed to design and identify demonstration and pilot projects that promote best practices in community revitalization and development and to build organizational capacity in faith-based and community groups to increase their ability to compete with larger, more experienced grantees. The Center has contracted with a small business to identify and highlight successful local strategies for involving faith-based and community organizations in affordable housing plans, and to educate mayors and other city officials across America about successful strategies and how HUD resources contribute to the process. This initiative, entitled “Unlocking Doors,” includes training to five or more local governments to build upon and improve innovative partnerships.

Results and analysis. The goal of analyzing six cities for this project was exceeded, as this pilot project was launched in seven U.S. cities: Chicago, Raleigh, Columbus, Nashville, Detroit, Miami, and Oakland. Forums were held in each city with mayors and/or their representatives, key faith-based and community leaders, and HUD Faith-Based and Community Organization liaisons. These forums/discussions opened doors to the local governments to work more effectively with faith-based and community organizations, thereby allowing them to open doors to affordable housing for the broader community. With the completion of the forums, the Center has completed a study of best practices that is in the process of being released to all mayors of cities of more than 150,000 people. Due to disaster relief efforts by cities nationwide at the end of the fiscal year, the mayors involved in this symposium requested an extended completion date for education regarding best practices in housing. Following these requests, completion of web chats leading to a symposium of mayors will be concluded in FY 2006.
**Data discussion.** The Center tracks the results of the Unlocking Doors forums through periodic dialogues, questionnaires, and feedback indicating that projects where brought to completion due to the open communication maintained by faith-based and community organizations and the Center with local authorities. The Center will assess and document additional accomplishments.

**FC.3.2:** The Center will work with at least one HUD program office to implement a pilot program to strengthen partnerships between faith-based and community groups and HUD programs.

**Background.** Together with the Office of Public and Indian Housing, the Center For Faith-Based and Community Initiatives developed a concept designed to support PHA case managers and enable PHAs to enlist the services of local faith-based and community organizations in helping public housing residents’ transition into independent housing and achieve personal goals toward self-sufficiency. This project allows PHAs to compensate faith-based and community organizations on a per capita, fee-for-service basis each time a faith-based and community organization mentor successfully leads a public housing resident toward an agreed upon benchmark. These funds were made available to determine if a mentoring demonstration program assistance model improves the results of self-sufficiency type programs for participating residents. This is an 18-month program.

**Results and analysis.** There were three PHAs awarded a minimum of $174,000 each to implement this program. The PHAs that received awards are: Danville, Virginia; Chicago, Illinois; and Philadelphia, Pennsylvania.

**Data discussion.** Center For Faith-Based and Community Initiatives staff will be maintaining a system for communicating and monitoring the HOPE VI demonstration projects through Public and Indian Housing personnel, PHA directors, and their case management staff.

**FC.3.3:** CPD joint Notice of Funding Opportunity with the Department of Labor.

**Background.** In FY 2004, the Center worked with CPD to design and offer a joint $15 million Notice of Funding Opportunity with the Department of Labor that would engage faith-based and community organizations in housing and job training services for homeless young people. In FY 2005, the Center will assist in promoting the awards made, and will evaluate the implications of the Notice of Funding Opportunity’s emphasis on involving grassroots organizations for other HUD grant programs.

**Results and analysis.** This joint effort between HUD and the Department of Labor was designed to offer urban and suburban shelter care providers funding to focus on working with cities that are partnering innovatively with faith-based and community organizations to enhance their facilities and promote job training. The Department of Labor committed $10 million and CPD committed $5 million for this community development pilot project. Due to legislative restrictions, this program was not implemented.

*This indicator was cited as FC.4.1 in the FY 2005 Annual Performance Plan.*